

Part I: Malaysia Survey

Leadership draws on Japan model for nation's economic development

by Paul Zykofsky in Kuala Lumpur

One of the first measures implemented by Malaysian Prime Minister Datuk Seri Mahathir Mohamad when he took office in July 1981 was to make it compulsory for all government officials to wear name tags and punch in and out of work. While relatively minor policy decisions, they were a signal that, as one Malaysian told this correspondent, "Mahathir means business." In the months that followed, the maverick Prime Minister shook up the country by closing down inefficient state-run enterprises, announcing a "buy British last" policy, and by launching a new "look East" policy for closer relations with Japan and South Korea.

These policies underscore the basic thrust of Mahathir's leadership of this young nation of 15 million people—the need to work hard and fast to develop the economy. During a recent 10-day visit to Malaysia, this correspondent found that despite the severe impact of the international depression on Malaysia's largely export-oriented economy, the country has weathered the storm far better than most developing and developed economies. While there exist a number of technical economic reasons for this, the broader explanation can be found in the fact that having gained independence less than 30 years ago, Malaysia is still fired by the spirit of developing rapidly and attaining the standing of a modern industrial nation. In this regard, it has been fortunate to have a stable, democratic political system with leadership committed to building the nation and capable of efficiently managing the economy.

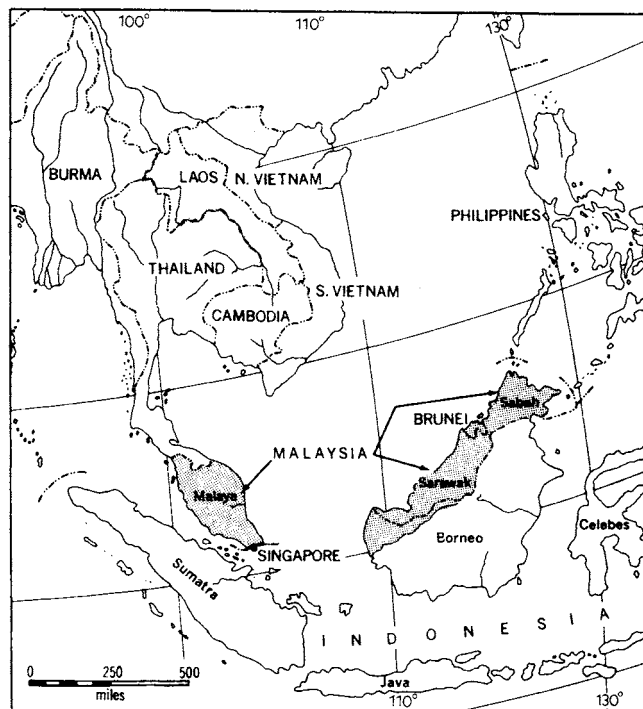
It is difficult, as this correspondent found, to encounter a cynical or negative attitude about the future. Even those people who sharply criticize government policies will readily admit that Malaysia has great economic potential and that, whatever its shortcomings, the current political leadership is dedicated and committed to building a better nation. As one critic of the government put it, "there is no doubt that Mahathir is a man of vision who wants great things for this country."

In the population at large this dynamic leadership has translated into a high degree of confidence about the future. This confidence is not unfounded—it is based on what Malaysia has been able to accomplish in the past two decades. In addition to maintaining a steady annual growth of approx-

imately 8 percent, several people I spoke to pointed to Malaysia's success in becoming the leading world producer of rubber and more recently palm oil—neither of which is indigenous to the country—as proof of Malaysia's ability to move ahead ambitiously. As one economist told this correspondent, "If we were able to become the number one producer in the world of palm oil in a short span of 10 years, people ask, why can't we do it in other fields as well?"

But Malaysia's "success story" is not limited to agriculture. In 1981 it beat out Japan to become the largest exporter of semiconductors to the United States, and in the last few years it has become the third-largest exporter of air conditioners in the world, behind only the United States and Japan.

For the years ahead the government has drawn up an ambitious strategy for development. The Malaysian Industrial Development Authority summarizes the targets for the 1980s as follows: 1) setting up of high-technology industries



for the up-grading of skills in the existing urban centers; 2) establishment of heavy industries so as to strengthen the foundation of the industrial sector in Malaysia; 3) establishment of ancillary and supporting industries to service the needs of various existing industries; 4) promoting increased processing of existing natural resources into semi-finished and finished goods; and 5) to develop on a plantation scale, agricultural crops and increased processing of these crops into semi-finished and finished products.

More specifically, the government has launched ambitious projects to develop the more backward eastern region of the country based on the offshore oil and gas resources. These include: extraction and processing of oil and gas; energy production based on construction of several power stations based on gas and hydroelectric resources; petrochemical plants to produce industrial raw materials using the oil and gas reserves as feedstocks; heavy industries such as steel-making based on using gas as fuel to process imported iron ore; light and medium industries for import substitution and agricultural processing; and a wide range of resource-based industries to exploit the region's other mineral deposits.

Key to political stability

High economic growth rates since Malaysia attained independence from Britain in 1957 have, in large measure, contributed to political stability—by no means an easy thing to achieve in a multi-racial, multi-religious nation based on a conglomerate of small, feudal sultanates and British plantation states. Today, Malaysia's population consists of: 52 percent native Malays who practice Islam and, except for a small aristocratic class, generally make up the poorer sections of the population living in rural areas; a large minority of Chinese origin, approximately 35 percent of total population, descendants of the people brought from Southern China by the British to work in the tin mines and who, over the years, have become the most prosperous segment of society receiving an estimated 60 percent of national income; and lastly the descendants of the Southern Indians brought to Malaysia by the British to work on the rubber plantations who make up approximately 9 percent of the population. Ethnic polarization and the inability to deal with the economic inequalities which existed at independence resulted in severe riots in the capital city of Kuala Lumpur in 1969—a watershed in Malaysia's history. Within a year the government launched the New Economic Policy (NEP), aimed at redressing the economic imbalances and inequalities of the earlier years. As explained in Malaysia's fourth 5-year plan, the NEP "committed the nation to reduce and eventually eradicate poverty by raising income levels and increasing employment opportunities for all Malaysians, irrespective of race; and to accelerate the process of restructuring of society so as to reduce and eventually eliminate the identification of race with economic functions." The NEP's target is to transfer ownership of 30 percent of the economy into Malay hands

by 1990. Significantly, the NEP recognizes that such a restructuring of the economy "has to be achieved within the context of an expanding economy so that no particular group would experience any loss or feel any sense of deprivation."

Despite tensions under the surface between the different communities, Malaysia's leadership has proven adept, especially since 1969, in dealing with this problem. While political parties break down on racial lines, the ruling United Malays National Organization (UMNO) for many years has worked with the Malaysian Chinese Association and the Malaysian Indian Congress in a coalition known as the "Barisan Nasional" or National Front. While occasional disputes over such issues as language education and minority rights, do emerge from time to time, the UMNO has shown itself capable of solving them in a spirit of compromise.

A more difficult problem in the recent period has been the rise of Islamic fundamentalism, especially in the more backward eastern states of Trengganu and Kelantan where the opposition Party Islam has tried to use religion to build its political base of support. The Mahathir government, however, has been successful in deflating the fundamentalists' campaign, especially by co-opting a charismatic Islamic youth leader into joining the ruling party one year ago.

Most important, the government is well aware of the fact that the key to maintaining racial and religious harmony is rapid economic development. In an exclusive interview with *EIR*, Deputy Prime Minister Datuk Musa Hitam put this succinctly: "Racial and religious intolerance, extremism, can easily be matched, number one, by economic development, and number two, by education."

Economic crisis

However, with the world facing the worst economic downturn since the 1930s depression, it will not be easy for Malaysia to keep up its rapid pace of development. Already, during the past two years, the fall in commodity prices has placed severe strains on the Malaysian economy, which is dependent to a significant extent on exports of crude oil, rubber, palm oil, tin, and lumber. To make up for the fall in prices Malaysia was forced to increase output of these primary products as well as of its growing manufacturing sector. By doing so it was able to maintain a 4.6 percent real growth rate in gross domestic product—a creditable performance in a year when many economies suffered zero or negative growth. However, despite this proven resiliency of the Malaysian economy, a continued downturn in the OECD countries could prove disastrous.

Concern over this within Malaysia is reflected in Prime Minister Mahathir's sharp statements on the international economic crisis. In a speech at the recent Non-Aligned summit in New Delhi, Mahathir warned that the collapse of the world economy is "causing absolute despair to developing countries," and sharply denounced the policies "cooked up in the capitals of some powerful industrialized countries"



Paul Zyckofsky/NSIPS

Construction projects abound in downtown Kuala Lumpur.

which have caused this crisis.

Mahathir has also denounced the way in which commodities “are priced according to the whims and fancies of a host of people who have nothing to do with their production.” Instead of this system, in which the prices of primary products are set by speculators in London, Brussels, and other commodity markets, Mahathir has argued for a system of pricing “according to the cost of production and marketing”—similar to the concept of a “parity price” advocated by farmers in the United States.

Look East

Closer to home, Mahathir has gone all out to toughen up the Malaysian economy by increasing productivity and efficiency, as well as by improving economic ties with Japan and South Korea. These are the two interrelated elements of the “look East” policy he announced in December 1981. Since then Mahathir and Deputy Prime Minister Musa have visited Japan and South Korea on a number of occasions to build up support for the policy. In a recent speech in Tokyo to the Japanese Economic Organizations, Mahathir clearly explained what he meant by this policy: “Our ‘look East’ policy in essence is a call to return to the self-help philosophy of our earlier era: it reemphasizes the need to pull ourselves up by our own hard work, determination, and initiative. I believe that the work force must first be committed to a new life style that places a premium on dedication to work for the good of the community, before we can effectively propel our society into the era of modern technology. We have set for ourselves a target based on the very same goals that you so successfully aspired to attain in the 1960s—namely, to achieve

kodo seicho (high-speed growth) through *seisanryoku kakujū* (increase in productive capacity), *shokusan kogyō* (greater industrial production) and *yushutsu shinkō* (promotion of exports).”

The fact that Malaysia is well prepared to assimilate the type of Japanese business methods being encouraged by Mahathir was witnessed by this correspondent during a visit to the Matsushita-National air conditioner factory outside Kuala Lumpur which can produce 20,000 units per month and has made Malaysia the third-largest exporter of air conditioners in the world. As in Japan, workers every morning sing the company anthem and do exercises alongside managers and white collar employees. Different units of the factory are also organized into quality control circles to air grievances and work out problems.

However, the “look East” policy has met with some scepticism in the Malaysian business community. As one analyst explained to this correspondent, there is a certain hesitation to embracing Japan because of the bitter memories of the Japanese occupation during World War II, as well as due to insecurity over what will happen with this policy when Mahathir is no longer Prime Minister.

But even these critics will invariably praise Mahathir’s effort to use the Japanese example to instill a new work ethic in the population and to force Malaysians to look away from traditional trading and investment partners like Britain. This was clearly what Mahathir had in mind when, in October 1981 he announced a “buy British last” policy. Under this policy all tenders and awards to British firms would have to be cleared by the Prime Minister’s office and the government would only buy British goods if it had no other option. While

the immediate cause of this policy was the sudden rise in fees in British universities—affecting some 12,000 Malaysian students—the downgrading of relations with the former colonial power forced the Anglophile sectors of the business community to cut traditional links to Britain, and established that there was nothing to emulate in a country whose economy has been steadily collapsing for decades.

Other analysts point out that behind the “look East” policy is a subtle effort to get the large Muslim population in Malaysia not to look to the Middle East, particularly Islamic fundamentalism in Iran. These analysts point out that despite Malaysia’s strong support for Arab political causes, it is no secret that the current political leadership is quite critical of the way these countries have squandered their oil wealth and have failed to resolve political problems in the region due to their disunity.

Having gained independence less than 30 years ago, Malaysia is still fired by the spirit of developing rapidly and attaining the standing of a modern industrial nation. High economic growth rates have contributed to political stability in this multi-racial, multi-religious society. Now, the fall in commodity prices has hit the export-oriented economy, but the government has a dirigist strategy for survival.

Elaborate explanations aside, the overall impact of the “look East” policy has been to force Malaysians to think seriously about what they want their country to look like 10 or 20 years from now. Another significant result of the policy has been to force Japan to evaluate and define its role in helping the developing sector nations industrialize and modernize their economies. While Japanese economic presence in the developing sector, and particularly in Southeast Asia, is extensive, Japan has traditionally tried to keep a low profile on overall policy issues. As one Japanese businessman explained to this correspondent: “We were a bit shocked by Mahathir’s “look East” policy. For many years Japan has followed examples set by other countries. We followed Prussian Germany in developing our military, we followed Brit-

ain to build up our navy, we followed the U.S. example to industrialize, and now suddenly Malaysia says ‘we are following you.’ We were quite surprised.” A number of economic analysts point out that while Japanese business has profited from the new policy, it is also quite concerned that it should work since any failure might result in a backlash effect. As the Japanese businessman put it, “This is a burden for us . . . but we will try to help Malaysia as best we can.”

There are also expectations that the Japanese government will define its policy towards the developing sector nations during the visit by Prime Minister Nakasone to the ASEAN countries in early May. Significantly, Nakasone has chosen to make a major speech at the conclusion of his tour in Kuala Lumpur.

International initiatives

Under Mahathir the Malaysian government has also taken a number of important initiatives on international issues. At the United Nations General Assembly last September, the Malaysian Prime Minister called for convening a meeting under U.N. auspices to define the problem of uninhabited lands such as Antarctica so as to insure that exploitation of the riches of this continent should benefit all nations of the world.

On the question of South-South cooperation, Malaysia has taken steps to help some of the Sub-Saharan states in Africa deal with increasing desertification. Specifically Malaysia has chosen to work closely with Mali and recently sent a team of experts to study the situation there. Malaysia’s Foreign Minister Tan Sri Ghazali Shafie explained the motivation behind this policy to *EIR* during the recent Non-Aligned summit in New Delhi: “There is a lot that can be done. At the moment we hear a lot of words but very little action. What we have done, because we are quite fed up with words, is to act on our own.” Malaysia has also taken steps to increase trade with other developing countries in Africa and the South Pacific.

At the Non-Aligned summit Prime Minister Mahathir argued forcefully for the developing countries to unite “into regional or world international groups, aiding and trading with each other to the extent that we are capable” so as to force the developed countries to respond to the demands for a New International Economic Order. “For as long as the poor economies are incapable of striking back, we are not going to have one bit of concession from them. . . . The only real solution to this problem of economic inequality and oppression is to build up our own resilience.”

In the past months Malaysia has also responded to the crisis in the developed Western economies by resorting more and more to counter-trade, a form of bartering involving a third party. Unless steps are taken to resolve what Mahathir has described as a “man-made crisis” Malaysia will be forced to most likely use counter-trade to further increase trade with Japan as well as with the socialist sector nations.

Growth continues in aversive conditions

by Paul Zykofsky

With a small population of only 15 million and a limited internal market, Malaysia's economy has been dependent to a significant extent on external markets for its commodity exports. Exports account for more than half of Gross National Product, with rubber, tin, palm oil, and crude petroleum bringing in 60 percent of foreign exchange. The economic crisis in the developed sector economies has resulted in a sharp collapse of demand for these products and speculation on commodity exchanges resulting in a fall in nearly all major commodity prices to their lowest levels since the 1930s.

For Malaysia, which is also the world's largest producer of rubber, palm oil, and tin, terms of trade in 1982 deteriorated for the third year in a row by about 5 percent. This was on top of a decline of 13 percent in 1981 and 8 percent in 1980.

For example, the price of top-grade natural rubber fell by 22 percent from 2.58 ringgit (one ringgit is approximately equivalent to \$0.45) in 1981 to approximately 2 ringgit in September 1982 due to the collapse in demand for tires which account for approximately 60 percent of world consumption of rubber. Production, however, stabilized at 1,520,000 tons in 1982 after four consecutive years of decline.

The price of tin also fell sharply from over 36 ringgit a kilogram in November 1981 to the buffer stock floor price of 29.15 in April 1982, a fall of close to 20 percent. Output also fell sharply to a 23-year low of 52,342 tons.

Prices of palm oil took a beating in the latter part of 1982, falling from 950 ringgit a ton in January to around 700 ringgit a ton by the end of the year, a fall of 26 percent. However, Malaysia was able to make this up by increasing production by nearly 25 percent.

Even the price of crude oil, which has been Malaysia's biggest export earner since 1980, fell by approximately 12 percent during 1982. To make up for this, production was increased by 16 percent to 14.5 million tons, or 303,101 barrels a day.

Slower growth

Despite this severe collapse in prices of most of its export commodities, Malaysia was able to sustain a 4.6 percent growth in Gross Domestic Product by increasing the output

of these products, primarily of palm oil and crude petroleum. Manufactured goods, which now account for 21 percent of the economy—up from 15 percent in 1971—showed the strongest growth and helped reverse the decline, with a growth in export revenues of 18.7 percent. This was primarily due to higher exports of electronic goods.

As a result of the fall in revenues from export duties by 28 percent, the government decided to reduce expenditures and increase borrowing. However, despite the cuts, whatever domestic growth did take place in 1982 was the result of an 8.6 percent increase in public sector spending. The private sector, which accounts for approximately two-thirds of the total domestic expenditure, reduced its spending sharply to a 2.7 percent rate of growth.

In addition to reducing outlays, the government increased foreign borrowings markedly in 1982, with net borrowing of 4.67 billion ringgit, about 1,748 million more than the amount raised the previous year. Despite this, Malaysia's foreign debt remains a relatively low 13.09 billion ringgit (approx. \$5.95 billion) with an external debt-service ratio of only 4.5 percent, up from 2.6 percent in 1981.

Machinery imports

One healthy sign pointing to a steady growth in investment, was the 8.7 percent rise in gross imports, with a sharp growth of 20.1 percent in imports of investment goods, primarily machinery. The central bank, which exerts a high degree of control over private lending, also continued to apply administrative restraints to curb speculation and discourage the outflow of capital. Interest rates fell to a maximum prime rate of 9.5 percent and average lending rate of 12.3 percent.

However, the economic downturn has forced Malaysia to take a closer look at overall economic policy for the years ahead. The central bank's annual report, for example, points out that "the downturn in exports in 1981 and 1982 drove home the stark reality that the economy can no longer depend on ever-increasing exports and favorable commodity prices to generate income growth and to pay for the rising imports to meet the ever-growing consumption and investment outlays at the same time." The report goes on to note that "the economy will need to restructure" and proposes that "given existing resources there is innate capacity within the nation to generate a number of domestic 'engines' of growth."

The areas which can function as "engines" for the economy as a whole are identified as: 1) building and construction, especially medium- and low-cost housing, factories for small-scale enterprises, and highway construction and improvement; 2) manufacturing, primarily in resource-based industries for export and for a "second round" of import substitution at a higher phase of industrialization, including steel and metal fabrication; 3) agricultural food production, for domestic consumption and export; and 4) replanting and new planting of rubber and the reforestation of logged areas.

'Turn our thinking toward the East'

In the following interview Dato Azman Hashim, chairman of the Arab-Malaysian Development Bank—the largest merchant bank in Malaysia—discusses the economic situation and some of the government's policies. Azman is a representative of the emerging class of young bumiputras (Malays) who are moving up rapidly in business. After starting his own practice as an accountant in 1960, he joined the board of Malayan Banking in 1964, and remained there until 1981 when he paid 56 million ringgit (about \$25 million) for a 55 percent share of Arab-Malaysian development bank. EIR interviewed him in Kuala Lumpur.

Q: First of all, I would like to ask you how the Malaysian economy has been affected by the international economic crisis?

A: It has been affected, all right! The Malaysian economy is very much subjected to international events. As you know, we are basically an export-oriented country of primary commodities, and this time around everything seems to have come down at the same time. Even though we have diversified a great deal—previously we were dependent very much on rubber—and so we are going into palm oil, into timber, and so forth. But this time prices of all came down at the same time. Certainly during the last two years, with the recession overseas, the weakening demand for our goods, and weakening prices, we have certainly suffered.

Of course, this is relative. In the 1970s we were used to 10 percent annual growth rate. What happened in the last two years is not negative growth, just slower growth, at a 4 or 5 percent level, but there is still growth. And I think in terms of the world situation, that's fantastic. Other countries are having problems getting 1 percent or even breakeven, so we are still growing. The only thing is that by our standards, our own measure, we feel the slowdown.

Q: Do you see any indications of an upturn this year?

A: Well, we are all hoping that it will come through the West, basically we are looking at the U.S. and now the projections are becoming more and more optimistic. If that is so, give us six months time lag or so, and we hope to have increasing demand for our exports, mainly primary commodities.

Q: But if there is no recovery in the U.S.?

A: The picture will look bad all over the world. Because without a strong recovery in the industrialized countries we can't go ahead.

Q: What efforts are being made within the economy to shift from, say, production of raw materials to more downstream processing industries?

A: That is always being encouraged by the government; manufacturing industries, and, as you've probably seen, we are going in for some major heavy industries.

Q: What about setting up industries that would process rubber domestically?

A: Yes, this is also a basic policy now, in terms of not only rubber but also all the basic industries. Timber, for example. We've been exporting mainly logs; I think over 90 percent of the timber exported now is logs which are then processed in Japan and elsewhere. And that doesn't give us very much added value. So now the encouragement is to go downstream, in terms of making say rubber goods; in palm oil also, manufacture of products. I think that is very logical since all the basic raw materials are here.

Q: What is your view of the prime minister's "look East" policy?

A: Basically he is not saying that we must do everything the Japanese do or become Japanese. Basically I think it's to orient our thinking towards the East, more so in the form of their work ethics. Over the years, since we were colonized, our focus and our models and ideals were always to the West, and mainly towards U.K. not even the U.S., which would not have been too bad. So unless we reorient our focus and thinking, we will end up like Britain, having morning tea breaks, lunch breaks, afternoon tea breaks, unions going on strike every other day, these types of attitudes, which Australia has inherited, by the way, from U.K. It's not going to get us anywhere. We need to be comparatively more productive. So I think ideally the best example right now, is in the East, Japan and Korea.

Q: What has been the effect of this policy so far?

A: There have been very visible signs of Japanese and Korean involvement in a lot of activities. There has been closer communication and also rapport between these countries.

Q: How would you characterize this concept of "Malaysia Incorporated" which the prime minister has been speaking about more recently?

A: I don't suppose you can ever have some countries exactly the same as Japan, because Japan is very unique. But I think it is a concept, and the Malaysian version may be somewhat different, but the idea is there, that you work together for a common objective. I think that's what the prime minister wants to instill.

Q: As I understand it, the New Economic Policy (NEP) was designed to shift ownership of more of the economy into the hands of the bumiputra community? How is the NEP proceeding?

A: This cannot be done overnight, of course, because this is a very big exercise and a very big problem starting way back. The Malays are a mild-mannered people and the rest are already halfway through and we are just at the starting block. So this catching up is quite a job. But I think the progress that has been made is quite visible; you can see the signs of it. And what is good about it is that I think generally everybody accepts the NEP.

Matathir Mohamad: 'Build our resilience'

Over the years Prime Minister Dr. Mahathir Mohamad has gained a reputation for saying what he thinks, a rather unusual quality to find in a politician. In August 1969 his plain speaking led to his expulsion from the United Malays National organization (UMNO) after he criticised Prime Minister Tunku Abdul Rahman for conceding too much to the Chinese community in Malaysia. He followed this up with a book, titled *The Malay Dilemma*, which was banned by the government for bluntly discussing the problem of economic inequalities between the different segments of the Malaysian population and advocating policies to restructure society so that the native Malay population could move up the economic ladder.

While in the initial period Mahathir was branded as "anti-Chinese," in later years his views came to be seen not as anti-Chinese but only as pro-Malay. When Tunku stepped down from the prime ministership in 1970, Mahathir was invited back into the party and in 1976 was named Deputy Prime Minister under Datuk Hussein Onn. When Onn retired in June 1981 the UMNO chose him to head the party.

Mahathir and Deputy Prime Minister Datuk Musa Hitam represent a new generation of leaders in Malaysia. The son of a school teacher from the northern sultanate of Kedah, Mahathir is the first Prime Minister of Malaysia who does not belong to an aristocratic or royal family and whose training as a medical doctor did not take place outside the country.

In the following excerpts from some recent speeches, Mahathir explains some of the key elements of his economic policy.

From a speech given at the Seventh Non-Aligned summit, New Delhi, March 8, 1983:

Lately, the world economy has been going through a most difficult phase. It has slipped into a state of deep recession,

causing absolute despair to developing countries. Among other things, we are confronted today with high interest rates, growing inflation, rising unemployment, mounting protectionism, tumbling commodity prices, and a tight squeeze in financial flows. In an age of instant communication, unlimited wealth and inspired application of man and material, we seem incapable of solving even the most simple of economic problems. Indeed we seem to be completely mesmerised, quite unable to extricate ourselves from the quagmire of our own making. For that is what this recession is. It is a man-made recession, cooked up in the capitals of some powerful industrialised countries.

High interest rates, protectionism, the deliberate manipulation of commodity prices through outdated marketing systems and the release of stock-piles, disregard for GATT, refusal to implement the shipping code, the grouping of already powerful nations into exclusive economic blocs, the unilateral changes in the rules, are anything but acts of God. They are mere decisions made by men, principally the powerful men in powerful countries. There is no doubt that these decisions are wrong, that they have led to the economic crisis that we face today.

The industrialised countries should by now have discerned the folly of their policies. I would urge them to reverse these and bring back some order and stability to the limping world economy. I need not stress the desperate need to prevent a total collapse of the world economy. I remain convinced that what man has created, he can surely undo. History will honour those men who are big enough to admit their mistakes and to make amends for them.

The North-South dialogue is no longer the hope of the developing countries. We know now that we cannot squeeze blood from stone. The North is not about to abdicate their role as the aristocrats of the world economics. For as long as the poor economies are incapable of striking back, we are not going to have one bit of concession from them. Therefore let us stop deluding ourselves.

The only real solution to this problem of economic inequality and oppression is to build up our own resilience. If we are poor let us be frugal, let us conserve every little strength and resource that we have so that our needs do not exceed our means. If we are weak, let us unite ourselves into regional or world international groups, aiding and trading with each other to the extent that we are capable. If we lack the skills let us acquire them from whatever source available. The process is going to be slow and painful. But it is better that we fall back on our own resources than to place our hopes on understanding and help from the unfeeling North.

Malaysia intends to do this. We have tightened our belts. We intend to live within our means. We cooperate with our neighbours. And we are going further afield, to the South Pacific and to Africa in order to seek meaningful South-South cooperation. Whatever little we have or we know, if we can afford them, we will extend to those who need them. It is our hope that others too will adopt this attitude so that we will

not only survive but, God willing, we will one day be free from the economic and technological oppression of an insensitive North.

From speech to the Japanese Economic Organizations, Tokyo, Jan. 24. 1983.

Those of us who are from the developing countries cannot help but admire the fact that you and your predecessors, through sheer hard work and determination, helped to guide the first Asian nation from an island-based agrarian society to become what is perhaps the most technologically efficient economy in the world today. Japan accounts for 10 percent of world economic activity, although occupying only 0.3 percent of the world's land area and supporting about 3 percent of the world's population. The achievements of the Japanese economy have become a model of inspiration for many newly industrialising economies. Indeed, your record now is the envy of the industrial West. The developing economies, no doubt, have much to learn from an economy that was able to achieve growth rates of over 10 percent for over two decades to the early 1970s, and rates of up to 5.5 percent annually in the recent past, with moderate inflation and practically no significant unemployment. Through the unique ability of your researchers and businessmen to work in close cooperation with your government to take the long view, the Japanese economy has been successful in taking the first bold steps towards advanced automation and high technology to raise productivity that have astonished the world.

As some of you may be aware, Malaysia shares a number of similarities with the Japanese economy of the not-too-distant past. We are a small economy dependent on international trade, with a young but rapidly growing workforce. We both share high levels of national investment and savings, and have enjoyed relatively low rates of inflation. More important, we share a common belief in monetary stability and financial discipline as essential pre-conditions to growth. We also share a common objective—which we deeply believe—in raising living standards within the shortest time possible. There, the similarity ends. For Malaysia is basically still agriculture-based, relying on production centered on our vast natural resource base. Increasingly, as we develop our fledgling industrial base, we will require more and more of the capital, know-how, and experience that Japan has to offer.

No doubt, we will need to invest heavily in our human and natural resources, and to mobilise vast sums of money to bring the dream into reality. The government is committed to this bold venture. Its main function will be to provide the leadership and play the catalyst role, and to set in place efficient infrastructural facilities, foster a stable monetary climate, and instill a political environment that promotes private initiative, encourages innovation and judicious business risks. The picture is complete only with the implementation of an aggressive policy to promote the inflow of foreign capital and know-how, including the upgrading of skills based on modern technology.

It is no longer possible to say:

"I have nothing to do with foreign economic and industrial policies."

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