

An Economic History of Malaysia, c.1800-1990: The Transition to Modern Economic Growth

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Malaysia is one of the second tier NIC's (Newly Industrialized Countries), whose identity and history are less well known than almost any other East or Southeast Asian country. Perhaps the combination of a relatively small population (less than 25 million), a quirky geography (mostly on the mainland of Southeast Asia, but also partially on the island of Borneo), and the lack of political crises have kept Malaysia off the front pages of most international publications and below the level of popular consciousness. The development of modern Malaysia is, however, a fascinating case with a dramatic history that challenges many conventional models of national development. How did a frontier area, even within its own region, become one of the key economic prizes of the British colonial empire? How have the deeply divided ethnic communities of Malaysia managed to avoid a communal breakdown after the eruption of the ethnic riots of 1969? How did a colonial economy, almost completely dependent on exports of primary materials, develop into a diversified and rapidly growing economy in the post-independent era?

Students and scholars interested in these questions will find an important resource in *An Economic History of Malaysia, c. 1800-1990: The Transition to Modern Economic Growth* by John H. Drabble. This volume is part of series on the Modern Economic History of Southeast Asia, which is sponsored by the Research School of Pacific and Asian Studies of Australian National University. John Drabble, currently an honorary research associate at the University of Sydney, is the author of the classic works on the development of the Malayan rubber industry. This ambitious work, stretching across almost two centuries, will be the standard by which future studies of Malaysian economic history are judged.

One of the notable features of Drabble's study is a largely successful effort to integrate the analysis of Sabah and Sarawak, the two Malaysian states on the island of Borneo, with that of Peninsular Malaysia (formerly Malaya). As Great Britain was divesting the last remnants of its empire on the early 1960s, Malaya was transformed into Malaysia with the addition of Sabah, Sarawak, and Singapore. Singapore left the federation and became an independent country in 1965, and the project to integrate Peninsular Malaysia with Sabah and Sarawak has been a continuing political and economic challenge. In most scholarship on Malaysia, Sabah and Sarawak are rarely mentioned and are generally considered remote from the main currents of Malaysian history and current affairs. Drabble's attempt to cover the economic history of the entire country is noteworthy.

In the course of a few decades early in the twentieth century, British Malaya was transformed from a colonial backwater into the largest dollar earner in the empire. After decades of trying one plantation crop after another without much success in the late nineteenth century, Malaya hit the jackpot with rubber trees in the early twentieth century. By 1929, British Malaya attained the highest per-capita GDP of any country (or territory) in Asia (p. 113). The development of the automobile industry in industrial countries, especially in the United States, created an almost insatiable demand for tires, which were manufactured with rubber from colonial Malaya. Although dependence on any primary export product creates a boom and bust cycle, the rubber industry, combined with expansion of tin mining industry, made Malaya one of the most prosperous economies in the colonial world.

Even before the rubber boom, the colonial system was stabilized with the British policy of granting pensions to the Malay ruling class in return for their withdrawal from political and economic governance, except for symbolic roles that legitimated the colonial system. The enormous profits of rubber and tin made possible a measure of social progress in spite of many emergent problems of the colonial period (booms and busts, including the Great Depression). Even if most of the benefits of colonial prosperity were repatriated to metropolitan accounts, there was enough of a spillover to the Malayan economy to create a reasonably good physical infrastructure as well as some elements of a modern educational system and civil service (this was not the case for Sarawak and Sabah). The major consequence of the colonial period was massive immigration from China and India in order to provide cheap labor for the expanding export economy. The colonial government initially assumed that all Chinese and Indians were sojourners who would eventually return to their homelands. For most of the colonial era, the latent tensions of the "plural society" were largely held in check through institutional and geographical segregation.

The colonial world was forever shattered by the rapid Japanese conquest of Southeast Asia in the opening weeks of the Pacific War. After the end of World War II, the British colonial regime returned for twelve shaky years, but a new international environment and a resurgent nationalism put colonialism on the defensive. There was a peaceful transition to independence for Malaya in 1957 as the threat of political instability subsided with the defeat of a communist guerilla insurgency (known as the "Emergency") and successful local elections were held in the mid 1950s. These events paved the way for the formation of the federation of Malaysia in 1963.

Independent Malaysia has weathered many economic and political storms over the last four decades. In the 1950s and the 1960s, the traditional export economy was renewed by a very successful program of replanting rubber estates and smallholdings with more productive varieties of rubber trees. In spite of declining world prices, the natural rubber industry has been able to remain competitive with synthetic rubber. The export economy was revived again in the 1960s and 1970s as Malaysia became the world's largest producer of oil palm. The most important source of Malaysian economic growth has been the

development of a substantial oil and natural gas industry in the 1970s and 1980s. There have also been important developments in manufacturing, particularly in electronics and textiles that provided new jobs in the urban sector. Although the economic growth rates of modern Malaysia have not been equal to the East Asian NIC's (South Korea, Taiwan, and Hong Kong), Malaysian economic growth perked along at five to seven percent per year from the early 1960s until the late 1990s. Sustained growth rate at these levels has narrowed the economic gap with the industrial world, and if continued for another few decades will eliminate the gap entirely.

The major challenge for modern Malaysia has been to create a common nation among the major ethnic groups that are deeply divided along economic, social, cultural, and religious lines. There were major ethnic riots in Kuala Lumpur in 1969, and ethnic tensions lie just below the surface of everyday life. Although there are few signs of ethnic integration, the absence of ethnic violence over the last few decades is an achievement of considerable significance. The relative contributions of prosperity, government policies, or just good luck to the maintenance of inter-ethnic tolerance is a hotly debated topic by scholars as well as by Malaysian citizens.

One of the most contested issues in Malaysian economic debates has been the role of the government in the post-independence economy. Drabble records the mismanagement of many government enterprises in the 1970s and 1980s as well questionable government policies to subsidize large-scale heavy industries for a relatively small domestic market. The New Economic Policy (from 1970 to 1990) was intended to reduce the ethnic economic gap and to reduce poverty, but it has also created a Malay rentier class based on political and government patronage. In spite of all these problems, the government has continued to invest heavily in physical infrastructure and also in education and health. And the Malaysian economy has kept growing through all these ups and downs. Perhaps, the infusion of oil revenues has been sufficient to cover the economic mistakes with enough left over to stimulate economic growth.

Although the idea of a prosperous peasantry is an oxymoron, it was an ideal that generated considerable support in colonial and postcolonial circles that heralded the rural Malay community as the source of legitimacy for the state. In the 1960s, the government subsidized rice production with price supports and also made massive investments in irrigation facilities with the stated intention of making Malaysia self-sufficient in rice production. The goal of self-sufficiency has not been achieved and Malay rice farmers have remained among the poorest segment of the population. In the 1970s and 1980s, rural Malays increasingly left agriculture to move to cities to find better economic prospects. This development has stimulated migration from Indonesia to the Malaysian rural economy.

One of the major strengths and weaknesses of John Drabble's book is his reliance on secondary sources. The bibliography of sources, both Malaysian and international, is truly comprehensive and this volume reflects an excellent synthesis of the best available scholarship. One wonders, however, if it might have been possible to assemble firmer time-series data or to develop more novel interpretations if the author had worked with more primary materials. Although this book does not resolve all the debates over Malaysian economic history, it provides a solid foundation for all future scholars to build upon.

Charles Hirschman is Boeing International Professor in the Department of Sociology, University of Washington. He has served as Chair of the Committee on International Migration of the Social Science Research Council, Chair of the Section on International Migration of the American Sociological Association, and Chair of the Publications Committee of the Population Association of America, and as a member of the Immigration Advisory Committee of the Russell Sage Foundation. He has been a visiting fellow at the University of Malaya, Australian National University, the Center for Advanced Studies in the Behavioral Sciences, Stanford, and the Russell Sage Foundation.

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