

## Development in Malaysia: Economics and Politics of an Idea

LEE HWOK AUN

### ABSTRAK

*Artikel ini memberi suatu pentaksiran kritikal tentang idea pembangunan di Malaysia. Perancangan dan prestasi ekonomi negara ini berpuncakan kecenderungan tertentu di dalam takrif dan amalan apa yang digelar sebagai pembangunan. Perbincangan dalam makalah ini bertemakan ekonomi dan politik pembangunan serta peranan pemerintah di dalam proses ini. Kadar pertumbuhan ekonomi yang pesat merupakan suatu objektif polisi utama, sementara pengagihan pendapatan, perindustrian dan pembangunan kapitalis adalah keutamaan polisi pembangunan. Objektif yang lain, khususnya pembasmian kemiskinan dan perpaduan kebangsaan, juga merupakan objektif yang penting, tetapi dihambat oleh konsep-konsep yang sempit serta kepentingan pemerintah. Penguasaan dominan pemerintah telah mendatangkan situasi di mana idea pembangunan dilahirkan oleh pemerintah bagi tujuannya sendiri, dan jarang sekali dipersoalkan. Pembangunan juga telah dihuraikan dengan perspektif yang lebih luas, tetapi pemerhatian kami mendapati bahawa prioriti ekonomi dan kapitalis menguasai agenda pembangunan, melebihi retorik pembangunan holistik.*

### ABSTRACT

*This article offers a critical assessment of the idea of development in Malaysia. The nation's economic planning and performance have been derived from particular inclinations in the definition and practice of what is broadly referred to as development. The article provides a thematic discussion of the economics and politics of development and the role of the state in this process. Rapid economic growth has been an over-riding policy objective, while income distribution, industrialization and capitalist development have been central priorities of development policy. Other objectives, especially poverty alleviation and national unity, have also been important considerations but have been constrained by narrow concepts and vested interests of the state. The dominance of the state has bred a situation in which the idea of development is conceived by the state for its own purposes, and rarely questioned. Development has also been expressed in broader term. However, our observation finds that economic and capitalist priorities prevail over the rhetoric of more holistic development.*

## INTRODUCTION

Development is a frequently spoken word in Malaysia, usually in reference to the nation's economic goals and achievements, and also as a political platform and rallying point. However, despite of this prominence, the meaning of development is rarely questioned. In part, the difficulty of such questioning is that development has occurred to an obvious and tangible degree. At the same time, the determination of development hinges on the definition of the term; the degree of success depends on the yardstick of measurement. Where there is inadequate enquiry into the foundations of development, assessments of the development process will likely be uncritical and perhaps ill-informed, predictably leading to popular unqualified endorsements of Malaysia's development agenda and experience. Official and popular attitudes toward development tend to equate success with economic performance, with social and political progress effectively regarded as subsidiary. Exceptional critical expositions, eschewing simplistic and popular notions of Malaysia's development, have offered some useful critique. Ishak Shari (1999, 2002) stresses the importance of confronting the concepts and theories of development; while Abdul Rahman Embong (2003) notes the centuries-old thinking of philosophers that places human worth and dignity as ultimate pursuits and pillars of the human condition. In modern times, raising and preserving dignity should remain the priority of our activity. These studies integrate broader social and political aspects into the core of well-being, thus constructing more holistic definitions of what development means. This article follows along the same path, regarding development as a process of evenly distributed progress in well-being, encompassing economic, social, political and cultural life.

The dearth of discourse on development is interesting when put in international perspective. The mention of development in Malaysia is not typically greeted with cynicism; neither does it inspire searching questions. Not surprisingly, the most scathing criticisms of development have originated from less developed countries that have grown slowly or negatively and where poverty persists, or advanced economies in which awareness of widespread failures of the westernised development project has provoked dissent and disillusionment towards the very notion of development (Esteva 2001 & Rist 1997). While disenchantment with the promises of development or distrust in the possibilities of development may be growing in poverty-trapped areas of the world, the Malaysian economic project has rolled on quite remarkably. However, this situation of a considerable degree of development, in which neither outright praise nor lament are conceivable, makes it all the more important to continue revisiting the idea of development.

Malaysia's social and political situations also amplify the importance of questioning the received doctrine of development. A key feature of the Malaysian development experience is its state-led social engineering programme, which

has assumed certain predilections and biases towards development. Policy and performance, no doubt, often co-exist in a mutual feedback relationship; policies that succeed are continued and those that fail get replaced. However, beyond responding to the performance of policy, the Malaysian state has played an authoritative policy role in setting the agenda, determining the values, and directing economy and society to follow its instructions, towards prescribed ends. Policy formulation has, for the most part, not been grounded in an ideological disposition or particular set of beliefs, but has pragmatically responded to the material needs of society and the ambitions of political leaders.

The combination of these social and political factors – a strong state, pragmatism and materialism – make Malaysia prone to materialistic form of state-led development and an acquiescent public response to it, and thus accentuate the importance of asking some fundamental questions: What does development mean? Who defines it? This article critically discusses the idea of development in Malaysia. We trace out major economic and political factors behind the conception and propagation of the meanings associated with the term ‘development’. We provide a survey of development in Malaysia, over time and across a selection of major themes, with a view to offer some reflections on its meanings, methods and implications. That development of a certain kind has taken place is not questioned. Nevertheless, we maintain that development is multi-faceted and dynamic, hence conclusions on the success of Malaysia can never be absolute.

We argue that rapid economic growth has consistently been an over-riding goal of economic policy, although the main motivation for such a pursuit has shifted over time. Since the New Economic Policy, poverty alleviation and income distribution have been two central prongs of policy. However, they have suffered from neglect and inadequate revision of terms of reference. Lop-sided pursuit of redistribution along ethnic terms, although necessary, has hampered the development of a welfare- and equity-based economic and governmental systems that continuously reduce poverty and evenly spread the fruits of economic growth. Industrialisation and capitalist development are two areas that have witnessed growth – indeed these have occupied a controlling position in the development agenda. Other objectives, especially poverty alleviation and national unity, have also been key considerations but have not been pursued with as much commitment. The dominance of the state – in particular, the Executive – has bred a situation in which the idea of development is conceived by the state for its own purposes, and is rarely questioned. Thus, although development has also been expressed in less narrowly economic terms, our observations find that economic and capitalist priorities prevail over the rhetoric of holistic development.

## THIS APPROACH

This article offers some pointers on the direction that the idea of development has taken, and paths that it may take in future. Major turning points and momentous factors are outlined. Arguments are broad-brushed, due to the width that needs to be covered as well as the generality of the issue. Our main reference points are the overall development strategies outlined in the Malaysia Plans. This approach has obvious limitations. To a significant extent, the Plans are populist, rhetorical and, being written at five-year intervals, not entirely responsive to one-off events or changes that do not occur over set periods of time. An analysis of institutional changes and discourses related to development – such as Acts of Parliament, political speeches, Annual Federal Budgets – would extend from this exploration. However, an overview of the Plans is still a useful starting point. They are reasonably consistent with the currents of development thinking and practice. One purpose of this article is indeed to scrutinise the official position on development matters. The Plans may serve more to confirm what is already known and less to inform anything new – but this is precisely the material relevant to this article.

A nation's idea of development has direct and indirect consequences on the directions and outcomes of development. It is important to distinguish between development policies that are economically-driven – for betterment of the economy or concurrence with dominant economic policies – and those are politically-motivated – for political gain or out of political pressure. Some of Malaysia's policies serve welfare purposes or concur with international norms, while others are made with a more domestic intention and bias, primarily due to the political agenda of leaders and the political uses of development. The shifts the idea of development can be mapped out through observing the primary motive for promoting economic growth, shifts in the priorities of economic development, and the role of the state.

## ECONOMIC GROWTH: SUFFICIENCY AND PROSPERITY

Economic growth generates the material resources for raising standards of living; it is a component of and requirement for development. More than mere growth, however, Malaysian development policy has consistently upheld *rapid* economic growth. Of further interest to us, the grounds for this high-speed growth have altered with the times or circumstances. In the 1960s, rapid population growth was the express reason for promoting fast growth. This was an argument from the standpoint of necessity and sustainability. Employment and output had to expand if standards of living were to be *sustained* and improved. Population growth worries were well founded; the number of people increased by an average of 3.0 percent per year in 1960s (4MP: 71). These fears were later

assuaged; the rate fell to 2.6 percent in 1970s. Population growth remained a concern in the 1970s, but to a lesser extent. Another motive for rapid economic growth pulled its weight.

From 1971, all development planning became premeditated by the priorities of the New Economic Policy (NEP), or First Outline Perspective Plan (OPP1) – its two-pronged goal of alleviating poverty irrespective of race and, restructuring society to remove and eventually eliminate the identification of race with economic function. Poverty reduction programmes integrated employment generation as one of their instruments of long-term escape from poverty. Thus, there was shift in emphasis of the underlying motive of economic growth, from population growth to income redistribution – the need to enlarge the pie that would be re-sliced. Rapid economic growth had to be generated, because “to afford the necessary opportunities for more education, better jobs, and higher incomes to the disadvantaged, the sum total of such opportunities open to all Malaysians must be expanded rapidly” (2MP: 5-6).

The mid-1980s recession applied the brakes on Malaysia’s economic drive – and invited Malaysia to accelerate down the path of private sector-based and foreign investment-primed growth and structural change. Measures were taken to promote investment, institutionalised in the Promotion of Investment Act (1986). A conjuncture of favourable external factors, in particular the appreciation in the Yen, Won and Taiwanese Dollar, induced a massive relocation of Japanese, Korean and Taiwanese manufacturing operations to Southeast Asia. Malaysia became a happy beneficiary of foreign direct investment. Fast growth was regained in 1988, near the conclusion of the NEP. The premise for rapid output expansion was set, articulated by assertions such as: “The thrust of development policy for the remaining period of the Plan [1988-90] will be to achieve the full potential output growth that the economy can generate, focusing on increased productivity, efficiency and competitiveness” (MTR of 5MP: 6).

The succeeding policy, the National Development Policy (NDP) or Second Outline Perspective Plan (OPP2) was emphatically predicated on fast growth, with a target average growth rate of 7.0 percent for 1991-2000. The NDP’s overarching objectives were “to attain a balanced development in order to establish a more united and just society” and to “[strike] an optimum balance between the goals of economic *growth and equity*”. The meaning of this phrase was not clear – it seemed to imply a continuation of growth and social structuring as promulgated in the NEP, with changes in the relative roles of the public and private sectors. However, the pursuance of economic growth for prosperity and capitalist development, which we will examine later, became quite clear. The revision of terminology from the NEP’s two prongs reflected changes beyond the surface of policy rhetoric. The realisation of prosperity expectedly won popular support for acquisitive policies – in the boom period of 1988-97, economic growth averaged 8.9 percent.

Quantitatively, target growth rates have generally been responsive to preceding performance, and are thus tempered with the experience of immediate past experience. Qualitatively, however, the prime motive of economic growth has shifted from a concern for sustainability of decent living standards to generation of output and employment for the NEP to basic generation of prosperity. Rapid growth has become entrenched as a desirable objective for its own material ends – although articulated within the wider developmental rubric of Vision 2020 and its ambition of being an industrialised nation. Insistence on maintaining high growth persists at present, in the face of more daunting circumstances, such as the dilution of drawing power for foreign direct investment and increasing demand for development to be internally inspired and more self-reliant. Productive and high technology sectors have become dependent on foreign investment, while the production-consumption boom of 1988-97 was principally due to capital accumulation, credit expansion and heady consumer confidence. Such performance is not likely to be repeated. Indeed, the OPP3 acknowledges that the need for productivity improvements to be the main spur to growth in the present decade. One possibility in such circumstances is to trim growth targets and build more solid and sustainable bases, particularly in human resources. Thus, Malaysia puts itself in a dilemma, being economy ill-prepared to make the needed productivity gains to sustain its growth ambitions, yet doggedly insisting on rapid economic growth.

### SHIFTING POLICY PRIORITIES

The shifting attitudes towards economic growth had underlying roots in the over-arching orientation of development policy and the balance of priorities. We now draw attention to some salient objectives of Malaysian economic policies to further examine the working out of development principles and priorities. Shifts in the emphasis of the following objectives of economic policy reflect the commitment of the state towards economic, social and political development.

#### POVERTY ALLEVIATION AND INCOME DISTRIBUTION

In accordance with the low level of income and prevalence of poverty, development at the early stages was oriented towards poverty alleviation and provision of basic needs. The early emphasis on rural poverty was born out of necessity. The vast majority of the poor lived in agrarian rural communities. The manner in which rural development was implemented, however, went beyond immediate economic needs and in some ways detracted from the interests of long-term agricultural progress. Rural development programmes were conducted in a top-down, paternalistic manner, and were commonly infused with political agendas to secure a footing in the peasantry (Mehmet 1986: 47-48 & Salleh 1999: 190-191).

In aggregate, absolute poverty has declined. The official poverty rate fell from 49.3 percent in 1970 to 29.2 percent in 1980, 17.1 percent in 1990 and 7.5 percent in 1999. Nonetheless, the situation is not a simple success story, as it is often made out to be. Problems persist, and new problems become more apparent, in terms of poverty measurement, relative poverty, low productivity in food crops, destitution in plantation communities, and urban poverty.

The increasing priority placed on the industrial sector and income distribution, especially since the New Economic Policy began in 1971, inclined the state towards other sectors and strata. It is perhaps inevitable, with rising average income, for poverty alleviation to become less of a priority. However, the Malaysian experience reflects a mentality stuck in narrow definition, measurement and social perspective on poverty and income distribution. Poverty continues to be viewed primarily in absolute income terms, while inequality continues to be framed in ethnic categories, at the expense of more useful and objective analytical approaches. While inter-ethnic income distribution has been an imperative of economic policy, the developmental mode of Malaysia has become rather rigidified in thinking narrowly in ethnic terms, sometimes departing from the original intention of state assistance based on economic need.

Lukewarm treatment of the accuracy of poverty measurement is symptomatic of the attention deficit toward consistent and alleviation of poverty in its manifold forms. Hashim's (1998) detailed study on poverty and inequality finds that, since 1976 no substantive reviews have been conducted on the poverty line. Only periodic adjustments were made for inflation. An understated poverty line will underestimate the rate of poverty. In addition, the application of a standard poverty line – undifferentiated across urban-rural regions or states within the Peninsula – does not accurately account for the existence of poor households. Different dimensions of poverty also have to be taken into account in identifying and ameliorating the poor. Disparities in the quality of education in poor communities, for instance, impact heavily on the capacity of those citizens to participate meaningfully in economic, social and political life.

Confinement to conventional mindsets and assumptions also affects policies towards income distribution. The severe pattern of income inequality between ethnic groups prompted the NEP, and undisputedly needed redressing. However, other dimensions of disparity – class and urban-rural factors, in particular – have not been given due weightage. Indeed, an ethnicised perspective has persisted, in which development assistance is premised more on race than need. This is perpetuated in the face of evidence indicating the gaining prominence of other forms of inequality. For instance, the rural-urban divide widened in the 1990s, parallel to the sluggishness in agricultural development discussed above. The rural-urban household income differential ratio climbed from 1:1.70 in 1990 to 1:1.81 in 1999 and 2.11 in 2002 (OPP3: 55 and MTR&MP: 64). In comparison, over this period, changes in income inequality according to ethnicity happened on a lesser scale. From 1999 to 2002, the Chinese to Bumiputera average

income ratio broadened slightly, from 1.74 to 1.80, while Indian to Bumiputera ratio took a small step closer, from 1.36 to 1.28. Malaysia's development outlook, having a weak conceptualisation of welfare as the basis for state assistance, finds difficulty moving towards developmental policies that more objectively meet people's needs.

#### INDUSTRIALISATION AND CAPITALIST DEVELOPMENT

Malaysia, like every developing country, has sought to industrialise. The industrial sector, as the seat of manufacturing activities, provides opportunities for technological progress, capital accumulation and productivity gains. Ownership of industrial capital was also accorded high policy priority. These policies have been framed in ethnic terms. As early as the Second Malaysia Plan, the Bumiputera Commercial and Industrial Community (BCIC) was pronounced a long-term objective. Progress toward increasing Bumiputera ownership and control of equity in general, and manufacturing capital in particular, was slow in the 1970s. The heavy industries projects of the early 1980s were meant to fill these gaps, as well as raise national prestige and fulfil personal ambition.

The mid-1980s, again, was a turning point. International currents toward deregulation and liberalisation were growing. Policies to this effect were implemented in Malaysia, with local adaptations. The gravity of the BCIC increased, while capitalist development in general burgeoned. Capitalists from all ethnic backgrounds benefited from government largesse, alongside privatisation and stock market promotion. The Second Outline Perspective Plan (OPP2) (1991-2000) proclaimed: "The restructuring strategy under the NDP, while continuing to pay attention to employment and equity restructuring, will focus on measures towards the development of a BCIC *as a more effective strategy* to increase meaningful Bumiputera participation in, and control of, the corporate and non-corporate sectors of the economy" (Italics added).

Malaysia's privatisation programme forged ahead en masse, with the relinquishment of many public utilities and state-owned enterprises. Privatisation, in the general sense of an expansion of the private sector, was also advanced. The locus of equity redistribution was gravitated from mandatory equity allocation to Bumiputera (as a pre-condition for manufacturing licenses or public listing) to the transfer of privatised assets from the public domain to private hands – with continuity in the role of trust agencies. The distributional and socio-political consequences were a concentration of private wealth, and the cultivation of private, individualised ties between capital and the state. The stock market and construction bubbles, tide of loans for purchasing shares, property and vehicles, contributed to a boom period during which acquisitive, profiteering, short-term behaviour prevailed, and corrupt practices were tolerated. It was a regime of accumulation and speculation.



Industrialisation burgeoned in the 1990s, driven by influxes of foreign direct investment and favourable investment conditions. While the gains have been palpable, it is also recognised that dependency on foreign sources of capital and technology and de-emphasis on other sectors has come at certain costs. Renewed focus on agriculture at the turn of the century, expressed in the Eighth Malaysia Plan, may be understood in light of a lop-sided approach to industrialisation, in which emphasis on that sector came at the expense of attention to others. Official recognition that agriculture has not progressed on par with other sectors comes as no surprise – the statistics paint a picture of under-performance. Malaysia's trade deficit in food commodities nearly doubled, from RM3.4 billion 1995 to RM6.7 billion in 2000; over the same period, self-sufficiency in rice declined from 76.3 percent to 71.0 percent (8MP: 212). Similarly, severe problems regarding the pervasiveness of corruption and quality of education have become too apparent, prompting the new Badawi administration to declare these two issues the top priorities.

The effects of the capitalist development agenda on income distribution were felt; inequality widened in the pre-Crisis 1990s. The Gini coefficient, an indicator of income distribution in which a higher value indicates higher inequality, dropped from 0.51 in 1970 to 0.48 in 1984 to 0.44 in 1990. This trend was reversed, as the inequality indicator increased to 0.47 in 1997. The increase in the skewedness of distribution from 1990 to 1997 was marginal, but more importantly, it reversed earlier patterns of bridging income gaps. Distribution of income was less skewed in the aftermath of the financial crisis; the Gini value fell back to 0.44 in 1999. This positive trend in terms of more even distribution, however, was not sustained. In fact, it rebounded to 0.46 in 2002. This is not surprising. Without substantive change in the political economy, there is every prospect that income disparities will not improve or will continue to widen, more so between economic classes than between ethnic groups.

#### NATIONAL UNITY

Economic development as a foundation and channel for national unity was emphasised in the Second Malaysia Plan (1971-75), and has been regularly reiterated. The argument for an economic basis of national unity has avouched the shared prosperity and close to proportional representation of ethnic groups in professional categories is crucial to foster amiable ethnic ties and common identities. Poverty and income inequality are sources of tension and disruptions to national unity. It was hoped that “within one generation Malays and other indigenous people can be full partners in the economic life of the nation” (2MP: 6).

Affirmative action has been assumed to be the economic basis for national unity. In the process of affirmative action, however, ethnicity has become entrenched as the basis for state assistance. Undoubtedly, to a significant extent

economic growth has contributed to general satisfaction and facilitated the bridging across ethnic divisions. One line of argument maintains that consumerism and westernisation have had a cohesive, de-ethnicising impact on Malaysian society, and have thus made a positive contribution to national integration (Salleh 1999: 188-190). While this may be true, it raises questions on the depth of integration.

Unity also requires transformation in public mentalities and attitudes, including a graduation from ethnicity to nationality as the basis of personal identity. Towards the objective of national unity, therefore, public policy must extend far beyond economic development. The Malaysian government has floated the idea of a *Bangsa* Malaysia, in which people's affinity to the multi-ethnic Malaysian nation supersedes their ethnic loyalties and passions. However, the promotion of national integration – in the schooling system, media channels, etc. – often borders on social engineering and mind control. Unity by conformity and subservience will ultimately reach its limit. Lack of depth in reconciling the tensions of polity and society correlates with the shallowness in Malaysia's plan for social and political development. Indeed, these are almost as afterthoughts, as enunciated in the Seventh Plan: “the thrusts of development policy will not only emphasise sustaining economic progress in order to achieve the status of a fully developed nation as envisaged in *Vision 2020*, but also to other aspects of development such as social justice, quality of life and political stability, with positive social and spiritual values”.

#### ROLE OF THE STATE

The role of government is important in our context, because the one with power to define and design development will determine who benefits from it, and who takes credit for it. The shape and extent of the Malaysian government's intervention have undergone a few major shifts. Prior to the 1970s, the state followed international advice, in large part, and provided public goods, focused on rural development, and promoted import substitution industrialisation. On the whole, the government in the early post-Independence period (1957-70) was characterised by limited and more indirect intervention.

With the NEP, the state came to play a more extensive and authoritative role, using more direct forms of intervention. The Second Malaysia Plan made it clear that the “Government will assume an expanded and more positive role in the economy than in the past” (2MP: 7). The nation witnessed an increased interventionism, a consolidated ruling Barisan Nasional (BN) coalition, and a stronger state with a larger bureaucracy. The objectives of the NEP required more direct government intervention. On the economic policy front, the government played a lead role, for instance, in expanding employment in the public sector, offering scholarships, building public facilities, inducing investments and initiating heavy industries. The Malaysian economy began to be deregulated and

liberalised from the mid-1980s. Manufacturing investment conditions were relaxed, private capital promoted, privatisation of and financial flows were encouraged. The extent to which the state's functions in planning gave way to a deregulated market is debatable; the government maintained a strong presence in select control and co-ordination roles. However, it cannot be denied that direct state intervention in the economy was reduced while policies leaning toward deregulation and liberalisation were set in motion. The period, as well, saw the spread of patron-client networks and the widespread formation of rentier-political alliances and the ascendance of financial capital that often had greater interest in short-term profiteering than long-term productivity (Gomez & Jomo 1999).

Deregulation and liberalisation brought about more change in the form than the extent of state intervention. As the nation launched into the NDP in the nineties, government intervention and guidance of economic affairs remained prevalent, but the two prongs of NEP objectives came to be taken for granted (though one chapter in the Plans remained devoted to every sector). Instead of explicit targets for equity distribution in the NEP, for instance, the NDP set out a growth-centred strategy, in which outcomes were less specified. The rise of financial capital, and the shortcomings in attaining the 30 percent target for Bumiputera equity ownership fuelled the drive for growth. Since affirmative action programmes had secured firm places in socio-economic institutions and systems – in education, health, housing and so on – these programmes continued, with new emphasis on making them serve the purposes of the growth-centred strategy. However, a new order was ushered in, with the state granting its blessing to the interests of financial capital, which came to predominate the development agenda.

Power vested in the Executive branch of government has been consolidated in recent times, and its the direct control over policy has become more apparent. More generally, development has come to be seen as the work of politicians to a grateful public. This has given rise to the spread of 'developmentalism', or the notion and practice of politics in which the role of politicians is primarily to respond to the material needs of the constituency, not to engage in critical debate on substantive political, social and legal issues – which is meant to be the work of politicians (Loh 2002). This form of paternalistic governance has grown in recent years, limiting politics to the sum of peoples wants. In the Malaysian mindset, there is little conception of inequality and social justice in an ideologically rooted sense; the nation remains mired in viewing social division and reconciliation almost solely along ethnic lines. Authority to invent the meaning and direction of development has been relinquished by the public to politicians, who claim credit for supplying the 'development' goods, in an ironic cycle of de-politicised, regressive politics.

The government's strong presence in instituting and enforcing social and political controls bears mentioning. Nestled within the Third Malaysia Plan (1976-

80), a mid-decade evaluation of the NEP, is the only time a chapter has been written on “Sociological, Political and Security Dimensions of Development” (Chapter 5). The chapter commends the Barisan Nasional for commanding “total mobilisation of its people with undivided loyalty within a democratic framework in which political opposition will continue to exist”. Perhaps more reflective of underlying sentiments, the Plan professed that “the Barisan has demonstrated its capacity for muting divisiveness within society” (3MP: 99). The social and political dimensions of the NEP were institutionalised through the passage or amendment of legislation circumscribing freedom of information, thought and association. The official line justifying these laws is the need for sensitive issues, especially pertaining to race, to be precluded from the public domain, in the interest of national security and development. A more apparent impact of these controls on development, together with Executive dominance, is the undermining of autonomy and objectivity of policy and practice.

#### DEVELOPMENT IN MALAYSIA – WHOSE IDEA?

Like all post-colonial nascent economies, Malaysia pursued modernisation, industrialisation and economic growth. Malaysia has generally synchronised with the mainstream of development policy. Import-substitution in the 1960s, free trade zone promotion in the 1970s, economic and financial liberalisation from the late 1980s is among the main policies that have conformed broadly to the propagated idea of the times.

The national project of restructuring and rebuilding in accordance with NEP objectives was a uniquely Malaysian endeavour. It was during the official period of the NEP, 1971-1990 that the purposes of development were more thoroughly drawn and the nation’s goals set out.

A concerted affirmative action programme was necessary to bridge disparities and smoothen social relations. The fuller working out of the development programme, however, operates in public and in government. Among the public, Malaysia’s plan has been fitted to meet the needs of its particular condition. The idea of development has changed and adapted with the times. People have exuberantly embraced the idea of development as material prosperity. In government, the gravitation towards developmentalism, dilution of parliamentary debate and the dominance of the Executive have distanced policy from public interaction and accountability. However, this has not stopped ideas from trickling down.

Indeed, the dominance of one leader’s ideas on a nation’s mindset are unambiguous. Since Mahathir’s Prime Ministership, the agenda and programme for development have concentrated on one central figure. The appearance of heavy industries, Look East, and a ‘new population policy’ in the Mid-term Review of the Fourth Malaysia Plan indicates the degree to which policy priori-

ties have changed at the prompting of one leader. Abruptly and without precedent, heavy industries and Japanese factory practices became pillars of Malaysia's plan; concerns about having too much population were reversed by a call to increase population. The distinction between plans and visions has also been blurred, with ambiguous distant goals at times taking precedence, thus rendering the practice of planning secondary to the promise, or spectre, of success. The Sixth Malaysia Plan charted the Second Outline Perspective Plan in 1991. Soon after, in 1993, the Mid-term Review of the Sixth Malaysia Plan opened with a revised and loftier set of priorities and rhetoric: "Vision 2020 provides the national agenda for the attainment of the status of a fully-developed nation by the year 2020" (MTR of 6MP: 3).

Significant changes have taken place during the Mahathir administration. The passage of time, on its own, will surely usher in change. However, many deliberate choices of the regime have impacted on the orientation and predilections of the Malaysian development project. The agenda of capitalist development and wealth accumulation has become an unyielding tide. A form of paternalistic and patronising governance has become the norm. It is not surprising to find plans being made based on sentiments, and government projects implemented in reaction to circumstances and based on anecdotal observation, not in-depth analysis. Government leaders, echoing Mahathir, have pressed for the postponement of democratic process – until a time when the nation is prepared, never clarified – under the guise of the 'right to development'. These rights, no longer universal for they only apply to developing countries, plainly justify restrictions on liberties in the name of development.

The framework for safeguarding welfare has become increasingly ambiguous. In terms of social, democratic, and cultural progress – towards justice, openness, caring society – Malaysia has become long on wind, short on ideas on how to realise these ideals. Indeed, many legal institutions and political establishments remain downright opposed to transparency, accountability and equality. Direct and indirect state control over the media safeguards the status quo and shields the development project from tough scrutiny. Malaysia's home made pragmatism responds to change, success, or failure, but veers towards materialism, inequality, and short-sightedness. A qualified version of democracy and a muddled vision of a caring society have been mentioned in development doctrines such as Vision 2020. However, social and political development is not implemented to a serious degree, for society remains in the tight grasp of the state and civil liberties remain suppressed.

## CONCLUSION

This article opened by stressing the importance of questioning the agenda and outcome of the development process. We explored both the conceptualisation

and implementation of development, noting the ways the state has played a lead role and the ways policies have responded to necessity. It has been argued that in the Malaysian experience, economic growth has been an over-riding objective of economic policy. High poverty rates and income disparities called forth policies to alleviate these conditions deeply manifested in the New Economic Policy. However, the agendas of industrialisation and capitalist development increased their grip on the trump card, to the detriment of other economic sectors and wider political and social development.

Ultimately, our assessment must also address the question of success – whether it has been attained. In the same way that the definition of development cannot be simplistic, neither can this answer. Undeniably, economic growth has brought about increased purchasing power and higher standards of living for most Malaysians. We may arrive at a simplified assessment, satisfactory enough for an article of this length, which finds considerable economic success lying beside various shortcomings in social and political development. Most importantly, challenges remain.

First, it is highly questionable if economic growth of the past pace can be replicated. The prospects for sustaining rapid growth are dimmer. Insisting on 7.5 percent annual increases in output – for the sake of prosperity and towards Vision 2020 – may work to the detriment of the economy by stimulating further unsustainable and fragile surges of accumulation and acquisition. The requirements are outlined in the OPP3; the real foundations now need to be laid for sustainable, long-term development.

Second, the Eighth Malaysia Plan forwards various elements of going ‘back to basics’, and rightly so. Poverty eradication and agricultural development have returned with force to the main agenda – although without the acknowledgement that these sections of society have been relatively neglected. Basic shortcomings in the education system, especially in the lack of analytical and thinking skills, need to be redressed systematically and comprehensively. The incorporation of aggregated measures of standard of living in the OPP3 is a positive step, so that the definition of poverty is not restricted to income poverty. Translating broader measurement of poverty into more comprehensive policies will remain a pressing challenge.

Third, this is an opportune time for a comprehensive review of the ethnic-based affirmative action programme. The case for Malaysia to progress to a need-based system of benefits to the poor and needy has been voiced before, and should be restated (For example, see Mehmet 1986). Increasingly, welfare and distributive justice goals have become ambiguous, holding on to NEP notions but not offering new fundamental approaches in spite of the obvious failures and momentous changes in economic conditions domestically and internationally. The phenomenon that the NEP retains a hold on the Malaysian mindset and is frequently referred to, in spite of the fact that it has passed and two development plans have succeeded it, underscores the need for a funda-

mental re-conception. Since the 1990s, the buzz of ‘growth with equity’ still rings rather hollow. Its terms of reference for equity not clearly spelled out, but implicitly the boundaries that segment Malaysian society are still seen solely in ethnic terms. The structure of income distribution within ethnic groups is remarkably similar.

Fourth, the Eighth Malaysia Plan’s recurrent emphasis on productivity improvement through the 1990s until the present underscores the need to increase efficiency to generate further growth. Malaysia’s economy lacks a domestic technological base; its firms conduct little research and development, its workforce lacks creative skills. Basic education and skills-development will be essential for the generation of innovative and creative ideas. The capitalist development project will have to focus on competitive and productive investments with long-term commitments. Returning to basics in this area will demand increasing the channelling of resources to the manufacturing and agricultural sectors, and less the financial sector.

Fifth, national unity needs to be addressed more holistically. The Eighth Malaysia Plan’s resurgent emphasis on this is telling. Three decades of affirmative action have not produced the desired fruits of cohesion and harmony. Clearly, rapid economic growth has not been sufficient to overcome the dissatisfaction that arises from inequalities. *Rapid* growth has not managed to thread together the fragments of a plural society and banish prejudices. This is to be expected, particularly with democratic system that thrives on ethnic suspicion and an institutional structure that has become ossified in providing assistance on ethnic grounds. The attainment of *Bangsa* Malaysia, as a development objective, requires more openness and courage.

Finally, paternalistic government should give way to more open, democratic and consultative methods. This form of governance is incongruous with – indeed opposed to – the objective of an internally-inspired development that depends on more innovative and productive use of resources. A two-pronged participatory approach should be adopted, incorporating free dissemination of public data and feedback on development and policy issues. Laws may have played a role in quelling flammable sentiments, but they do not serve the cause of development at present. Democratisation for the sake of well-being is a matter of principle, regardless of the implications on economic growth. Cross-country comparisons on the relationship between democracy and growth are various, but do not give justification to the maintenance of restrictive laws to buttress state-led development. Increasingly, the development path that Malaysia has charted requires the government to release the controls that are in place which encumber the creation and flow of ideas and technologies. Civil strictures may not have interfered with Malaysia’s growth boom in the past – since it was grounded in borrowed ideas. Along the current concern with self-generated and self-sustained development, however, Malaysia will have to look to itself and come up with its own ideas.

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Lee Hwok Aun  
Faculty of Economics and Administration  
University of Malaya  
50603 Kuala Lumpur  
Malaysia  
Phone: 603 – 7967 3672  
e-mail: halee@um.edu.my