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Comparing Japanese and Chinese Economic Influence in Malaysia

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has long been regarded as the leading economic power in Southeast Asia. But with the
of the Japanese bubble in the 1990s and the subsequent difficulty Japan experienced
to recover from the economic stagnation induced by the bubble bursting, Japan is now
declined as a power on the decline. Many Southeast Asians are disappointed with the present
Japanese economic leadership, unlike in the immediate years after the Fukuda Doctrine.
Then Japan played a very active role in helping to modernize the ASEAN economies,
generous amounts of Official Development Assistance (ODA) and actively considering
helping out the ASEAN countries in trade and investment. The present picture however is
the reduction of ODA and apparent lack of Japanese interest in Southeast Asia. On the
hand, China, a country Southeast Asia had long associated with a backward economy, is
seen to be on the rise. Its massive economic growth of about 9 percent each year for
30 years has been dazzling the world. Southeast Asia is no less impressed. And this
Asiatic image of a rising China was further enhanced with the Chinese offer of a free
agreement to ASEAN, an offer that held out the prospect of the vast Chinese market to
AN countries. This agreement was launched in 2010. How true is this picture of a
Japan and a rising China in ASEAN?

Paper will attempt to answer this by evaluating one aspect of what Joseph Nye, the
Harvard scholar who popularised the concept of soft power, considers as ‘hard’
the other being that of military prowess, that of the economic influence of Japan and
an ASEAN country, Malaysia. Given the diversity of economic development and
economic systems in the ten ASEAN countries, particularly between the mainland
Asian countries of Cambodia, Laos, Myanmar and Vietnam (CLMV) and the older 5,
no one country can be said to be truly representative of ASEAN. But because the
has a longer history of economic interaction with Japan than the CLMV countries, and
the economic relations with China in recent years, a study of the comparative
economic impact of both Asian powers on a fairly representative country of the ASEAN 6 like
Malaysia can give us some indicator of the influence of both these powers in Southeast Asia.

Paper will examine trends in trade, investment—the two primary indicators of economic
activity—of both countries in Malaysia in respect of quantity and quality from 1990 till now.
The starting year of 1990 is chosen because it gives us a long period, about two decades to gauge the extent of the influence of both. Also, it was in the early 1990s that Malaysia really ‘normalized’ relations with China in that Malaysia
and the restrictions it had placed on the movement of people in the two countries, even
formally recognised China in 1974.

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