
Interview: Development bank chairman

'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