

Malaysia Demands Japan Regain Economic Lead

Malaysian Prime Minister Dr. Mahathir bin Mohamad spoke in Tokyo on Dec. 12, at the “Seminar on the 20th Anniversary of the Look East Policy,” which refers to Malaysia’s policy of learning from the Japanese model of economic development. Dr. Mahathir painted a gruesome portrait of the global economic crisis brought on by the “globalization” of speculative, free trade economics since the deregulation of currency speculation in 1971. He criticized Japan for turning against its own historic commitment to a policy of government fostering of economic development, in favor of “westernizing,” contributing greatly to the current crisis. He called on Japan to return to the dirigistic methods which worked in the past, and to again provide leadership to the developing nations of the world.

What Malaysia’s leader did not address, in his words to Tokyo, is that Japan’s 19th century Meiji adoption of these dirigistic methods was inspired by a faction in the United States dedicated to the American System of Political Economy of Alexander Hamilton, Matthew Carey, Frederick List, and Erasmus Peshine Smith, as opposed to the British free trade model. In the reconstruction after World War II, the American occupation under General Douglas MacArthur supported Franklin Delano’s Roosevelt’s model of this American System. Drawing out this connection, beyond Dr. Mahathir’s analysis, is of particular importance at this point in history, as the collapsing U.S. economy is itself faced with choosing between the failed free-trade policies of the past 30 years, or a renewal of American System ideas, now promoted by Presidential candidate Lyndon LaRouche.

Dr. Mahathir’s speech is excerpted, and subheads have been added.

I would like to thank the organisers for inviting me to speak at this 20th Anniversary of the Look East Policy. I have chosen to speak on “Look East Policy— The Challenges for Japan in a Globalised World.” The people of East Asia had been Looking East long before Malaysia adopted the Look East Policy. When Japan started modernising during the Meiji Restoration, East Asians who were then faced with aggressive European and American free traders, to open their countries for trade, looked at Japan’s handling of this problem. . . .

Japan was able to ward off European and American hegemony by adopting the administrative systems and the com-

mercialisation of the economy. Large numbers of Japanese were sent to Europe in order to acquire industrial technology. Very quickly Japan became as much an industrial and commercial power as the Europeans. Any idea that the Europeans had of colonising or dominating Japan was shattered when in 1905 a modern Japanese Navy defeated the Russians decisively. From then on Japan was looked up to by East Asians.

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Malaysia identified what we believed to be the factors which contributed towards Japan’s success. They are the patriotism, discipline, good work ethics, competent management system and above all the close cooperation between the Government and the private sector. And so we tried to adopt these practices and instill these cultures in our people. And everyone now acknowledges that Malaysia has made better progress than most other developing countries. The fastest pace of Malaysia’s progress and development took place in the last two decades coinciding with Malaysia’s Look East policy. . . .

Free Trade Is Like Gunboats

Free trade had always been the war cry of the Europeans. In the 19th Century they used threats and force of arms to open up the countries of East Asia for trade. They objected strongly when they were not allowed to use opium to pay for the goods of Asian countries. . . . All these were done in the name of free trade. How it could be called free trade when force of arms were used, and partner countries were occupied and colonised, is difficult to understand. But today we are again assailed by the same demand for free trade.

Some countries are subjected to sanctions; i.e., they were not allowed to trade freely unless they accept the terms and conditions proposed for them. If they have to accept, then can it be said that their trade is free? Trade under terms imposed by the traders surely cannot be free trade.

Tremendous pressure is brought to bear on these countries to conform. Institutions including the media controlled by the rich and the powerful examine and investigate every aspect of a country’s administration, including its politics, in order to enforce conformity. These institutions publish their findings which often affect adversely the economy and politics of the countries concerned. In this way the countries are forced to conform, or more correctly, to obey. Yet no matter how they try to conform they are invariably found wanting. They can do nothing right.

The gunboats have disappeared but the economic and political pressures exerted are no less threatening, no less effective. An army of occupation cannot colonise more effectively than the economic and political arm-twisting used by the Western countries.

Witness the operation of the free market in currencies. Upon allowing the currencies to be floated, the so-called free traders traded not in goods but in currencies. The currency of

a country is treated as a commodity which is not only bought and sold but is speculated in. From speculation the traders graduated to manipulation, selling huge quantities of currencies in order to force down the value and then buying at the depressed prices in order to deliver to their buyers. Short selling has been taken to the ultimate level. . . .

But what is of concern to the small countries is that the free trade in currencies could destroy their economies overnight. Suddenly countries which were doing well, which were regarded as tiger economies; suddenly they became insolvent. The “international” institutions then moved in to advise and to offer to lend money to pay off foreign debts. . . . The money borrowed is not disbursed unless certain “reforms” are carried out. But even if the money is given it is to be used to pay debts to foreign banks. In effect the country is just changing the creditors, becoming borrowers of the international institutions instead of the foreign banks. The burden of debts remains, sometimes permanently.

In the meantime every aspect of the administration of the country is put under the control of the international institutions, which in effect means being controlled by the rich countries which control the institutions. It means colonisation and nothing less. As before when gunships were used to open up countries for trade, now the international institutions are used to open up the countries for the so-called “free trade”. . . .

Japan’s Role

Japan has been having a bad time for more than a decade now. The people who are looking East are not getting any guidance from Japan. It seems that Japan is somehow unable to pull itself out of the economic quagmire that it is in. . . .

As a foreigner from a small country, it is not for me to tell Japan what it should do in order to again become a model for us. But with apologies, I would like to put in my penny worth of comments.

No one can dispute that Japan achieved a miracle when it rebuilt itself after the war. How did it do it? It did it by not being advised by other people. It did it in its own way. The only advice it accepted was to produce high quality goods, goods of world standards, so as to be accepted by the world markets. The rest was entirely Japanese. . . .

So it was not unusual for the banks to lend more money than they had for the expansion of Japanese companies. In any case the stock market was bullish and the value of the Japanese companies was high. The banks felt secure because the collaterals they held were adequate, and they were lending to companies which were worth more and more all the time because their shares were appreciating to astronomical heights. The companies were certainly better propositions than the hedge funds whose value is not known, and as we have seen can suddenly be worth nothing. The Japanese companies could have gone on expanding. But Japan decided to Westernise its business practices.

Japan has been censured for the close cooperation be-

tween the government and the corporations. Japan Incorporated was regarded as some kind of cronyism involving the government and the private sector. Malaysia sees nothing wrong in the close collaboration between government and the private sector. The government should help the private sector to succeed because a large chunk of the profits made by the private sector belongs to the government. In helping the private sector the government is actually helping itself. . . .

We understand the desire of the Japanese to Westernise [their] system. But when systems are suddenly changed, even if it is for the better, there will be severe disruptions. It is far better to stick to the system which worked. And the Japanese system had worked very well for the Japanese. It enabled Japan to recover rapidly from the destruction wrought by the war and it made Japan the second most powerful economy in the world. It may not be the Western way but it cannot be all wrong if it can achieve so much. If you must change, then change slowly to avoid too much disruption.

‘World Has Truly Lost Its Way’

Asians are looking East at Japan. Yes we can learn from your mistake, but we would rather learn from your success. The Japanese people as a whole must wake up and appreciate that the disaster that you face now is of your own making. Just as your post-war recovery was through your own way, you can recover now by your own way. . . .

And the challenge for Japan is to take on the leadership role. Japan has the size, the wealth and world class technologies. Military might is still important but today’s war is more economic than military. Japan has shown how it could resurrect itself after the most devastating war ever. It was a feat that reflects the character of the Japanese people. Prosperity has no doubt sapped some of this character, but not completely. . . .

We live in an age of fear, we are afraid of terrorists and being frightened, we react blindly. We try to fight terrorists as if we are fighting a conventional war. We erect barriers around us, we invent new security measures, we break our own codes of behavior, we do not respect borders, we assassinate and kidnap, we detain our enemies without trial and put them to death. We are getting more and more angry and in our anger we have become irrational. We are back in the stone age when might is right. . . .

The world has truly lost its way. The anger of the terrorist is there and will remain there. But we can control our anger, we can be rational. Only rationality can win us the battle against the terrorists.

Japan is not the target. It need not be filled with anger. It can help bring the world back to its senses. It can help revive the world’s economy. It can do many things if it decides not to follow but to lead. This then is the challenge for Japan in a globalised world, to lead and not to be led.