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SOUTHEAST ASIAN ECONOMIC RELATIONS WITH JAPAN

An Indonesian technocrat was quoted as saying that trade, investment and aid represented "three cards in one hand,"¹ Japan deals in Southeast Asia. Cartomantic language aside, this view of the three factors as constituting an integrated Japanese thrust into the area is very prevalent among many Southeast Asians. Few believe for example that Japanese aid giving is totally altruistic in intent and unrelated to commercial aims.² However, all these three factors did not make their impact in Japanese economic relations with Southeast Asia after the Second World War all at one time. They did so at different periods. Japanese economic relations in the fifties and sixties comprised overwhelmingly of trade while investment and aid became significant only later.

While it may have made perfect sense for Japan to consider Southeast Asia as an alternative to its lost colonies in East Asia, Southeast Asia was less enchanted with such a view. Southeast Asians had no wish after the Second World War to have their region continue as the mere suppliers of raw materials for and the market for value added products from industrial countries like Japan or any other as they had been for the western colonialists. There had already developed a profound desire not only for political independence but also for industrialization. However, Southeast Asians did not make this an issue in the fifties and early sixties because of two reasons.

One was that many Southeast Asian countries in the fifties were still in the throes of the independence struggle. In 1951, when Japan resumed its relations with Southeast Asia as an independent country, only three countries, the Philippines, Burma and Indonesia were freed from colonial rule. The then Malaya only received its independence from the British in 1957 (Singapore only joined Malaysia in 1963 and left it as an independent nation in 1965).³ The

three countries of Indochina, especially Vietnam, were still involved in a violent struggle against the French who left only in 1954.⁴ Thus, the preoccupation for independence of Southeast Asia in the forties and early fifties left Southeast Asia little time to struggle against foreign economic domination. Though both the political and economic struggle were not unrelated, the latter only became important from the late fifties.

And when it came among certain Southeast Asian countries, it was directed primarily against western interests because they constituted the overwhelming portion of foreign economic interests in Southeast Asia then. Thus in 1957, Indonesia nationalized many of the Dutch (and also ethnic Chinese) economic interests in Indonesia while the Philippines were concerned about ending the Laurel-Langley agreement which was deemed too favourable to American interests.⁵ By contrast, Japanese economic interests were very small. Japan could not make much headway in the fifties because they had to settle the reparations problem with Southeast Asia before they could really accelerate their economic involvement. Their small stake can be seen from the trade statistics in 1959, a year after Japan settled the reparations issue with the largest Southeast Asian country, Indonesia. In that year, Japanese trade with the five countries of Southeast Asia which were to constitute ASEAN⁶ later amounted to only 11.1 percent of the total trade of these five countries. There was then little or no Japanese investment to speak of. Neither was there any Japanese aid as Southeast Asians did not consider the reparations payments as such.⁷

Things however changed in the sixties and seventies. So successful was the Japanese economic penetration that trade rose dramatically. Where Japanese trade with ASEAN as a percentage of ASEAN's total trade was 11.1 in 1959, that percentage rose to 29.3 in 1973. This represented a rise of 18 percentage points and a threefold increase in a period of only fourteen years! It soon dawned on many Southeast Asians that they were not only dealing with a country of great economic consequence to them, but also from a disadvantaged position.

There was first the feeling of dependence on Japan in the volume of trade. While their trade with Japan had rocketed as a

percentage of their total trade, it hardly moved on the Japanese side. Japanese trade with ASEAN as a percentage of total Japanese trade was about 11 in 1959 (almost similar to the ASEAN percentage) but came to only 10.7 in 1973! Measured in GDP terms, the percentage of Japan-ASEAN trade as a percentage of total ASEAN GDP came to 16.1, while as a percentage of Japanese GDP, it came to only 2.43.⁸

This dependency feeling was aggravated by the perception of some Southeast Asians that in some critical commodities such as oil, Japan was a crucial market for the exporter without Japan being too dependent on that particular exporter. An example is that of Indonesian oil exports in the sixties and seventies. Its share of total Indonesian exports, according to two Indonesian scholars rose from a moderate level of 44.8 percent in 1969 to a high of 74.8 percent and then to 63.9 percent in 1978. Japan's share of such exports however showed no similar rise. It remained stagnant at around 47-49 percent of Indonesia's total oil exports for example in the period 1975-78.⁹ While many Japanese might argue that taking about a 50 percentage share of Indonesian oil exports was no small matter and constituted no small percentage of total Japanese oil imports and may indicate some dependence,¹⁰ this was not perceived as such by the same Indonesian scholars who wrote rather starkly that Japanese policy here had been to "avoid too strong a dependency on a single source, and this only serves to heighten Indonesian dependency. Indonesia's position *vis-à-vis* Japan," they continued, "on the other hand, remains as vulnerable as ever, as it is unable to diversify either its export commodities or its buyers, while Indonesia's lifeline is becoming too dependent on Japan's willingness to buy Indonesia's oil."¹¹ While there may be some exaggeration here, the use of the metaphor "lifeline" for Indonesian trade with Japan is striking. That metaphor is normally used by Japanese and others to describe Japanese dependence on Southeast Asia, particularly the Straits of Malacca for which Indonesia is the most important littoral state. At least for these Indonesian intellectuals, the shoe is now on the other foot i.e. the Southeast Asian one!

A second source of grievance among many Southeast Asians was the structure of Southeast Asian exports to Japan. Table 1, for example, lists the exports of ASEAN to Japan in 1972/73 just before the anti-Tanaka riots of 1974.

Table 1¹²
Commodity Composition of Exports by the ASEAN Countries
to Japan, 1972/73 (US\$ million, percentages in parentheses)

SITC Group	Exports to Japan
0. Food and Live Animals	249 (9.0)
1. Beverages and Tobacco	5 (0.2)
2. Crude Materials, excluding Fuels	1,145 (41.5)
3. Mineral Fuel, etc.	1,037 (31.6)
4. Animals and Vegetable Oils and Fats	24 (0.9)
5. Chemicals	14 (0.5)
6. Basic Manufactures	227 (8.2)
7. Machinery and Transport Equipment	16 (0.6)
8. Miscellaneous Manufactured Goods	16 (0.6)
9. Goods not classified	26 (0.9)

The overwhelming composition of ASEAN exports as seen from the Table were in raw materials with mineral fuel constituting as much as 32.0%. Manufactured goods (items 6, 7 and 8) came to only 9.4%, with a total value of US\$259 million. (ASEAN total exports of these three items of manufactures for the same year came to US\$2,236 million.)¹³ In other words, ASEAN exports to Japan of manufactures as a percentage of total ASEAN exports to that country came to about 10%¹⁴ while 90% were in non-manufactures such as raw materials. This shows that by the early seventies Japan had succeeded only too well in its original intention of treating Southeast Asia as a source of raw materials. The words of two Thai scholars in describing Thailand's economic relations with Japan in the 1970s also applied to Southeast Asia as a whole. The composition of trade between the two countries, they wrote, "reflects the classic relationship of a resource-poor industrialized country with an agriculturally based developing country."¹⁵ Such a relationship was not necessarily conducive to the industrialization of Southeast Asia.

A third complaint was that Japan exported more to Southeast Asia than imported from the area (even if the bulk of such imports were raw materials). Except for countries like Malaysia and Indonesia which enjoyed a surplus in the seventies with Japan¹⁶ (and in the Indonesian case primarily because of oil exports) much of

the rest of Southeast Asia suffered trade deficits with Japan. A Thai scholar, whose country had a chronic trade deficit with Japan went as far as to write that the "problem of trade deficits is regarded as inherent in ASEAN-Japan trade relations."¹⁷ While the trade deficit *per se* maybe bad enough for its drain on the foreign reserves, what made Southeast Asians critical was their perception of the reasons for such deficits. While willing to admit that many Japanese products were in demand because of their superior quality, many Southeast Asians believed that the Japanese market on the other hand were somewhat closed to their products. Among the rather unfair methods to restrict Southeast Asian products in the Japanese market, wrote the same Thai scholar, were "differential tariff rates for markets in raw form as against the processed form, quota restrictions, and price and order disruption."¹⁸

The Anti-Tanaka Riots

With the exception of some Japanese,¹⁹ the Japanese government as a whole were not very aware of rising Southeast Asian resentment against the Japanese economic presence; or if they were aware, they did little to meet Southeast Asian grievances, professing to separate economics from politics always. Moreover, there was nothing of a dramatic nature to jolt the Japanese from this complacency. Until January 1974, that is. In that year, the then Japanese prime minister Kakuei Tanaka began a tour of the five countries of ASEAN. To his and the Japanese nation's surprise (Tanaka apparently thought of his visit as no more than a routine one)²⁰ he was greeted with anti-Japanese demonstrations which were particularly intense in Bangkok and Jakarta. In the latter city, Tanaka had to leave by a military base as demonstrating crowds made it difficult for him to leave by the civilian airport.

Whatever be the reasons for the anti-Tanaka riots, they have as an underlying reason the economic factor. An examination of the varied responses among the five ASEAN countries would show that where the demonstrations were most intense (as in Indonesia and Thailand) were in those countries where the economic grievances mentioned were most salient. While the Philippines, Malaysia and Singapore experienced little or no demonstrations because such

grievances were less in evidence. This can be seen first from an analysis of each country's trade with Japan. The two figures below represent such trade graphically.

Figure 1
Percentage of Each ASEAN Country's Trade with Japan
of the Total Trade of that ASEAN Country

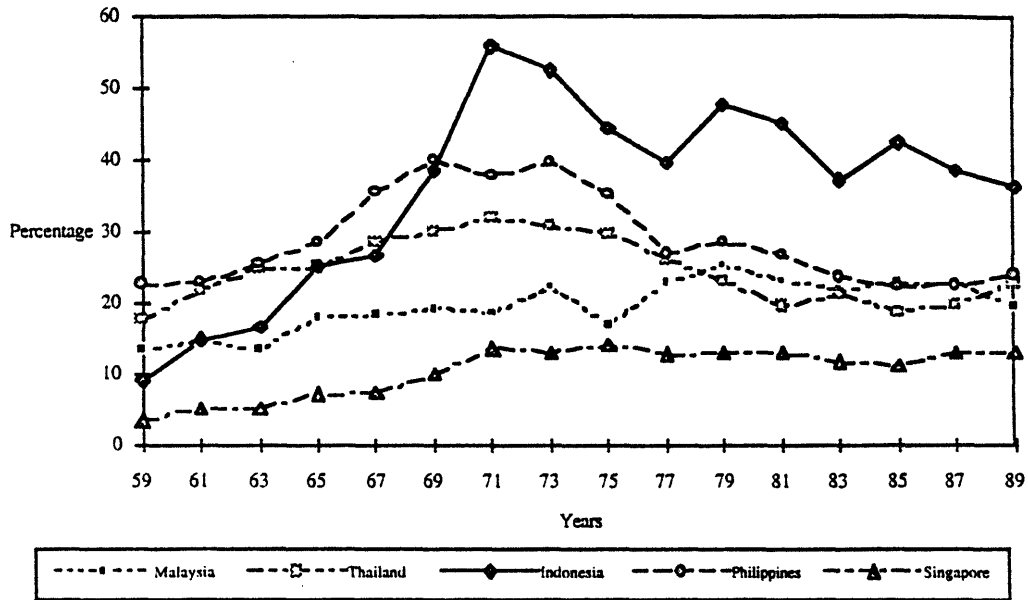
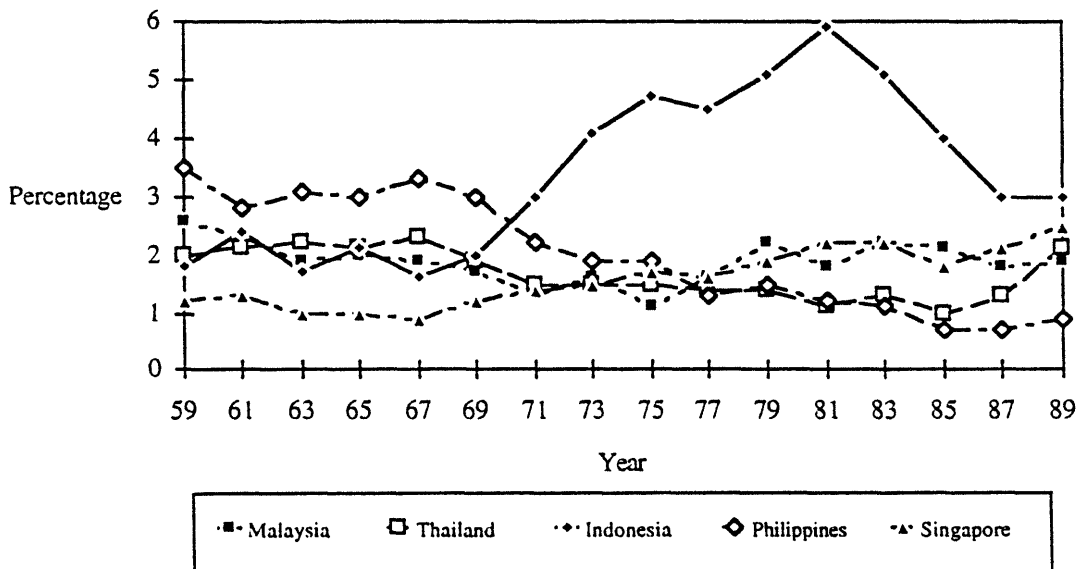


Figure 2¹
Percentage of Japanese Trade with Each ASEAN Country
as a Percentage of Total Japanese Trade



From the above graphs, Indonesia and Thailand shared two very important characteristics, the huge and rapid manner their trade increase with Japan in the decade or so before 1973, while making only a very small impact on Japan's overall trade. The Indonesian case is particularly striking. From a percentage of 9.2 in 1959, it shot up to 55.9 in 1971 and 52.5 in 1973. By contrast, Japanese trade with Indonesia accounted only for 1.8, 3.0 and 4.1 percent respectively for the same three years. To have more than half of your overall trade dependent on one particular country is quite extraordinary for an independent country in Southeast Asia. It maybe much of it consisted of oil. But as suggested earlier, the dependence is no less as Japan had become a very critical market. In the Thai case, there was a rise from 17.8% in 1959 to 30.8% in 1973 while the figures for Japan in the same years were 2.6 and 1.6 respectively. While it may not be as striking as Indonesia, it is still an impressive percentage.

The sudden rise also suggests an instability in the trade relations. If the process had been more gradual, than Indonesia and Thailand could have time to adjust to what is sometimes called the "overpresence" of Japan.²² Or in other words, there was not enough time for Southeast Asians to learn to live with a powerful Japanese economic influence and the unfamiliar social and cultural practices of the Japanese. Otherwise, this Japanese "overpresence" could only serve fuel for politicians to exploit for their own purposes.

As a matter of fact, the Tanaka visit also coincided with political disturbances in Indonesia and Thailand. In Indonesia then, a rivalry had developed between two top generals, Sumitro and Ali Moertopo, who was perceived to have President Suharto's backing. The Tanaka visit provided General Sumitro the opportunity to channel the discontent aroused by the Japanese presence to hit at Ali Moertopo and ultimately the Indonesian government. On the Thai part, there was then a very vocal student movement which were not too pro-government because of what the students saw as undue military influence in the Thai government and that government's links with foreign, particularly Japanese interests. Tanaka's visit provided the spark for the students to demonstrate both against Japan and the Thai government.

There were two other economic reasons that were relevant to explain the riots. In Indonesia, a lot of the Japanese investment before 1973 went to textile manufacturing leading to Japanese partnership with ethnic Chinese because they were more efficient. This had the effect of driving out of business many of the less efficient *pribumi* (indigeneous Indonesians) textile manufacturers as to further create resentment against Japan. The other was the trade deficit suffered by Thailand in its Japanese trade. The figures of Thailand's total trade and trade with Japan in the ten years preceding 1973 are quite revealing.

Table 2²³
Thailand: Direction of Trade and Trade Balance with
Japan in Every Two Years from 1963-1973 (in million US\$)

Year	Exports		Imports		Trade Balance		Japan as % of Total (7)=(6)/(5)
	Total (1)	Japan (2)	Total (3)	Japan (4)	Total (5)=(1)-(3)	Japan (6)=(2)-(4)	
1963	466	91	617	181	-151	-90	59.6
1965	622	131	778	219	-156	-88	56.4
1967	681	160	1,067	341	-386	-181	46.9
1969	708	167	1,293	434	-585	-267	45.6
1971	831	230	1,288	445	-457	-215	47.0
1973	1,564	394	2,049	720	-485	-326	67.2

The figures show that the deficit in Thai-Japan trade of the total Thai deficit never fell below 45 percent while reaching a high of 67.2 percent just before the Tanaka visit. Japan was thus a constant drain on Thai foreign reserves. Indeed, a Thai study stated that one "basic problem in Thailand-Japan trade is the persistent trade deficit, which has always been an issue of dispute between the two countries".²⁴ The study went on to say it was in fact the key issue in relations between Thailand and Japan. It is not surprising then anti-Japanese demonstrators played on this issue.

The Filipino case bears similarity with Thai and Indonesian cases both in volume and rapid rise but there was not much anti-Japanese agitation. This could be explained in terms of the control

the Marcos government then had over the political system, and on an economic plane, there was not the emotive issue of the massive trade deficit the Thais experienced in the years preceding 1973. The deficit the Filipinos experienced with Japan only became persistent after 1975. The figures for the Philippines for the past ten years before 1973 are as follows.

Table 3²⁵
Philippines: Direction of Trade and Trade Balance with
Japan in Every Two Years from 1963-1973 (in million US\$)

Year	Exports		Imports		Trade Balance	
	Total (1)	Japan (2)	Total (3)	Japan (4)	Total (5)=(1)-(3)	Japan (6)=(2)-(4)
1963	771	230	716	150	+55	+80
1965	796	254	928	240	-132	+14
1967	891	374	1,179	363	-283	+11
1969	983	468	1,327	476	-344	-8
1971	1,189	514	1,405	465	-216	+49
1973	1,837	820	1,790	620	+47	+200

Thus, this suggests that while Filipinos may not be totally satisfied with Japanese economic relations, it in the main enjoyed a surplus with Japan in the decade before 1973. There was no great drain on foreign reserves to Japan then as was the case with Thailand.

Malaysia and Singapore did not have very high percentages of their trade with Japan of their total trade. Even though Singapore's trade with Japan rose quite rapidly from 1963 to 1973, i.e. from 5.3% to 14.2, 14.2% was not as high a percentage as compared to more than 50% for Indonesia. Moreover, Singapore then was a country still very dependent on trade, and would normally welcome a high volume of trade without too much regard to the composition of that trade or the trade deficit. The Malaysian trade deficit with Japan in the few years before 1973 was not very great, while the Japanese, using a different method of calculation, insist that their figures show a Malaysian surplus rather than a deficit.²⁶ Thus, the figures supplied by the Malaysian Central Bank for the years 1970-1973

regarding Malaysia's trade with Japan are (in RM million) (Bank Negara, *Quarterly Economic Bulletin*)

Table 4

Year	Exports	Imports	Trade Balance
1970	939	767	+172
1971	912.4	876.9	+35.5
1972	832.9	1,053.7	-220.8
1973	1,336.1	1,448.8	-112.7

as supplied by the Japanese Ministry of Finance (in US\$ million)

Table 5

Year	Exports	Imports	Trade Balance
1970	419	166	+253
1971	373	204	+169
1972	396	264	+132
1973	776	448	+328

Even accepting the Malaysian figures, the deficit began in 1972 and was not really much of an issue before the Tanaka visit. Moreover, in 1974 the political situation was relatively stable in both countries with no split within the governments of each of the two countries.

The anti-Tanaka riots had left a deep impression on the Japanese. They became aware that their relations with Southeast Asia could not be blithely ignored, and sought to improve relations with that area, ensuring that there will not be a repeat of the demonstrations. Whatever be the steps the Japanese government undertook subsequently, developments in the economic arena after the riots have to some extent, even if not entirely, reduced some of the reasons for Southeast Asian grievances. One was the reduction

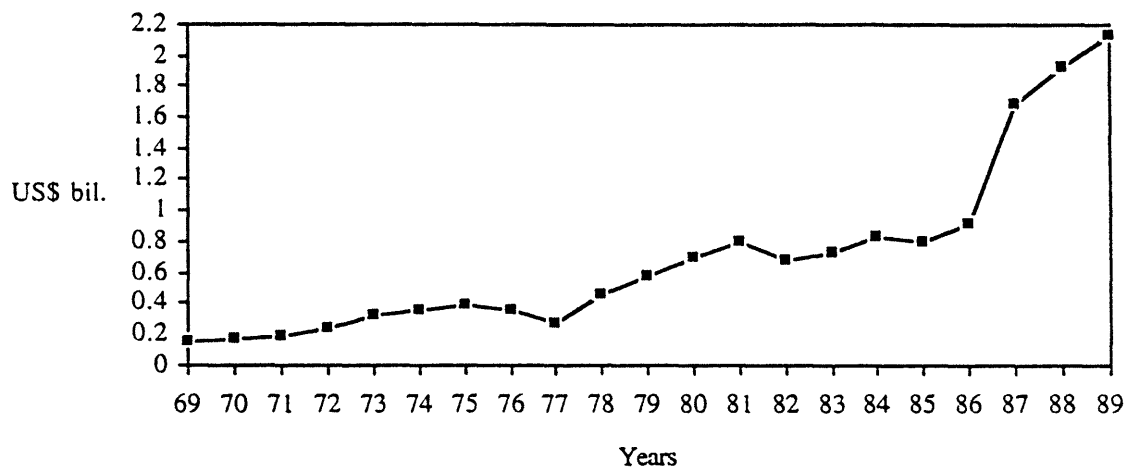
and stabilization of total ASEAN-Japan trade as a percentage of total ASEAN trade. As can be seen from Figure 1, Chapter 1, this percentage which reached a height of about 30% in 1973 declined in subsequent years steadily to a percentage of about 21 in 1989. Considering Indonesia and Thailand where the demonstrations were the most intense, the percentage of Indonesia-Japan trade as a percentage of total Indonesian trade dropped from a height of about 56 and 53 in 1971 and 1973 to about 36 in 1989. Similarly, the percentage of Thailand-Japan trade of total Thai trade fell from about 31 to about 23 in 1989 (see Figure 1). Whatever be the reasons, such declines suggest the ASEAN countries have a lesser sense of dependence on Japan as far as volume of trade is concerned.

Second, the composition of trade generated less heat, especially after the mid-80's. One reason was the collapse of the commodity prices in the mid-80's and the recession that collapse induced. Confronted with the need to export more as one way to overcome the recession, Southeast Asian countries found they needed the Japanese market more than before, even if the bulk of their exports still consisted of commodities. The reality of some dependence on the Japanese market had to be accepted.

Third, the trade deficit, while still an important factor in bilateral Japanese trade relations with the ASEAN countries, has become a less intense issue because of the composition of imports from Japan. Much of the trade deficit in the years after the mid-seventies, and especially after the revaluation of the yen in the mid-eighties came from the import of capital goods from Japan necessary for the industrialization of the importing countries. In the category of "machinery and transport equipment", the bulk of which would represent capital goods, ASEAN imports of such have increased. In 1972/73, they constituted 40.3% of total ASEAN imports from Japan. It rose however to 52.3% in 1978/79.²⁷ Especially after 1986 when Japan's increased exports to ASEAN have been led by intermediate goods and machinery equipment such as are needed for ASEAN factories, this has led to an increase in the trade deficit in many ASEAN countries. But it is difficult to criticize such imports without being critical of the industrialization programmes of these Southeast Asian countries accepting such imports.

Fourth, economic relations after the Fukuda Doctrine have become more “balanced” in that Japanese aid and investment became significant. A primarily trading relationship particularly between an industrialized country and a group of developing countries can easily open itself up to charges of unequal relationship or exploitation by the industrial country and so on. While aid-giving and investment are not without problems (indeed many charge they further entrench the exploitation of the developing countries), they nevertheless temper any exploitative relations by contributing to development through the transfer of technology, the alleviation of poverty and the like. As far as Japanese aid-giving is concerned, there is a very marked increase after the Fukuda Doctrine of 1977. This arises from the fact that Official Development Assistance or ODA is a government to government relationship, unlike trade and investment, and aid amounts can be decreased or increased very quickly by governmental decisions. Figure 3 shows total Japanese ODA to the five countries of ASEAN from 1969 to 1989.

Figure 3²⁸
Amount of Japanese ODA to the Five ASEAN Countries



The graph shows a big climb from 1978 onwards reflecting the aid from the Fukuda Doctrine and the ODA-doubling plan of Japan.²⁹ The climb after 1973 came about as a result of the high appreciation of the yen and the increase in aid to resource-rich countries after the

oil crisis. The big jump after 1986 came about because of the massive revaluation of the yen after 1985.

Japanese investment to ASEAN did not show any marked increase immediately after the Fukuda Doctrine. Even if Japanese government officials may exhort Japanese industry to invest more to help Southeast Asia develop, Japanese industry nevertheless make the decisions to invest according to their own lights. There was an increase in 1973 (because of the Japanese awareness of the need to invest in the exploitation of resources in Southeast Asia)³⁰ and a very marked increase after 1986 because of the yen revaluation. Nevertheless, as seen in Table 6, the amount of investment in the two years of 1974 (the time of the anti-Tanaka riots) and 1975 came to US\$1,419 million which is only slightly less than the cumulative total of US\$1,482 million in the years from 1951-1973!

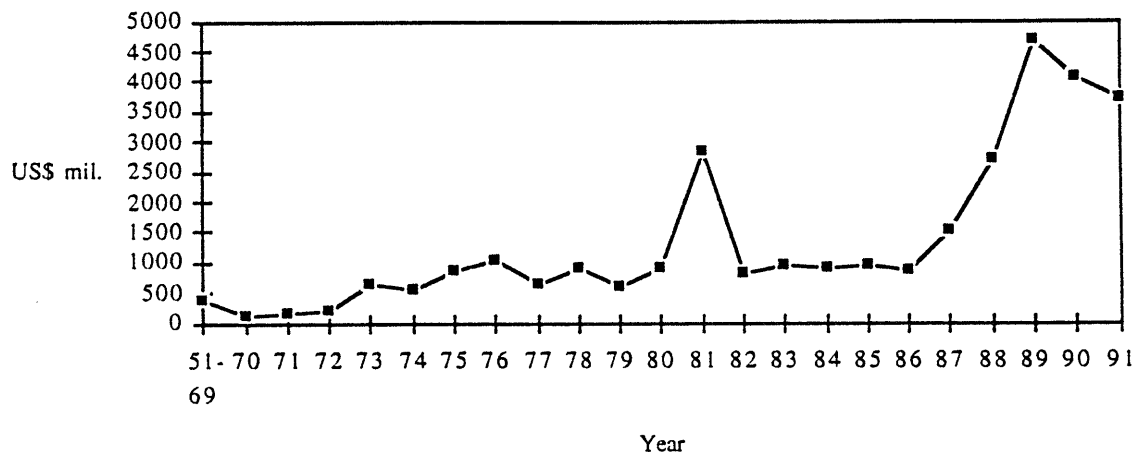
Table 6³¹
Japanese Direct Investment in ASEAN (US\$ million)

Years	Total
1951-69	376
1970	114
1971	153
1972	214
1973	625
1974	564
1975	855
1976	1,044
1977	636
1978	917
1979	595
1980	926
1981	2,834
1982	801
1983	973
1984	906
1985	935
1986	865
1987	1,524
1988	2,713
1989	4,684
1990	4,082
1991	3,696

Investment

The events that led to the Fukuda Doctrine naturally had an influence on Japanese investment in Southeast Asia. Except for the oil crisis of 1973 however, such influence was indirect in that a greater Japanese government commitment to ASEAN and the favourable ASEAN reception to the Fukuda Doctrine created a climate of opinion Japanese investors might find comfortable; and that some lessons could have been learned from some of these events as to caution Japanese investors about certain of their practices. But there was no great increase in amount of investment immediately after the Fukuda Doctrine. The real turning point, apart from the earlier one in the late 60's and 70's came after the revaluation of the yen after 1985 when Japanese investment in Southeast Asia changed markedly both in scale and character. See below for a graph of Japanese investment in ASEAN.

Figure 4³2



As can be seen from the graph, Japanese investment climbed steadily upwards from the early 70's and sustained another massive climb from the mid 80's after the revaluation of the yen. The spectacular jump in 1981 was an aberration and due entirely to a very big investment in Indonesia in 1981 on some resource

extraction project. (In 1981, of a total of US\$2,834 million Japanese investment in ASEAN, US\$2,434 went to Indonesia.)³³

The aims of Japanese investment in Southeast Asia from the beginning had been the exploitation of the natural resources of the area, and second, import substitution i.e. to overcome the tariffs of the recipient countries against foreign products by setting up factories to assemble Japanese products there, and third, to some extent the relocation of Japanese industries because of high wage considerations in Japan and other factors such as pollution and so on. Japanese investment received a spurt in the late 60's and early 70's because of a variety of developments. These were the liberalization of foreign investment regulations in 1969 in Japan, the revaluation of the yen as a result of the international currency developments of the early 1970's such as the collapse of the Bretton Woods system (1971-1973) and an increasing concern for the environment and stricter regulations in Japan.³⁴ The last two reasons stimulated Japanese investment especially in labour-intensive sectors and for the extraction of natural resources.

Southeast Asia before the mid-80's on its part was somewhat ambivalent towards Japanese investment in particular and foreign investment in general. Governments and domestic capital in some Southeast Asian countries such as in Indonesia and Malaysia (where state capital was expanding) fear competition from foreign investment. It could also be politically destabilizing as it could strengthen that part of domestic capital which is ethnic Chinese (though this is less of a concern in Thailand and Singapore) even though some domestic capital welcome foreign investment only up to a point as it would compete with them. Yet, Southeast Asian governments did not completely close the door as they recognised that foreign capital could contribute benefits, particularly new technology, additional employment and raise efficiency level in domestic firms exposed to competition.

It is in such a context that the "old wave" of Japanese investment i.e. pre-1985, to use the term used by a Thai scholar,³⁵ as opposed to the "new wave" after 1985 that Japanese direct foreign investment is viewed. And it is in the old wave Japanese investment that many Southeast Asians found somewhat unsatisfactory. Most of

their grievances applied to all the ASEAN countries while some are specific to one or two Southeast Asian countries.

One very general complaint was that Japanese investors are very reluctant to transfer technology. This holds true for both the less advanced and more advanced countries of ASEAN. A joint study of Japanese investment in Thailand stated that empirical evidence on the operation of Japanese joint ventures in Thailand tend to "suggest that technology transfer in Japanese-invested firms is not significant, if it exists at all."³⁶ While another study on Singapore complained of the fact that Japanese companies in Singapore have been "slow in upgrading their operations despite their governments repeated calls for automation and mechanization."³⁷ Technology transfer of course can take many forms such as ranging from the complete transfer of sophisticated techniques to the simple operation of imported machines. But according to two Thai scholars,³⁸ the most critical contribution pertains to the transfer of "software" technologies, that is, skills relating to management, accounting techniques, foremen and so on. One crucial indicator of this "software" transfer is whether Japanese firms put more locals in top management. And it is the unanimous opinion of Southeast Asians that this is not the case. Three Indonesian scholars summed it up by saying that the Japanese are unwilling to hire Indonesian managers. Instead, Japanese companies appeared to rely heavily on frequent rotation of Japanese managers and this is generally perceived as a method to retain decision-making processes in the hands of the parent companies in Japan.³⁹ This is backed up by a study conducted by non-Japanese or Southeast Asians which say that indigenisation in Southeast Asian Japanese firms "has occurred at the lower levels of management, but has been slow at the higher echelons. In terms of management functions, indigenisation has proceeded much faster in the areas of personnel and public relations, but slowest in the vital areas of finance, production, marketing and purchasing."⁴⁰

The Japanese would counter by saying that technology transfer is a complex process not easily done in a day. As they see it, there are not enough trained locals to take up management jobs (and if there were there is a high turnover rate); while complaining of the difficulty of purchasing sub-components from local sources as most

are not of the requisite quality (more purchases will give local suppliers ability to upgrade their technology). Southeast Asians would reply that as this is a relationship between developed and developing countries and the complexity aside, Japanese companies have some responsibility to go out of the way to transfer technology. By contrast, Southeast Asians point to western companies using more locals for management posts as compared to Japanese firms.⁴¹

A second general complaint was that Japanese investment does not lead to a significant increase in employment. It tended to be focussed on small sized companies, except for a few resource exploitative projects. For example, a study on Japanese firms in Malaysia before 1979 showed that most of the firms were of quite small size.⁴² Indonesian scholars wrote that Japanese investments do not contribute much to the "solution of employment problems in Indonesia."⁴³ Two Thai scholars, while conceding that the absolute amount of employment generated by Japanese joint ventures appear to be substantial, nevertheless noted that they "really accounted for only a small fraction of the total workforce in Thailand."⁴⁴

A third general complaint pertained to Japanese firms not contributing to regional development in that they tend to be situated in the more developed parts of the country thus accentuating the regional imbalance. While this is typical of most foreign investors and not of Japanese investors specifically, it is nevertheless a cause of complaint. Thus, a Thai study noted that most "Japanese joint ventures appears to be located in Bangkok and the nearby provinces."⁴⁵ Another study on Malaysia stated that "the Japanese firms located in Malaysia were, generally, of medium and small size, and have preferred to be situated in developed regions such as Kuala Lumpur, Selangor, Penang and Johore. By thus concentrating job-creation in already developed regions to the relative neglect of less-developed ones, these firms have not fulfilled one of the major social and economic expectations of DFI in Malaysia."⁴⁶ And in Indonesia for the 1967-80 period, 92 percent of Japan's planned investment projects were located in the island of Java.⁴⁷

There were some complaints that are specific to certain countries but one of the most important had been that Japanese investment created what was termed by some Indonesian scholars as

“socio-economic dualism,”⁴⁸ a situation that accentuates the modern economy from the traditional Indonesian economy. By that was meant Japanese investors tended to team up with ethnic Chinese business leading to competition, if not the destruction of the local pribumi (indigenous Indonesian) business, though they conceded that it is understandable as the Japanese firms seek partners who have past experiences with Japanese firms, who own or manage marketing institutions and are intimately acquainted with the Indonesian trading system. There are relatively, they wrote, “few pribumi Indonesians who fill these qualifications, and hence the tendency to use non-pribumi (ethnic Chinese) partners.”⁴⁹

Southeast Asians put up with these Japanese investments because it was felt Japanese and foreign investments in general are needed (though in the Indonesian case, Japanese investment had been one of the contributory reasons to the riots). But ambivalence towards foreign investments and Japanese investments in particular lessened after the mid-80's despite the persistence of some of these patterns of Japanese investment. One reason was the change of heart towards foreign investment by the ASEAN governments. This was brought about by the recession induced by a decline in world trade and the over supply of primary commodities which depressed commodity prices in world markets. Growth rates slowed markedly after 1981 and slumped in 1985 and 1986. In countries like Indonesia and Malaysia the fall in oil prices in 1984 greatly added to their financial woes. The ASEAN governments realised they needed a lot of foreign investment to help them out of the recession, and made many changes in their regulations to favour foreign investors.

At the same time, the massive revaluation of the yen after the Plaza Accord of 1985 was a traumatic experience for Japanese industry. It made Japanese wages so high that Japanese investors had to relocate greatly overseas, particularly in Southeast Asia, not only for import substitution purposes but for export back to Japan and to third countries. In other words to be more globally competitive, Japan had to invest in ASEAN for export, where once resource-exploitation and import substitution were the major considerations. The new wave investment was different in scale and amount.

One major change in scale is the greater industrial integration emerging across ASEAN under Japanese investment where Japanese firms build up pan-Asian networks through foreign investment in collaborating with their affiliates and through marketing links with non-Japanese companies. This is to ensure a supply of low cost components and parts outside Japan.

Because now the Japanese had to rely for cheaper, local sources of supply of parts and components where they once relied on Japanese firms (now too expensive) which force many Japanese sub-contract firms to relocate to ASEAN to continue supplying their parent firm. But local sourcing also involves sub-contracts to local firms to make parts under license. Thus, some initial data from a survey carried out by JETRO in late 1987 showed an increase in local content among Japanese subsidiaries.

Table 750
Changes in the Ratio of Local Content among
Japanese Affiliates in ASEAN, August 1987 Compared with the
Period Before September 1985 (in percentages)

	Increase Substantially	No Change	Decrease	Total
Food	16.7	75.0	8.3	100 (24)
Textile	40.5	59.5	0	100 (37)
Wood Products	14.3	85.7	0	100 (7)
Petroleum and Chemical Products	51.8	48.2	0	100 (56)
Metal and Non- metallic Products	35.1	62.2	2.7	100 (37)
General Machinery	58.8	41.2	0	100 (17)
Electrical Machinery and Electronics	69.2	28.6	2.2	100 (91)
Transport Equipment	55.6	44.4	0	100 (45)
Others	57.4	42.6	0	100 (47)

Note: Number of affiliates in brackets.

Source: JETRO, *Report of a Survey on Conditions of Japanese Affiliates in ASEAN* (Tokyo, March 1988), in Japanese.

There are some Southeast Asians who see this integration of ASEAN into Japanese industry as encouraging a new international division of labour in East Asia, presumably disapproving of the low scale in which ASEAN would be in with Japan dominating. But Southeast Asian governments and many other Southeast Asians have not seen it this way. One can say with some assurance now, ASEAN seems to have muted its criticism of Japanese investment because of this "new wave" pattern.

Japanese Aid

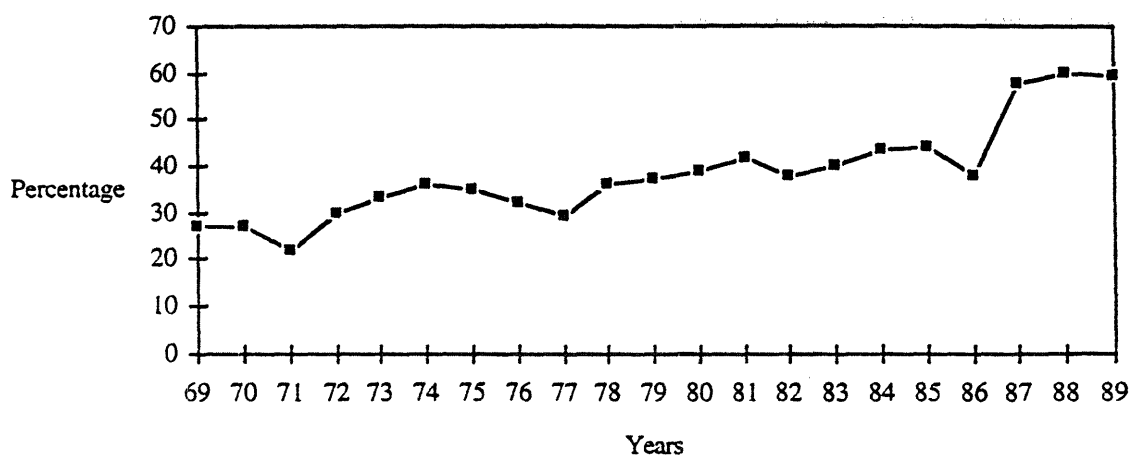
While Japanese aid, in terms of the amount to Southeast Asia, particularly to the ASEAN countries, may not be as large as its trade and investment, nevertheless it is very significant compared to aid from other countries. Japan's ODA to the ASEAN countries exceeded the economic and military assistance of the United States, the other big donor, after 1972. It went far beyond it after 1978. "The total amount of Japan's ODA to ASEAN countries in 1987 (US\$1.68 billion) was", according to one scholar "five or six times larger than US economic aid (US\$0.29 billion). Most of this US aid went to the Philippines (US\$0.23 billion in 1987)."⁵¹ As an example of the comparative amounts of bilateral aid (concessional loan) by other developed countries, take an ASEAN country like Malaysia for the year 1984 to 1986, Table 8 shows the following.⁵²

Table 8
ODA Loan Commitment to Malaysia (RM million)

Source	1984 (%)	1985 (%)	1986 (%)	1984-1986 Total (%)
Japan	229.5 (63.6)	107.3 (51.0)	155.0 (47.6)	491.8 (54.8)
Australia	48.5 (13.4)	43.1 (20.5)	34.5 (10.6)	126.1 (14.1)
United Kingdom	6.3 (1.7)	3.3 (1.6)	92.2 (28.3)	101.8 (11.3)
France	30.3 (8.4)	20.8 (9.9)	71.4 (2.3)	58.5 (6.5)
Germany, Fed. Rep.	7.2 (2.0)	4.0 (1.9)	10.7 (3.3)	21.9 (2.4)
Canada	9.7 (2.7)	7.9 (3.8)	4.3 (1.3)	21.9 (2.4)

From the figures, Japan's aid is way ahead (54.8%) compared to its nearest rival, Australia which contributed 14.1 percent of the total. And, if one were to compare the amount of Japanese ODA to the ASEAN countries to the total amount of aid the ASEAN countries received from all sources, it was well above a third for the years from 1978 to 1989, as Figure 5 below shows.⁵³

Figure 5
Percentage of Japan's ODA of Total Aid from
All Sources Received by ASEAN



As Japanese aid made its impact, so did Southeast Asian reaction to it become more evident. There is a general perception, particularly on the official level, that Japanese aid is needed. "It is an indisputable fact," wrote a top Malaysian official in a conference on Japanese aid to ASEAN, "that development assistance, whether in the form of grants, technical assistance, or concessional loans, supplements scarce resources of developing nations and contributes to their social and economic progress."⁵⁴ Because of this need and the belief in the cost effectiveness of Japan's ODA to Malaysia (a belief also shared by Thai officialdom),⁵⁵ Malaysia is particularly critical of the fact that Malaysia and other more developed countries of ASEAN may soon reach a certain stage of development measured by Gross National Product per capita, that would make them ineligible for Official Development Assistance from developed countries, including Japan.⁵⁶

A perception of need does not however coincide with a charitable interpretation of motivation. The belief is widespread in Southeast Asia that Japanese aid is not altruistic in intent but is given primarily to advance Japanese economic interests. This belief holds true across the Southeast Asian ideological spectrum. The late prime minister of Malaysia, Tengku Abdul Rahman once described Japanese aid as akin to usury. "Although Japan furnishes loans," the Tengku was quoted as saying, "it takes back with its other hand as if by magic, almost twice the amount that it provide."⁵⁷ A survey of 32 Thai members of parliament and a group of 100 most of whom came from the Thai managerial class revealed that these two groups tend to confuse Japanese aid with Japanese investment.⁵⁸ While a Malaysian social critic writes that "Japan hardly deserves credit as the world's top foreign aid donor since the main consideration behind much of its ODA is to provide business for and to otherwise support and favour the business interests of its private companies."⁵⁹

Whether such uncharitable views are a result of a lack of sophisticated understanding of the Japanese aid-giving process or of a stubborn refusal to believe in Japanese altruism, it must be said it is quite understandable, given the nature of Japanese aid before the 1980's. Previous to that Japanese ODA came under the label of Japanese economic cooperation, which also included the term other official flows (OOF) that involved loans by the Japanese Export Import Bank which may not be concessional in nature. In addition OOF also included private investment flows. Only after the early 80's did the Japanese government begin to refer to "aid" and "ODA" in order to separate the commercial and developmental uses of economic assistance.⁶⁰ Small wonder such uncharitable views exist as they are given such linguistic assistance.

Further adding to Southeast Asian perception of the linkage of aid with Japanese commercial aims is the manner in which aid is, or rather is not, coordinated. There are four ministries in Japan, the Ministries of Finance, Foreign Affairs and International Trade, and the Economic Planning Agency which are charged with implementing Japanese ODA. Yet, there are as many as 16 Japanese offices that have budgets that include money for ODA.⁶¹ Some of such offices

may have used such ODA, either directly or indirectly, for commercial purposes.

But what of the actual situation. Here an examination of concessional loans by the Overseas Economic Cooperation Fund (OECF), the Japanese agency in charge of concessional loans, to one Southeast Asian country, Malaysia before 1989, broken down by sectors, is quite revealing.

Table 9
OECF Loans by Sector to Malaysia

	(¥ million)		
	Amount	%	No. of Loans
Electric power and gas	231,680	65.4	25
Transportation	38,511	10.9	14
Mining and manufacturing (industry)	38,387	10.8	2
Telecommunications	6,158	1.7	2
Agriculture	2,997	0.8	1
Development loans (financial intermediary loans under AJDF)	36,787	10.4	4

Source: *Japanese Contribution to Economic Development of Malaysia through OECF Loans*, March 1989, The OECF, Japan.

The figures show that more than 75% of the loans went to fund infrastructural projects such as electric power and gas, transportation, and telecommunications. This suggests there is an indirect aim in that such infrastructural development facilitates Japanese investment in Malaysia. Japanese factories producing electronic products, of which there is a heavy concentration, have to ensure the continuity of electricity supply for example. Moreover, Japan imports natural gas from Malaysia, and infrastructural development helps in its exploitation and transportation to Japan. This suggests much of Japanese ODA is directed to those sectors that could at least indirectly benefit Japanese business. Some Malaysian officials defend such lending on the grounds that they fit into the

recipients, in this case, Malaysia's, plans and priorities, and that other needs such as educational and agricultural development already have funding from other non-Japanese compared to other donors agencies. In addition, the Japanese appear to be the ones willing to commit the much greater amount of capital needed for such infrastructural development.⁶² While this is no doubt true, the fact remains that not much Japanese ODA in Malaysia up to 1989 go to the alleviation of poverty, for example. The willingness of Japan to fund infrastructural projects on the other hand only increases the belief in its readiness to help business.

Another complaint pertains to the effect of the revaluation of the yen on concessional borrowing by Southeast Asian countries from Japan. In 1985, as a result of what is known as the Plaza Accord, the yen was revalued up to almost twice the value of the American dollar. This had a deep impact on some Southeast Asian countries which borrowed before this revaluation in yen, and almost overnight is about twice indebted in American dollars. Malaysia is the most vocal of the Southeast Asian countries regarding the injustice of such a situation. According to figures given by an official of the Malaysian Central Bank, as of December 31, 1987, Malaysia's total debt in yen came to RM17.5 billion, of which the Japanese OECF (RM4.4 billion) and the EXIM Bank (RM2.2 billion) accounted for RM6.6 billion, or 38%. He argued that as a result of the yen rising about 115% *vis-à-vis* the ringgit between 1985 and 1988, the "loss" in official assistance came to about RM3.5 billion and suggested that Malaysia would have been better off borrowing in US dollars, even at market rates.⁶³ Malaysia, of all the ASEAN countries, is most affected by this revaluation as can be seen from the figures in Table 10.

It can be seen that borrowing before 1985 i.e. in year 1984, Malaysia borrowed the most of the four ASEAN countries, both in terms of absolute amount and the percentage of the total Japanese ODA it received. The others increased their loans after the revaluation. It is no wonder the Malaysian government pressed the Japanese government to do something to alleviate this debt burden such as refinancing such loans at a more reasonable (lower) interest rate. However, the Japanese government remained inflexible on the grounds that its laws governing concessional loans have no such

provisions (moreover changing them takes time) and that the exchange rate risk was something that could not be helped. It was however more conciliatory with new loans, and in March 1990 offered a big loan to Malaysia (the thirteenth yen loan) of ¥61 billion at the favourable interest rate of 2.9%.

Table 10⁶⁴
Japanese ODA to Four ASEAN Countries by Type, 1984-1988

	Grant	Technical Cooperation	Loan Aid (L)	Grand Total (GT)	L/GT (%)
<i>Indonesia</i>					
1984	30.03	43.66	94.00	167.69	56.0
1985	31.06	45.28	84.99	161.33	52.7
1986	46.75	63.07	57.01	160.83	35.5
1987	68.70	67.88	570.72	707.31	80.7
1988	49.40	93.79	841.72	984.91	85.5
<i>Philippines</i>					
1984	26.39	31.30	102.39	160.08	64.0
1985	39.96	29.75	170.29	240.00	70.1
1986	41.08	39.30	357.58	431.96	81.7
1987	66.89	44.90	267.60	379.38	70.5
1988	70.40	60.70	403.62	534.72	75.5
<i>Thailand</i>					
1984	50.20	40.21	141.61	232.02	61.0
1985	76.54	40.69	146.87	264.10	55.6
1986	71.56	54.19	134.65	260.41	51.7
1987	62.92	72.64	166.88	302.44	55.2
1988	44.15	94.28	222.19	360.62	61.6
<i>Malaysia</i>					
1984	11.03	24.81	209.31	245.15	85.4
1985	0.55	23.06	101.98	125.59	81.2
1986	7.06	36.43	5.73	49.22	11.6
1987	7.85	40.82	227.72	276.39	80.6
1988	2.89	54.74	32.80	90.44	36.3

Other complaints about Japanese ODA pertain to the belief that Japanese businesses tend to benefit from ODA, whether the aid is tied or untied (either through superior competitiveness or being in the planning right from the beginning). Another one is the self-help principle meaning that Japanese ODA has more loan than grants on the grounds of the "self-help principle." This is however not unanimous as a view. Other frequently heard complaints are the

inordinate time spent in offering and implementing the loan (i.e. Japanese study group after study group), and not enough locals are involved.

Lately, Japanese ODA has responded to some of the criticisms and have put more money in aiding manufacturing, the training of human resources and so on. But it has also come out with a new ODA charter that will link the dispensing of ODA with environmental considerations and not too inordinate expenditure on arms. Such so-called conditionalities are not viewed favourably by Southeast Asia, at least not on the official level.

Notes

1. Franklin B. Weinstein, "Multinational Corporations and the Third World: The Case of Japan and Southeast Asia," *International Organization*, 30, No. 3, p. 379.
2. My research into Japanese aid to Malaysia shows that most of the Malaysians interviewed could not separate Japanese aid from general Japanese economic aims. For another view of all these three factors as part of an integrated Japanese economic penetration, see "The Look East Policy and Japanese Economic Penetration in Malaysia," by Johan Saravanamuttu in *The Sun Also Sets*, edited by Jomo (Insan, Kuala Lumpur, 1985).
3. Malaya received its independence in 1957 but subsequently incorporated Singapore, and the Borneo states of Sabah and Sarawak in 1963 to form Malaysia. Singapore left and became an independent nation in 1965.
4. When the French left in 1954, Laos and Cambodia became independent but Vietnam was split into North and South Vietnam. It was not till 1975 that Vietnam became unified.
5. After the Philippines became independent in 1946, an agreement called the Laurel-Langley Agreement came about which allowed Americans the same rights as Filipino citizens in the economic arena in the Philippines for a period of twenty-five years. Filipino nationalists naturally saw this as a gross infringement of Filipino sovereignty and agitated for its removal.

6. The term ASEAN used throughout this chapter refers to the regional ASEAN five which are Indonesia, Philippines, Malaysia, Thailand and Singapore.
7. Most Japanese view the reparations payment as aid but Southeast Asians do not.
8. Figures on trade statistics taken from *Financial Statistics* issued by the Japanese Ministry of Finance and the *United Nations Yearbook*. Figures on Gross Domestic Product are taken from the *Yearbook of National Accounts Statistics 1979* (United Nations).
9. See Dorodjatun Kuntjoro-Jakti and Prijono Tjiptoherijanto, "Indonesia-Japan Trade Relations," in Narongchai Akrasanee, ed., *ASEAN-Japan Relations: Trade and Development* (Institute of Southeast Asian Studies, Singapore), p. 43.
10. See Weinstein, "Multinational Corporations" for some mention of how dependence in Japan-Southeast Asian relations can be felt both ways.
11. Dorodjatun, "Indonesia-Japan Trade Relations," p. 43. Another writer, a Japanese scholar, also writes that while "Indonesia's oil is important to Japan, it is much more important to Indonesia." Between 1960 and 1970, at least 46 percent of Indonesia's crude oil exports went to Japan and by 1962 this figure reached 87 percent
12. Taken from Narongchai, ed., *ASEAN-Japan Relations*, pp. 9-10.
13. *ibid.*
14. Two Indonesian scholars were pessimistic whether much can be done about this, at least in the Indonesian case. "The prospect for correcting this critical structural deficit," they write, "is quite remote, as can be seen by the insignificant role played by the export of industrial goods, such as 'Manufactured Goods', 'Machinery and Transport Equipment' and 'Miscellaneous Manufactured Articles', which for the whole period of 1975-79 remained at the exceedingly low level of below 2 percent." Dorodjatun and Prijono, "Indonesia-Japan Trade Relations," p. 42.

15. Narongchai Akrasanee and Likhit Dhiravegin, "Trade and Development in Thai-Japanese Relations," in Narongchai, ed., *ASEAN-Japan Trade Relations*, p. 13.
16. Though as will be explained later, Malaysian figures in the early 70's show a deficit for Malaysia as compared to Japanese figures which show a deficit for Japan.
17. Narongchai Akrasanee, "ASEAN-Japan Trade and Development: A Synthesis," in Narongchai, ed., *ASEAN-Japan Trade Relations*, p. 22.
18. *ibid*, p. 23.
19. For an article in the early 70's concerning the tension the Japanese were generating in Southeast Asia, see Chie Nakane, "Social Background of Japanese in Southeast Asia," in *The Developing Economies* (Tokyo), Vol. X, Nos. 1-4, 1972).
20. It maybe an apocryphal story but a Japanese businessman I once interviewed told me that Tanaka, who still thought of Southeast Asia as filled with tropical jungles, asked an aide, on arrival in Southeast Asia, where the tiger was!
21. Statistics for both Figures 1 and 2 are taken from Financial Statistics and UN Yearbook.
22. For the concern of some Japanese scholars on Japanese "overpresence", see Suelo Sekiguchi, "Japanese Direct Foreign Investment and ASEAN Economies: A Japanese Perspective," in Suelo Sekiguchi, ed., *ASEAN-Japan Relations: Investment* (Institute of Southeast Asian Studies, Singapore), p. 244.
23. The figures are taken from the Financial Statistics of the Japanese Ministry of Finance. There maybe some discrepancy for similar years of trade statistics from other sources. See Narongchai and Likhit, p. 142, due perhaps to a different statistical method being used or to updating. The discrepancy is not however that great. I have also stuck, unless mentioned, to statistics from the same source, on the advice of an economist colleague, Lee Hock Lock, who said that what is important for comparative purposes is the consistency of the sources.
24. Narongchai and Likhit, p. 143.

25. Taken from the Financial Statistics of the Japanese Ministry of Finance. See Romeo M. Bautista and Wilfrido V. Villacorta, "Economic and Political factors affecting Philippine-Japan Trade," in Narongchai, ed., *ASEAN-Japan Trade Relations*, p. 80 for figures taken from the Filipino National Census and Statistics office.
26. The Malaysians do not take into account Malaysian goods exported to Japan through third countries such as Singapore, which the Japanese do. The Japanese on the other hand, unlike the Malaysians do not take into account cost of insurance and freight. Hence, the big discrepancy between the two sets of figures.
27. Narongchai, "ASEAN-Japan," in Narongchai, ed., *ASEAN and Japan*, p. 12.
28. Figures taken from Juinichi Inada, "Japan's Official Development Assistance to ASEAN Countries: Its Objectives and Policy-Making Process," in *Development and ODA* (The United Nations University, Tokyo, 1991), p. 47.
29. Japan in the seventies and eighties kept increasing its aid because of pressure (its trade surplus being an important contributory factor) to assume more international responsibilities. For an analysis of why Japanese aid-giving accords with the Japanese perception of their responsibility to the global system, see Dennis T. Yasutomo, "Why Aid? Japan as an 'Aid Great Power,'" in *Pacific Affairs* (University of British Columbia, Canada), winter 1989-90.
30. This need was heightened by the first oil crisis which brought home to the Japanese how much they depended on resource producing countries.
31. The statistics are from the Japanese Ministry of Finance. The Ministry calculates on the basis of approved projects, not on money already invested, which is the way most American calculations of American investment are done. Such different methods make for difficulties in comparing investment data in Southeast Asian countries among investing countries. See Richard P. Cronin, *Japan, the United States, and Prospects for the Asia-Pacific Century: Three Scenarios for the Future*

- (Institute of Southeast Asian Studies, Singapore, 1992), pp. 134-135 for some mention of this.
32. Statistics from Japanese Ministry of Finance.
 33. *ibid.*
 34. Sueo Sekiguchi, "Japanese Direct Foreign Investment and ASEAN Economies: A Japanese Perspective," in Sueo Sekiguchi, ed., *ASEAN-Japan Relations*, p. 230.
 35. Terms used by Pasuk Phongpaichit in her *The New Wave of Japanese Investment in ASEAN* (Institute of Southeast Asian Studies, Singapore, 1990). Much of my discussion on post-1985 Japanese investment in Southeast Asia is based on her book, for which I am very happy to acknowledge.
 36. Chulacheeb Chinwanno and Somsak Tamkunlertchai, "Japanese Investment in Thailand and Its Prospects in the 1980s," in Sueo Sekiguchi, ed., *ASEAN-Japan Relations*, p. 206.
 37. Kwan Kuen-Chor and Lee Soo Ann, "Japanese Direct Investment in the Singapore Manufacturing Industry," in Sueo Sekiguchi, *ibid.*, p. 163.
 38. Chulacheeb and Somsak, "Japanese Investment," pp. 205-206.
 39. Dorodjatun Kuntjoro-Jakti, Prijono Tjiptoherijanto and Slamet Seno Adji, "Japanese Investment in Indonesia," in Sueo Sekiguchi, ed., *ASEAN-Japan Relations*, p. 49.
 40. J.E. Everett, A.R. Krishnan and B.W. Stening, *South-East Asian Managers, Mutual Perceptions of Japanese and Local Counterparts* (Eastern Universities Press Sdn. Bhd., Singapore, 1984), p. 13.
 41. See Sim, A.B. "Decentralized Management of Subsidiaries and Their Performance — Comparative Study of American, British and Japanese Subsidiaries in Malaysia," *Management International Review*, 17(2) for the different styles of management of western and Japanese companies.
 42. See Chee Peng Lim and Lee Poh Ping, *The Role of Japanese Direct Investment in Malaysia* (Institute of Southeast Asian Studies, Singapore, 1979).
 43. Dorodjatun, *et al.*, "Japanese Investment," p. 49.
 44. Chulacheeb and Somsak, "Japanese Investment," p. 198.
 45. *ibid.*, p. 197.

46. Mehmet Sami Denker, "The Evolution of Japanese Investment in Malaysia," in Jomo K.S., ed., *Japan and Malaysian Development: In the Shadow of the Rising Sun* (Routledge, London, 1994), p. 64.
47. Dorodjatun, *et al.*, p. 47.
48. *ibid*, p. 43.
49. *ibid*, p. 45.
50. Taken from Phongpaichit, *The New Wave*, p. 57.
51. See Inada, "Japan's Official Development Assistance," p. 47.
52. Taken from OECD, *Geographical Distribution of Financial Flows to Developing Countries, 1988*.
53. Taken from Net Distribution of ODA from all sources in *World Development Report* (World Bank publication) and Inada, "Japan's Official Development Assistance," p. 47.
54. Keynote address in "Development and ODA" conference by Dato Mohd. Sheriff Mohd. Kassim (Director General, Economic Planning Unit, Malaysia) in UN Sponsored conference on Japanese ODA. See *Development and ODA*, p. 17.
55. Comments by Dr. Bunyaraks Ninsananda, Director, Overall Planning Division, Office of the National Economic and Social Development Board, Thailand in *Development and ODA*, p. 29.
56. Of the five ASEAN countries, Singapore and Malaysia because of their high GNP per capita, are not eligible for grants in aid from Japan. Nevertheless, Japan makes an exception to educational, fisheries and ASEAN-wide projects.
57. Quoted in *The Times of London*, 29, April, 1971.
58. Mingsarn Santikarn Kosa-ard, "Foreign Official Assistance, a Thai Perception," in *Development and ODA*, p. 118.
59. Jomo K.S., "Malaysian Forests, Japanese Wood," in Jomo K.S., ed., *Japan and Malaysian Development*, p. 192.
60. Yasutomo, "Why Aid?"
61. See "Just What is ODA?" *AMPO*, Japan-Asia Quarterly Review (Tokyo) Vol. 21, No. 4, p. 8.
62. In an interview with an official concerned with aid to Malaysia in the Economic Planning Unit, Malaysia.

63. See Lim See Yan, "Japan-Malaysia Relations: External Debt, with Special Emphasis on Official Assistance," Institute of Strategic and International Studies, Kuala Lumpur (no date) p. 4.
64. Figures worked out from *Japan's ODA 1989 Annual Report* (Ministry of Foreign Affairs, Tokyo).