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*Dear Aishah*

Could you please give the bearer the interview  
scripts which Ungku prepared for me.

Many thanks for your cooperation and assistance  
in getting it ready in time.

The interview will appear in the january issue of  
the Economic Bulletin, Ungku will be on the cover.

Sincerely,

*Selvendra*





THE UNITED STATES OF AMERICA

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OFFICIAL BUSINESS

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## PREAMBLE

1. Professor Aziz, you have been in public life for over 20 years. Why have you kept out of politics? Would not having been in the cabinet given you the opportunity to realise reforms you have proposed for the rural sector?

I have been more interested in becoming a competent economist concerned with rural development rather than a politician trying to keep in power. The choice before me was to define the problems of rural development and to conceptualize possible solutions. It would have been difficult to do the research and the thinking and to be an active politician at the same time. In any case, my ideas about resolving the problems of rural poverty in Malaysia may have been considered too radical before 1969.

2. How would you interpret the present struggle in Malay leadership? What are the forces that are in conflict? Are the opposing forces an alternative to Prime Minister Datuk Hussein's government?

My impression is that this is more a confrontation of personalities rather than of ideas, methods or objectives. In a sense, all contending parties are alternatives to each other including those who form the government. Perhaps you are asking my opinion regarding the viability of alternative personalities. For the present situation the current hierarchy seems most likely to provide maximum stability, internally and externally. It would be very difficult to forecast what would happen if there were drastic changes in the external situation.

3. How do you propose to spend the next few years?

The greater part of my working life has been spent in the service of the University of Malaya. I should of course like to do whatever is considered necessary. Nevertheless, from the near future onwards, I hope to redistribute more of my time and energy to writing and teaching.



4. What do you see as an economist for Malaysia's future. Would we make gains in increasing per capita incomes and in a fairer distribution of wealth?

If there are no drastic changes in the international economic situation, Malaysia's future should be fairly well assured. There is always a conflict between economic growth and a fairer distribution of income or wealth. It is unlikely that we can do both at the same time. The external impact of inflationary trends may exacerbate this situation. I would like to see a deepening of industrialization. Perhaps we may have to do this in the public sector, if foreign investors continue to be as reluctant as they are now. What I would really like to see given much more emphasis are programmes to raise the incomes of the poverty groups in the rural areas mentioned in the Third Malaysia Plan.

#### THE COOPERATIVE MOVEMENT IN MALAYSIA

1. What are some of the problems of the cooperative movement in Malaysia? Has the establishment of Angkasa helped to overcome these problems?

It may be surprising to hear me say that after 50 years a very large proportion of members of co-operative societies in Malaysia are rather ignorant of co-operative principles. Certain recent events have demonstrated this weakness in their appreciation of the practice of the true spirit of co-operation. So, I feel that education and propaganda are the main problems. The content of education in its broader sense has to be defined and clarified. There must be sufficient manpower and organization to disseminate it. The movement has realized the need for integration according to function, e.g. in housing, in transportation or among the school co-operatives. Several very large co-operatives have spread their investments into a variety of modern fields. By setting up authorities, like the Farmers Organization Authority and MAJULKAN, both of which cater for all the co-operatives in farming and fishing, respectively, the government has attempted to coordinate and integrate its developmental thrust. While this has been a good thing, there is a rising need to shelter the farmers and fishermen from the bureaucratic oppression which can arise in Authorities that are not genuinely answerable



to the mass of their members. ANGKASA has helped to meet some of these problems by defining them and by representing co-operators at many levels and in many situations. One of the first steps ANGKASA took was to have long discussions about the nature of co-operative principles that were most suitable for Malaysia. These are now enshrined in the ANGKASA Manifesto on Co-operation. ANGKASA is happy that for the first time the government has seen fit to include a statement of co-operative principles in the co-operative law. Much of ANGKASA's activities in representing the movement or specific groups of members has been carried out by unobtrusive negotiations at levels that have been effective. This is why a lot of people including some ANGKASA members do not realize what ANGKASA has achieved. Nevertheless, I personally favour the low profile approach.

2. Has the establishment of ANGKASA helped to reduce dependence on government to sustain the cooperative movement in Malaysia?

Your question has an implication that only the co-operative movement has depended on the government for its sustenance. The fact is that virtually all the public corporations depend on government for their sustenance. In many ways, the private sector, especially the powerful agencies that were established during the colonial period, are quite dependent on the government for their profitable existence. I believe the establishment of ANGKASA has helped the co-operative movement to establish a better relationship with the government so that its policy regarding the role of co-operatives in economic development and particularly in rural development could be better realized. Certainly one thing that ANGKASA has achieved is a realization of the concept of leadership that transcends co-operatives of all races as well as urban and rural co-operatives. Before independence many co-operatives were established on racial lines. The department seems to have been divided administratively between an English speaking urban element and a Malay and Tamil speaking non-urban element. This attempt to promote national unity will ultimately strengthen the economic base of the movement.

3. Why is it that urban cooperatives are more successful than rural cooperatives?

This is a very complex question. It depends on how you would measure "success". I do not consider "bigness" as necessarily a measure of success. Primarily, I would like to know the extent to which members and particularly the leadership are successful in practising all the co-operative principles. On the other hand, I would not like to give the impression that I do not consider certain urban-based co-operatives in the field of insurance, banking, supermarkets and workshops, are not successful as commercial institutions.

4. What role can the Cooperative College play in training manpower for the cooperative movement in Malaysia?

The Co-operative College now has a one year Diploma Course which should produce professional co-operative workers who are reasonably well trained in management, accounting and co-operative principles. We have been trying to improve the College during the last few years. This has been rather slow because some authorities pay more lip service to the need for improvement than anything else. The College now has much better qualified staff. It is just about to have a decent hall which can be used for teaching purposes. Until now every time a lorry or bus drove past the building, you could not even hear yourself. After several years of talk about improving the Library, the College is still waiting for the necessary finance to do this. From the way things are going, I would expect a better rate of progress during the next two years. And, during this time, too, some graduates from the diploma course should be able to convince co-operatives of the need to hire full-time trained managerial staff.

5. In your estimate, how much of rural credit and marketing is handled by the cooperative movement? Do the middlemen still play a significant role in the rural sector?

I would guess that rural credit provides less than 10% of the actual amount borrowed by the rural producers. In the field of rural marketing the co-operative movement probably handles less than 3% in terms of value. From this it should be clear that the middlemen are the main force in the rural economy. In some instances, certain public authorities which have been established to help the rural people have actually strengthened the monopolistic and monopsonistic position of the rural traders.



6. Are you encouraged by the growth and performance by the cooperative movement in the last 20 years?

If I could shorten the period to one of the next five years, I would say I feel rather optimistic about the future of the co-operative movement. I am especially hopeful of the impact that will be made when thousands of school children who now participate in running successful co-operatives join the adult world and play an active part in the co-operative movement.

7. Do you feel that Cooperative movement is a viable alternative to the private sector operations in the rural sector?

In certain sectors of the rural economy the co-operative movement should be able to reduce poverty in a more effective way than private enterprise could hope to do. Nevertheless, we should bear in mind that the general pattern is one of pervasive domination by private enterprise with some attempt by the public sector to modify exploitation by providing alternative systems or by providing competition in what would otherwise be a monopolistic situation. In all this the co-operative movement, as it is now, can only play a marginal role.

8. Will the establishment of Agricultural Development Centers helped to co-ordinate services by the cooperative movement and other agencies like FOA and MAJULKAN?

As I see it the ADCs have yet to be properly established on the ground. Their potential for raising income by the provision of integrated and co-ordinated services is very great. I look forward to something being done this year.

9. The government has recently taken a decision not to make deductions on loans and contributions for co-operative societies that do not have a 100% government employee membership. Has ANGKASA sought a solution to this problem? Indeed, this is a good example of how ANGKASA functions.

As soon as our members brought this matter to our attention, we commenced negotiations with the government. ANGKASA has established a bureau that will be the sole co-operative organization to be recognised by the government for purposes of collecting deductions from the pay-sheet. This bureau will use fully computerised services and eventually it should be able to provide co-operative societies with other facilities such as audit services or management consultancy.

#### UNIVERSITY OF MALAYA, HIGHER EDUCATION, AND CAMPUS STUDENT ACTIVITIES

1. Now that the complex of buildings for the graduate studies are ready, what plans are there to coordinate all on-going research at the various faculties? What advantages would a Graduate School have in that respect?

The new buildings that lie between the Faculty of Engineering and the Faculty of Economics and Administration, are going to house the Faculty of Law, the Library for advanced studies, a building containing five lecture theatres, and a building for postgraduate students who do not require laboratories for their work. We already have several years of experience in co-ordinating advanced research of national significance. If we can have a postgraduate institution, then it will be possible to promote interdisciplinary studies more efficiently. The University of Malaya is spending nearly \$1½ million a year on advanced research and it has nearly 500 graduate students registered in the various faculties. Obviously, we can be more effective if we can co-ordinate and integrate our advanced studies under one institution.



2. After the introduction of the University Colleges Act (which defined new rules for student campus politics), students have generally tended to withdraw from any active participation in university student societies. Response at the various elections to the Students Representative Council and the student societies were very poor. However, in 1976 there appears to be a new spirit of cooperation between students, the university and the government. In 1976 many student societies have held activities with the support of the administration, and in many cases, cabinet ministers participated actively in these programs. Do you see a new basis for cooperation emerging? Have student leaders learned to live with the new regulations? How has the university facilitated such cooperation?

As I have said in another context, we are like captains and crew who have joined a new ship, different from the one we were sailing in before. My impression is that during 1976 we made considerable progress in learning how to operate within the constraints of the new vessel. Some student leaders have learnt better than others how to proceed within the ambit of the new regulations. We have worked very closely with a wide spectrum of student leaders to help them achieve the specific objectives of their respective organizations. There are over 40 different student societies ranging from a fencing club to religious societies. Then, there are student representatives for the whole student body, for the different faculties as well as the residential colleges. One thing that gave us leeway was the reasonably adequate financial provision made to the division of student affairs. This enabled us to support effectively a variety of activities in sports, cultural and religious programmes, etc. I have continued my practice of meeting student leaders on an informal basis and I have always tried to make them understand the real situation that exists and the genuine possibilities that are there, so long as they recognise certain constraints that are absolutely inflexible. We have had many frank discussions in this context.

3. Student leaders in the MPP (Students representative Council) who resigned recently after having made some unsuccessful demands, are reported to have 'rejoined' the council. How were they persuaded to take this action? Were their grievances attended to?

The fact is the University of Malaya Council did not consider that certain members of MPP had actually resigned. There was a list of grievances. These have been dealt with and I am optimistic that we can all work together for the benefit of the whole student body. As I mentioned above there is a great need for all parties to realize they are operating a new kind of vessel, which needs to be serviced, powered and adjusted in a new way.



4. With the appointment of Deputy Vice Chancellors (DVCs) responsible for student affairs, has it been easier for Vice Chancellors to deal with student problems? Some claim that with the appointment of DVCs for student affairs, the Minister of education can now directly deal with student problems in the different campuses. Has this been the case, or are V.C.s still very much in control?

I can only speak about my experience in this University. We have always had a firm and friendly relationship with the Minister of Education as well as the officers in his Ministry. Certainly procedures for decision making are better defined and faster now. To decide who is in control, you have to separate policy making at various levels from actual executive implementation. In so far as implementation goes, the V.C. and his supporting staff are in effective control. Indeed, everybody seems to expect "the man at the top" to do his job. Nevertheless, there are certain matters that should be decided by the Minister while others have to be examined and approved by Ministry officials and certain branches of the government such as the Public Services Department or the Treasury. We have plenty of opportunities to liaise with these bodies and to make our views appreciated. Then there are the authorities of the University such as the Council which has a number of members who are appointed by office and the Senate which is responsible for academic matters. So long as general objectives as well as specific aims are known and accepted by all parties concerned, the V.C.'s task is manageable and very interesting.

5. The University Colleges Act has equipped the university with sufficient powers to discipline students who deviate from the Act. But what happens when students demonstrate outside the campus? Obviously, it becomes a police matter, but can the university act on these students before they are expelled by the court of law? What happens if they are acquitted as in the case of the last student demonstrations in Kuala Lumpur in 1975?

If students are charged in court, then according to the law they are automatically suspended from their status as university students. If they are acquitted, then they are reinstated. However, if they are convicted by a court of law, then they will be expelled from the university.



6. What policies are pursued by the university to promote greater inter-racial and inter-cultural activities? The Majid Report on life on the University of Malaya campus outlined many areas where there could be an improvement in the ethnic relations of students on the campus. Was this report considered to be good, and have the recommendations fo the report considered for implementation?

We place tremendous emphasis on cultural activities both from the point view from participation as well as appreciation. These range from art exhibitions, stage shows, film festiyals to musical groups. The first step is to help students realise their own cultural heritage. They then will be more willing to accept, to tolerate and even appreciate cultural activities of other races. This must be done in a very practical way and on a regular basis. In this respect excessice penetration by western youth culture, especially in music and dance, is not necessarily helpful. Malaysia tends to import a rather large amount of the decadent dregs form western culture and this can produce the kind of aggressive "put-down" attitude that is in compatible with the ideas that young people in a developing country should have. To promote inter-racial activities, we also encourage a wide variety of games. Once upon a time this university was said to be the sportmen's graveyard,subsequently only star players were active. Now by a great variety of inter-faculty and inter-college as well as inter-varsity games (something like 14 different kinds of games) we are able to persuade over 1,500 students to be active in sports. Our inter-faculty games involve the participation of students as well as staff in the respective teams. This is good for student/staff relations. We have been able to do much more because we have been given the finances and considerable scope for decision-making in the establishment of sports facilities. Most of the recommendations of the campus life committee have been implemented.

7. The 'Dakwa' movement is gaining strength on the campus of the universities and colleges. Is this a phenomenon that is confined to rural students? Does the movement restrict university programs in sports, drama, and other cultural activities? How is the university coping with the movement? Has the movement the potential of a pressure group in the campus?

We do not see the "dakwah" movement as something that produces difficult problems. It is an expression of students' faith in their religion. The university has responded by providing facilities where necessary and working closely with student leaders of the movement. I should mention that several Christian groups as well as Buddhist and Hindu groups also sponsor religious activities. If the university is going to accomplish its objectives we have to learn to live with each other. I think this is what actually happens.

8. Do you think there are general variations in the orientation of Malay and non-Malay students on campus? Are there differences in their political and cultural priorities?

I have come to appreciate that there are very great differences in the orientation of students who come from different traditional backgrounds. Most of those who have received their secondary education in the English schools are fairly homogenous. However, those who come from the Malay medium or the Chinese medium schools are rather different in their outlook. I really believe that a good understanding of these differences is essential for our total survival. Nevertheless, I would remind you that in many ways the University of Malaya is nothing more than a mirror of the Malaysian political and cultural mosaic.

9. There has been a spate of resignations from the university's Medical faculty. What is your problem in keeping these staff members? Is the faculty staffed at a satisfactory level to produce quality graduates from the university? Is it true that Australia has withdrawn recognition of the University of Malaya's M.B.B.S degrees?



As I have explained elsewhere (see my report

at the Meeting of the Court on 8.1.1977) the resignations have been offset by new appointments and actually there is a net gain. With a 4 student to 1 staff member ratio, I would consider the Faculty of Medicine operates at a rather generous level. This should be compared with the Faculty of Arts where the ratio can be 21 students to one staff member. I like to think that we produce graduates of standard quality from all our faculties.

With regard to Australia, I would remind you that it has also withdrawn recognition from the degrees of Universities in Hong Kong and Singapore. This relates to the attitudes of Medical Councils in Victoria and New South Wales, etc. I am informed that Malaysian graduates can still register in Queensland and the Northern Territories. In any case, I like to think that we are not educating people for export but for service in our own country.

So long as some teaching staff feel that they want to earn more money than the university can offer, then we cannot hope to keep such people. The university teacher has to be selected from the kind of person who finds satisfaction in teaching, carrying out research and enjoying the university way of life. In certain cases it is actually a good thing for people who disagree with our policies in language, etc. to work elsewhere.

10. What do you consider as your major accomplishment at the university since you took over your Vice Chancellorship in 1968? Would you have done better if you had a more cooperative University Council?

Unlike some British or American public figures, I do not keep a diary and so my reflection has to be a rather casual one. Nevertheless, some of the things that I have had satisfaction in seeing through include the definition and implementation of Bahasa Malaysia policy, the restructuring of the student population and the staffing in accordance with national objectives of giving a fair proportion to the Bumiputra, continual regular readjustment of structures of decision making and of the administration to meet changes in the law and secular changes in higher education, the planning and formation of a postgraduate education, major increases in sports facilities and activities, extension of cultural activities in drama, art exhibitions, film festivals, etc.



Paradoxically, more facilities have been built in many of these fields now that the Ministry plays a much more positive role in university affairs. If ever a history of this University is written, perhaps it will be seen that some members or some of its authorities continue fighting the battles of "yester year" long after victory has been gained. As we are accomplishing more business than ever before, yet meetings are relatively shorter, we must have discovered some better modus for decision making.

11. Do you think there has been sufficient planning in the development of universities in Malaysia? We now have a total of five campuses, whereas we had only one up to 1974. Do you see a glut of graduates coming on the scene soon?

As soon as there was more than one university, we needed a strong authority to plan and co-ordinate higher education. In some countries there is even a Ministry for Higher Education. Now that there are five universities and they have to conform to rules and procedures that affect all the public authorities in the country, we really need effective co-ordinating machinery. There has been considerable progress in the last few years in setting up a variety of co-ordinating committees, etc. I do not think it is a vital problem but differences in implementation can cause tension, irritation or unnecessary friction not only between universities but with employees and students. My views on graduate unemployment are well-known. I do not think there will be any serious unemployment of any kind of graduates until some time in the early 80s and these could be mainly in the Arts stream.

12. What plans has the university to restructure the predominance of Malay students in the humanities? Have these programs been successful so far?

We are trying to accomplish two policies simultaneously. We are trying to increase the proportion of science stream students and thereby reduce the proportion if not the absolute number of students in the humanities. At the same time, we are trying to increase the proportion of Malay students in the science-based faculties. So far, we have made perceptible progress in both directions. If we can set up our Centre for Foundation Studies in Science which will have a total output of 500 candidates for entrance to the science stream faculties, then we should be able to complete the restructuring by 1979.



13. What steps are being taken to ensure that while the medium of instruction at the university is changed from English to Bahasa Malaysia, high standards are maintained? Over 90% of the books at the university library are in the English language. For a competent student, English is imperative. How does Pusat Bahasa (Language Unit) cope with the need to ensure that students are competent in both languages? I understand that students at the Faculty of Economics and Administration, and at the Faculty of Law are very competent in both languages. Is there a basic language requirement for entry into these faculties?

I think it is wrong to imply that a change in the medium of instruction from English to Bahasa Malaysia will result in a lowering of standards. Staff should be encouraged to learn Bahasa Malaysia. At present more than 60 members are gaining certificates of proficiency in Bahasa Malaysia each year. We have a variety of <sup>language</sup> learning programmes to suit <sup>staff</sup> needs. Lecturers should not be encouraged to start teaching until they are reasonably competent. The fact is some people cannot really teach even in English. They merely read lecture notes that are compilations from reference books. If you know your subject thoroughly you can teach it in any language that you can speak. Regarding textbooks and reference books, of course, since the bulk of them are in the English language, it will be imperative for the majority of our students to have an adequate competency in reading English. To deal with this we have a three-year research programme entitled the University of Malaya English for Special Purposes Project (UMESPP) which is designed ultimately to produce a teaching methodology replete with a textbook and a teacher's manual to help students become thoroughly competent in reading English. Primarily, we are concentrating on students in the Science stream. Most faculties require students to reach a competency in both English and Bahasa Malaysia before they graduate.

14. How have the recommendations of the Ibrahim Ali Salary Report affected the university salary scales? Have the salaries been revised to enable you to attract competent and high quality teachers for the university? Is it true that the Vice Chancellor's scale is reduced relative to the civil service scale?

What impact will the Ibrahim Ali Report have on redistribution in the civil service? Some have already claimed that the disparity in the new scales are even wider, to the disadvantage of the lower income groups? Is this a correct appraisal?

I would not like to discuss this salary report because it is still the subject of negotiation between staff and management. If, as you imply, university service becomes less attractive in terms of remuneration, then this will be



regrettable. I might comment on the question of disparities when the whole matter has been made public.

RURAL DEVELOPMENT, THE NEW ECONOMIC POLICY, AND POVERTY ISSUES

1. Professor Aziz, you first wrote about Malay poverty in 1957 in an article titled, 'Facts and Fallacies about the Malay economy'. Do you feel that the article has any relevance today after about 20 years of its appearance?

I would say that poverty is as significant an issue today, as it was 20 years or even 50 years ago. My comments about synthetic Malay capitalists find echoes almost every week in statements by national leaders about the undesirability of Ali-Babas, etc.

2. The problem of rural development that you (and Za'ba for Zainal Abidin bin Ahmad) had discussed are slowly gaining acceptance in the government's development plans. Do you see this as a positive sign for rural development?

I dealt with the concept of poverty. Now we know a good deal more about its statistical aspects. Since 1969, in the Second Malaysia Plan, poverty or rather the eradication of poverty has become one of the two main thrusts for economic development. However, excessive reliance on technological change or land settlement will not in my opinion promote the kind of rural development that is hoped for. There seems to be a reluctance to face up to the need for institutional changes in economic relations such as credit, marketing, tenancy, etc. I believe that technological change has to proceed in concert with institutional change.



3. Although there has been a good deal of discussion of Malay poverty, little has been said on Chinese and Indian poverty in rural areas; particularly Chinese in New Villages and Indians in the small rubber holdings. In addition to this, there is the constant reference to the rich Indian and Chinese as against the poor Malay. This tends to aggravate national unity. I think the basic problem is that many economists (and almost all politicians) tend to think in terms of race rather than in terms of 'economic groups'. For example, is there enough work being done in Malaysia to determine how the distribution of wealth is within the communities (as against between the communities)? How many Chinese are towkays; how many Malays are company directors (particularly the phenomenon of a few holding a multiplicity of directorship); and how many Indians are really money lenders? Unless there is this perspective to the problem of poverty, we are likely to stray from the real issues. What is your reaction to the important element of research in solving poverty problems?

Some members of the Faculty of Economics and Administration have published competent empirical studies about the distribution of income according to race, industry, area, etc. Other studies are in progress. Unfortunately, the studies that form the basis for calculations in the Third Malaysia Plan have not been officially published although local scholars can read them if they go to England or Washington. The real issue is the eradication of poverty irrespective of race, as the plan states. The difficult problem is that while many leading spokesmen pay lip service to this aim, what they practise is just the opposite. There are certain racialistic elements in the form of monopolistic exploitation. On the other hand, the problems of vegetable farmers or fishermen transcend ethnic groupings. The University has given much help in money and time to bona fide research projects on this subject.

4. Both Za'ba and yourself have expressed the need to train the Malays in skills so that they may move to more productive occupations. The government has over the last ten years built many institutions to train Malays. Specialised agencies like MARA have established institutions specially for the Malays. Would you consider the progress so far as satisfactory?

It is undeniable that MARA has produced a large number of Malays who have been able to enter avenues of occupation hitherto totally devoid of Malay workers. However, I would like to say much more work should be done in training Malays, practically, to get them into the construction industry and the fields of electrical and mechanical servicing.



In my opinion it is more important to have a large number of competent Malay mechanics employed in workshops and factories all over the country than well-dressed young Malay hostesses handing out wine lists in expensive restaurants.

5. Professor Aziz, for a very long time you have advocated institutional reform to solve rural poverty in Malaysia. Perhaps there is a misunderstanding of the term, but the government has responded with a multiplicity of institutions to solve rural poverty. To name a few, UDA, SEDCs, Felda, Bank Pertanian, FOA, MAJU IKAN, MAJUTERNAK, Bank Rakyat, Bank Pembangunan, MARDI, FAMA, and many others. Have these institutions (it is inevitable that most of them duplicate functions) helped to solve some rural problems?

Some of these so called "institutions" have become centres of bureaucratic grandeur. I am still to be convinced of their positive impact on rural incomes, especially those below the poverty line. As you indicate institutional reform should not be confused with the setting up of institutions. The alphabetical agencies are in a way diversions from the real problem. In some cases, the agencies have come into competition with Bumiputra traders, etc. In other cases, they merely help to graft Malays on to non-Malay systems of exploitation. Thus leaving the essential problem of poverty caused by exploitation to remain.

6. In restructuring society, it has been suggested that Malays should be brought to the cities for employment in more productive occupations. This has resulted in rural-urban migration. Some of them have found jobs, others have to wait longer for opportunities to appear. Do you see socioeconomic problems associated with rural-urban migration?

Rural/urban migration is bound to cause socio-economic problems. Nevertheless, this is a pre-requisite for young Malay workers, especially women workers, to gain a fair share of the new better paid jobs created by industrialization. I have suggested the formation of a special body to take care of the problems of young women workers and will be discussing this in a paper later this year.



7. You had suggested the formation of Tabung Haji (Pilgrims Savings Fund) which today has a total savings of over \$70 million. Would you discuss the philosophy behind the fund, and what impact did the fund have over rural savings and investment?

There are two elements behind the concept of this fund. Interest is strictly prohibited in Islam. That is a fixed payment for the use of money is defined as interest. Thus any form of profit sharing is not prohibited. It is the fixity at the time of lending or borrowing that determines the concept of interest. It is not the amount of the rate of interest that is often thought about as differentiating interest from usury. The second idea that struck me was that the rural people have one very substantial recognizable motivation for savings and that is to fulfil an essential requirement of Muslims, i.e. the performance of the pilgrimage to Mecca. By combining the idea of having a savings corporation that would be based on profit sharing rather than paying out fixed interest, such as is done by the National Savings Bank or in the Treasury Bonds, that would overcome the repugnance of interest. By making this fund mainly concerned with the pilgrimage, we could attract rural savings. This would also avoid many bad effects that the rural people had created to keep their savings, in the past. Although great progress has been achieved I would like to see this corporation broaden its activities and provide a better service for its clients. I am making a study of this at the moment and will properly write about it later in the year. I have heard some rumours of corruption and mis-management that are rather worrying. If they are true, then this should also be looked into.

8. You agree that Islam is a strong force in Malay social and economic life and you have researched into many aspects of Islam on Malay society. It has been said the Islam is a bulwark against communism. Do you think that Islam alone will save this nation from the Communist threat?

If this nation is threatened by an armed force from within or without, then all citizens irrespective of their religious belief must be patriotic enough to defend their nation with their lives, if necessary. In so far as Islam will strengthen the patriotism of Muslim citizens, it will be significant. In so far as corruption and high living may make Malaysia a "soft state", then anything that can reduce these evils will help to preserve this nation. If the elimination of poverty is strengthened by a proper appreciation of Islam then this will surely make Malaysia a strong state.



However, if some people merely use Islam to gain wealth for themselves or to try to frighten other thinkers or leaders into silence, then such practice will not be very helpful in "saving this nation".

9. The New Economic Policy seeks to ensure that Malays would own 30% of the total assets in Malaysia by 1990. It is strange that the NEP is silent on the distributive aspects of that 30%. For example, assuming that the policy was a realistic appraisal of the rate of capital accumulation by the Malay population, we may well have 4% of the Malay population owning the 30% of assets, in which case, basic inequities will continue in the Malay economy, and income disparities will be further widened. Do you think this problem would arise? What steps should the government take to ensure a fairer distribution of wealth?

Certainly the problem of intra-Malay distribution of wealth or of income will arise if we ever reach that 30% level. I have suggested that the agencies that have been set up to hold the wealth in trust for the rest of the Malays should be headed by people who are "clinically honest". I would like to ensure such a high degree of honesty by giving them salaries and conditions of service comparable of those of judges of the High Court. I think they and their families should be prohibited from having anything to do with trading in shares, accumulating wealth in various forms, etc. They should not use their positions to enrich themselves or their families. Otherwise, when the time comes to help redistribute wealth, they will be very reluctant to do that job..

10. Government statutory bodies invest public funds in projects that eventually will be transferred to Malays when they have acquired the capital and expertise to manage these projects. How should this transfer take place?

I have not seen any clear thinking on this subject. I find it difficult to imagine how the transferring will be organized. At present all that we have accomplished is the creation of a relatively small number of rather wealthy Malays. In itself there is nothing wrong with this. However, if it diverts our attention from the problem of eradicating poverty, or it postpones the need to define how an equitable system of transfer will be organized, then we would have deviated from not only the basic aim of the Third Malaysia Plan but from the Rukunegara.



11. It appears that a true valuation of each community's total assets is a crucial element in measuring relative wealth or poverty between communities. I understand that land assets have not been included in the calculations that are used in NEP calculations. Land is a very valuable asset, and one that continues to appreciate in value. Do you think imputed land values should be included in a revised calculation, which may well result in the Malay community being much better than reflected by the present NEP figures?

According to my analysis the real problem of poverty can only be measured in terms of income which is a flow and not in terms of wealth or property which is a stock. Therefore, I do not think it would help our appreciation of the overall economic problem if we were to aggregate imputed land values into whole model. In any case it would be very difficult to set up a system for defining such land values.

12. Do you think the 'sarong' index still has relevance today, inspite of the advent of Levis' and Maxis'?

The trouble with my "sarong" index was nobody studied it very carefully at the time I mentioned it. It is only useful for gaining a quick impression of the distribution of income or wealth in a kampong that is fairly remote from the main towns. Where people have only two or three pieces of textiles per head, then the "sarong" index could be useful. Surprisingly, if you go to Kelantan or Kedah you will find many young people going to work in the fields wearing sarongs instead of trousers. It is only in the urbanised kampongs that you see a lot of trousers, be they jeans or otherwise. Bear in mind that for many rural areas, one pair of jeans could be equal to a quarter of the monthly income per capita.