

# Malaysia Deserves Good Press

BY SIN-MING SHAW

**I FIRST SAW** Malaysia in 1975. Back then Kuala Lumpur had only one first-class hotel, the Hilton. Jalan Sultan Ismail was still not quite paved and walking along it meant negotiating piles of construction materials. Mahathir Mohamad's *The Malay Dilemma* was still a banned book.

I was going about conducting a "country risk" report for a New York bank that was trying to decide how much to lend Malaysia in view of its much-publicized ethnic conflicts. Accompanied by an American banker, we drove on the country's first modern highway from Kuala Lumpur to Kuantan on the east coast, then hardly touched by tourism. The highway cut through massive timber concessions and rubber plantations. We passed few cars. There were no fast-food joints.

At one point we stopped at a thatched hut along the coast and asked the owner to sell us a couple of coconuts. He spoke in *Babasa* to a young boy, who quickly clambered up a tall arching tree. Before long, a dozen coconuts fell to the ground like bombs. The man and his young boy laughed at my wonderment. To them I was an ignorant city dweller out of touch with the real world.

To complete my report, I studied the Second Malaysia Plan (1971-75) which was ending that year. It contained the country's first "affirmative action" program implemented with deliberate speed by a nation determined to save itself from ethnic explosions. It sought to eliminate glaring economic and social imbalances among three ethnic groups: the Malays, Chinese and foreigners. It turned out to be the world's most successful program of the kind.

In May 1969 racial violence in Kuala Lumpur had shattered a Malaysia that had been complacent in its belief that the races were getting along in an idyllic



*In the 1960s most Bumiputras worked as laborers and planters. Today Indonesians and Bangladeshis often hold those jobs*

tropical land with abundant natural resources, an easy lifestyle and traditional Malay courtesies.

In retrospect the writing had long been on the wall. In 1969, Malays and other indigenous Malaysians, now commonly known as *Bumis* (short for *Bumiputras* or "sons of the soil") constituted over 50 percent of the population but were mainly confined to the rural areas as plantation hands and low-skilled workers. Of all the companies incorporated in West Malaysia, Bumis held a mere 1.5 percent of corporate equity. Malaysian Chinese, about one-third of the

population, held nearly 23 percent. Foreigners held 62.1 percent.

Malaysia at the beginning of the 1970s was largely a resource-based economy. Bumis owned few rubber estates. British interests were predominant. Rubber and timber were the two principal export commodities, with palm oil an emerging foreign-exchange earner. Three-fourths of the coconut- and oil-palm acreage on estates in West Malaysia were foreign-owned, with the rest in Chinese hands.

Colonial "divide and rule" was evident. The Chinese were used as "compradors," or middlemen, in trade. As much as 70 percent of wholesale and retail trade in Malaysia in the late '60s was in the hands of the Chinese. The Indians, better at English, were prominent in the civil service. The Bumis were kept in rural areas.

In 1970 the unemployment rate was 8 percent, with most of that concentrated among young people entering the labor force, principally the Bumis. That year Mahathir wrote *The Malay Dilemma*, which was banned for his frank and perceptive analysis of the ethnic issues facing his country.

As the '70s began, it was not clear how Malaysia would fare in its quest for prosperity and stability. Or-

SHANGHAI-BORN BUSINESSMAN SIN-MING SHAW WAS BITTEN BY THE MASS-MEDIA BUG EARLY IN A CAREER THAT HAS PROPELLED HIM FROM ACADEMIA TO JOURNALISM TO THE HELM OF HIS OWN INVESTMENT COMPANY IN HONG KONG. SHAW SHARES HIS INSIGHTS ON THE REGION'S LEADING ISSUES IN A REGULAR ASIA, INC. COLUMN

thodox economic theories predicted worsening income and wealth distribution at the start of economic takeoff, possibly to be followed by more equal benefits. But Malaysia was attempting to grow and redistribute wealth simultaneously as fast as it could in order to prevent communal conflicts. It had no choice.

The Second Malaysia Plan, dubbed the New Economic Policy, marked a clear break from previous policy. It was straightforward in what it sought: eradicating poverty irrespective of race, and restructuring Malaysian society to eventually eliminate the identification of race with economic function. The government was to be the lightning rod in a campaign to achieve 30 percent Bumi ownership of corporate Malaysia by 1990.

Since 1975 I have returned to Malaysia many times. Over the years the country has undergone so successful a metamorphosis that I had almost forgotten how precarious its nationhood once was.

Malaysia in 1996 would be unrecognizable to an old timer, what with its superb highways and world-class architecture. Far more important than physical infrastructure, however, is the fact the financial gap between the Bumis and the Chinese has narrowed.

Official statistics indicate Bumi ownership of share capital in 1995 was 20.6 percent, still below the 30 percent target but up sharply from the measly 1.5 percent in 1969. However, in such strategic sectors as banking, air, sea and land transportation, telecommunications and utilities, Bumis are already the dominant owners, controlling more than 60 percent of those industries. The Chinese did well too, with their share rising to 40.9 percent from the 22.8 percent level of 25 years ago. The Bumis and the Chinese advanced at the expense of foreigners. Foreign ownership of share capital has dropped from 62.1 percent to 27.7 percent, which is fair.

The political leaders recognize that the

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*More crucial than tall buildings is the narrowing gap between Bumis and Chinese*

unequal distribution of wealth that once threatened the survival of the nation is no longer the be-all, end-all issue. Growth has been so robust, in fact, that Malaysia now imports thousands of Indonesian and Bangladeshi workers for lower-end jobs that the Bumis shun.

Is the country totally out of the woods? Outsiders like me would have thought so. Real growth from 1971 to 1996 averaged an impressive 7.5 percent. Livelihoods in rural areas have improved dramatically. The economy is now far more skills-intensive, with the manufacturing sector at 33 percent of GDP and services at 44.2 percent.

In cosmopolitan Kuala Lumpur the new generation of business leaders is world-class. Tajudin Ramli turned around Malaysian Airline System Bhd., less than three years after he bought it from the government. Rashid Hussain, the premier local broker, runs a first-rate financial institution that bears his name. Wan Azmi Wan

Hamzah at Land & General Bhd. has created a conglomerate stretching from Central Asia to Papua New Guinea. These and many other successful Bumiputras rose to the top because they were talented, not because they were well-connected. That came later.

In politics, there is also much talent. Mahathir's presumed successor, Anwar Ibrahim, the deputy prime minister, is widely considered to possess a first-rate mind, and is a thoughtful, pragmatic and well-read leader. The center appears solid. And yet, the country is not complacent.

Dr. Mahathir has this vision: a Malaysia that is by the year 2020 "prosperous, democratic, economically just, psychologically liberated, ethical, progressive and tolerant, in which citizens of all colors and creeds . . . feel they belong to one nation."

Mahathir, the architect of modern Malaysia, is known to be dissatisfied with the speed the country is heading toward that vision. By most mortals' standards, though, that vision is already damn close. ■