

LOOKING FOR A WAY OUT BY 'LOOKING EAST': AN ANALYSIS OF MALAYSIA'S LOOK EAST POLICY

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Artikel ini meneliti percubaan kerajaan Malaysia mencontohi haluan pembangunan di Jepun dan Korea melalui dasar Pandang ke Timur. Selepas menerangkan komponen dasar ini, penelitian dibuat ke atas hubungannya dengan ekonomi luar serta proses-proses sosio-ekonomi dan politik tempatan. Artikel ini menerangkan beberapa sebab mengapa kerajaan Malaysia memilih Pandang ke Timur sebagai satu dasar. Artikel ini diakhiri dengan faktor-faktor yang memungkin dasar ini tidak akan berjaya.

This paper examines the Malaysian government's attempt to emulate the development paths of Japan and Korea through its 'Look East' policy. After the policy's components are described, its relationship with external economic and domestic political and socio-economic processes is examined. Some of the reasons why the Malaysian government opted to 'Look East' are then offered. Lastly, arguments for why the policy is unlikely to succeed are advanced.

INTRODUCTION

... we must learn the reasons and the factors for Japanese success in modernisation: a good work ethic, social consciousness, honesty and discipline, a strong sense of social purpose and community orientation, good management techniques, Japan Incorporated, sogoshoshas, aggressive salesmanship and so on... Malaysia's present economic goals are not dissimilar from the targets that Japan set for herself in the 1960s, namely high speed growth through increase in productive capacity, greater industrial production, and production of exports. (Prime Minister Dr. Mahathir in a speech to the Malaysia-Japan Colloquium organised by Malaysia's ISIS and the Gaimusho, August 1984).

Captured by the exhortation to 'Look East', the vision of the Mahathir administration is to see Malaysia become Asia's 'fifth tiger', preferably under ethnic Malay capitalist dominance. The essential argument here, however, is that the Malaysian government's attempt to follow the development paths¹ of Japan and South Korea (henceforth Korea) is falling victim to the very economic and, to a lesser extent, political forces which called the Look East policy into being in the first place - namely, those associated with the present crisis in the world economy.

This paper is structured as follows: first, the contents and meaning of the Look East policy will be examined; second, an effort will be made to put the Look East policy in an historical context by discussing Malaysia's export-oriented

industrialisation strategy of the 1970s and its relationship with world economic and domestic political and socioeconomic processes of the period; third, some necessarily speculative suggestions as to why the Malaysian state has opted to 'Look East' in the 1980s will be made; and finally, the author's thoughts on why the Look East policy is unlikely to succeed in making Malaysia another Asian newly-industrialising 'success story' will be advanced.

1 THE MEANING OF 'LOOKING EAST'

Officially announced in February 1982, Malaysia's Look East policy marks a commitment to achieve, through emulation of the apparent bases of the Japanese and South Korean 'economic miracles', the much vaunted status of a 'newly industrialising country'.² Set against a background of strained Malaysian-British relations in late 1981 and 1982 which culminated in a government-sponsored 'buy British last' campaign,³ the policy is tinged with shades of anti-Westernism and even anti-imperialism. However, the very notion of 'Looking East' rather than North suggests that the policy is informed, to some extent at least, by a Western perspective. Indeed, while the policy necessarily reflects political, economic and social forces which are distinctive to Malaysia, it also smacks of the same 'orientalism' presently in vogue in the West. This is clear from the idealised image of a conflict-free Japan populated by selfless and diligent workers and bosses which appears in Dr. Mahathir's frequent exhortations to 'Look East':

[Looking East] means emulating the rapidly developing countries of the East in the effort to develop Malaysia. Matters deserving attention are diligence and discipline in work, loyalty to the nation and to the enterprise or business where the worker is employed, priority of group over individual interests, emphasis on productivity and high quality, upgrading efficiency, narrowing differentials and gaps between executives and workers, management systems which concentrate on long-term achievement and not solely on increases in dividends of staff incomes in the short-term.⁴

Interestingly, the deep, structural crisis in world capitalism which has brought an end to the postwar boom appears to have been a crucial factor in spurring both the developed capitalist countries (DCCs) of the West and Malaysia to 'Look East', particularly to Japan, in the 1970s and 1980s.

In spite of its heavy rhetorical content, the Look East policy actually informs - along with privatisation - much of the Malaysian government's current domestic and external policy. Consequently, I wish to turn at this point to a more detailed consideration of the formal content of Malaysia's Look East policy.

On the domestic front, the Mahathir administration is particularly outspoken about the desirability of instilling an 'enterprise culture' in Malaysia. Although vague, in the Malaysian context this notion involves a (selective) adoption of 'Japanese' and 'Korean' management techniques in both private and public sectors, as well as the repeated plea by the state to adopt 'Japanese' and 'Korean' work ethics. The Japanese work ethic, according to Mahathir, is

the willingness to work very, very hard, to be dedicated, to be loyal, to apply themselves fully to whatever it is that they are faced with. This is the most important single item that contributed not only to their [the Japanese] recovery [after WWII] but eventually to their tremendous progress.⁵

In terms of management techniques, Mahathir commends the Eastern (i.e. Japanese) emphasis on group achievement which, in contrast with the Western stress on the individual, he believes fosters harmony and commitment in the workplace.

Unfortunately, there is little in the way of accessible information on exactly how the notion of 'enterprise culture' has manifested itself concretely at the level of the firm or government department. This is particularly regretful given the current interest in and speculation about the transferability to other countries of the Japanese system of production ('just-in-time'/'total quality control' or 'systemofacture'), especially given that the two sectors in which this system is most successful - the electronics and auto industries - play an important role in the Malaysian economy.⁶

Specific management-related changes which the Malaysian government has favoured include the reorganisation of industrial relations to promote company loyalty (eg. company welfarism and in-house unions), increased productivity (eg. a higher proportion of 'incentive payments') and reduced losses (eg. the introduction of quality control circles). Efforts to improve efficiency productivity in the civil service have seen employees being required to 'clock-in' to record their arrival and departure times, and surprise checks and on-the-spot suggestions regarding manpower and organisational problems by officials from the Malaysian Administration and Manpower Planning Unit.⁷ The government has also expressed its desire to create a corps of industrial and commercial managers and, more generally, to widen the country's range of skilled manpower. As we shall see in the discussion of the external policy dimensions of 'Looking East', Japanese and Korean governments and private companies are expected to actively help in the achievement of these objectives.

In the area of economic policy, the present leadership in Malaysia stands out most for its commitment to capital-intensive heavy industry. While the government has abandoned neither light industry such as textiles, electrical and electronic equipment which formed the basis of its export-oriented

industrialisation strategy in the 1970s, nor light import-substituting manufacturing and the processing of raw materials, it argues that Malaysia must move up the 'technological ladder' so as to lessen the country's vulnerability to world market forces. This decision to concentrate on developing heavy industry is, of course, an essential ingredient in 'Looking East'. In the 1960s, Japan devoted vast quantities of resources to developing its own heavy and chemical industries which, subsequently, have helped it retain its export competitiveness, as well as favourably shaping its import needs. Korea followed suit with a heavy industrialisation programme in the 1970s.

Heavy industries identified as appropriate by the Malaysian government include steel mills, tin factories, cement works, sawmills and woodprocessing plants, petro-chemical works, general purpose engine building, shipbuilding, and motor cycle and car production. At the forefront of this push for heavy industries is the government-owned Heavy Industries Corporation of Malaysia (Hicom) which was incorporated in 1980 and became fully operational in 1982. Examples of Hicom's activities include the building of a US\$455 million sponge-iron and steel-billet plant, the controlling partnership in a US\$215 million cement plant, the signing in May 1983 of contracts for a US\$245 million autobody stamping plant, and the conclusion with three Japanese companies of an agreement to construct three separate motorcycle plants.⁸ Most of the Hicom projects are to be 70%-owned joint ventures with foreign partners.

As part of the Look East policy, Mahathir has welcomed to Malaysia, heavy industries 'unsuitable' for siting in Japan and South Korea (due, for example, to their dangerous and polluting nature) arguing that at least this way Japanese and Korean companies can continue to reap profits from these industries rather than having to abandon all involvement because of, say, restrictive legislation in their home countries.⁹ For example, in response to the government's invitation to participate in raising the value-added of Malaysia's oil exports, Japan Gasoline Corporation and C. Itoh were reported in 1983 to be building a US\$87 million turn-key crude-oil refinery for Malaysian National Petroleum Company (PETRONAS).

On the basis that they represent the quickest way to acquire technological know-how and capacity, turn-key projects (where a foreign contractor assumes total responsibility for designing and constructing a project before handing it over to nationals to run) and joint ventures¹⁰ have been favoured. (Here Malaysia departs from the Japanese and Korean 'models' of industrialisation where considerably greater attention was devoted from the beginning to screening technology imports and foreign investment in order to build up industrial self-reliance). Consequently, numerous construction contracts have recently been awarded to Japanese and South Korean companies. Thus, at the time of the declaration of the Look East policy in 1982, the Malaysian government awarded the US\$233

million Penang Bridge project to Korean Hyundai Engineering and Construction on condition that four hundred Malaysians be trained on the job.

Perhaps the most interesting and representative example of Malaysia's turn to heavy industry is the government's decision in 1984 to go ahead with the production of a locally manufactured (as opposed to assembled) car.¹¹ Again, the example of Japan (and to a lesser extent, Korea) where the car industry played a central role in the country's postwar economic growth is used to justify the controversial project.

First, government proponents argue that, as in Japan, the car industry will have valuable spin-off effects through its backward and forward linkages in the economy (eg. car components and servicing). Furthermore, they insist that by enhancing the experience and knowledge of Malaysia's labour force, the car industry will make available a needed pool of skilled labour as new heavy-industry projects come on stream.

Second, the fact that a Japanese partner is prepared to take a 30% equity in the project and Japanese banks (such as the Export-Import Bank of Japan) have agreed to furnish substantial loans is held up as proof of the project's viability.¹² Hicom has a 70% equity holding in the project while Mitsubishi Corporation of Japan and Mitsubishi Motor Company - which provide technological assistance, construct the plant and supply the equipment and parts - have 15% each. In August 1985, in a symbolic gesture which certainly expressed Malaysia's turn to the East, Mahathir personally drove the first completed 'Proton Saga' across the Korean-built Penang Bridge.

Another expression of the Look East policy has been the government's enthusiasm for locally incorporated international trading companies based on the Japanese *sogoshoshas* model. As of 1983, six Malaysian-style *sogoshoshas* had been formed, although only one, Sime Darby Pemas Trading Corporation Sdn. Bhd. (SDP), had actually begun trading. Once again, the government's arguments in favour of Malaysian *sogoshoshas* are based on the Japanese experience where *sogoshoshas* such as Mitsubishi Corporation have been instrumental in assuring the successful penetration of Japanese products into the world market. As a result, the argument is made that Malaysia needs *sogoshoshas* to serve as a vanguard for its export drive and a catalyst for the development of its manufacturing and resource-based industries. Because Malaysia has a population of only 14 million and, therefore, a relatively small domestic market, the government insists that the establishment of an efficient industrial sector necessarily depends on Malaysia's successful integration into the world market. On the basis that close cooperation between both countries' *sogoshoshas* will (somehow) lead to mutual benefits, Mahathir has 'invited' Japanese *sogoshoshas* to help smoothen the lengthy period of learning that their infant Malaysian counterparts must necessarily undergo.

The last domestic policy initiative which shall be considered also belongs (though less neatly than the above examples) under the rubric of 'Looking East'. It is the 'Malaysia-Incorporated' concept presently being championed by the Mahathir administration. Adapted from the (pejorative) term 'Japan Incorporated' which emerged in the 1960s as Western DCCs were increasingly confronted with stiff competition from allegedly more strongly state-backed Japanese business interests, 'Malaysia Inc.' is supposed to stand for more cooperative and complementary government/private sector relations. In the words of Mahathir,

Malaysia Incorporated emphasises co-operation between the government and the private sector for their mutual benefit which ultimately means the benefit of the nation. The private sector will form the commercial arm of the national enterprise so to speak, while the government provides the major policy framework, direction and the necessary back up services. By going hand in hand in achieving our common goals we should be able to improve each other's performance in both commercial and administrative procedures. The Malaysia Incorporated concept therefore provides a conducive environment for the development of entrepreneurship.¹³

At the same time, however, the government's enthusiasm for privatisation and deregulation and the rhetoric in which it is cloaked suggests that 'Malaysia Inc.' is more than simply an attempt to emulate the 'small government society' of Japan where enterprises, after having been made viable, are passed over to the private sector.¹⁴ That is, it is also a product of the now worldwide (though most strongly associated with the neo-conservative Thatcher and Reagan administrations) disparaging attitude toward the state as an instrument of economic and social engineering.

Thus far, the Malaysian government's privatising zeal has seen the privatisation in 1987 of the Department of Telecommunications, the flotation of a 30% stake in the Malaysian Airlines System, the sale in 1986 of the whole of Port Kelang Container Terminal, and numerous smaller initiatives such as the promotion of private sector involvement in cable-laying, water provision, health and education.¹⁵ As far as enhanced government cooperation with business goes, the government is seeking to attract more private, especially foreign, investment¹⁶. This to be accomplished by cutting down on existing bureaucratic and regulatory impediments by, for example, liberalising conditions imposed on the level of equity participation by foreign investors and providing a whole series of attractive incentives. As a result, the government's 1986 budget included a substantial package of fiscal incentives, including tax exemptions and an amnesty on commission income earned abroad, as well as the extension of tax incentives and pioneer status (previously available only to manufacturing) to the tourist and the agricultural sectors.¹⁷

Although domestic and external aspects of 'Looking East' should not, strictly speaking, be separated because they are closely linked (consider the Malaysian car which has resulted in the Japanese company, Mitsubishi, gaining a monopoly foothold in the Malaysian market), one can speak of some more explicitly external dimensions of the policy. These would have to include the request by the Malaysian government for Japanese and Korean government and private sector aid, technical assistance and training. More specifically, in 1982 Mahathir 'invited' the Japanese government and Japanese companies to provide opportunities and assistance in the following areas: academic studies in Japanese universities, training in the day-to-day running of factories and industrial establishments, and turning out higher grades of skilled craftspersons.¹⁸ Indeed, the government has an official policy, extended in June 1988, to 1992 with the Japanese Chamber of Trade and Industry in Malaysia of sending students to Japan for tertiary education and vocational training.

According to one source, enthusiasm for the Look East policy amongst Malaysian ministers, governmental groups and the private sector (not to mention Japanese and Korean capital) reached such heights that, at one point, the Education Ministry was considering introducing Japanese and Korean as third languages in secondary schools to help the expected throngs of Malaysian students making a beeline for Japanese and Korean universities. The decision to send selected students for foreign training was, it is interesting to note, also an aspect of Japan's development strategy.¹⁹

Finally, it is worth noting that in 'Looking East' the Malaysian government has done more than simply appeal to Japan and Korea's goodwill. A prosperous Malaysia, it argues, would serve Japan and Korea's self-interest by providing them with a better customer and trading partner.

2 EXPORT-ORIENTED INDUSTRIALISATION IN MALAYSIA IN THE 1970S: THE INTERFACE OF THE INTERNATIONAL POLITICAL ECONOMY AND DOMESTIC POLITICAL AND SOCIO-ECONOMIC INTERESTS

In the same way that Malaysia's import substituting industrialising (ISI) phase from independence in 1957 to the late 1960s, and its shift to export-oriented industrialisation (EOI) in 1968-69 reflected an imperfect, but, nevertheless, decipherable coincidence of externally-and internally-based economic, political and social processes, so too does the Look East policy. For methodological and contextual reasons, this section will briefly consider the Malaysian government's EOI strategy of the 1970s.

By the late 1960s Malaysia's ISI strategy was widely acknowledged to have been a failure.²⁰ Because of Malaysia's small domestic market, its ISI strategy had reached a saturation point, particularly in consumer goods. At the same time, the simmering ethnic rivalry and tension between Malays and non-Malays (in particular, Chinese) finally came to a head in the violent communal riots of May 1969. These developments on the domestic front coincided with a process of industrial restructuring initiated in the DCCs beginning in the 1960s and stemming from a crisis of capital accumulation. As Lipietz argues, the international dynamics of central Fordism in this 'emergent crisis phase' led to new socio-spatial strategies involving the spread of 'branch circuits' to certain developing countries. Capital was seeking to raise productivity and profit rates (via increased rates of exploitation) and was searching out new markets which would allow for an expanded scale of production.²¹ That is, facilitated by significant technological advancement in the areas of communication, transportation and production and by lucrative tax incentives peddled by many Third World governments (including that of Malaysia after 1968), low value-added industries such as textiles and electronics assembly were redeployed to off-shore facilities in cheap wage zones.

Confronted in the context of a stagnating economy with a dissatisfied and bitter Malay constituency,²² the Malaysian government chose to embark on a strategy which was most likely to produce the 'expanding economic pie' required for the successful implementation of its New Economic Policy (NEP). The NEP was announced in 1970 and it pledged to attack poverty and abolish the identification of race with occupation.²³ In the late 1960s and 1970s, due to the aforementioned process of industrial restructuring, high growth sectors tended to be in export manufactures (certainly, prices for these were rising faster than for agricultural commodities). Not surprisingly then, the government opted to align and integrate Malaysia with the structural adjustments producing a new international division of labour in the world economy. That is, in a bid to attract multinational capital to the country, it adopted an aggressive EOI (or using Lipietz's terminology, 'bloody Taylorization') strategy involving the establishment of Free Trade Zones (FTZs), a whole host of incentives, and an increasingly repressive and authoritarian stance toward labour and dissidents.²⁴

The successful establishment in the early 1970s of a thriving semi-conductor industry in Malaysia illustrates the character of the export-oriented industry favoured by the Malaysian state. This sector involved four production phases: research and development and wafer fabrication which required skilled labour, and assembly and testing which called for large amounts of unskilled labour. Initially, all of these phases were combined in a few locations (eg. Silicon Valley in the USA); however, as wage levels in DCCs began to rise sharply in the 1960s and demand for semiconductors rose sharply, first assembly and subsequently testing were moved to FTZs such as those found in the Malaysian state of Penang. The USA led the way in establishing off-shore semiconductor

facilities in Malaysia and after only three years, Malaysia became in 1974 the second largest national location for off-shore assembly (since then it has become the chief source of off-shore assembly).²⁵

The fact that, after Singapore, Malaysia achieved the highest level of economic growth in ASEAN in the 1970s - in no small part due to its export-oriented strategy - certainly made it easier for the Malaysian government to implement its domestic socio-economic and political objectives. That is, in contrast to ISI which had involved domestic assembly, packaging and final processing of previously imported finished goods by domestic labour operating largely imported machines, EOI favoured labour-intensive production techniques and was rooted in the exploitation of Malaysia's comparative advantage in cheap labour. While total employment in the manufacturing sector rose from 159,259 in 1973 to 296,378 in 1979 and 323,861 in 1983, the export-oriented electronics, textiles and clothing industries together accounted for 39.4% of this increase in employment in 1979 and 42% in 1983 (electronics alone accounting for 22.3% in 1979 and 25.3% in 1983). Moreover, during 1973 to 1979 employment grew by 435.5% in electronics, 98.2% in textiles and 107.8% in clothing, compared to 47.6% for other industries, though growth slackened in the early 1980s.²⁶ This remarkable employment growth in the industrial sector made it easier to satisfy the NEP regulation that not less than 30% of the workforce be 'bumiputera' (or Malay).

The government's policy of favouring the Malay population under the NEP has involved, however, not only the progressive proletarianisation of the Malay (predominantly female) peasantry, but also a commitment to constructing a Malay bourgeoisie. In the words of Mahathir,

in trying to redress the [racial] imbalance, it will be necessary to concentrate...efforts on the Malays, to bring out more Malay entrepreneurs and to make Malay millionaires, if you like, so that the number of Malays who are rich equals the number of Chinese who are rich.²⁷

This statement is in keeping with one of the NEP goals - that is, to see the corporate wealth of Malays rise from about 4% in 1970 to 30% by 1990. To achieve this aim, the government imposed certain conditions on foreign capital (which, on the whole, is treated extremely well and better than domestic Chinese capital). For example, in the 1970s the government began to demand local equity participation in industrial ventures initiated by foreign capital (especially in those producing for the local market), encouraged joint ventures with local Malay capitalists, and urged that Malays be appointed as company directors. In addition, as Jomo notes, "with the NEP, the state no longer merely played a supportive role for private capital; it moved to centre stage to become a medium for capital accumulation serving the particular interests of the governing class."²⁸

Thus, in 1983 Permodalan Nasional Berhad (PNB), a government-owned unit trust management corporation, became the largest single shareholder on the stock exchange. It had M\$5.5 billion invested in 1,978 companies across the economy (including in plantations, finance, manufacturing, property, hotels and mining) and a profit in 1984 of M\$295 million.²⁹

The purpose of this digression has been two-fold. First, to show how changes in the Malaysian government's industrial policy after 1968-69 were made possible by larger, structural changes occurring in the capitalist world economy, as reflected in the activities of multinationals. This is not to say that the Malaysian state was a pawn of external forces (given its distinctive social character, far from it), but rather to stress that its options were circumscribed by larger processes. Although the situation is far less clear - partly because it is still unfolding - Malaysia's Look East policy is, I wish to argue, similarly the product of a distinct interplay of domestic and external economic, political and social forces.

Second, a familiarity with the industrial strategy which immediately preceded the Malaysian government's decision to 'Look East' is crucial for understanding how the latter policy actually differs from the emphasis of the 1970s. It is also worth noting that in the same way it is an oversimplification (albeit helpful) to talk of clearly separate ISI and EOI phases in Malaysia,³⁰ it is misleading to see the current Look East policy as merely a return to ISI because of its stress on heavy industry and its 'economic nationalist' overtones - in fact, the present situation is considerably more confused and complex than such a scenario would suggest and the government has by no means abandoned its EOI strategy.

3 WHY 'LOOK EAST'?

In my view, the Malaysian government's decision to 'Look East' in the 1980s represented an attempt, at a national level, to manage or regulate and even supersede the crisis in the global economy. Sparked by governments from the DCCs (especially the USA) attempting to counter the sharp rise in inflation after the second oil shock in 1979, the global recession of the 1980s heralded the end of the post-World War II boom. For LDCs this meant a contraction in demand for their exports, a decline in commodity prices, disturbances in international and capital markets, a levelling off of official aid and direct foreign investment, and a hardening of the terms for private international borrowing. All of which, in turn, led to balance of payments difficulties, fiscal problems and increased unemployment.

As was stressed above in the discussion of EOI in the 1970s, because many of the Malaysian state's social objectives, especially those relating to Malays, depend on a strong, growing economy, the need to find a new accommodation with the now altered world capitalist order was particularly acute. In the next two

sections, I shall venture to make some rather tentative and necessarily speculative proposals regarding the relationship between Malaysia's Look East policy and the global economic crisis of the 1980s.

Although it is performing well compared with many LDC economies in Latin America and Africa, the Malaysian economy in the 1980s experienced a slump relative to the boom conditions of the 1970s and to the economic performance of its neighbouring Asian NICs.³¹ Buoyed by counter-cyclical fiscal policy during 1981-2, public borrowing and petroleum exports, the average GDP growth rate (in constant 1978 prices) during 1981-5 was a respectable 5.8% per annum; however, the annual growth rate dropped from 7.6% in 1984 to 2.8% in 1985 (or in current price terms, from 13.9% to 1.5%).³² In sectoral terms, only tertiary sector growth, averaging 7.9% per annum (in 1978 price terms) exceeded the *Fourth Malaysian Plan* (4MP) target of 7.7% - due, apparently, to growth in government services, commerce, hotels and restaurants. Meanwhile, primary sector growth at 4.2% per annum fell short of the 4MP target of 4.8%, as did the secondary sector (5.5% instead of the targetted 7.2%). Also in constant 1978 prices, private investment grew by an average of 1.8% per annum during 1981-85, well short of the 4MP target of 10.7% (in fact, real private investment fell by 8.0% in 1985). At the same time, however, public investment grew by an average of 12.5% annually during 1981-85; that is, more than three times the 4MP target of 3.7% in real terms (in fact, it grew by 41.5% in 1981 before being cut to 20.7% in 1982, 10.2% in 1983 and -4.4% in 1984).

With regards to Malaysia's balance of payments, its merchant account, after recording a negative balance in 1981 and 1982 due to a fall in export value and a continued rise in the value of imports, has been in surplus. In contrast, the country's service account has performed very poorly - largely owing to rapidly growing capital outflows (i.e. returns on foreign investments and debt-servicing payments). Consequently, Malaysia's current account deficit grew from M\$0.6 billion in 1980 to M\$5.6 billion in 1981, then dropped to M\$2.7 billion in 1982, before rising again to M\$4.2 billion in 1983, M\$5.2 billion in 1984 and M\$5.7 billion in 1985. Thus far, this deficit has been largely offset by capital inflows from abroad - in particular, official borrowing.

To summarise, the most salient macro-economic signs of a downturn in the Malaysian economy during the 1980s were, first, the fiscal crisis which was initiated by the government's short-lived experimentation with counter-cyclical policies during 1979-81 when the recession had only begun and its severity was not yet appreciated; and, second, the country's increasingly serious public debt problem which grew out of the fiscal and balance of payments problems of the early 1980s.³³

Most importantly, the two principal engines of Malaysia's export-led growth in the 1970s - namely, primary commodities such as tin and rubber, and the export-oriented industries like textiles and electronics - face declining prospects; the former because of plummeting prices,³⁴ and the latter because of micro-electronic based technologies (e.g. robotics) and what appears to be yet another 'wave' of industrial restructuring. Unlike the restructuring which occurred in the 1960s and 1970s and which permitted Malaysia to adopt and benefit from an EOI strategy, it may be that this time DCCs, not LDCs, gain more from an emerging 'new international division of labour' which is seeing multinational capital returning 'home'.

Faced in the 1980s with high unemployment (and thus weakened labour movements) in badly depressed regions of their countries, governments from the industrialised world have been seeking, like their counterparts in the Third World in the 1960s and 1970s, to woo back off-shore investment with a whole range of incentives, including exemption from taxes, protectionist measures, and the creation of 'Enterprise Zones' and 'freeports'.³⁵ In addition, new labour-saving technology has been playing a similar role to that of the technological advances which occurred in communications, transportation and production in the 1960s and 1970s - that is, to facilitate (and even impel) the process of industrial restructuring. This is because not only do the new technologies produce better quality products than those assembled by living labour, but they also override the comparative advantage in cheap labour which has until recently encouraged investment in LDCs. Furthermore, these technological developments are intimately connected with changes in corporate strategies favouring the introduction of 'flexible' manufacturing techniques designed to allow for variations in final products, while keeping parts and components standardised.

In sum, these changes in government policies, technology and corporate strategies are all responses to the crisis in the world economy which came to a head after 1979. Clearly, the spatial and employment implications of these various developments do not favour countries such as Malaysia. Indeed, in their case-study of Penang state, Kamal and Young (1986) found that the 64k 'dynamic RAM' which at one time dominated Penang's semiconductor industry is being supplanted by the 256k and 1 megabyte chip. The greater capacity of these 256k and 1 megabyte memory chips and the increasing capital intensity in production techniques mean that the labour cost advantages of offshore facilities such as those in Penang have declined. This in turn, helps to explain why these manufacturing facilities were beginning to be phased out in 1981.³⁶

My feeling is that Malaysia's Look East policy must be seen primarily as a response to the changes in the global economy outlined above. Unlike in the immediate post-1969 period, in the 1980s internally-based socio-economic and political forces were forced to take a back seat to more powerful, externally-rooted processes. The exhortation to adopt Japanese work ethics and the praise

of Japanese management techniques, the emphasis on heavy industry, and 'Malaysia-Inc.'-cum-privatisation will all be briefly examined in order to show how the Look East policy represented an attempt by the Malaysian state to grapple with the new economic realities of the 1980s.

First, the government's selective praise and adoption of Japanese management techniques such as in-house unions and quality circles (life-time employment guarantees being conspicuously absent!) must be seen in terms of the economic need in the 1980s to raise productivity and profits. In Malaysia this entailed efforts to alter social relations of productions through a reorganization of the labour process so that the pace of work, supervisory control³⁷, and the rate of exploitation were increased. Although Malaysian wages were low compared with those in the USA and Japan, average real wages of unskilled and skilled workers in Malaysia increased from the 1970s to the 1980s so as to be higher than those of its ASEAN neighbours, with the exception of Singapore. This discrepancy in wages at a time of industrial restructuring has of course intensified intra-LDC export competition. Therefore, the need for Malaysia to try and regain its labour advantage by boosting labour productivity at minimal cost was significant: hence, the emphasis on work ethics, in-house unions, quality control circles, etc. The fact that signs of increased authoritarianism and state repression were numerous in the 1980s strengthens this argument.³⁸

Secondly, the move to capital-intensive heavy industry was an understandable one given Malaysia's vulnerability to the massive disinvestment in sectors/regions/companies which had become less profitable due to the process of industrial restructuring. Although Malaysia had certainly not abandoned its export-oriented emphasis (witness the creation of *sogoshoshas*), the emphasis on heavy industry represented an attempt to enhance the country's self-sufficiency. Not surprisingly given the generalised crisis in the 1980s, Japanese and Korean capital proved eager to 'help' Malaysia develop an industrial capacity by partaking in turn-key projects such as the Malaysian-made car.

Thirdly, 'Malaysia Inc.'-cum-privatisation was an initiative necessitated by the fiscal crisis mentioned above. That this policy was also intimately related to domestic political and socio-economic interests is a reminder that more purely domestic considerations were also firmly embedded in Malaysia's Look East policy. However, I would argue that such interests became less decisive in the 1980s. This was partly because of the success the Malaysian state had in restructuring society in such a way as to create a Malay bourgeoisie, and partly because of the severity of the global recession of the 1980s which has proven to be more than simply a cyclical downturn.

Although the objectives of the NEP were not met by 1990 because of the slowdown in economic growth experienced in the 1980s, there is conflicting evidence regarding how the Malay community might benefit from 'Looking East'. It has been suggested that privatisation would be used to increase the number of Malay-owned business enterprises. This, it is argued, will be achieved by positive discrimination in the sale of shares in public corporations, as well as the purchase of shares by government-backed Malay trusts, agencies and companies.³⁹ Nevertheless, the situation is not clear-cut. Not only does the same privatisation policy risk alienating the state's crucial Malay constituency by cutting civil service jobs (historically a Malay stronghold), but also capital-intensive industries are unlikely to provide sufficient alternative employment opportunities for the mass of displaced Malay workers who have formed the bulk of the workforce in the export-oriented manufacturing industries. Furthermore, in section one of this paper, it was mentioned that the struggle to attract foreign capital to Malaysia has brought about the relaxation of longstanding regulations aimed at achieving goals such as 30% 'bumiputera' corporate ownership. Such highly contradictory evidence with regard to Look East's impact is further ground, I believe, for arguing that at present *externally-based* economic forces are prevailing over domestic political and socio-economic interests.

In concluding this section, it must be said that the literature on Malaysia which seeks to put industrial developments in that country in a global framework is, on the whole, most unhelpful when it comes to the Look East policy. For example, in their book, *South East Asia in the 1980s: The Politics of Economic Crisis*, (1987), Robison et al. state: "In the past few years [Malaysia] has attempted to move away from its reliance on primary exports towards the Japanese and Korean models of export-oriented manufacture" (p. 2). Similarly, Lipietz, in an otherwise engaging account of the crises of global Fordism, argues that:

We are witnessing a reduplication of the new international division of labour...the 'first-wave' NICs are becoming less competitive as wages begin to rise, and increasingly the centre is using import quotas against them. With the help of multinational companies, a second stage of 'bloody Taylorization' is emerging, ...directed towards...the new wave of industrial exporters: Malaysia, the Philippines, and, in a sense, China.⁴⁰

Although it is certainly true, as demonstrated by the very topic of this paper, that Malaysia is seeking to become another NIC, there are, in my opinion, two problems with these statements. First, it is misleading to equate export-oriented industrialisation with the Korean and Japanese 'models' of late industrialisation. This is because Japan and Korea's 'outward-orientation' was complemented by an 'inward-oriented' emphasis on self-sufficiency which involved the development of heavy industry, adaptive use of outside technology, and careful and conscious training of engineers and technicians. Secondly, as I have tried to demonstrate in

the first section of this paper, the Look East policy of the 1980s was about much more than export-led industrialisation, which was enthusiastically and more single-mindedly pursued in the 1970s.

In fact, if we retain the categories proposed by Lipietz and the French regulation school, then it seems to me far more appropriate to speak of Malaysia's Look East policy as a flawed, but nevertheless decisive attempt to move towards a 'peripheral Fordist' regime of accumulation.⁴¹ This is so because the Look East policy reflected an attempt to adapt to a new world order, and to the new social make-up of Malaysia in the 1980s. The existence of relatively autonomous local capital, a good-sized middle class and significant elements of an urban working class give Malaysia, it might be argued, the home market for goods such as the Malaysian car. Moreover, as has already been suggested, the Look East policy involves a combination of the import-substituting and export-substituting industrialisation which is characteristic of peripheral Fordist regimes of accumulation.⁴²

What Lipietz's categories do not explain, however, is the tendency toward 'regionalisation' which appears to be emerging out of the crisis in the world economy of the 1980s. This trend is described by Taylor and Thrift, who speak of

a rearrangement of the world economy into a set of more regionally based zones of production dependent upon a dominant regional power (the United States, Europe, Japan) in which resources, labour and capital are brought together in varying combinations at most optimally profitable locations.⁴³

If one accepts that a 'Yen bloc' (as well as a 'Dollar bloc' and a 'Deutschemark bloc') may be developing, then the Look East policy can be seen as representing a recognition on the part of the Malaysian state that economic prosperity rests in a closer relationship with Japan, the Asian NICs and the ASEAN countries. Certainly, this is what seems to be expressed in Mahathir's statement that:

"We see the Japanese have made headway while the West...appears to be regressing. So in order for Malaysia to progress, we have to learn from the better example...the Japanese example. That is why we now want to Look East where before we were looking West."⁴⁴

In addition, in justifying the decision to 'Look East', Mahathir has spoken of the common destiny shared by Malaysia and Japan as countries belonging to the Pacific Rim which is slated to replace the Atlantic shores as the world's future region of growth.⁴⁵ Unfortunately, further consideration of this argument is beyond the scope of this paper; however, it strikes me as a potentially fruitful one worthy of additional research.

4 WHY MALAYSIA WOULD DO BETTER TO LOOK AGAIN AT 'LOOK EAST'

Japan's at least two-decade old position of economic dominance in Asia and, more particularly, in the ASEAN countries, has allowed various critics of the Malaysian government's Look East policy to critically examine the *modus operandi* of Japanese trade, aid and investment patterns in order to show how this has failed to promote the ideas at the centre of 'Look East'.⁴⁶ The argument forwarded here, differs somewhat in its emphasis: if economic relations between Japan and Malaysia worked to the disadvantage of Malaysia before the 1980s (a contention which I do not dispute), they were even more likely to do so in the 1980s. This is in large part due to the fact that both Japanese and Korean capital were and are struggling to adapt to the very same harsh economic realities of the 1980s and 1990s confronting Malaysia.

For example, given their already acknowledged illiberal technology transfer policies,⁴⁷ Japanese and Korean transnationals are most unlikely to surrender to potential competitors - in spite of Mahathir's persuasive 'invitations' - the technological superiority which ensures them their profits! Indeed, developments in the local Malaysian construction industry appeared to support this scenario. Desperate to break into new markets during the 1981-82 recession, large and established Japanese and Korean construction concerns used their competitive advantage to win, between 1981 to 1984, Malaysian private and public sector contracts worth about US\$2.2 billion. This, in turn, sparked complaints by Malaysian builders that Japanese and Korean construction companies were unwilling to make use of local inputs or to impart higher technology and skills at a local level. More specifically, the Housing Developers' Association of Malaysia argued that because materials used in the Japanese and Korean turnkey projects - from steel and wall paper to skilled labour - were being imported, local manufacturers, suppliers, contractors and engineers had no opportunity to participate in the projects.⁴⁸

Ironically, it appears that the same global recession which necessitated a shift away from the EOI strategy of the 1970s and thus paved the way for the Look East policy, may actually be undermining the possibility of the vision behind the government's exhortations to 'Look East' - namely, that Malaysia become Asia's 'fifth tiger' - from ever becoming a reality. Although separating features of the current economic crisis which have called forth the Look East policy from those which threaten to subvert it is exceedingly difficult and perhaps even unwise in that it risks imposing a false sense of order on what is actually a confused, contradictory and still-unfolding situation, I think it can be shown that a 'model' of industrialisation which worked for Japan in, say, the 1960s and Korea in the 1970s was most unlikely to succeed in a country such as Malaysia in the vastly altered circumstances of the 1980s and now the 1990s.

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First, the very notion that Malaysia can 'take off' and become another 'economic miracle' by copying the development strategies of two countries which operated in the context of fundamentally different domestic and international conditions is deeply naive and idealist.⁴⁹ Among the most commonly noted conditions benefitting Japan's capitalist development since the latter half of the nineteenth century (and woefully absent for Malaysia in the 1980s and 1990s) are: the comparative lack of protectionism in the world economy which allowed Japan to take full advantage of its comparative advantage in low wages and to export enough to pay for carefully screened capital goods and technical assistance; Japan's freedom from colonialism and its insularity and ethnic and cultural homogeneity; a modernising state; little in the way of foreign aid, loans and investment; and Japanese imperialism which, besides its more obvious military expressions, has taken the form of exploitative trade, investment and aid relationships.⁵⁰ Even this brief and superficial list serves to underline how very different the challenges currently confronting Malaysia were and are. As one author has said:

Prime Minister Mahathir speaks of instilling a Japanese work ethic in Malaysia, as though such a thing really could exist outside of the entire Japanese economy and social structure. He speaks of setting up Malaysian *sogoshoshas* along the lines of the powerful Japanese trading conglomerates, as though the name itself could assure coconut farmers of a living wage.⁵¹

Interestingly, one case-study of a Japanese joint venture located in Kuala Lumpur and employing 241 workers carried out in 1977-78 suggests that the introduction of Japanese management techniques into the Malaysian context actually tended to retard cooperation and cohesion in the factory.⁵² Smith found that the Malaysian workers, the majority of whom were Malays, did not take well to morning assemblies with company anthems and exercises, the generalism of work roles and the egalitarian relationships pressed upon them from above by predominantly Japanese managers. If the government genuinely wishes to encourage hard work, surely Islam with its own reservoir of support for hard work and discipline in the Quran and the hadiths would, as Chandra Muzaffar suggests, be a far more effective tool than so-called Japanese and Korean work ethics.⁵³

It must be recognised that the (idealised) model of Japanese-cum-Korean management/labour relations is not inherent in the Japanese/Korean race, but is instead the product of specific historical circumstances in the history of the development of Japanese and Korean capitalism. For example, there is plenty of evidence to show that the lifetime employment and comprehensive benefit system in Japan arose out of a period in the 1950s of a shortage in skilled labour and well-organized labour unrest. In this context, Mahathir's statement that "although we differ in terms of ethnicity, language, history, tradition and culture, there is sufficient commonality in terms of political philosophy and economic

thrust that cooperation would be easy to achieve",⁵⁴ appears remarkably shortsighted and complacent.

If one examines the Malaysian government's decision to favour heavy industry, a similar lack of attention to changed context and material circumstances is evident. Although one could argue that the Malaysian government has correctly recognized the need, in the light of present industrial restructuring trends, to move away from a dependence on export-led industrialisation and towards the establishment of factories designed to process the country's raw materials into, say, tires and furniture, its choice of heavy industries is highly problematic from at least two points of view. First, heavy industries such as automobiles, steel, cement and oil-refining are extremely high-cost and high-risk undertakings for a country experiencing steep budget deficits, a mounting foreign debt and a gaping shortfall in its current account.⁵⁵ Second, stiff international competition arising from excess global production capacity and the economies of scale as well as the technological superiority of already well-established steel, cement, shipbuilding, petrochemical, automobile, etc. industries means, in effect, that Malaysia's efforts to build a strong heavy industrial base are unlikely to succeed in the long-term, at least not without very heavy and costly state protection. For instance, the Malaysian car, with an expected output of only 120,000 cars per year, has been pinpointed as an almost certain loser likely to saddle Malaysian consumers with high cost, poor quality cars. So, while it is true that the auto industry played an essential role in Japanese and American economic growth during this century, Malaysia probably cannot realistically hope to follow the same path in the 1980s and 1990s, not least because it has to compete with countries who have had a clear head start in the industry.

Similarly, there is also plenty of evidence to suggest that, in the Malaysian context, the *sogoshoshas* set-up developed in Japan may be irrelevant and even impossible to duplicate.⁵⁶ Apparently, *sogoshoshas* operate with extremely thin profit margins (1981 figures for nine Japanese *sogoshoshas* indicate that this was 0.0-0.2% of sales); this means that the scale of operation must be extremely large in order to achieve economic viability (i.e. far larger than what Malaysian *sogoshoshas* could ever hope to be). Furthermore, the high casualty rate of *sogoshoshas* which has seen the number of *sogoshoshas* in Japan over the last few decades drop from two dozen to only nine is far from encouraging. Indeed, Malaysia would be wise to take careful note of the fact that, with the sole exception of Korea, efforts to set up *sogoshoshas* by countries such as Taiwan, the Philippines and Thailand have all failed.

Finally, given the difficulty Malaysia is likely to encounter in breaking into the heavy industry export market, the need for an expanding domestic market - or in the words of Lipietz, 'intensive accumulation' - is particularly great. However, in this area 'Look East' appears to be equally ill-conceived. Strict anti-union legislation, as well as capital-intensive heavy industry which raises consumer

costs, fails to increase employment and is characterised by extremely high opportunity costs which are hardly likely to create a thriving domestic market. Furthermore, Mahathir's population target of 70 million people by the year 2100, which is designed to provide a sufficient market for Malaysia's enhanced industrial capacity, especially its heavy industries, is also inadequate and shortsighted. This is because even if the target were achieved (which is most unlikely), a larger population cannot, in itself, generate a bigger market (except for basic consumer products such as staple foods) without an alteration in effective demand which, in turn, depends on a more equitable distribution of income. Evidence that income inequality among all ethnic groups in Malaysia (but particularly among the Malays) has risen since the 1970s and that since the NEP's inception, the government has increasingly shifted its emphasis from poverty eradication to the restructuring of society to favour an emerging Malay bourgeoisie⁵⁷ suggests that Malaysia is unlikely to develop the domestic market required to make its heavy industries viable.

While externally-rooted economic processes may have led to the formulation of Malaysia's Look East policy and may, ultimately, threaten the success of that same policy, domestic ethnic and class forces clearly also play an important role in determining the outcome of Malaysia's 'Look East' policy. From the perspective of this paper, the external and domestic factors suggest that the Malaysian government would do better to look again at 'Look East'.

NOTES

- 1 By 'development paths', I am referring to capitalist industrialisation, especially manufacturing. Despite its importance in the successful capitalist development of Japan and Korea, the role of agriculture will not be considered here. This is due not only to dictates of space, but also to the fact that this important piece of the puzzle is persistently overlooked in the literature on Malaysia's decision to 'Look East'.
- 2 Talk of the 'little tigers' - Singapore, Hong Kong and Taiwan - is conspicuously absent from government statements on its Look East Policy. This is probably due to their 'Chinese' character which makes them unsuitable candidates for open imitation by the Malay politicians who dominate Malaysia's governing National Front (Jomo, 1983, p. xi). With ethnic Chinese (37% of the population) being perceived as the monopolisers of economic power, and the Malays (50%) as the holders of political power, the internal ethnic and class dynamics of Malaysian society are inextricably linked with externally-based economic and political forces. Malaysia's recent economic overtures to China (*Southeast Asian Affairs* 1986, p. 203) may, however, be a sign that external economic forces are becoming the

dominant ones as Malaysia's economy continues to show little sign of recovery from the slump it has been experiencing since 1980.

- 3 This deterioration in relations stemmed (among other things) from the tightening up of London corporate takeover regulations after Malaysia's Permodalan Nasional Berhad took over Guthrie at a premium price, the increase in British university fees for foreign university students, and Britain's intervention in Malaysian labour and human rights issues. No doubt aided by the shared disdain of both countries' Prime Ministers for the Commonwealth Association (albeit for different reasons) and their common belief in the virtues of privatisation and the market, relations between the two countries governments have since improved.
- 4 Mahathir Mohamed, "New Government Policies", in *The Sun Also Sets*, p. 276.
- 5 Mahathir cited in Saravanamuttu, 1984, p. 461.
- 6 See for example Ch. 8 in K. Hoffman and R. Kaplinsky, 1987.
- 7 *Southeast Asian Affairs* 1982, p. 247.
- 8 For a more comprehensive discussion of Hicom's activities see Raphael Pura, "Doubts Over Heavy Industrialisation Strategy," in *The Sun Also Sets*, 2nd ed.
- 9 See Saravanamuttu, 1984, pp. 458-9.
- 10 Given that Japanese multinational capital has historically been more willing to join in joint ventures than its American and European counterparts, this strategy is consistent with Japanese behaviour (see Nakase, 1981). A 1978 study of Japanese projects in Southeast Asia involved an equity percentage of 50% or less, while other investing countries revealed considerably lower percentages accepting minority interest. Weinstein (1976) describes in considerable detail how, in the eyes of the Japanese, forfeiting formal ownership is not at all equivalent to giving up control over an enterprise (pp. 388-96). From the Malaysian government's point of view, joint ventures offer advantages such as technical knowledge, advisory services and expertise, as well as help in securing loans and overseas markets.
- 11 To begin with, only 36% of the total value of the car will comprise of locally-made equipment; however, the goal is that ultimately 85-90% of the total value will be produced locally.

- 12 Of course, no mention is made here of the highly protected market which has reduced the price of the car to less than M\$4500 the price of the best selling Japanese model. This and the turnkey nature of Mitsubishi's involvement are enough to make the project viable from the viewpoint of Japanese capital! For further (critical) discussion of the Malaysian car project see Chee Peng Lim, 1984 and also Chee Peng Lim in both editions of *The Sun Also Sets*.
- 13 Cited in Craig, 1988, p. 253.
- 14 See Dore, 1986, p. 27 and K. S. Jomo's "Introduction" to *The Sun Also Sets*, 1st ed., p. x.
- 15 See Craig, 1988, pp. 255-6.
- 16 The Fifth Malaysia Plan calls for the private sector's share of total investment to increase to 61.7% by 1990.
- 17 *Southeast Asian Affairs* 1986, p. 217.
- 18 Saravanamuttu, 1984, p. 458.
- 19 See Bronfenbrenner, 1982, p. 99.
- 20 Jomo, 1986, pp. 224-32.
- 21 See Lipietz, 1987, Ch. 4.
- 22 According to Kamal and Young (1986, p 101), Malaysia's stagnating economy towards the end of the 1960s was reflected in growing youth unemployment, out-migration, the decline of entrepot trade and the lack of growth potential in agriculture (Kamal and Young, 1986, p. 101).
- 23 The prevailing and powerful stereotype being that of wealthy Chinese (and to a lesser extent, Indian) businessmen and middlemen enriching themselves at the expense of the Malays, the majority of whom remained on the land as peasants. The slogan which circulated in the early years after independence when the Alliance Party, representing better-off and more conservative elements of the three ethnic communities, was in power was 'politics for the Malays, the economy for the Chinese'. Malay political power stemmed from the fact that the Malay UMNO was the strongest bureaucracy (thanks to British colonialism). However, the majority of uneducated, peasant and wage-labourer Malays did not possess, in any meaningful sense of the term, political 'power' (in the same way that *all* Chinese and Indians did not hold economic power!)

²⁴ Between 1962 and 1984, 86 'industrial estates' had been established, primarily in the urban zones of Kuala Lumpur-Kelang, Penang, Ipoh-Taiping, Johor Baharu, Seremban and Melaka. FTZs or Export Processing Zones, an important variant of these industrial estates, numbered nine in 1984 and were located in Selangor, Penang and Melaka (McGee, p. 44). The Free Trade Zone Act of 1971 provided for exemptions from custom duties, excise duty and sales tax. According to Chandra Muzaffar (1986, pp 308-52) the Malaysian state became more authoritarian and repressive after 1969 and throughout the 1970s; for example, the University and University Colleges Act of 1971 was amended in 1975 to curb student activism and restrict the political activities of academics, the Internal Security Act was applied indiscriminately in the 1970s so that by the end of 1980 there were more than 1200 political detainees. Trade union leaders were prohibited from entering electoral politics, etc.

²⁵ McGee, 1986, p. 51.

²⁶ Note that average earning in electronics, textiles and garments were below the average for the manufacturing sector as a whole (see Table 1).

²⁷ Cited in Craig, 1988, p. 248.

²⁸ Jomo, 1986, p. 266.

²⁹ Missen, 1986, p. 93.

³⁰ McGee (1986) remarks that, strictly speaking, it is more accurate to talk of EOI being added to ISI in Malaysia because the products of ISI were important during the 1970s for supplying the growing mass market for consumer durables (p. 39). Speaking more generally about the Third World, Castells and Henderson (1987) note that ISI did not simply disappear in the 1970s; vested interests dependent on protectionist policies and the ready availability of international finance capital in the 1970s frequently meant high cost, import-substituting industries were retained.

³¹ See Lee, 1984, especially, p. 19.

³² Unless noted otherwise, the following economic performance statistics come from Jomo, 1987, pp. 118-23.

³³ For more on the recent nature of Malaysia's public debt and on its debt servicing burden see Jomo, 1987, pp. 124-33.

³⁴ In 1985 the average price for palm oil, Malaysia's most important export earner, was M\$744 per tonne compared with M\$1,666 in 1984. In October 1985 the International Tin Agreement collapsed, leading to a

sharp drop in tin prices and the suspension of trading in the commodity. Rubber prices in 1985 were apparently the lowest for nine years (*Southeast Asian Affairs* 1986, pp. 187-8). The argument that capital will, as part of the wave of economic restructuring, move 'back home' is a contested one. See, for example, Linge, Mitter and Ernst.

35 See in Mitter, 1986, ch.3 for a discussion of the U.K.'s activities in these areas.

36 This phasing out process is evident from the sluggish increase in the 1980s in the number of factories and in employment in Penang State. See Kamal and Young, 1986.

37 See the example drawn from the public sector in section 1, p. 23.

38 The Malaysian government has been accused of misusing the Sedition Act to intimidate dissidents, the death sentence is reputed to have been "vigorously re-applied..., not only for murder, but also for the possession of firearms and ammunition and, for drug pushing" (*Southeast Asian Affairs* 1986, p. 199), the power to proclaim a state of emergency (*Southeast Asian Affairs* 1982, p. 267), and labour laws were tightened up in 1980 after industrial action in 1978-79 by employees in Malaysian Airline System (Jomo, 1987, p. 137), etc.

39 Craig, 1988, p. 254. For a similar argument see R. Pura, "Doubts Over Heavy Industrialisation Strategy", in *The Sun Also Sets*, 2nd ed., p. 380.

40 Lipietz, 1987, p. 98.

41 Such a transition from 'primitive Taylorism' to 'peripheral Fordism' corresponds to Korea's pattern of development which was centered around primitive or 'bloody' Taylorization between 1962 to 1972 and around the home market and peripheral Fordism after 1973 (Lipietz, p. 80).

42 See Lipietz, pp. 77-8 for a more detailed discussion of the characteristics of peripheral Fordism.

43 Cited in McGee, 1986, p. 36.

44 Excerpt from an interview with Mahathir in *Far Eastern Economic Review*, June 11, 1982.

45 Saravanamuthu, 1984, pp. 457-58.

- 46 Both editions of *The Sun Also Sets* are replete with articles along these lines. See also Saravanamuttu, (1984). Interestingly, even Mahathir himself felt compelled in 1984 to describe the existing pattern of economic relations between Malaysia and Japan as one which conformed "to the classic pattern of economic colonialism" (Mahathir, "The Second Opening of Japan", in *The Sun Also Sets*, 2nd ed., p. 409).
- 47 A point made by, among others, Constantino, Nakase, Weinstein and Saravanamuttu.
- 48 "The Look East Policy: Nightmare for Local Builders", *The New Straits Times*, 27 February 1984.
- 49 The term 'take off' is used intentionally here. The similarities between many of the fundamental assumptions behind 'Look East' - and those of modernisation theorists such as W. Rostow are striking. For example, that Malaysia can only become 'developed' by replicating economic and political strategies employed in other wealthier, capitalist countries and that Malaysia's failure to 'develop' is attributable, in part at least, to its lazy workers who need to adopt Japanese 'work ethic'.
- 50 See Bronfenbrenner, 1982; Chandra Muzaffar, "Hard Work - The Cure- All?" in *The Sun Also Sets*, 1st ed., p. 309; and Constantino, 1979.
- 51 Linda Golley, "Investment Paradise: Japanese Capital in Malaysia", in *The Sun Also Sets*, 1st ed., p. 241.
- 52 Wendy Smith, "Japanese Factory, Malaysia Workers," in *The Sun Also Sets*, 1st ed., p. 273.
- 53 Chandra Muzaffar, "Hard Work...", p. 315.
- 54 Cited in Saravanamuttu, 1984, p. 458.
- 55 Apparently, the recession-induced squeeze on government finances is already threatening the government's heavy industry strategy; for example, the US\$1 billion oil refinery for Petronas, the state oil company, has had to be deferred. See R. Pura, "Doubts Over Heavy Industrialisation Strategy", *The Sun Also Sets*, 2nd ed.
- 56 Chee Peng Lim, "Malaysia Sogo Shoshas - No Go So Far," in *The Sun Also Sets*, 1st ed., pp. 321-28.
- 57 Jomo K. S., 1986, pp. 256-68.

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