Dear Review Editor:

I am sorry to be at the last minute with this review, but I have had some extensive and somewhat unexpected travel related to the fact that I shall be leaving the University of Victoria for Yale in July. Therefore, I am faxing you this review from International House in Japan and shall be sending a clean copy and diskette by Express Mail. Thank you for your understanding and assistance in this matter.

If you have any questions you can get me at International House of Japan at 011-81-3-3470-4611 (fax: 3479-1738) until May 27th after that my office at the University of Victoria will know how to contact me.

Sincerely,

William V. Rapp
Volumes of collected articles are often difficult to assess because various authors’ scholarship differ in quality. However, this book has the added dimension of mixing polemics and academic research, making it hard to know when authors are stating political views and when they are presenting hard data and analysis. While the articles vary, these mixed presentations force one to ask if data have been selected or adapted to an author’s personal agenda. For this reason, what could be an enlightening description, critique and analysis of the impact of Japanese investment (FDI) in Malaysia and of Prime Minister Mahathir’s “Look East” policy loses its intellectual force.

The editor’s introduction beginning the book states the articles demonstrate the exploitation of Malaysia and its workers by Japanese multinationals in collusion with the Malaysian government. Subsequent chapters try to document this through economic analysis and political statements in which Japanese aid and investment are viewed as extensions of the prewar Greater East Asia Co-Prosperity Sphere. Primary criticism thus falls on Japan while the cooperative initiatives of the Malaysian government are less criticized. The reasons for this uneven treatment are never presented, though it is clear Japanese aid and investment have been solicited.

Together the chapter on trade by M.A. Aslam and M.H. Piei, the chapters on investment by M.S. Denker and M. Anazawa, the chapter on technology transfer by A. Ali, the chapter on intra-firm trade and transfer pricing by A. Marappan and K.S. Jomo, and the chapters on the Malaysian car by K.G. Machado and G. Atan present a detailed operational example of the international product cycle model. That is, having imported technology from more advanced countries, Japanese firms exploited shifts in comparative advantage from changes in factor costs to become competitive in related products, first penetrating protected domestic markets and then exporting. Their success, though, led to yen appreciation which combined with continued shifts in factor costs to make FDI attractive by lowering production costs and securing markets in the less developed countries or
retaining markets and obtaining technology in advanced countries. Naturally, under these conditions, Japanese managers, like their Western counterparts, try to retain technologically intensive processes at home to maintain employment and comparative advantage. This logical corporate decision is supported by their employees, and there is nothing conspiratorial in the process. At the same time, Malaysia’s attraction is its inexpensive labor relative to the technology transferred. If this were not so, there would be no FDI, and Japanese firms would invest elsewhere. This key point and its potential impact on Malaysian growth and development is never addressed. That is, while Malaysian labor is seen as exploited because wages and benefits are less than Japanese workers, the issue of if they were not employed because their wages would be too high is never addressed. Conversely, the government clearly offered incentives to attract FDI and to create manufacturing employment that has occurred.

The attempt in the chapters on ethnicity in labor practices by W.A. Smith and on in-house unions by P. Wad and K.S. Jomo respectively to cast these differences in terms of the labor surplus theory of value and traditional class struggles adds little illumination. This is because the relevant economic forces are factor cost and endowment differences between Japan and Malaysia. Further, this discredited theory gives little value to managerial expertise, technology, and capital transfers, directly contradicting the large value placed on them in the description of the Malaysian car project.

The most interesting and informative chapters are those on the Malaysian car and the failure to develop local sogoshoshas despite government support. These are good case studies. Also a chapter on Malaysian forests by K.S. Jomo is a potentially chilling and important documentation of their destruction and exploitation for economic and political gain in Malaysia and Japan. But it loses its bite in association with others since one does not know how much to believe. Still, it is worthy of further amplification and documentation if the author can resist substituting polemics for evidence and analysis. Thus, it represents the book’s best and worst in that there is interesting
material reflecting effects of Japan’s FDI in Southeast Asia and its large multinationals’ strategic motivations. But because of its bias, the reader can’t sort out the presentation’s political aspects.

University of Victoria, Victoria, B.C., Canada  William V. Rapp