Malaysia: Beset by Speculation and Battles Over Oil

The Malaysian economy continues to be determined by the speculative gains or losses of its five major export commodities: tin, rubber, palm oil, petroleum and timber. Although prices for all five have generally increased, it has only been on the basis of speculation on the world's commodity markets, the reflationary policy pursued by the U.S. and the ferocious export drive of Japan which accounts for a full 86 per cent increase in exports to Japan. None are likely to be sustained in the coming period.

It is the desire for stable commodity prices under an expanding world economy that has shaped Malaysia's internal economic policies and its determined commitment to bringing about a new world economic order. This is particularly clear in the government's petroleum policy, as well as in the "Bumiputra" (or New Economic Policy) calling for 30 per cent Malay participation in foreign companies in particular, the nation's rubber plantations and tin-mining. Like Indonesia, Malaysia had come under pressure from the foreign oil companies led by Exxon and the multinationals.

The recent speculative rise in tin prices caused by the opposition to the International Tin Agreement by Bolivia, the second largest tin producer after Malaysia, has created concern in Malaysia that consumer countries will turn to tin substitutes. A closer look at why rubber prices have increased gives further cause for worry. London Commodity brokers Lewis and Peat report that the strong prices for rubber in the past year were mainly influenced by currencies — more specifically, speculation against the British pound — not supply and demand.

It is in this context that the Malaysian government holding company Pernas sought more Asian representation on the board of directors of British-owned Sime Darby several weeks ago. Holding assets of $300 million in rubber plantations and palm oil industries, Sime had a reputation for mistreating and underpaying its workers, who referred to it as "Swine Bobby" (slang for pig feed) or "Slime Darby." Pernas has accused the firm of using profits drawn from Malaysia for speculative investments in Europe and elsewhere.

Significantly, the Malaysians with the help of the Rothschilds merchant bankers and in cooperation with other Southeast Asian businessmen, were able to get seven Asians onto Sime Darby's board. Chairman James Bywater, a British-born engineer, was replaced with Tun Tan Siew Sin, a former Malaysia finance minister.

Oil Battle

But the most dramatic developments involve the oil companies. The Malaysian state oil company Petronas, modeled after Indonesia's Pertamina, has been carrying on a fight with the foreign oil companies led by Exxon. At issue are new contracts and the controversial "management shares" clause of the government's Petroleum Development Authority Act; the shares would have given Petronas greater control of the oil companies' down stream development.

Employing the same tactics as in Indonesia, the oil companies stopped all their exploration and expansion programs, cut back production, and even withheld data on oil reserves. But the deliberate stalling of new contract agreements by Exxon brought enormous financial pressures to bear on Prime Minister Hussein Onn's government, which is already shouldering heavy payments on a new tanker fleet scheduled to come on stream early this year, a project dependent on the government's share of oil revenues.

The government was forced to amend the Petroleum Development Authority Act, deleting the "management shares" clause, but was able to secure a 70-30 split in the government's favor in the new production sharing contracts.

Despite this setback, Petronas recently announced that it will market its own share of the oil so as not to be dependent on the multis. They are therefore seeking state-to-state agreements along the same lines as recently negotiated Eruo-Arab deals. In addition the government plans to develop its own down-stream activities in refining and local distribution.

Vietnam to Greatly Expand Relations with West

The sixth session of the Vietnamese national assembly opened Jan. 11, with the major topic of business the nation's Second Five year development plan (1976-80), approved by the Vietnamese Communist Party's fourth Party Congress last December. The key to realizing the plan will be a large expansion of foreign trade and other forms of economic cooperation with Western nations, particularly transfers of technology but even including foreign investments.

The Second Five Year Plan states that foreign trade will be "a crucial part" of Vietnam's efforts to transform its war-torn and predominantly rural economy into a formidable industrial power in the region. "The aim of imports and exports," the report says "is to acquire for ourselves the modern techniques of the world and to bring higher economic results to production and labour in the country... Exports must be stepped up to counterbalance imports and create conditions for further expanding imports."

Even in the past year, Vietnam's trade with Western countries and Japan has for the six months of 1976 hit 1.6 million pounds, up from 513,000 pounds for the corresponding period last year. Trade with Japan doubled over the same period.