

MALAYSIA

Introduction

The Federation of Malaysia consists of Peninsular Malaysia (the Malay peninsula south of the Isthmus of Kra) and the states of Sabah and Sarawak located 500 nautical miles away on the north coast of Borneo. The population of 14.3 million is composed of Malays (45%), Chinese (35%), Indians and Pakistanis (10.5%), indigenous tribes (9%) and others (0.7%). Malaysia is a parliamentary democracy with a Paramount Ruler (King) elected for a five-year term by and from a group of nine hereditary Malay rulers.

Domestic Political Situation

Since the original Federation of Malaya was established from the British territories of the Malay Peninsula in 1948, the country has been ruled by a strong coalition of ethnic parties (now called the National Front) which have succeeded in promoting the aspirations of their respective groups within the political realities inherent in a multi-racial society. The United Malays National Organization (UMNO) is the largest member of the National Front and has sought to improve the economic well-being of ethnic Malays. Other members of the National Front include the Malaysian Chinese Association and the Malaysian Indian Congress. The National Front, over the last ten years, has succeeded in peacefully restructuring the society in favour of ethnic Malays, the poorest group. By raising their economic status, it has lifted the Malays' overall standard of living and eased the racial tensions which erupted into violence in 1969.

Datuk Seri Dr. Mahathir Mohamad succeeded Hussein Onn at the end of June 1981 as President of the UMNO and assumed the Prime Ministership on July 16. General elections were held on April 22, 1982 in which Dr. Mahathir and his National Front Government won a substantial majority of seats, and retained control of all state legislative assemblies.

Domestic Economic Situation

Malaysia's economy, which has expanded rapidly since 1975, slowed to an inflation-adjusted 6.5% in 1982, compared with 8% in 1981. Because of a continued weak demand for commodity exports and curtailment of private domestic spending, the Central Bank estimates real growth of only 2.8% for 1982. In the long term, however, Malaysia holds a privileged position among developing countries. Malaysia, as a net exporter of oil, has been sheltered from the impact of world oil price increases. In addition, the