

MALAYSIA'S TRADE AND ECONOMY TRANSITION BETWEEN THE ERA OF TUNKU ABDUL RAHMAN AND TUN MAHATHIR, 1960S-1990S

Mohamad Akmal Ibrahim
Independent Researchers, MALAYSIA

Abstract

This article will focus on the main factors of change and development of economic modernization in trade. Since Malaysia gained independence, the agricultural sector has been a significant contributor to the country's financial income. However, in the 1980s, the industrial sector became essential to the national economy through gas and petroleum production. This situation changed the country's economic system and policies from the agricultural industry to the industrial sector in the early 1980s. The study examines the critical factors in Malaysia's economic development and trade changes from the 1960s to the 1990s. The study will also discuss changes and developments in the country's significant financial and trade policies. This research is using qualitative method by analyzing primary documents or materials from archives and secondary sources such as journal articles related to this research. The study began in the 1960s to take the year of Malaysia's independence in 1957 and ended before the Asian economic crisis in 1997. The findings show that internal factors such as government policy approaches and the country's vital financial resources were determinants of trade sector change. In addition, external factors of changes in the world economic environment and economic blocs also affect the modernization of the world economy. Therefore, internal and external factors play an essential role in developing the modernization of the trade economy.

Keywords: Malaysia, Economy, Trade, Agriculture, Industry

Introduction

Malaysia's economic plans and policies must be the benchmark for economic development in Malaysia that will govern the country in driving the economy according to its mould. If before, the British carried out monetary policy and national development. As an independent nation, the country's economic growth and stability lie in the hands of the country's top leadership, Prime Minister Tunku Abdul Rahman and his cabinet. He formulated the country's economic development and economic policy based on the country's interests and sustainability. Malaysia is a country rich in produce and fertile land for agriculture. During the era of Tunku Abdul Rahman, Malaysia focused on traditional agriculture and produced raw materials such as tin and rubber. During the Tun Abdul Razak era, the economy and trade focused on commercial rubber and oil palm farming. Tun Abdul Razak continued to enhance economic development through rural commercial agriculture. Meanwhile, during the era of Tun Mahathir, he began to develop the industrial sector, which became the country's trade and economy. In addition, the petroleum and gas industry sector continues to contribute to the country's primary income.

Several scholars have studied the changes in trade and economic development policies of the country. In a book study related to the economic history of Malaysia, a book by John H. Drabble entitled *An Economic History of Malaysia, C. 1800-1990: The Transition to Modern Economic Growth* studies the economic history of Malaysia, which makes the British colonial period until post-independence as years of study. The book is divided into two main phases: the economy during the British era in Peninsular Malaysia and Borneo survey and the second

phase, during which Malaysia achieved independence until the 1990s. The author describes the main economic activities and commodities of the Malaysian economy as an analytical study in providing an overview of economic activities in Malaysia. The book also touches on macroeconomic and microeconomic aspects that discuss monetary policy, national commodity trade and labour in describing the country's economic development. Data for analysis based on tables and graphs from financial reports as a source of discussion in national economic studies. In general, this book is a textbook to understand the history of the Malaysian economy from the British colonial era to the 1990s. However, this book focuses more on the analysis of the commodity sector of trade rather than economic policy.

Similarly, the study "Changes in the Malaysian Economy and Trade Trends and Prospects" by Chee Peng Lim. This paper focuses on how the composition of trade products in manufacturers has changed as developments have occurred in Malaysia. Over the past twenty years and also examines the essential determinants of such changes. This article analyzes domestic products in Malaysia, the growth of manufactured exports and the changing trade structure with Malaysia's major trading partners. However, this study only focuses on the manufacturing sector and does not discuss or touch on other economic sectors. Therefore, the gap study between these two articles compares the transition of Malaysian trade and economy between the era of Tunku Abdul Rahman and the era of Tun Mahathir in the 1960s to 1990s, more focused on national development as changes in economic and trade policy. This paper will focus on the changes in economic growth in business in Malaysia from the 1960s to the 1990s. Research sources on document analysis from archival materials and secondary sources from research-related journals. The study began with Malaysia's independence in 1957 and ended in the 1990s before the Asian economic crisis in 1997.

Trade The Early Tunku Abdul Rahman Era of Independence

In the early days of Malaya's independence, the agricultural sector was influential in the national economy. At that time, the Malaysian economy depended heavily on western countries, especially in determining the price of commodities such as rubber and tin. At that time, the agricultural sector was based on a subsistence system and small-scale livestock farming. Currently, the agriculture sector has contributed 33% of the country's Gross Domestic Product (GDP), with 67% employment opportunities in agriculture. In addition, the contribution of agricultural exports is high at 6%.¹

During independence through the First Malaya Plan 1956-1960. The Plan aimed to develop the economy with an emphasis on the rural sector by establishing the Federal Land Development Authority (FELDA) and the Ministry of National and Rural Development in 1956.²In addition, the government also implemented the red book system. The Red Book Plan is a rural development policy introduced by the Deputy Prime Minister, Tun Abdul Razak, in 1960. This book contains the development projects of each district operated by Operations Rooms by State and District Operations nationwide. The main focus of this Red Book is rural development projects such as the construction of roads, ditches, surplus, clinics, adult classes, telephone services and so on.³ Although, in essence, the First Malaya Plan was to reduce poverty and develop rural areas, the goal of diversifying economic activities and sources of national income strengthened so that it did not depend on the rubber and tin sectors alone. Therefore, the government placed severe emphasis on the economic sector by opening new agricultural land intensified by rubber replanting and smallholders. Apart from that, various agricultural products, as well as tin mining enterprises, were also expanded. However, the First

Malaya Plan achievements were less encouraging due to the communist threat, which caused many workers to transfer into national security. In addition, the fall in rubber and oil palm commodity prices also contributed to the less competitive development.

The habit of a country that has just achieved independence will focus on local economic development to ensure that the government can maintain economic viability. Several rural development plans continued to enhance in the Second Malaya Plan from 1961 to 1965. By continuing the previous Malaya Plan to ensure the participation of the people in socio-economic development, improve living standards and reduce the rural economic gap.⁴ The Second Malaya Plan, supervised by the Inter-Departmental Committee with the assistance of the economic secretariat under the consulting experts of the world bank, carried out two strategies, namely top-down and bottom-up planning. Currently, agriculture and raw materials are still the main economic activities of Malaysians. Therefore, the land clearing program under FELDA continues to be intensifying. Among the economic plans carried out at that time was to diversify the types of crops to increase the country's agricultural production. It is to reduce dependence on imported rubber and foodstuffs. In addition, the government established the Federal Agricultural Marketing Authority (FAMA) in 1965 to help farmers overcome the problem of marketing agricultural products and thus increase their income.

After the formation of Malaysia, economic development plans began to develop in line with the inclusion of Sabah and Sarawak in the Malaysian concept. The First Malaysia Plan (1MP) 1966-1970 started to organize plans to develop the industrial sector by establishing several agencies, such as the Malaysian Industrial Development Authority (MIDA) in 1967. However, the country's encouraging economic growth in the 1MP stagnated due to 13th May 1969. The reaction from the black events regarding the New Economic Policy was introduced as a long-term national development plan to achieve unity and well-being of the people in the country.⁵

In the 1st Plan, economic development focuses on integrating all areas of the economy by diversifying economic activities in the agricultural and industrial sectors. It is evident by the government's commitment, which began to develop various agencies to develop the economy, such as the National Land Rehabilitation and Consolidation Authority (FELCRA), established in 1965 to help FELDA run the economy in rural areas. In addition, the Majlis Amanah Rakyat (MARA) demonstrates replacing RIDA to encourage Bumiputera participation in the enterprise and trade sectors to reduce the economic gap between and non - Bumiputera. Similarly, the Agricultural Research and Development Institute (MARDI), established in 1969, is responsible for conducting and introducing technology to improve agriculture except rubber. Local economic projects are also very active in the 1st Plan with Tiga Segi Jengka, Johor Tenggara and Pahang Tenggara, which are economic development projects.

In the 1960s, the country traded on raw materials such as rubber, tin, cocoa, oil palm, and other agricultural products. The country's trade only exports raw materials to foreign countries for processing, especially to European countries. The rising world industrial revolution caused the demand for raw materials to increase. Malaysia, which had just become independent at that time, still depended on western countries, mainly the British, to develop the country's economy. Nevertheless, efforts to mould the country's economic development administration are increasing to ensure that the country's financial income continues to grow.

Table 1: Major Commodities Trade (Exports) 1967-1969 Export RM (Million)

Commodities	1967	1968	1969
Food	207.5	220.5	235.1
Raw Materials	2,061.2	2,259.6	3,001.5
Fuel	295.5	351.0	340.0
Oils, Animal and Vegetable Fats	141.7	165.4	177.6
Chemicals	34.3	37.6	39.0
Manufactured Goods	827.2	918.4	1,074.4

Source: Adapted from Department of Statistics Malaysia 2015.⁶

Table 1 shows the primary goods of export trade from 1967 to 1969. Table 1 shows that raw materials had the highest export value in three years, which was RM2,061.2 million in 1967, which increased to RM3,001.5 million in 1969. Exports of raw materials comprised rubber, oil palm, and other raw material products. The second highest position of the primary goods of export trade from 1967 to 1969 was manufactured goods which were RM827.2 million in 1967, increased to RM1,074.4 million in 1969. In general, the position of the primary interest of export trade was raw material products because Malaysia again depends on raw material sources for export.

Trade of the 1970s Era Tun Abdul Razak

Economic development in the 1970s, the era of Tun Abdul Razak, was developed so rapidly to ensure that the country's economy could compete with the currents of globalization. Tun Abdul Razak is considered the 'Father of Malaysian Development' because rural economic development and agricultural development are actively developed through several economic planning. Tun Abdul Razak introduced the New Economic Policy to eradicate poverty. The socio-economic gap between the Malay community and other races is considered a holistic policy to restore the national economy.⁷

In addition, developing new land for the commercial activities of rubber and oil palm plantations is considered an inspiration to economic progress in agricultural exports. Therefore, FELDA among the land planning agencies and opening new land for large-scale agriculture is an inspiration to change the community's fate in the subsistence agriculture sector to commercial agriculture. Agricultural activities rapidly developed under the Second Malaysia Plan (RMK-2). On 17th January 1970, Tun Abdul Razak developed agriculture, especially food products, by creating the Muda Irrigation Drainage, Kedah, amounting to RM 228 Million, which enabled 250,000 acres of paddy land to receive water for their paddy crops. In November 1970, the West Coast rice crop yielded 190,000 tons to 1,034,000 tons of rice to consumers.⁸ On 11th July 1971, Tun Abdul Razak's ability to measured by the Second Malaysia Plan after becoming Prime Minister. The allocation of RM 4.35 Billion in the 2nd Malaysia Plan drives Malaysia in a dynamic economic development in marketing and industry by developing unity among Malaysians in the economy. The commodities of palm oil and rubber enhancing due to the widespread demand. On 16th May 1971, the Malaysian palm oil industry increased due to increasing oil palm prices in the world market. The palm oil industry in Malaysia had 700 000 acres at the beginning of the crop, with an estimated area of 665 000 acres during 1970.⁹ In

trade activities, Malaysia has made several ports free trade zones to encourage trade activities within the country.

The New Economic Policy (NEP) is the idea of Tun Abdul Razak, assisted by Tun Dr Ismail and Tan Sri Ghazali Shafie in drafting the NEP. Although the NEP is a strategy to develop the Bumiputera economy and close the economic gap between the Chinese and Indians, its implementation aims to advance the country's economic development holistically. Therefore, it can look at Tun Abdul Razak's five strategies in the NEP, which have focused on long-term economic development plans:

1. Double the one million-acre land development plan to provide employment and income to the 100 000 people involved.
2. Increase rubber replanting for smallholders with a target of 685,000 acres and establish rubber processing plants.
3. Encourage the modernization of the science and technology sector in fisheries and livestock.

“Expanding agricultural plans, credit and marketing regulations in a more structured manner and fifthly, providing health infrastructure, electricity, water supply and roads in urban and rural areas.”¹⁰

In addition, the NEP has begun to focus on the trade and industry sector, not only on agriculture. On 16th March 1971, the government introduced a free trade zone at the Port of Penang. The Minister of Finance, Tun Tan Siew Sin, announced in the Dewan Rakyat that this free trade port is one to develop the economy. As a result, the growth of the industrial sector began to grow from only 8% of Gross Domestic Product (GDP) in 1961 to 17% of GDP in 1975. It has shown that the NEP has also begun to structure economic development through the industrial sector.

During the economic downturn in 1974, Tun Abdul Razak introduced the Green Book Plan, a continuation of the Red Book introduced during the Tunku Abdul Rahman era. This Green Book aims to promote increased productivity of food crops. In addition, the processing of agricultural products or agricultural industries is encouraged to increase the value-added income of the agricultural sector.¹¹ During the 1970s, the development of the country's trade activities began to show progress by exporting more commercial products and not limited to agricultural products and raw materials only. Agricultural export-oriented trade has also commercialized to foreign countries, with Malaysia beginning to process raw materials for export abroad. External relations in foreign trade and investment have started to develop in the country after seeing the country's potential to create large-scale agricultural sectors such as Palm Oil and Rubber Land Plans by local agencies such as FELDA, FELCRA and others. The existence of foreign companies in the country's plantations has also boosted the country's economic development and also expanded the country's trade sector. Apart from that, the industrial sector has also begun to grow in the early 1970s. Malaysia has already started to develop the gas and petroleum sectors, impressing the industrial sector.

Table 2: Trade Commodities (Exports) 1977-1979 Export RM (Million)

Commodities	1977	1978	1979
Food	826.9	872.3	1,081.9
Raw Materials	5,975.7	6,360.1	9,024.9
Fuel	2,101.1	2342.7	4,345.8
Oils, Animal and Vegetable Fats	1,979.4	2,105.7	3,016.4
Chemicals	86.8	102.3	131.0
Manufactured Goods	2,324.3	2,825.4	3,314.5

Source: Adapted from Department of Statistics Malaysia 2015.¹²

Table 2 shows the main products of Malaysia's export trade from 1977 to 1979. The highest export trade value was the raw materials sector which amounted to RM5,975.7 million in 1977 and increased to RM9,024.9 million in 1979. Raw materials remained the country's main export is, in line with the export-oriented agricultural policy of rubber and oil palm, which are growing in the country. The second highest export was fuel, namely gas and petroleum, which increased from RM2,101.1 million in 1977 to RM4,345.8 million in 1979. The increase in energy was due to the country's oil and gas sector growing in the late 1970s. In general, the commercial plantation and fuel sectors show positive growth in the country's export sector and focus on future economic prospects.

Tun Mahathir Mohamad Era Trade 1980s

Economic policies in the era of Tun Mahathir were vital to understanding the chronology and impact of the policy. The modernization of the global economy has changed Malaysia's economic policies and strategies. The economy has begun to transform into an industrial sector in commercial agriculture. The financial Plan in Tun Mahathir's era has changed economic policies and policies in line with the environment of economic liberalization and free trade that encompasses the border space. On 19th October 1979, the petroleum sector took over the country's source of income from the rubber industry. However, the agricultural sector continues to develop, especially commercial-based agriculture such as rubber and palm oil. On 30th December 1979, FELDA had invested RM 2 billion to develop FELDA land, which is now 1.2 million acres of FELDA land for agriculture. Meanwhile, 700,000 acres of oil palm, 390,000 rubber, 21,600 acres of cocoa, 13,000 acres of sugarcane, 3700 acres of coffee, and the FELDA community's total population is 370,000.

"A country's economic policy is not a small matter that can determine easily. The economic policy of a plural country like Malaysia is even more difficult to form because its purpose is economic growth and involves various races' political and social-economic aspirations with their problems and interests."¹³

Apart from that, Tun Mahathir also introduced the Look East Policy on 8th February 1982. Look East Policy to improve the performance of management and national development to create Malaysians with positive values and work ethic in national development. Malaysia - Japan relations are not new, as Japan often provides financial assistance in Malaysia's economic

growth. For example, in 1967, Japan paid the US \$8.17 million to Malaysia in economic aid due to damage and misery during the Japanese occupation of Malaya.¹⁴ The Look East Policy makes Japan a 'Role Model' and promotes solid economic development between the two countries.¹⁵ Cooperation in the heavy industry brings technology transfer between the two countries. In addition, Tun Mahathir believes that Japan and South Korea are two exemplary countries in developing the country's economy by adopting Japan's work culture and work ethic. In addition, Japan provided the US \$1 billion for Malaysia's economic recovery in the early 1980s.

The positive impact of the Look East Policy is also beneficial to education. For example, in 1983, Malaysia sent 582 students for industrial study and training in Japan and South Korea. It is a good step in line with the progress of East Asian countries developing rapidly in the world economy. If previously, 49000 Malaysian students studied in western countries in 1982, and only 200 students studied in Japan and South Korea.¹⁶ With the introduction of this policy, the development of national education on technical and technology for Malaysian students. In 1982, the University of Malaya launched a program to prepare Bumiputera students to study in Japan. Approximately 4 million have been used to develop a Language Center on the campus of the University of Malaya. The first intake was 39 students in 1984 and increased the following year by 60 students and 100 students in 1986. In addition, 21 diploma students study at the University of Engineering in South Korea.¹⁷ In addition, there is the existence of education fund privileges for Malaysian students through education loans of 127 million to 1400 Malay students in year one.

However, not all Look East Policies achieve the desired targets and goals. For example, according to Mustapha Mohamad, the Minister of Development and Entrepreneurship, not all these programs are successful because only 12 out of 1200 Malaysian students sent for training to Japan became successful entrepreneurs.¹⁸ The same is true of the promotion of heavy industry. However, it does not achieve its targets and objectives.

The economic challenge faced by Tun Mahathir becoming the Prime Minister was the fall in world oil prices. Petroleum, the country's primary source of income, has been affected by world crude oil prices falling from the US \$ 34 per barrel in 1982 to the US \$ 15 per barrel in 1986.¹⁹ Falling crude oil prices caused international demand for oil supply to decline from 32-40 million barrels per day at the end of 1982 to 16-17 million barrels in 1982.²⁰ This situation also caused the fall in tin and oil palm prices, causing Malaysia to experience the worst economic recession in 30 years.²¹

The economic recession that hit the country from 1985 to 1986 was due to weaknesses in the country's industrial structure. Several government projects also lost, including a significant loss by MPH, a business owned by the Malaysia Chinese Association (MCA), of RM 192 million in 1985.²² Apart from that, MAMINCO, a government project under the Ministry of Finance, lost RM 600 million, and Bumiputera Malaysia Finance (BMF) also suffered a loan failure worth RM 2.5 billion.²³

Among the measures taken by Tun Mahathir to revive the economy was to reduce military and security spending because there was no choice.²⁴ According to statistics, in 1982, military expenditure was RM2.7 billion was reduced to RM1.39 billion, which is 16.3% of development expenditure. However, in 1984 it was as much as RM961 million, while RM430 million in 1985 and RM216 million in 1986.²⁵ Savings from military expenditure were used in economic development. However, after the country's economy recovered in 1988, security and

defence budget allocations increased again. In addition, Malaysia signed a memorandum of understanding to purchase weapons of 1 billion pounds sterling, equivalent to RM5 billion, signed by Tun Mahathir and British Prime Minister Margaret Thatcher.²⁶ Although Tun Mahathir designed more economic development programs, Tun Mahathir also implemented strategies to strengthen external security and foreign and border relations, especially with Indonesia and Thailand.

The cause of the economic recession, the fall in prices of primary commodities, simultaneously caused the government to find a long-term economic strategy. The measures taken to overcome economic problems are through the industrial master plan under the Ministry of Trade and Industry. On 3rd February 1986, the three main objectives of the Plan were to make the manufacturing sector a catalyst in the country's industrial growth. Second, to encourage the full utilization of natural resources and to increase the level of Research and Development (R&D) of local technology to make Malaysia an industrial country.

The Malaysian Incorporation Policy has improved performance, especially in developing the country's automotive industry by producing Malaysian -branded national cars and motorcycles. Good relations with Japan have opened up cooperation in the automotive technology industry of Proton and Mitsubishi. In addition, Japan's confidence in collaboration with the Malaysian government's action to become a trading partner supplying raw materials to Japan in heavy industry. Political stability has also attracted Japanese investors to invest in the country. From 1981 to 1986, 37 new Japanese companies were in Malaysia.²⁷

The economic change made by Tun Mahathir compared to the previous Prime Minister is a change to the New Economic Policy (NEP), which is more aimed at forming capital New Malays in the modern era. The target in the NEP is Bumiputera ownership incorporated equity in 1970 is 2.4%, and the initial target was 30% by 1990. However, at the end of the NEP, it only reached 20.3% of Bumiputera corporate equity.²⁸ Tun Mahathir promoted the Bumiputera race through national policies, so in 1983 in his national paper, he revealed the government's success in increasing Malay equity from 18 per cent to 23 per cent.²⁹ The New economic policy also aims to balance the economy of the Chinese and Malays.³⁰

The effectiveness of economic policies has provided more excellent employment opportunities. The unemployment rate also declined with economic development from 37.3% in 1976 to 20.7% in 1984 end of the NEP era to 5.1% in 1990. It is part of the positive impact of the National Industrial Policy and the Look East Policy. They managed to attract foreign investment into the country.

During the falling crude oil prices crisis from 1982 to 1986, Tun Mahathir changes to the NEP were made in 1985. Tun Mahathir had lowered the initial target value from 30% Bumiputera holdings in the corporate sector to a 25% target in 1990. at that time, Bumiputera holdings are 18%.³¹ In the middle of 1988, Tun Mahathir was able to compete with the economic policies taken, coupled with the increase in foreign investment that has brought Malaysia out of economic recession.³² GDP achievement from 9.8% in 1990 to 8.5% in 1991. poverty from 37% in 1973 decreased to 15% in 1987.³³

In the 1980s, the country's trade sector changed in line with Tun Mahathir's economic policy, which focused on the industrial sector and made the gas and petroleum sectors the main contributor to the country's financial income. The country's Industrial and Privatization Policy has encouraged foreign investment to invest in the industrial sector by creating electronics and

industrial factories. This situation has caused Malaysian trade to export electronic and industrial goods to foreign countries through processing and prefabricated plants located in Malaysia. The gas and petroleum sectors under Petronas continue to be a significant contributor to the country's economy as rising crude oil prices have provided substantial revenue. The export proceeds of crude oil and gas have to develop the country's economy apart from meeting the country's import needs.

Table 3: Trade Commodities (Exports) 1986-1988 Export RM (Million)

Commodities	1986	1987	1988
Food	1,969.8	2,458.2	2,851.4
Raw Materials	7,883.8	10,583.4	12,418.0
Fuel	8,060.0	8,997.4	8,713.3
Oils, Animal and Vegetable Fats	3609.6	4,167.6	5,762.6
Chemicals	600.5	736.3	1,220.5
Manufactured goods	2,596.4	3,709.5	4,487.8
Transport Machinery and Equipment	8,995.8	11,700.7	15,665.7
Miscellaneous Manufactured Goods	1,806.6	2,618.5	3,829.5

Source: Adapted from Department of Statistics Malaysia 2015.³⁴

Table 3 shows the main products of Malaysia's export trade from 1986 to 1988. Raw materials, fuel, machinery, and transport equipment increased export value in the late 1980s. Raw materials increased from RM7,883.8 million in 1986 to RM8,713.3 million in 1988. Similarly, machinery and transport equipment increased exports from RM8,995.8 million in 1986 to RM15,665.7 million in 1988. An increase in the machinery and transport equipment is due to government policies focusing on the heavy industrial sector and the success of attracting foreign investors, mainly from Japan, to invest in the automotive industry. In general, the Privatization and Industrial Policy has shown an increase in trade exports and has more excellent prospects for the country's progress.

Trade of the Globalization Era and Free Trade of the 1990s

In the 1990s, the liberalization of the world economy and the existence of economic blocs in creating free trade areas have overgrown, including Malaysia. Malaysia's involvement in the economic blocs aims to gain a foothold and penetrate the increasingly competitive world market. Malaysia's participation in the economic blocs can help develop the country's economy based on local products and industries to avoid competition in the global market. The National Development Plan (VAT) is a pragmatic program to the New Economic Policy (NEP) by giving privileges to Bumiputera in the business market. Foreign investors from Japan and Taiwan continue to power the country's economy. Trade with Western countries began to slow down.³⁵

In the early 1990s, Malaysia's economic cooperation focused on cooperation in the context of regions in the ASEAN region involving other Southeast Asian countries. The establishment of cooperation regions such as the Indonesia-Malaysia-Thailand Growth Triangle (IMT-GT), Brunei, Indonesia, Malaysia and Philippines Cooperation Region (BIMP-EAGA) and Singapore-Johor-Riau Islands Cooperation Region (SIJORI) can enhance economic cooperation at the regional level.

The Indonesia-Malaysia-Thailand Growth Triangle (IMT-GT), established in July 1993, is part of a proposal by Tun Mahathir. It involves a network of economic cooperation between three countries and covers Sumatra's provinces, namely North Sumatra, Aceh, West Sumatra, Riau, Jambi and Bengkulu for Indonesia. While the Southern regions of Thailand are involved in Songkhla, Satun, Narathiwat, Yala and Pattani, and Peninsular Malaysia, namely Kedah, Perlis, Perak, Penang, and Selangor.³⁶ IMT-GT aimed at accelerating economic growth and assisting regional economic development by exploiting economic policies and comparisons. The sectors highlighted in the IMT-GT are tourism, infrastructure, trade, industry, agriculture and human resource development. In addition, IMG-GT can be facilitated economic networks between countries by improving inter-city air transport services in the states and provinces involved, such as KLIA flights and Medan, Pekanbaru, Padang, Palembang and Hat Yai.

In addition, the Singapore-Johor-Riau Islands Cooperation Region (SIJORI) was announced in 1989 by Singapore Deputy Prime Minister Goh Chok Tong. However, the rebranding by mutual agreement by Singapore's representative Lee Hsien Long, Deputy Prime Minister of Singapore, Rafidah Aziz, Minister of International Trade and Industry of Malaysia and Horton, Indonesian Minister of Trade and Industry Coordination, on 17th December 1994.³⁷ The cooperation of these three regions is complementary, namely the Riau Islands with the duty-free export zone of Batam, Singapore and Johor. SIJORI has highlighted Singapore as a centre of trade, logistics and shipping and integrated with Johor and the Riau Islands as a centre of intermediate industries, tourism, agriculture, oil and gas. This strategic network facilitates regional development due to specialization and their respective advantages.³⁸

The Brunei, Indonesia, Malaysia and Philippines Cooperation Territory (BIMP-EAGA) had established in 1994. The agreement aims to develop member countries' economic and social development, especially in competitive areas, including agro-based industries, tourism, and infrastructure facilities. In addition, priority to implementing virgin coconut oil industry projects, ginger industry, halal meat projects, clusters, palm oil-based industries and business development services. Currently, Malaysia's trade focuses on cooperation in the Southeast Asian region, providing a wide range of opportunities for economic cooperation. Economic liberalization has created global trade opportunities in world markets. Competition in the open market still exists, but the initiatives provided by the economic blocs allow the country's products to penetrate the world market. In addition, the country's economic system based on upstream and downstream agricultural and technology industries will enable Malaysia to infiltrate the world product market. Agricultural, industrial and health biotechnology is beginning to become a national priority to be developed in line with the demand of the world market, which markets innovative products to gain a place in the world market. Malaysia, which has high prospects in agricultural biotechnology, is beginning to develop upstream and downstream activities, especially in rubber and oil palm commodities. The country's oil and gas industry is still the country's primary resource. Still, the dependence on volatile world market prices has caused Malaysia to need supporting industries as an added value to the Malaysian economy.

Table 4: Trade Commodities (Exports) 1995-1997 Export RM (Million)

Commodities	1995	1996	1997
Food	4,515.8	4,722.8	5,304.9
Raw Materials	11,991.8	10,759.4	10,102.1
Fuel	12,932.3	15,884.8	17,943.9
Oils, Animal and Vegetable Fats	12,634.0	11,726.8	13000.0
Chemicals	5,629.1	6,255.8	7878.0
Manufactured Goods	16,339.9	18,289.9	19,870.6
Transport Machinery and Equipment	101,995.1	108,929.9	123,984.1
Miscellaneous Manufactured Goods	16,131.6	17,713.7	19,325.5

Source: Adapted from Department of Statistics Malaysia 2015.³⁹

Table 4 shows the main products of Malaysia's export trade from 1995 to 1997. The machinery and transport equipment sector showed the highest exports from RM 101,995.1 million in 1995 to RM 123,984.1 million in 1997. In addition, the manufactured goods and miscellaneous manufactured goods sector showed a sharp increase in the value of Malaysia's trade exports. Manufactured products increased from RM16,339.9 million in 1995 to RM19,870.6 million in 1997. In general, the economic transformation of the 1990s from commercial agriculture to industrial sector focus has positively impacted Malaysia's trade exports in manufactured goods. Plant and machinery and equipment transport components.

Conclusion

The development of the Malaysian economy has always undergone era changes in the country's economic system and policies in line with the development of the world economy. The importance and sustainability of the national economy become essential to the country's economic growth and progress. The country's trade continues to drive the country's economy from small-scale, i.e. exporting products of the primary agricultural sector to export-oriented agriculture and then the industrial sector. It illustrates that there is progress in the economic development of the country. It turns out that economic modernization always occurs according to the era and conditions of demand and supply in the international market. The globalization of a borderless world has made economic and trade activities create an atmosphere of intense competition in penetrating the world market.

The study results found that internal factors such as the government's policy approach and the country's primary economic resources are determinants of changes in the trade sector. In addition, external factors of changes in the world economic environment and economic blocs also affect the modernization of the world economy. Therefore, internal and external factors play an essential role in developing the modernization of the trade economy. As a result of the study's findings, there are two main factors in Malaysia's modernization of the trade economy.

First is the national leadership factor in introducing national economic policies. Every leader has ideas and strategies for driving the country's economy. Two crucial characters of the country's leadership, Tun Abdul Razak, introduced commercial agriculture in the early 1960s and actively contributed to the country's export trade. Meanwhile, Tun Mahathir Mohamad has strengthened the country's economy by developing the industrial sector and has changed the country's trade landscape, not limited to exporting raw materials but exporting factory products such as electronics and vehicle components.

Second, the changing factors of the world economy have caused the country's trade sector to be in line with the global market to penetrate the world market. Changes in the world economy are always happening because ups and downs of the commodity market of goods based on the demand and supply of the global market. For example, it can look that when the industrial revolution took place in Europe, the need for natural rubber increased. Still, artificial rubber has caused the price of natural rubber to plummet, and the demand for the commodity is declining. Similarly, the world crude oil prices market is constantly changing, and the industrial sector experiencing ups and downs has changed world trade commodities. Thus, the development of the Malaysian economy is necessary with the demand for world trade to avoid competition and penetrate the world market.

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Biodata

* **Mohamad Akmal Ibrahim** (akmalibrahim13@yahoo.com) is graduated from the Department of History at the University Pendidikan Sultan Idris (UPSI), Malaysia. He received his Doctoral degree from the UPSI in 2021.

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