

17 April 2012

Should Malaysia continue Looking East?

By Firdaos Rosli

30 YEARS LATER: We are still developing and still differ on workplace values



A Universiti Tun Hussein Onn delegation with Malaysian students at Pukyong National University in Korea last year. About 15,000 Malaysians have studied in Japanese and Korean tertiary institutions over the past three decades.

THE remarkable industrial growth of Japan, and subsequently South Korea, was seen as the suitable model for Malaysia to depart from British influence and inculcate the Northeast Asian mould for economic growth.

As a result, the Malaysian government introduced the Look East Policy (LEP) in February 1982. The LEP can be summarised with two overarching levels: one, internalise Japanese and South Korean work ethics in public and private sector policies, and two, support economic development policies encompassing aid, technical assistance and training in vocational and tertiary education. Fast forward 30 years later, LEP is argued to be successful in most areas except technology transfer.

First off, the fact remains that Malaysia is still at the developing stage, although at a much higher level than 30 years ago. As a trading nation, Malaysia is now trying to climb to a higher level of industrial speciality by seceding from low value-added, labour intensive industries.

Even at the current development stage, Malaysia still requires its North-eastern partners in moving up the value chain by upgrading its technical competencies. There is a need to raise the standard of talent via a parallel approach to TVET (technical and vocational education and training) and academic excellence.

There are about 15,000 Malaysians who have pursued tertiary studies in Japan and Korea over the last 30 years. However, the admissions are mostly at the diploma and degree levels. Opportunities to study engineering at the degree level in Korea are also limited. A better skilled workforce will address the issue of shortage of talent and push industries up the value chain. Malaysia has to break away from its previous role as an offshore production hub to encourage a technological upgrade.

Climbing the technological ladder must be paired with an aggressive approach in localising foreign direct investment (FDI). Japan, which has implemented manufacturing projects worth

RM59 billion since 1980, should be more flexible in assisting Malaysian companies to be part of its production chain.

In this respect, the role of state governments in providing the environment for localisation of FDI is also important to increase the networking of home grown companies.

As highlighted by Michael H. Best in his article, "Cluster Dynamics in Malaysian Electronics", the Penang state government policies are not only successful in upgrading the technological capacities and skill base of its cluster but also integrating those skills with new firm creation policies.

Then again, localisation of FDI is not as straightforward as it seems. Japanese multinational corporations tend to 'export' almost the entire production chain to Malaysia. According to a survey by the Japanese Chamber of Trade and Industry Malaysia (Jactim), Japanese companies acquire only 20 per cent of parts and materials from Malaysian companies. As such, the spill over effect of large Japanese FDI into the country is minimal as participation in the production chain is restricted.

Some would argue that lack of transparency by the Japanese is making it hard to measure the net effect of its investments in Malaysia. The profile of Japanese companies operating in the country is still very limited.

The Japanese have been critical of some of Malaysia's national policies, such as those on automotive industry, foreign workers and minimum wage. The 2011 Edition of Japan's Report on the Compliance by Major Trading Partners with Trade Agreements highlighted Malaysia's possible violations of GATT Article 3 in relation to the implementation of preferential tax treatment on national automotive manufacturers.

Conversely, the social values of Malaysians in the workplace do not mix well with the Japanese work culture. In 2002, a survey by Jactim highlighted that 91 per cent of Japanese companies are of the opinion that Malaysian workers lack morale, common sense and discipline. However, this survey was highly disputed by the Malaysian public, including then Minister of International Trade and Industry Tan Sri Rafidah Aziz.

While they do not expect Malaysians to replicate the work and social behaviour of Japanese, understanding the basic ethics can build trust and confidence much more smoothly. Bilateral relations between Malaysia and both Japan and Korea have contributed to the significant relevance of LEP over the years. Looking East is not just about upgrading the local talent pool and technology transfer but also improving the nation's social values that is a key prerequisite towards becoming a high-income nation.

Be that as it may, building a stronger partnership should not be the responsibility of the North-eastern partners alone but rather shared efforts to encourage collaborative spirit and synergy. It is time we took a leap forward to work on the differences and share the benefits of economic prosperity equally as partners.