

introduction of the four schools of thought to the Arab world will not, as Azzi has suggested, solve the problem of reality analysis in the Arab world. It is true that they may provide new perspectives through which the Arabs may view and analyze reality, but the ultimate answer is still far away.

This book brings into foreground, the issue of the intellectual dichotomy in the Arab world between the *Mashriq* and the *Maghrib*. The dichotomy is historically related to several religious, demographic, political, and geographic factors, and has long been considered an element in the fission that has plagued the Arab world for long. This issue is not marginal, it is, rather, central to what the author aims to achieve through his book. For example, the discussion on Habermas and his theory of universal pragmatics has led Azzi to emphasize the expected differences between communication competence and language competence among members of the same culture. In such a situation variations in interpretations, and discrepancies between intended and perceived meanings will prevail. Azzi's book itself is case in point. The reviewer had to spend much time in order to "decipher" some of the concepts and terms which the author has used in the book within his (*Maghribi*) communication context. This reviewer made his own conclusions as to the meanings and concepts, and translated these concepts in a manner that may not reflect the intentions of the author. Many Arabic phrases and terms which several Arab scholars and intellectuals from the *Maghrib* use in their intellectual discourse constitute "barriers" in relation to the readers from the *Mashriq*, because of the low level of intersubjectivity, and the lack of the "universality" that Habermas has hoped for.

Malaysia's Economy

Malaysia's Economic Success by Ataul Huq Pramanik. Kuala Lumpur: Pelanduk Publications, 1997. Pp. 250. ISBN 967 978 497 5.

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Despite a plethora of models and strategies, a great majority of the Third World countries have failed to achieve economic development. However, Malaysia is an exception to this pattern and is considered a role model for many developing countries. Ataul Huq Pramanik's *Malaysia's Economic Success* highlights the challenges that Malaysia

faced in the early decades of its independence, and explains the strategies adopted by the government in the last two decades for meeting those challenges.

The author points out that the Malaysian economy which depended on a few primary commodities has, "in just over three decades... achieved the status of a manufacturing-based economy"(p.1). Malaysia has achieved not merely a steady GDP growth rate of 7 percent but has also ensured distributive justice. This is made possible by the structural transformation in the economy emphasizing the industrial sector which, in turn, was due to the policy of racial tolerance, fellow-feeling, mutual cooperation and sympathy, respect for religious beliefs and reward for hard work. The average Malaysians are enjoying an increasingly higher standard of living today with one of the lowest inflationary rates in the world. Evidently, as the author comments, "a pragmatic, far sighted, and above all, committed leadership under Mahathir rightly perceived the multidimensional needs of a growing multiracial society" (p.70).

How has this structural transformation in the Malaysian economy taken place? The author says that after independence, in the Pioneer Industrial Policy (PIP) the contribution of both the agricultural and non-agricultural sectors was almost equal, that is, around 50 percent. However, during the New Economic Policy (NEP) period (1970-92), the increasing role of the industrial sector over the agricultural sector had been emphasized. The elements which have been involved in this transformation are the intersectoral dependency, the terms of trade in favour of the industrial sector, and the openness of the economy. Consequently, in spite of some structural readjustment problems in the agricultural sector, a large number of Malaysians have found employment in the industrial sector which has improved their standards of living. This perfectly matches with the ideals of Islam as "the Islamic perception of egalitarian development is based on creating opportunities from material, moral and ethical perspectives for all to participate and benefit in order to lead a peaceful and harmonious life in this world and the world hereafter" (p. 34).

Although structural transformation in the Malaysian economy has been emphasised, the government has not neglected the agricultural sector. The introduction of advanced technology in the agricultural sector has generated a marketable surplus, additional labour for the industrial sector, and an increasing foreign exchange. The government has introduced high yielding varieties of seeds, chemical fertilizer,

irrigation and insecticides, together with rural development strategies. Apart from yield-increasing techniques, there has been a shift in the pattern of production from subsistence oriented food crops to highly valued exportable cash crops. However, in order to promote a balanced development, the author suggests that the government must ensure a viable farm size through land reforms, consolidation of fragmented land holdings, competitiveness among the private sector, promotion of key sector based agro-industries, better purchasing power through factor and product prices, improving distribution of *zakāt* burdens on small paddy farmers and changes in attitudes through education.

However, the main success of Malaysian economy, the author believes, lies in the growth of industries in the private sector because this sector generates "higher income, higher savings and subsequently more capital accumulation and, in turn, more investment, more income and greater employment and so on" (p. 69). The empirical evidence based on the annual percentage growth in per capita income over the last two decades for 35 developing countries shows that Malaysia has achieved the highest rate. There has been a sharp increase in exports from 46.4 to 60 percent during the latter half of the NEP period (p. 131). The author expects that by the end of second Outline Perspective Plan (p. 2), almost the entire contribution to growth will be made by the industrial sector (6.5 percent) leaving only 0.5 percent for the agricultural sector.

The increasing importance of the industrial sector and the gradual decline in the agricultural sector has implications for the structural shifts in the service economy. Compared to slow growth in output of the service vis-à-vis commodity industries during the last two decades, the employment growth seems to be much higher in the services as opposed to the commodity industries. The author believes that gradually the services sector will be the major creator of additional jobs (45 percent) followed by the manufacturing sector (27.2 percent) and the agricultural sector (27.8 percent) because the withdrawal of direct government intervention from this sector "encourages private entrepreneurs to spread their investment in service industry. It is further expected that the present government's policy of making the service sector free from government intervention will attract more domestic as well as foreign direct investment in the future" (p. 103).

It is not only the policy toward the service sector but also the fiscal and monetary policies which have enabled the government to achieve "the desired national objective such as production and distribution

through the mechanism of effective allocation of total resources in the economy" (p. 107). The progressive tax pattern indicates Malaysia's successful fiscal policy especially from the perspective of income distribution in favour of the poor.

The effect of the fiscal policy of the government shows:

1. that the government expenditures and prices are not chasing each other;
2. declining revenue financed expenditures until the first half of 1980s are made possible primarily by pursuing growing deficit-financed expenditures;
3. the impact of the private sector on aggregate monetary resources is more than that of government sector;
4. the inflationary trend looks very modest compared to many other countries in the same income range, that is 4.9 percent if measured by CPI and 4 percent if gross domestic price deflator is used;
5. the gradual replacement of regressive indirect taxes by a progressive direct taxes have benefited the poor which conforms to Islamic principle of justice;
6. the increased supply of goods, and services is higher than the supply of money (p. 118).

The Malaysian policies towards agricultural, industrial, services and fiscal sectors have severe effects on income distribution both at the individual as well as at the regional levels. This is evident from an increase in per capita GDP ratio by 11 percentage point (From 0.76 in 1970 to 0.90 in 1990) for poorer states coupled with a decrease in the ratio by 8.5 or 6.4 percentage respectively for the moderately well-off and well-off states. In brief, the author points out that since 1983 the government's main concern has been to eradicate poverty and raise the standard of living irrespective of race, class and regions. The government has emphasized "closer cooperation between the business sectors and the bureaucrats, making the public sector more accountable to the people, encouraging private sector to shoulder greater responsibilities to fulfil society's rising expectations" (p. 189).

Pramanik points out that despite achieving better living standards, "material progress resulting from urban-based civilization has done great harm to the family institution" which has been disintegrating at a rate even faster than the growth rate in material progress. Crime rates are also increasing. The author claims that "a more balanced view of

individual liberty with the right mixture of appropriate family values, parental care coupled with societal norms and governmental guidance can contribute towards integrating the family institution for upholding moral values together with material affluence. Of course, in the appendix the author mentions that the Mahathir government is fully aware of this issue and therefore it has integrated political ideology with Islamic ideology outlined in the objectives of vision 2020. Many institutions for uplifting social values have been established, such as International Islamic University, Institute of Islamic Understanding, International Institute of Islamic Studies and Civilization, Islamic Bank, Islamic Takaful Insurance, Islamic Pawn Broking, Islamic Bank Unit Trust, Islamic Development Trust for the Poor, Islamic Waqf of Johor, Amanah Ikhtiar Malaysia, etc. Thus the Mahathir government has set the goal of a highly developed industrialized society without losing touch with the traditions and Islamic values.

Malaysia's Economic Success presents a broad overview of the Malaysian economy since independence. Compared with other books on Malaysian economy, this book is unique in many respects. First, this is a very comprehensive book covering all aspects of the Malaysian economy. Second, in examining the policies of Malaysian government the author has reviewed the theoretical literature which should be very useful for the students and academicians. Third, in order to substantiate his arguments the author has provided elaborate statistical data. Fourth, usually economists provides quantitative analysis only, but Ataul Huq gave both quantitative and qualitative analysis of the Malaysian economy. Finally, the author has also hinted at some of the challenges that Malaysia may face in future and has recommended some strategies to meet these challenges.

While the book is well documented and well researched, it is weak in responding to the questions which Malaysian economy is currently facing. First of all, the author cites all the positive aspects of fiscal policy without giving any analysis of the negative effects of the policy in the long run, which could perhaps have explained the current monetary crisis. Secondly, while the author mentions the social, psychological and political challenges, he has not gone into a deeper analysis of these issues. Maybe he considered it beyond the scope of the book.