

read from cover to cover. While the publishers may be congratulated for bringing out a book of this kind in what is, to them, a foreign language, distribution within Southeast Asia would have greatly benefited from publication in the region itself.

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***The Malaysian Economy, Structure and Dependence.* By Khor Kok Peng.** Kuala Lumpur: Marican & Sons Malaysia Sdn. Bhd., 1983. Pp. x, 286.

***Recession and the Malaysian Economy.* By Khor Kok Peng.** Penang: Institut Masyarakat, 1983. Pp. x, 89.

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The first of these two books by Khor originated from a thesis which the author, now Research Director of the Consumers' Association of Penang, submitted for the degree of Master of Social Sciences at the Universiti Sains Malaysia in April 1979. The second is a revised and expanded version of a paper on "The Causes and Effects of the Current Global and Malaysian Slump", which the author presented at the Seventh Malaysian Economic Convention in early 1983. Both volumes complement each other to some extent, since the first describes the Malaysian economy in terms of dependency theory, while the second culminates in an "alternative development strategy", which Khor recommends to Malaysian leaders.

Both books are extremely well written and make for fascinating reading by the interested layman. But therein lies their intrinsic danger. Anybody without a grounding in basic economic theory can be easily dazzled by the forceful way in which Khor presents his arguments, chooses his terms, and selects his statistics, into believing the implied myth of a grand conspiracy by the developed countries of the West to subjugate the developing countries and in particular Malaysia by extracting "a large

part of its economic income". Few will deny that Malaysia is a highly dependent economy in some sense. But to conclude from this that "a large amount of the country's economic resources is being channeled abroad principally to the developed countries" is obviously over-simplistic. An application of Khor's definitions and terminology to the Federal Republic of Germany, for instance, would have to conclude that the latter is at least as "dependent" as Malaysia, a fact Khor of course does not mention, even if he cannot have failed to consider it.

Dependence takes various forms, but according to Khor occurs in four main areas. "Direct economic dependence" is defined as "foreign ownership or control of various sectors and economic institutions in a country". "Trade dependence" is seen in the vulnerability to fluctuations of the export market, in the constraints to domestic investment caused by import leakages, in imported price inflation, and in the dominance of the developed countries over "invisible trade services" such as freight, insurance, packing, and marketing. The predominance of foreign banks and financial institutions gives rise to "financial dependence" while the reliance on grants and aids, which in turn leads to indebtedness of developing countries, is thrown in for good measure. Finally, "technical dependence" arises from the reliance of developing countries on "physical technology" and "intellectual technology" from the developed countries.

Obviously, "dependence" is an unfortunate phenomenon. But then, of course, so is the unequal international (and, one may add, internal) distribution of resources, wealth, and power. Recognition of these facts of life may lead one to indulge in some wishful thinking, but very little is to be achieved by merely decrying them. Khor himself is far too clever to explicitly draw the conclusions from his analysis that his readers are likely to infer in their enthusiasm for Khor's persuasive exposition. He

admits that "the integration of the Malayan economy into the world market economy during the colonial period facilitated a tremendous boost in technological development. Today, the possibilities for social development are far greater than they existed in the pre-colonial era. There is also no doubt that foreign investment has generated a great amount of value added through the decades and that proceeds from exports have enabled the importation of foreign goods and the accumulation of foreign exchange reserves." But statements such as these are rare and tucked away in remote corners of the book. A characteristic of serious scholarship is the balanced evaluation of the pros and cons of an argument, but this is unfortunately lacking in Khor's work.

The "loss of surplus" that Khor alludes to throughout his work is a central but most problematic concept. It refers to the "flow of resources from one country to another on account of the latter's control or ownership of productive assets or distribution processes in the former". These surplus transfers include the repatriation of profits by foreign firms, the international transfer of value through "unequal terms of trade" and the flow of interest to a creditor country. The terminology implies a one-way flow, rather than an exchange. At other points in his analysis, Khor refers to the loss of income. The terminology used clearly indicates the negative evaluation Khor places on these phenomena, such terminology and evaluation implying that the respective transfers are unjust or at least unjustified. This becomes particularly clear when Khor refers to the "surplus transfer" in freight, insurance, packing, and marketing. Of course, a country that has no substantial shipping industry of its own will be dependent on the services of shipping from other countries in order to export its products and import what it needs. But to look upon the payment of these services in terms of a "loss of income" or "transfer of surplus" is surely erroneous. It is like looking

at the payment I make to my dentist for treating my toothache as a "loss of income". Even if Khor can prove that the freight rates charged by the international shipping industry are excessive, he would still have to show whether and how Malaysia could provide those services at a cheaper rate. If it cannot, then obviously buying the services from abroad is a sensible approach, whether it is termed "dependency" or not.

Khor's first book is remarkably thin on recommendations to Malaysian leaders — or leaders of other developing countries for that matter — on how to reduce the "unequal" or "lopsided" nature of the relationship between the developing and developed countries. In fact, in his introduction he refers to his second book *Recession and the Malaysian Economy*. Under the heading "Towards an alternative development strategy" Khor advocates the scaling down of growth in the Fourth Malaysia Plan as a consequence of the world recession. He also suggests a reorientation of the economy towards the production and provision of basic needs (food, health services, water, sanitation, housing, transport, and so forth). This implies, as Khor correctly notes, a redistribution of income towards the poor. However, Khor stops short of recommendations regarding the method with which redistribution of income is to be attained without restricting economic development. His main suggestion is the curtailment of non-essential consumption, but no recommendations are given on how to decide on what constitutes "non-essentials". Khor thinks that a start should be made with the "discouragement of products or services which are broadly accepted as either harmful to health or relatively 'luxurious' when compared to products which directly satisfy basic needs". Among such items he includes cigarettes, beer and other alcoholic drinks, soft drinks and syrups, infant formulae, and cars. In order to reduce external dependence and increase self-reliance, Khor suggests import-substitution measures such as growing more food,

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encouraging small-scale industries which are locally owned and make use of local resources, the formulation of appropriate technology policies, development of a local pharmaceutical industry, and the development of public transport instead of private motorcar ownership.

The implementation of this "self reliant basic needs oriented development strategy" would require changes in concepts and life-styles, that is, "reconceptualisation of the meaning and nature of development". This is not to be confused with an austere and strict discipline devoid of life's pleasures. Rather, what Khor proposes is "a type of development in which the basic material needs of everyone are met, but where excess and conspicuous consumption and values of competitive ownership of fashionable products are replaced by a simple life-style with enough recreational time to pursue the lost art of conversation, reading and music, the pleasures of a family picnic or a climb in the hills, and the disappearing values of friendship and co-operation". But this asceticism based on the reduction of wants no longer appears to be a viable option for Malaysia. The increase in population brought about by medical advances in the

past, and likely to be augmented by the current desire of Malaysia's leaders to increase the population even further in the future, requires growth of the economy at a significant rate in order to be able to produce and/or import the necessities of human life.

Finally, Khor ignores the fact that inequality of incomes is not necessarily synonymous with an increase of poverty. An examination of the statistics of the Fourth Malaysia Plan clearly indicates that the growth process in Malaysia has contributed to a significant reduction of poverty, both in rural and urban areas. Since some have advanced faster than others, as must surely be the case in the course of development, inequality has become more pronounced. But if there is a pay-off between equality and reduction of poverty, then surely the latter is what one should strive for.

One can only hope for Malaysia's sake that its leaders will continue to listen to their "traditional" economists, rather than to the proponents of the dependency school such as Khor Kok Peng.

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