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**DEVELOPMENT IN MALAYSIA:
ECONOMICS AND POLITICS OF AN IDEA**

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

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Why question development?

Two things make it uncommon for people to question the idea of development in Malaysia. First, ‘development’ has happened, obviously and impressively. Second, plans and visions have been laid out for further progress. Two things make it essential for the idea of development in Malaysia to be scrutinised and criticised. First, development is taken for granted, with scarce attention paid to the meaning and value of development. Second, the disparity between rhetoric and practice is vast in many respects.

In this essay, I provide a survey of development in Malaysia, over time and across a selection of issues, with a view to offer some reflections on the meanings, methods and implications of development. That development of a certain kind has taken place is not questioned. Nevertheless, I maintain that development is multi-faceted and dynamic – developments of other kinds have not taken place. Development has meant different things in different contexts at different times. This essay does not assume that all processes that occur in the name of development are necessarily progressive or beneficial.

The idea 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, where awareness of widespread failures of the westernised development project has provoked dissent and disillusionment towards the very notion of development (Esteva 2001 and Rist 1997). While disenchantment with the promises of development, or distrust in the possibilities of

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development may be growing in poverty-trapped areas of the world, the Malaysian development project rolls on. However, to not question it would be an act of intellectual complacency.

Malaysia's social and political situation also amplifies the importance of questioning the received doctrine of development. A pivotal feature of the Malaysian development experience is its state-led social engineering programme and extensive planning, which have assumed certain understandings and biases towards development. Policy and performance, no doubt, often co-exist in a 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 a particular set of beliefs or an ideological disposition, 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, extensive planning, 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 the fundamental questions: What does development mean? Who defines it?

This approach

This essay 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. My arguments are broad-brushed, due to the width that needs to be covered as well as the generality of the issue. The main reference points are the overall development strategies outlined in the Malaysian 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, yet 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 essay 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 essay.

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 prime motive for economic growth, the balance in the priorities of economic development, and the role of government.

Economic growth: sustainability 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, Malaysian development policy has consistently upheld *rapid* economic growth. However, 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 over-arching 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 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 experience¹. 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 holistic 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 decade². One possibility in such circumstances is to trim growth targets and build more solid and sustainable bases, particularly in human resources. Thus, Malaysia faces a dilemma, being an economy ill-prepared to make the needed productivity gains to sustain its growth ambitions, yet doggedly insisting on rapid economic growth.

Balancing priorities

The shifting attitudes towards economic growth had underlying roots in the overarching orientation of development policy and the balance of priorities. I draw attention to three salient objectives of Malaysia's development. They are not mutually exclusive; the relative weight attached to these objectives trace out patterns in the priority placed on different purposes of development.

¹ The Malaysian economy grew from 1971 to 1990 at an average of 6.7 percent per year. The 1990s target was set at 7.0 percent, the rate at which income would double in 10 years. The 1990s, in spite of the financial crisis, managed 7.0 percent growth per year. For 2001-2010, the government has aimed for 7.5 percent growth.

² The contribution of productivity improvements to GDP growth is a required 42.5 percent over the OPP3, from a registered 25.5 percent during the OPP2 and 13.0 percent during the OPP1 (OPP3: 66).

Poverty alleviation

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. Undoubtedly, the priority placed 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 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 and Halim 1999: 190-191). Absolute poverty has declined, yet problems persist in terms of relative poverty, low productivity in food crops, destitution in plantation communities, and urban poverty. The shift in priority to the industrial sector inclined the government's favour towards other sectors and strata.

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 status. As early as the Second 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 project of the early 1980s 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 public utilities and enterprises. Privatisation, in the general sense of an expansion of the private sector, 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-termist behaviour prevailed. It was a regime of accumulation and speculation.

The effects of the capitalist development agenda on income distribution were felt; inequality widened in the pre-Crisis 1990s³. The increase in the skewedness of distribution from 1990 to 1997 was marginal, but more importantly, it reversed earlier patterns of bridging income gaps. Without substantive change in the political economy, there is every prospect that income disparities will widen again, 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 Plan (1971-75), and has been regularly reiterated. The argument for economic basis of national unity has avouched that shared prosperity and close-to-proportional representation of ethnic groups in professional categories are 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).

³ The Gini coefficient, which had dropped from 0.513 in 1970 to 0.480 in 1984 to 0.442 in 1990, increased to 0.470 in 1997, before falling back to 0.443 in 1999.

Affirmative action has been assumed to be the economic basis for national unity. In the process of affirmative action, however, ethnicity became entrenched as the basis for public 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 (Halim 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 extends 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 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".

The Role of Government

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 extent and quality of the Malaysian government's intervention has 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 of 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 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 in expanding employment in the public sector, offering scholarships, kick-starting heavy industries, etc. 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. 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 and 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 was still 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 strategy. However, the interests of financial capital predominated, with the blessing of the state.

Power vested in the Executive branch of government was consolidated, 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 2001)⁴. 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 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 that 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 association⁵. The official line justifying these laws is the need for sensitive issues, especially pertaining race, to be precluded from the public domain, in the interest of national security and development. A more apparent of 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

⁴ Loh (2001) focuses on non-Bumiputera parties in the state of Penang in his study; nonetheless, the insight he provides can be extended to Malaysian politics in general.

⁵ For instance, the Official Secrets Act 1972, University and University Colleges Act (amendment) 1975, Sedition Act (amendment) 1971. This trend of stricture and control would continue in the 1980s, e.g. the Printing Presses and Publications Act 1984.

mainstream of development policy. Import-substitution in the 1960s, free trade zone promotion in the 1970s, economic and financial liberalisation in the 1990s are among main policies that have conformed broadly with the recommended 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 specific 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 supremacy 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 Plan indicates the degree to which policy priorities have changed at the prompting of one leader. Abruptly and without precedent, heavy industries and Japanese factory practices were pillars of Malaysia's plan; concerns about having too much population were reversed by a call to increase population⁶. The Sixth Plan charted the Second Outline Perspective Plan in 1991. Soon after, in 1993, the Mid-term Review of the Sixth Plan opened with a revised 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).

⁶ "Fertility trends in the medium term are in line with attaining the population target of 70 million by the year 2100... With the enunciation of the *new population policy*, efforts will be undertaken towards increasing awareness on the patterns of family building and relationships and about the means of timing and controlling births with special emphasis on family development and welfare" (5MP: 133-134).

Significant changes have taken place in the past 20 years. The passage of time, on its own, will surely usher in change. However, many deliberate choices of the Mahathir 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. Beyond basic needs and the right to a decent standard of living, it is difficult to justify material possessions are rights.

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 democracy and equality. Malaysia’s home-made pragmatism responds to change, success, or failure, but veers towards materialism, inequality, and short-sightedness.

Prospects and Challenges

This essay has opened by stressed the importance of questioning development to date; it is equally important to offer some thoughts on the present and future as concluding remarks.

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 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. Absolute poverty by official measure has declined, yet simmering discontent with the distribution of the benefits of economic growth suggests that basic needs have still not been met, or that income disparities are socially not sustainable. 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. This is a remarkable achievement – subject to the veracity of the measurement of poverty. 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 Peninsula⁷ – does not accurately account for the existence of poor households (Hashim 1998). Additionally, different dimensions of poverty have to be taken into account in identifying and ameliorating the poor. 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. Evidence clearly indicates that the rural-urban divide has widened; this trend must be arrested. Agricultural progress has arguably not kept pace with industrial development⁸; rural sectors straggle behind urban territories⁹. Basic shortcomings in the education system, especially in the lack of analytical and thinking skills, need to be redressed systematically and thoroughly.

Third, this is an opportune time for a thorough 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 fundamental 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,

⁷ The poverty lines in use, in terms of monthly income for a household size of around 5, are RM510 on the Peninsula, RM584 in Sarawak, and RM685 in Sabah.

⁸ Over the Seventh Plan period, Malaysia’s trade deficit in food commodities nearly doubled, from RM3.4 billion 1995 to RM6.7 billion in 2000; self-sufficiency in rice declined from 76.3 percent in 1995 to 71.0 percent in 2000 (8MP: 212).

⁹ The rural-urban household income differential ratio climbed from 1:1.70 in 1990 to 1:1.81 in 1999 (OPP3: 55).

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 similar¹⁰.

Fourth, the Malaysia Plans' 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 capital to the manufacturing and agricultural sectors, and less the financial sector.

Fifth, national unity needs to be addressed more holistically. The Plans' 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 must diminish. 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

¹⁰ Within the Bumiputera, Chinese and Indian communities, the proportion of total income received by the top 20 percent, middle 40 percent and bottom 40 percent is approximately 50 percent, 35 percent and 15 percent.

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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