Symposium Article

ELRR

The Economic and
Labour Relations Review
24(4) 495–516

DOI: 10.1177/1035304613508865
elrr.sagepub.com
SAGE

Structure and agency in the Malaysian government's policies for economic development

Md Nasrudin Md Akhir and Keum Hyun Kim
Malaysia Korea Research Centre, University of Malaya, Malaysia

Chung-Sok Suh
Korea Research Institute, The University of New South Wales, Australia

Abstract
This article examines the role of government in Malaysia's history of economic development. In addressing two key challenges – inter-ethnic inequalities, conflicts and tensions, and exposure to global trade and economic relations – the Malaysian government has become directly involved in the economy. Strong government has played a role in Malaysia's economic success in a range of ways, from 5-year plans to specific industry promotion and the creation of organisations for particular economic development purposes. Government has also been aware of environmental changes and in response has modified its strategies, established new organisations and invested in innovative ventures. Thus, while the drivers of economic development in Malaysia have been deeply embedded structural phenomena, the actual economic development path taken has been determined by the actions of the Malaysian government in concert with other stakeholders.

JEL Codes: E61, L52

Keywords
Developmental state, economic development, government and economy, Malaysia

Corresponding author:
Chung-Sok Suh, Korea Research Institute, The University of New South Wales, Sydney, NSW 2052, Australia.
Email: c.suh@unsw.edu.au

Introduction

Malaysia is widely viewed as a Southeast Asian success story. Following on the heels of East Asian pioneers of the developmental state, Malaysia has engineered sustained economic growth, rising to upper middle income status (World Bank, 2013) and high human development as defined by the United Nations Development Program (UNDP, 2013). Malaysian experience as a developmental state has been the result of a combination of unique structural features and agency choices. The economic development course was largely pre-determined by Malaysia's history, especially the legacy of ethnic relations, but the navigation of these waters required the exercise of significant policy choices. This combination of structure and agency accounts for the distinctive developmental trajectory of Malaysia as expressed in the government's economic policies.

The article commences with an outline of the development of the Malaysian political system and contextual factors that pushed the government down a particular developmental course. This is followed by a chronological examination of the economic policy choices made by Malaysian leaders to achieve a particular type of sustained economic development, in which the satisfaction of ethnic needs and demands was paramount. Distinctive features of the Malaysian policy approach are identified, including industry promotion and international relations. It is concluded that while Malaysia can undoubtedly be described as a developmental state, there are unique factors that explain its specific trajectory.

The political environment

The emergence of the Malaysian state

Malaysia, previously a congregation of autonomous states under British rule, became the Federation of Malaya in 1957. Since its independence, the Malaysian government has practised parliamentary democracy with a constitutional monarch. The system was a reflection of the British system, but it was adjusted to address the needs arising from the country's great diversity.

The political system in Malaysia is such that theory and practice are not necessarily congruent. The ideals of what the political system is versus the 'growing personalisation of power' by those at the administrative helm gives Malaysia a less than stellar record when it comes to admitting democratic freedom in the country (Slater, 2003: 81). Malaysia belongs to the large group of semi-democracies or pseudo-democracies, political systems that are neither wholly democratic nor fully authoritarian. Opposition parties contest elections and provide outlets for social grievances, but cannot win because their activities are circumscribed by the parties that monopolise government (Case, 1996, 2004).

Politics in Malaysia is divided along the lines of race and ethnicity. This is a throwback to the time when Malaysia was a British colony, and racial segregation was integral to the British administration's divide and rule policy which aimed to isolate certain demographic groups into specific economic activities. The racial divisions which were emphasised during the colonial period became the defining face of modern Malaysian politics. The ruling coalition which has been in power since Malaysia's independence is the ‘Barisan Nasional’ (the National Front) which consists of 14 component parties led by three major, ethnically based parties: the United Malays National Organisation (UMNO), the Malaysian Chinese Association (MCA) and the Malaysian Indian Congress (MIC). At the moment, the major opposition parties include the Pan-Malaysian Islamic Party (PAS), the Democratic Action Party (DAP) and the People’s Justice Party (*Parti Keadilan Rakyat* – PKR).

The origin of what may be called ‘ethnic awareness’ in Malaysian politics derives from British colonial administration:

> This indigenous/non-indigenous dichotomy was fostered by the colonial powers in two ways: first, by their encouragement of immigration, or at least the importation of immigrant labour; second, through their policies which encouraged both immigrants and natives to view themselves as collective communities. (Siddique and Suryadinata, 1981: 665)

The political identities that emerged during colonial rule were fostered through the confines of economic and social boundaries. Roff (1967) identifies the source of the discontent which propelled Malay political activism:

> … the traditional Malay elite throughout the peninsula, either in its customary form or as the new bureaucracy, was paralleled by a striking absence of Malay peasantry involvement in the mushrooming export economy as a work force or as entrepreneurs… (pp. 251–252)

Religion has also helped shape the character of government: Islam is the ‘religion of the Federation’ (Constitution: Article 3 (1)). Even though the constitution states that ‘other religions may be practised in peace’ (Constitution: Article 3 (1)) and that ‘every person has the right to profess and practice his religion’ (Constitution: Article 11 (1)), this comes with the caveat that ‘State law and, in respect of the Federal Territories of Kuala Lumpur and Labuan, federal law may control or restrict the propagation of any religious doctrine or belief among persons professing the religion of Islam’ (Constitution: Article 11 (4)).

A little less than half of all Malaysian citizens (and by definition all Malays) are Muslims, but they still make up the political majority and thus Islam is very much a part of national politics. Since independence, concerted efforts have been made to turn Islam into the nation’s ‘civil religion’, by abolishing the separation between religion and state. The debate occurs within Muslim society itself, ‘heightened by the contraposition of relatively secular non-Malays and relatively non-secular Malays’ who make up the Muslim majority (Regan, 1976: 95). Nevertheless, the biggest issue in the politicisation of Islam in Malaysia is disagreement concerning how much and how far should religious tenets be implemented in Malaysian politics. Even PAS has had internal differences of opinion over what an Islamic state should be, eventually coming up with two blueprints. Factionalism led to a 2-year intra-party conflict between September 2001 and November 2003 (Liew, 2007).

The political character of the government is based on a ‘power-sharing’ arrangement (Ahmad, 2006). Within the country’s ruling framework, the number of cabinet seats given to major political parties is decided in advance instead of having parties scrambling for seats. Thus, owing the British ‘first past the post’ election model, there is an overrepresentation of seats for the ruling party in the parliament compared to the percentage of votes actually won during the elections (Ong, 2003).

The ruling alliance parties work together while continuing to represent the interests of their respective ethnic groups. Thus, while the MCA agreed to accept Malay political dominance, they in return sought assurance from UMNO over the position and role of the Chinese community in politics and the economy (Ahmad, 2006). Adding to the ethnic complexity, Malaysia operates according to a federal system of government where the federation and its constituent states have their own governments. The constitution also confers additional rights and powers to Sabah and Sarawak, to preserve the rights and dominance of the indigenous peoples of these two states.

Social movements in Malaysia have become increasingly numerous and vociferous. In recent years, they have centred largely on abolishing the Internal Security Act (ISA) which was introduced in 1960. This revision of the British Emergency Ordinance of 1948, which allowed executive detention for up to 2 years in the case of any breach of national security or public order, was eventually repealed in March 2012. Recent social activism has centred on electoral reforms, with efforts led by the opposition coalition in a series of *Bersih* ('Clean') rallies. The rally, Bersih 3.0, held in Kuala Lumpur on 28 April 2012, saw an attendance of between 25,000 (police report) and 80,000 people (opposition party report) (*BBC News*, 2012). There are also social movements which focus on racial- or ethnic-based claims, as well as inequality in the distribution of wealth.

The political environment and structure have meant a high level of control over the national economy by the federal government. The economy is highly dependent on the government's national development plans, and as the government has consisted of the same party alliance since independence, there has been a degree of stability and consistency in the economic policies over the years, particularly in the implementation of the 5-year development plans (Yussof, 2009).

Race, ethnicity and economic policy

In Malaysia, by the 1920s 'a multiracial population' had been formed due to the 'uncontrolled immigration of thousands of Chinese and Indian workers' (Karim and Abdullah, 2009: 21). A government census from the 1930s indicated that Malays, though still the major race, made up less than half of the population with 44% of the total population of 3.7 million. Chinese accounted for 39.2% and Indians 14.3%. Although the British regarded the migrants as 'transient', the 1931 census report recorded that about one-third of the Chinese and one-quarter of the Indians were born locally, 'already showing a trend towards permanent settlement in Malaya' (Karim and Abdullah, 2009: 23). As they began to ask for citizenship, the colonial authorities 'had to juggle and accommodate the demands of the different racial communities' (Karim and Abdullah, 2009: 23).

Post-independence and six prime ministers later, Malaysia has travelled much further down the path of being a multiracial and pluralistic society. Table 1 shows the distribution of population between ethnic groups over recent years, while Figure 1 provides a view of the ethnic make-up of Malaysian society in 2010.

Malaysia's traditions and values are built upon this multi-ethnic foundation which, together with the strategic placement of the nation, makes the country very open to

Table 1. Mid-year population estimates by ethnic group for Malaysia.

Ethnic group	2006	2007	2008	2009	2010
Total (units in ('000))	26,831.50	27,186.00	27,540.50	27,895.30	28,250.50
Malaysian citizens	24,367.10	24,719.30	25,071.50	25,424.00	25,776.80
Bumiputera	15,990.90	16,249.60	16,510.90	16,775.00	17,042.10
Malay	13,144.50	13,358.50	13,574.80	13,793.80	14,015.50
Other Bumiputeras	2846.30	2891.10	2936.10	2981.30	3026.60
Chinese	6211.90	6274.90	6335.80	6394.70	6451.30
Indians	1843.70	1864.60	1885.10	1905.10	1924.60
Others	320.7	330.2	339.7	349.2	358.8
Non-Malaysian citizens	2464.40	2466.70	2469.00	2471.30	2473.70

Source: Yearbook of Statistics Malaysia (2011), p. 34.

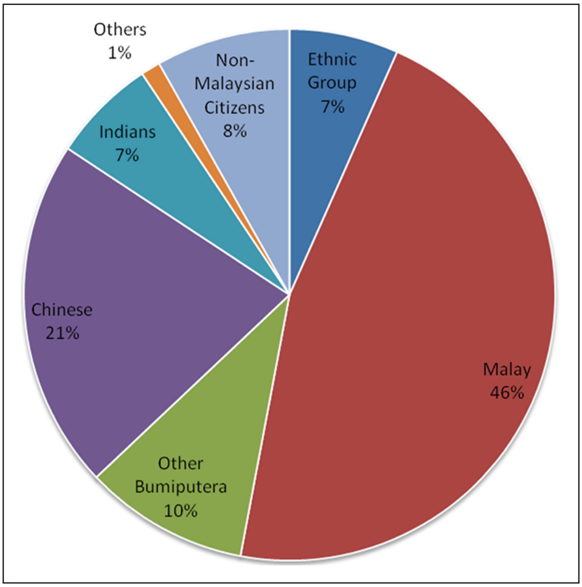

Figure 1. Estimated ethnic composition of Malaysia in 2010.

various cultural influences, from both East and West. It is thus hard to pinpoint what may be considered pure 'Malaysian' values and at what point the paradigm shift towards the creation of a developmental state can be said to have occurred, as change has always been a part of Malaysian culture.

The number of foreign workers in Malaysia is considered by some to be radically high. In 2007, there were an estimated 2 million foreign workers in Malaysia, a ratio of one to every five local workers. Nearly half were illegal immigrants (Ariff, 2007). In 2011, the number of foreign workers had reportedly fallen to 1.8 million as a result of repatriation because of the global financial crisis, but the high number of illegal workers meant that foreign labour numbers could have been double official estimates (Kok, 2011). This considerable foreign presence adds further stress to ethnic and race relations.

The Malaysian racial grid which had been so strictly defined by the colonial and post-colonial governments is beginning to crack at the seams and forms a 'problematic basis for the racialization of open democratic politics' (Kok, 2011: 215). There is an evident gap between official definitions of Malaysian society and the reality of how that society perceives itself. Tensions leading to events like the ethnic riots of 13 May 1969 have been the principal force behind many of the government's policies. Although many argue that inter-ethnic tension may be mitigated through the government's economic policies, much of Malaysian economic policy still works in response to that tension.

International relations and economic policy

Following political independence, Malaysia was firmly entrenched on the side of the British and Americans, especially as the country was caught up in its fight against the Malayan Communist Party during the so-called Emergency. During its independence celebrations, ministers from 53 countries were invited and not one of them was from a communist nation (Mathews, 2007). From 1948 to 1960, Malaysia worked closely with Britain in addressing the nation's security issues. Within 12 years of the Emergency, *The Times* reported that almost 12,000 people had been killed, nearly 7000 of them communists (Mathews, 2007). The battle against communism continued beyond the end of the Emergency and influenced the country's early international relations. This did not, however, mean that Malaysia was under the thumb of the West. There were many efforts by Malaysia to take a neutral stance in its foreign affairs. In 1970, Malaysia took a seat in the Non-Aligned Movement (NAM) during the conference at Lusaka and moved to normalise relations with China in 1974 (Ahmad, 2006). The local insurgency was depicted by the government as being a separate issue from that of international communism.

From the 1970s, Malaysia began to expand its diplomatic economic relations and with rising prosperity started to move from being an aid-receiving nation to a 'progressive trading nation' (Fauziah, 2006: 12). Malaysia's economic development has throughout history mostly depended on its trade relations with other countries. The pre-colonial kingdom of Malacca was a famous trading post, and this was also why (in addition to its abundance of natural resources) Western powers were interested in Malaysia. After independence, Malaysia continued to be a centre of trade and as such, has been very much influenced by the international trade system.

Malaysia has been a member of the World Trade Organization (WTO) since its inception in 1995. The country's keen involvement on the international stage is because of its exposure to any changes in the international economy. For example, Malaysia was greatly affected by the economic crises of 1985–1986 and 1997, and many economic policies as well as institutions were formed and reformed due to international influences in these periods of uncertainty. Malaysia's participation in the international trade system can be seen at the regional, multilateral and bilateral levels. The most important regional economic community in which Malaysia participates is the Association of Southeast Asian Nations (ASEAN) Economic Community (AEC). This involves membership in the ASEAN Free Trade Area (AFTA), which is aimed at eliminating tariffs on intra-ASEAN traded goods through progressive tariff cuts via the Common Effective Preferential Tariff (CEPT) scheme (Tham, 2009). Malaysia placed 99.3% of its products in the inclusion list of the CEPT. Of particular note was the inclusion of automobiles, especially since the market for automobiles in Malaysia is heavily protected. However, the decrease in import duties was merely offset with an increase in excise duty (Tham, 2009).

Despite its historic openness to the world economy, Malaysia has domestic issues that it would need to overcome if it is ever to form comprehensive trade agreements with other countries. Chief among these are state protection of the automobile and steel industries, Bumiputera enterprises and the service sector, as well as the issue of government procurement and the regulation of foreign direct investment (FDI; Tham, 2009). This is why, until today, there have yet to be any FTAs, other than AFTA, negotiated by the Malaysian government; for example, negotiations stalled on a Malaysia–USA FTA (Office of the United States Trade Representative (OUSTR), 2009).

Malaysia has chosen not to borrow from the World Bank since 1999 and reimburses the Bank for its advisory services. In 2009, the governments of Malaysia and the World Bank signed a 3-year Partnership Agreement for such services. Since then, the World Bank and Malaysia have collaborated on a number of projects in the areas of human development and competitiveness. These include minimum wage policy, a Small and Medium Enterprises (SME) Master Plan, the Public Expenditure Review and accounting and auditing standards for the Malaysian government. The government also works with the Bank in conducting studies on protecting the elderly and poor, HIV/AIDS prevention and environmentally friendly or 'green' investments (OUSTR, 2009).

Malaysia has a rockier history with the World Bank's sister institution, the International Monetary Fund (IMF). The IMF was a major actor during the 1997 Asian Financial Crisis and many countries resorted to accepting the IMF's bailout packages. Malaysia, by contrast, was adamant in getting through the economic crisis without such assistance. Malaysia believed that IMF 'interference' was likely to bring more harm than good, so the Malaysian government launched a policy aimed at insulating the ringgit, the Malaysian currency, from external volatilities. It could afford to take this step since its macroeconomic conditions were substantially stronger than other nations hit by the crisis, particularly in the areas of external debt, inflation and savings; the country also had a significant fiscal surplus (Mohamad, 2009). The IMF continues to play an advisory role to the Malaysian government in economic, monetary and fiscal policies, while at the same time, Malaysia is one of the Asian countries that has committed to increasing contributions to the New Arrangements to Borrow (NAB) (IMF, 2012). Overall, the IMF seems to have a favourable impression of the Malaysian economy, as well as the steps Malaysia took in handling the Asian Financial Crisis.

Changes in government policies for economic development

The origins of the developmental state

It has been argued that one structural determinant of the development of Malaysian economic policies has been race relations. The ground-breaking National Economic Policy (NEP), for example,

> was declared in the aftermath of post-election race riots in May 1969 to create the socioeconomic conditions for national unity through reducing poverty and interethnic economic disparities, especially between the indigenous Bumiputeras (mainly Malays, especially in Peninsular Malaysia) and non-Bumiputeras (mainly Chinese and Indian Malaysians). (Jomo, 1990: 469)

When the Chinese migrated to Malaya during the pre-colonial and colonial periods, they formed intra-ethnic business partnerships (Gomez, 2009). Businesses based on their ethnic group became the preferred route to financial security for the migrants. The Malays' economic situation also dates back to the British colonial period. Gomez (2009: 352) argues that Malays were discouraged from participating in the emerging capitalist economy and encouraged to remain in food production, mainly fish and rice. This structural dichotomy meant that the ruling post-independence government was communally based. Jomo (2004: 11) argues that income inequalities increased during the 1960s. The ethnic conflict of 1969, attributed to unequal ownership, compelled the state to 'respond to the demands of a growing Malay political elite for government intervention in what was then a relatively laissez-faire economy' (Gomez, 1994: 3).

The government's leading imperative was to close that economic gap between the races with an emphasis on improving the economic situation for the Malay population. This included 'Malay ownership of capital; encouragement of measures to produce Malay managers and other relevant professionals; Malays in other types of employment; and education for Malays' (Milne, 1976: 240). Rapid and sustained economic growth was seen as the essential foundation for the improvement of Malays, without alienating other groups. In the government's eyes, the only means of achieving this was for the state to take a major role in development. The successful model was already emerging in the form of the East Asian developmental state. What the Malaysian government had to do was mould that model to fit the specific conditions of Malaysia.

The role of government-led institutions

In the early stages, the Malaysian government emphasised the development of public enterprises in the quest for racial economic parity. Government intervened in business, and many public enterprises were established with the backing of government political parties, particularly in the construction and transportation sectors (Gomez, 1994; Torii, 2003). The ruling coalition party, consisting of UMNO, MCA and the MIC, became business patrons and established business organisations directly under their auspices. The MCA was the first to do so with the launching of Koperatif Serbaguna (M) Bhd (KSM) in 1968 (Gomez, 1994). The establishment of corporations known as government-linked companies (GLCs) became a driving force in national economic development.

Government enterprises such as the Federal Agriculture Marketing Authority (FAMA) and Bank Bumiputera were established (Siddique and Suryadinata, 1981). In 1966, RIDA (the Rural Industrial Development Authority established in 1953 by the British) was reorganised into *Majlis Amanah Rakyat* (MARA) (Gomez, 1994). In 1999, Bank Bumiputera and the Bank of Commerce merged to form the Bumiputra–Commerce

Bank under the CIMB banking group as part of the government-initiated banking consolidation plan (CIMB Group, 2011). These enterprises supplied capital, insured investment, trained management and encouraged savings (Von der Mehden, 1975). Bodies such as PERNAS (a government trading corporation) were set up to purchase businesses, operate in joint venture activities and develop new industries, holding them 'in trust' until sufficient Malay private capital had been raised to take them over (Von der Mehden, 1975: 254).

In agriculture – a field not associated with Northeast Asian developmental states – government bodies led intensive research in the development of agricultural products. The government established research and development institutes such as the Rubber Research Institute of Malaysia (RRIM), the Rubber Industries Smallholder Development Authority (RISDA) and the Malaysian Rubber Development Corporation Berhad (MARDEC), which led to the formation of the Malaysian Rubber Board (Wong, 2011). Institutes such as the Palm Oil Research Institute of Malaysia (PORIM) were established and with other institutes brought about the formation of the Malaysian Palm Oil Board (Wong, 2011).

The government's plan to transform Malaysia from an agricultural nation to an industrialised one was also based on the role of public corporations and joint ventures, with equity shares to be transferred in due course to the 'individual ownership of Malays and other indigenous people' (Kasper, 1974: 86). The Heavy Industries Corporation of Malaysia Berhad (HICOM) was established to 'target large scale capital intensive projects for development' which included 'iron and steel, non-ferrous metal, automobiles and motorcycle engines, machinery and equipment, paper and paper products, and petrochemicals' (Leete, 2007: 110). Most of these government-backed enterprises were later privatised, especially with the recession of the mid-1980s when government spending shifted to infrastructure projects designed to support and encourage private sector investments (Leete, 2007).

In 2004, the Malaysian government launched the GLCs Transformation Program, introducing Key Performance Indicators (KPIs) for state enterprises, board composition initiatives and the revamp of Khazanah Nasional Bhd (an investment arm of government for commercial asset management), as well as changes in the management of a number of GLCs.

Planning as a tool of the developmental state

The 5-year planning framework

The Malaysia Plan is a 5-year national development framework. Such plans, a legacy of British colonial rule after World War II, have provided a useful tool for the developmental state. The sequence of 5-year plans began with the First Malaya Plan from 1956 to 1960 and the Second Malaya Plan from 1961 to 1965. After the formation of Malaysia in 1963, the First Malaysia Plan ran from 1966 to 1970, and covered the entire nation, including Sabah and Sarawak, as opposed to just Peninsular Malaysia. Table 2 summarises each subsequent plan's focus and time frame (Unit Penyelarasan Perlaksaan, Jabatan Perdana Menteri (UPP), 2012).

The New Economic Policy

The NEP's plan to reduce poverty was detailed in the Outline Perspective Plan (OPP) (Jomo, 1990). This policy protected the interests of the property-owning classes (for example, no land reform was introduced) but used other measures including land settlements for the landless, job creation for the unemployed and productivity measures and guaranteed minimum price schemes, for example, for the *padi* (rice) meant for the domestic market (Jomo, 1986). To combat poverty, the government launched a rural development programme, aiming at a reduction of the official poverty rate from 49% in 1970 to 16% in 1990 (Jomo, 1990). However, Jomo (1990: 474) believes that the decrease in poverty in Malaysia has been due less to such targeted policies than to economic growth in general, arguing that poverty reduction measures are likely to have no more than a marginal effect, as long as inequitable patterns of asset distribution remain untouched.

In pursuing another leading NEP goal, social equality, the government implemented ethnic employment quotas (Jomo, 1986). The NEP also focused on education and an increase in human capital formation. This was coupled with the objective of creating and developing a Bumiputera Commercial and Industrial Community (BCIC) (Ragayah, 2011). Similarly, the *Amanah Saham Rakyat* (National Unit Trust Scheme) was established as 'a major vehicle for implementing the transfer of corporate assets held under trusteeship' by the government (Ragayah, 2011: 463). The government encouraged Bumiputera ownership of capital through other means, such as 'step[ping] up their savings' and acquiring equity in the corporate sector. A Bumiputera Investment Fund (Ragayah, 2011) was established, and small- and medium-scale industries (SMIs) were given loans through various public enterprises such as the Indigenous People's Trust Council (MARA) and Malaysian Industrial Development Finance Berhad (MIDF) (Ragayah, 2011).

National Development Policy

The National Development Policy (NDP), which succeeded the NEP in 1990–1991, aimed to achieve 'balanced development' through a focus on wealth creation rather than redistribution (Menon, 2008: 6; Ragayah, 2011: 454). Now, the private sector was considered the engine of growth with the public sector playing a complementary, rather than a driving, role. The tax structure was reformed to increase Malaysia's international competitiveness (Ragayah, 2011). The new market orientation was accompanied by a strong focus on macroeconomic stabilisation, infrastructure investment and the 'maintenance of a realistic real exchange rate' (Menon, 2008: 6).

This period saw the privatisation of many public enterprises set up under the NEP. A Privatisation Action Plan was set up to address the poor performance of those State Owned Enterprises (SOEs) that by the 1980s were seen to be performing poorly (Tan and Jomo, 2011). The new preference was for funding infrastructure projects supporting private investment. Assistance was redirected towards building Bumiputera managerial and entrepreneurial skills (Ariff, 1991: 7; Menon, 2008: 7).

Table 2. Summary of each Malaya and Malaysia development plan.

First Malaya Plan: 1956–1960
The goal was oriented to increasing per capita income and living standards. It focused more on low-income earners in rural areas through projects such as building and improving basic facilities and diversifying agricultural production.
Second Malaya Plan: 1961–1965
The main focus was on improving the economy to maintain living standards through economic diversification and product development other than rubber.
First Malaysia Plan: 1966–1970
This was the first Plan to encompass Peninsular Malaysia, Sabah and Sarawak, with the aim of cultivating social integration among the people of the various Malaysian states, improving economic growth and the welfare of the people. The NEP, drafted by the National Action Council (MAGERAN), aimed to create national unity through the eradication of poverty, irrespective of race.
Second Malaysia Plan: 1971–1975
The aim was to create the political will and capacity to ensure success of the NEP's objectives to reduce poverty and foster national unity.
Third Malaysia Plan: 1976–1980
In a period of recovery from global recession, industry's role was expanded to achieve modernisation of the agricultural sector and expansion of labour-intensive industries.
Fourth Malaysia Plan: 1981–1986
Inflation in the early 1980s adversely affected overall economic growth. The role of the private sector was given priority in the implementation of the NEP.
Fifth Malaysia Plan: 1986–1990
The focus was on a stable development strategy, with the private sector the catalyst for economic growth, particularly in heavy industries and natural resource-based activities.
Sixth Malaysia Plan: 1991–1995
The main focus in the nation's macroeconomic strategy was to strengthen its productive capacity and international competitiveness.
Seventh Malaysia Plan: 1996–2000
The key goal was to drive a shift from development based on input to one based on productivity, leading to a more substantive economic transformation and balanced development.
Eighth Malaysia Plan: 2001–2005
Three key driving factors were: to increase output growth potential by shifting from an input-based based to a knowledge-driven growth strategy; to accelerate the restructuring of the agricultural, manufacturing and services sectors; and to strengthen socio-economic stability through equitable distribution of income and national wealth.
Ninth Malaysia Plan: 2006–2010
The Plan marked the halfway point in the national journey to achieving rich nation status by the year 2020. It contained integrated initiatives to create a developed economy, balanced social development and a united citizenry - cultured, of good character, knowledgeable and forward-thinking.
Tenth Malaysia Plan: 2011–2015
Initiatives are integrated into five 'thrusts': fostering economic growth with private sector as the main driver; transforming government into a facilitator of economic transformation and provider of quality services to citizens; inclusiveness, based on equitable income and wealth distribution; development, attraction and retention of a First-World talent base; and building an environment that enhances quality of life.

Source: EPU, 2013.
NEP: New Economic Policy; MAGERAN: *Majlis Gerakan Negara* (National Operations Council).

The NDP was also the period when Malaysia adopted a policy of developing high technology, including information technology which formed the basis of the fourth stage of industrialisation (Navaratnam, 2003). The Multimedia Super Corridor (MSC) was to provide the thrust for Malaysia's 'graduation' to a new era of high value-added production (Navaratnam, 2003: 19).

The National Vision Policy

With the beginning of the new millennium, the NDP was replaced by the National Vision Policy (NVP) from 2001 to 2010 (Ragayah, 2011). Key elements of the NEP and NDP were carried forward, but with a change in strategies and programmes (Ragayah, 2011). When the NVP was first implemented, there was growing concern for the global economic outlook (Navaratnam, 2003). With the bad memories of the Asian Financial Crisis in 1997 only just beginning to fade, and the Malaysian government being rocked with turmoil when then-Deputy Prime Minister Anwar Ibrahim was sacked and expelled from UMNO in September 1998, the Malaysian government had a lot to prove (Ping and Yean, 2007).

The new Prime Minister of Malaysia, Abdullah Ahmad Badawi, introduced five 'key thrusts' in 2005 which were as follows:

- Moving the economy up the value chain;
- Raising the capacity for knowledge and innovation and nurturing a 'first-class mentality';
- Addressing persistent socio-economic inequalities constructively and productively;
- Improving the standard and sustainability of quality of life; and
- Strengthening the institutional and implementation capacity (Ragayah, 2011).

The focus now was on institutional changes so that corporations and the market were sustainable. For example, changes were made to the banking sector with restructuring exercises undertaken by Danaharta (an organisation established to purchase non-performing loans from Malaysian banks), Danamodal (an organisation set up in 1998 to recapitalise, revitalise and restructure the banking sector) and the Corporate Debt Restructuring Committee (CDRC) (Latifah, 2011). The 10-year Financial Sector Master Plan was launched in 2001 with the objective of creating a 'balance of local and foreign banking institutions' and a 'structured and sequenced approach for liberalisation' (Latifah, 2011: 270).

The New Economic Model

On 30 March 2010, in the face of slowing economic progress, Prime Minister Datuk Seri Najib Tun Razak launched the New Economic Model (NEM), which aimed to achieve advanced nation status by 2020, by transforming the Malaysian economy into one with 'high income and quality growth', and based on 'inclusiveness and sustainability' (National Economic Advisory Council (NEAC), 2010). Part of the NEM included the Economic Transformation Programme (ETP) which involved two integral components represented by 8 Strategic Reform Initiatives (SRIs) and 12 National Key Economic Areas (NKEAs). The eight SRI policy objectives were as follows:

- Re-energising the private sector to lead growth;
- Developing a quality workforce and reducing dependency on foreign labour;
- Creating a competitive domestic economy;
- Strengthening the public sector;
- Transparent and market-friendly affirmative action;
- Building the knowledge base infrastructure;
- Enhancing the source of growth; and
- Ensuring sustainability of growth (NEAC, 2010).

Since its launch in 2010, the ETP has expanded its Entry Point Projects (EPPs) under the National Key Economic Areas (NKEAs) from 131 to 152 EPPs, out of which 149 projects were announced with RM211.34 billion in committed investments secured in 2012 (Economic Transformation Programme, 2012). According to official statements, the economic strategy has been achieving results. The ETP Annual Report for 2012 claimed year-to-year GDP growth rates of 7.2% in 2010, 5.1% in 2011 and 5.6% in 2012 (Prime Minister's Office Malaysia, 2012: 6), considerable increase in private investment, a reduction in the fiscal deficit, the highest government revenue ever, 'robust' capital market development, growing numbers of EPPs to 'kick start' the desired economic development and endorsement of the strategy from 'credible' global organisations.

Industry and the developmental state

Following the decision to pursue the developmental path in the late 1960s, the Malaysian state was actively involved in the promotion of industrial development. It had envisaged a future in which industry, not agriculture, must be the economic mainstay and where rapid growth was essential. It was thought that to achieve such aims, strong state involvement was essential. The industrialisation strategy was not, however, consistent in content and direction, with the emphasis alternating from export-oriented industrialisation (EOI) to import substitution industrialisation (ISI) and the chosen industries varying from heavy ones to electronics in different periods.

Malaysia moved from primary export production of mostly agricultural and mining products to developing its industries in response to the decline in rubber prices and the anticipation of the inevitable exhaustion of tin deposits. Overall, there was a focus on developing the nation's infrastructure and 'maintain[ing] a climate friendly to private enterprise' (Kasper, 1974: 62). The 1980s for Malaysia meant a move to ISI-type heavy industries, and inspired by the success of Japan and South Korea, the Malaysian government launched the Look East Policy. On 27 November 1981, the HICOM was established with a goal to 'spearhead the development of heavy industries in Malaysia' (Alavi, 1996: 56). The heavy industries targeted included the national car project, motorcycle engine plants, iron and steel mills, cement factories, a petrol refining and a petrol chemical project, and a pulp and paper mill (Kanpathy, 2001).

These industries were heavily subsidised from public funds and heavily protected through tariffs, import restrictions and licensing requirements (Kinuthia, 2009: 17). However, according to Rasiah (2011), they performed badly owing to high costs of management and production relative to international standards and because of the economic slowdown in the 1980s. From the mid-1980s, Malaysia moved from ISI to EOI though both strategies continued to run concurrently.

Overall, the Malaysian industrial scene has been a series of ups and downs. The manufacturing sector was guided by the 1986 Industrial Master Plan and was an important contributor to the Malaysian economy up until the year 2000 when it began to contract (Rasiah, 2011: 161). Malaysia's comparative advantage in manufacture and export of labour-intensive products, especially electronics and electric products, was declining and becoming dependent on foreign migrant workers (Leete, 2007).

Before this decline, the Action Plan for Industrial Technology Development (APITD) was launched in 1990 and laid the groundwork for other initiatives. These included the Human Resource Development Fund (HRDF), the Malaysian Technology Development Corporation (MTDC), the Malaysian Industry Government Group for High Technology (MIGHT) and the cluster-based Second Industrial Master Plan (IMP 2) which included the MSC and the Multimedia Development Corporation (MDeC). The Malaysia Institute of Microelectronic Systems (MIMOS) was also established in the 1990s (Rasiah, 2011).

Some of the industrial clusters developed during the period of IMP 2 included the following:

- Automotive: in Tanjung Malim (Perak), Gurun (Kedah) and Pekan (Pahang) where there were producers and suppliers of parts and components, and distribution networks had been established. Other areas with some clustering features included Bertam (Pulau Pinang), Serendah (Selangor) and Pego (Melaka);
- Petrochemicals: in Kerteh (Terengganu) and Gebeng (Pahang), where central utility facilities had been established to provide essential services for the petrochemical complex. Another petrochemical zone is located in Pasir Gudang-Tanjung Langsat (Johor);
- Furniture: in Muar (Johor);
- Textiles and apparel: in Batu Pahat (Johor);
- Maintenance, repair and overhaul services in the aerospace industry: in Subang (Selangor); and
- Shipbuilding: in Lumut (Perak) (Ministry of International Trade and Industry (MITI), 2006).

The Third Industrial Master Plan (IMP 3) was launched in 2006 and was meant to focus on sustainable industrial growth, accelerated industrial restructuring and raised levels of competitiveness in the economy (MITI, 2006). The largest industry in the Malaysian manufacturing sector was, and still remains, the electric and electronics (E&E) industry. The electronics component subsector includes the production of semi-conductors, passive components and other components such as relays, printed circuit boards, cathode ray tubes, transformers and coils. Other subsectors include consumer electronics, that is, audio–video components and industrial electronics such as computers, computer peripherals, office equipment, telecommunication equipment, automotive systems and medical equipment (Karim and Abdullah, 2009).

The E&E industry has grown exponentially over the years, and Malaysia in particular has benefited from the migration of the industry from the United States, Europe and Japan. What began with the establishment of offshore assembly operations was gradually upgraded to the actual manufacturing of components and equipment (Ariff, 2007). Production in Malaysia is oriented to both the overseas and domestic markets, but the industry is dominated by multinational corporations (MNCs), making it very sensitive to supply and demand trends in the international market.

The automotive sector in Malaysia, in contrast to the E&E industries, has a strong domestic market orientation and is the subject of much debate. It is divided into three major sectors: the assembly of motor vehicles; the manufacture of component parts and motorcycle assembly (Karim and Abdullah, 2009). In Malaysia, there are at least 14 motor vehicle assembly and manufacturing plants, including two national car projects, Proton and Perodua. Plants owned by foreign companies include Nissan, Kia and Toyota. There are more than 350 automotive component parts manufacturers in Malaysia, combining both locally owned companies and the subsidiaries of multinational corporations (Karim and Abdullah, 2009).

The issue of automobiles in Malaysia is not only one of economic concern but also one which involves a certain amount of national pride. Malaysia is the largest passenger car market in the ASEAN region and the automotive industry is 'designated to boost the country's industrialisation process' (Kwak, 2006: 176). Proton commenced operation in 1985 while Perodua was founded in 1994. In 2010, they shared about half of the total sales of automobiles in Malaysia with Proton holding 26.6% and Perodua holding 31.5% (Kwak, 2006: 177). Another key player in the automotive industry is the Naza Group, Malaysia's largest privately owned conglomerate which holds some exclusive licenses and is a major importer and distributor of automotive brands such as Ferrari, Maserati, Brabus, Peugeot, Kia and Chevrolet. The Naza Group also owns manufacturing plants for Kia and Peugeot vehicles in Gurun, Kedah, which produce cars for both the local and international markets. The particular issue faced by the automotive sector has been government protection. With the opening of the market, Proton struggled to maintain its competitiveness, seeing its market share fall from 66% in 1999 to 44% in 2004. In 2006, the government introduced the National Automotive Policy (NAP) that 'envisions the progressive liberalisation of the car market through strategic tie ups and alliances in order to eliminate the competition' (Kwak, 2006: 155).

In September 2009, the NAP was revised in order to encourage new investment, ensure long-term sustainability of the industry, and guarantee the safety and quality of products and services as well as the protection of the environment (Kwak, 2006). The government also began to dismantle protection policies, with import duties on completely knocked-down units (CKDs) and completely built-up units (CBUs) from ASEAN member nations reduced to 0% and 5%. Duties from non-ASEAN countries for CKDs were reduced from 10% to 0% while duties on CBUs were lowered to 30% (Kwak, 2006: 197).

Realising declining competitiveness in industries such as E&E and the automotive sector, the Malaysian government began direct investment into high value-added, high-technology, capital and knowledge-intensive projects such as renewable energy, information and communication technology, biotechnology, medical devices as well as the machinery and equipment industry (MIDA, 2011). To develop these new industries, the government has both encouraged foreign investment and provided incentives to investment by local banks and financial institutions. It has established development financial institutions (DFI) with the specific objective of fostering the manufacturing and service sectors (MIDA, 2011).

Locally, the DFIs complement the banking institutions by providing an array of financial and non-financial services to support the development of strategic industries. They provide medium to long-term loans, equity capital, guarantees for loans and other supplementary financial and business advisory services (MIDA, 2011). The Malaysian Investment Development Authority (MIDA) also collaborates with the SME Corporation Malaysia (SME Corp.), assisted by the MITI and other related agencies such as the Malaysian External Trade Development Corporation (MATRADE) and the Malaysia Productivity Corporation (MPC) in organising seminars and information dissemination to provide the local business community with updates on government policies, incentives, facilities and support services (MIDA, 2011).

In the case of industrial support, government-linked investment companies (GLICs) constitute a significant part of the Malaysian economy. Listed GLICs account for more than 37% of total market capitalisation in Bursa Malaysia, 17% of fixed capital formation and 10% of GDP.

While government commenced privatisation in 1986 and issued its Privatisation Master Plan (PMC) in 1991, most of the ensuing privatisation measures turned out to be exercises in partial divestiture, with the government still holding significant equity stakes, leading to limited efficiency gain. Thus, both the federal and state governments still remain as the dominant shareholders in many listed and unlisted companies (EPU, 2010: 92).

Major international economic policies

International trade is a structural imperative for Malaysia as the domestic market is relatively small (Tham, 2009: 105). Malaysia's imports before the 1980s were more or less divided equally between capital, intermediate and consumption goods. By the late 1980s, import patterns had shifted, with capital goods constituting 40% of imports and intermediate goods almost as much. The increase was due to the country's emphasis on industrialisation as well as its export-led manufacturing (Tham, 2009: 80).

FDI has helped finance the country's current account balance of payment deficits and has contributed to the growth of the country's external reserves. It has also helped fill the country's domestic resource gap (Ariff, 2007). The flow of FDI into Malaysia has changed over the years, initially being sluggish in the first half of the 1980s, then increasing from the late 1980s onwards, with trade missions sent abroad to woo investors (Ariff, 2007; Nambiar, 2011).

Malaysia has taken advantage of the recent strong growth in overseas investment by Japan, South Korea and Taiwan, by encouraging these and other foreign investors to relocate their production processes to Malaysia. The growth of small- and medium-sized industries in Malaysia has also provided a valuable supplement to the conventional nexus of multinationals, with FDI projects sourcing primary and intermediate inputs through sub-contracting and ancillary activities (Ariff, 2007).

In the 1980s, tariffs and quotas were the main tools for promoting and protecting selected industries, especially the automotive and steel production sectors. But during the 1990s, the government introduced substantial tariff reforms in the domestic market, especially involving light industries, while the state-sponsored heavy industries continued to enjoy high import substitute rent. This tariff structure thus seemed to encourage the production of final goods at the expense of the intermediate and non-traded goods sector, and even with final goods, it was evident that some industries were favoured over others (Ariff, 2007).

In terms of the exposure of the Malaysian currency to global markets, by 1975, Bank Negara (the central bank) no longer determined the rates of exchange solely in terms of the US dollar. A new exchange rate regime was adopted with the value of the ringgit determined in terms of the currencies of Malaysia's main trading partners. The Malaysian dollar was also legally changed to 'ringgit' in that year. The foreign exchange market in Malaysia had expanded rapidly since the 1970s. The average monthly volume of foreign exchange business rose from less than RM300 million in the first half of 1973 to about RM600 million in the second half. By 1975, the monthly turnover exceeded RM2 billion and averaged RM18.7 billion in 1985 (Ariff, 2007). The ringgit was now fully integrated into global financial markets and trade systems.

Since that time, Malaysia's trade regime has been characterised by low tariffs (WTO, 2010), whilst domestic markets for goods such as cars and houses have been protected from international prices (Wad and Govindaraju, 2011) and foreign-based banks have been subject to controls (WTO, 2010: 58). Malaysia has export-oriented production, and to building the diversity of its export base. The proportion of exports derived from natural resources has fallen from 60% in 1960 to 20% in 2011 (World Bank, cited in Jensen and Kara, 2011: 2068). Trade in services, particularly travel and tourism, now comprises 30% of export earnings (ibid.). With increasing competition from its neighbours to attract foreign direct investment, the Malaysian developmental state has recognised that it can no longer rely on a competitive advantage from low-cost manufacturing. The Tenth Ten-Year Plan has identified the services sector as a key source of future trade growth, focusing on expanding finance and business services, wholesale and retail trade, accommodation and restaurants and transport and communications (EPU, 2010). Jensen and Kara (2011: 2079) commend the Malaysian developmental state for steering a path of 'cautious reform' in trade policy, weathering a period of volatility and crisis, avoiding the pitfalls of gradualism and benefiting from `constant learning and adjustment'.

Conclusion

Malaysia has been a successful developmental state. The incomes of all ethnic groups have risen since independence. Poverty has been reduced to very low levels. Economic growth has been sustained and significant, lifting Malaysia into the ranks of the upper middle income countries and to becoming one of the most prosperous countries in Southeast Asia.

Government policies and actions have played a major and indispensable role in this success. Two structural forces have acted as drivers of economic development, forcing government to pursue the developmental state model or face political instability and economic underdevelopment. The first has been the colonial heritage of an ethnically divided society, with ethnic groups slotted into separate economic niches with different levels of income. The most important element of this differentiation was the exclusion of the largest ethnic group, the indigenous Malays, from business, entrepreneurship and other higher income opportunities. They were largely confined to agriculture. Economic policy had to address this crucial issue as the race riots of 1969 had clearly demonstrated. The second driver, sometimes pulling in a different direction, was the impact of global forces. Malaysia has always been open to trade and its increasing exposure to neoliberal market forces was prising open the economy ever more to the world. Thus, if Malaysia were to provide the developmental returns demanded by its citizens, it had to both respond to and in part manage these strong drivers.

In order to satisfy the need for performance legitimacy as expressed in a prosperous state with prosperous citizens from all ethnic groups, government had to exercise agency in selecting the most appropriate mix of developmental policies that would satisfy the drivers of development. The creation of a semi-democracy ensured the long-term security of the ruling party alliance and enabled economic policy to be undertaken on a relatively stable and long-term basis. The 5-year plans were an institutional expression of this. Also, the government had available a menu of policies that had been utilised in the pioneering developmental states of Northeast Asia. It could engage in both policy transfer and its own innovation to suit the particular needs of Malaysia and satisfy the policy drivers. To accomplish this required constant policy review and revision in response to the changing environmental conditions both at home and internationally.

While the Malaysian state has been successful in promoting rapid and sustained economic development and greatly improved welfare indicators for the country's population, there are critics and problems. First, despite the emphasis in successive Plans on fostering private enterprise, the extensive government-linked corporations are still seen as exercising undue economic influence (Menon, 2012). The government has maintained a relatively high level of debt: in 2012, public debt amounted to 53.7 per cent of GDP while there were also hidden debts in the form of guarantees (Hanlon, 2013). Secondly, politics in Malaysia has become much more of a contest and in 2013, while the ruling coalition retained government, attracting votes involved promises that may work against the objectives of the Tenth Malaysia Plan. Thirdly, public and international opinion has become increasingly critical of corruption and cronyism (Fernandez, 2012). *The Economist* (2013) described corruption and cronyism as 'poisoning Malaysian society' and lamented the influence of money in the country's electoral politics.

Over time, the relative autonomy of the Malaysian state in economic policy has diminished as global forces have assumed more prominence. This has not meant that Malaysia has lost all capacity to engage in developmental initiatives. Far from it, the government's management of the Asian Financial Crisis and the promotion of high-tech, high-value industries are clear demonstrations of the perpetuation of a strong state in terms of economic development. The Malaysian government still has to grapple with ethnic politics and more recently powerful pressures for democratisation. The latter, combined with the forces of economic liberalisation, provides less room to manoeuvre than in the past.

Funding

This work was supported by the Academy of Korean Studies Grant funded by the Korean Government (MEST) (AKS-2010-DZZ-3101).

References

Ahmad Z (ed.) (2006) *The Encyclopedia of Malaysia: Government and Politics (1940–2006)*. Kuala Lumpur, Malaysia: Editions Didier Millets.

Alavi R (1996) *Industrialisation in Malaysia: Import Substitution and Infant Industry Performance*. London: Routledge.

Ariff M (1991) *The Malaysian Economy: Pacific Connections*. Kuala Lumpur, Malaysia: Oxford University Press.

Ariff M (2007) *Economic Openness, Volatility and Resilience: Malaysian Perspectives*. Kuala Lumpur, Malaysia: Malaysian Institute of Economic Research.

BBC News (2012) Malaysian police fire tear gas at protesters. *BBC News*, 28 April, Available at: http://www.bbc.co.uk/news/world-asia-17878603 (accessed 10 June 2012).

Case W (1996) Can the 'halfway house' stand? Semidemocracy and elite theory in three Southeast Asian countries. *Comparative Politics* 28(4): 437–464.

Case W (2004) New uncertainties for an old pseudo-democracy: the case of Malaysia. *Comparative Politics* 37(1): 83–104.

CIMB Group (2011) CIMB history. Available at: http://www.cimb.com (accessed 14 December 2011).

Department of Statistics Malaysia (2011) *Yearbook of Statstics Malaysia*. Available at: http://www.statistics.gov.my/portal/download_Buku_Tahunan/files/BKKP/Buku_Tahunan_Perangkaan_Malaysia_2010.pdf (accessed 8 November 2013).

Economic Transformation Programme (2012) ETP continues its momentum in 2012, meeting key targets. Available at: http://etp.pemandu.gov.my/Media_Release-@-ETP_continues_its_momentum_in_2012,_meeting_key_targets.aspx#sthash.vxSX35cu.dpuf (accessed 20 October 2013).

EPU (Economic Planning Unit) (2010) *Tenth Malaysia Plan 2011-15*. Putrajaya: Economic Planning Unit, The Prime Minister's Office.

EPU (Economic Planning Unit) (2013) Development Plans. Available at: http://www.epu.gov.my/en/previous-plans (accessed 13 November 2013).

Fauziah MT (2006) Integrity and moral values in Malaysia's foreign policy. *Journal of Diplomacy and Foreign Relations* 8(1): 5–15.

Fernandez J (2013) Malaysia's mission impossible? *Aljazeera* 4 May. Available at: http://m.aljazeera.com/story/201354154520357937 (accessed 8 November 2013).

Gomez E (1994) *Political Business: Corporate Involvement in Malaysian Political Parties*. Townsville, QLD, Australia: Centre for South-East Asian Studies, James Cook University of North Queensland.

Hanlon L (2013) *Malaysia's fiscal future and the general election*. East Asia Forum 22 April. Available at: http://www.eastasiaforum.org/2013/04/22/malaysias-fiscal-future-and-the-general-election/ (accessed 3 November 2013).

Gomez E (2009) The rise and fall of capital: corporate Malaysia in historical perspective. *Journal of Contemporary Asia* 39(3): 345–381.

International Monetary Fund (IMF) (2012) Factsheet – Asia and the IMF. Available at: http://www.imf.org/external/np/exr/facts/asia.htm (accessed 4 May 2012).

Jensen C and Kara N (2011) Trade policy review - Malaysia 2010. *The World Economy* 34(12): 2063-2080.

Jomo K (1986) *A Question of Class: Capital, the State, and Uneven Development in Malaya*. Singapore: Oxford University Press.

Jomo K (1990) Wither Malaysia's new economic policy. *Pacific Affairs* 63(4): 469–499.

Jomo K (2004) *The New Economic Policy and interethnic relations in Malaysia*. Identities, Conflict and Cohesion, Programme paper no. 7, September. Geneva: United Nations Research Institute for Social Development.

Kanapathy V (2001) Industrial restructuring in Malaysia: policy shifts and the promotion of new sources of growth. In: Masuyama S , Vanderbrink D and Yue C (eds) *Industrial Restructuring in East Asia*. Singapore: Institute of Southeast Asian Studies, Singapore and Japan: Nomura Research Institute, pp. 139–165.

Karim M and Abdullah M (2009) Malaysia's industrial performance and challenges. In: Yussof I (ed.) *Malaysia's Economy: Past, Present and Future*. Kuala Lumpur, Malaysia: Malaysian Strategic Research Centre, pp. 61–82.

Kasper W (1974) *Malaysia: A study in Successful Economic Development*. Washington, DC: American Enterprise Institute for Public Policy Research.

Kinuthia B (2009) Industrialization in Malaysia: changing role of government and foreign firms. Available at: http://www.degit.ifw-kiel.de/papers/degit-xiv-los-angeles-2009/c014_049.pdf (accessed 12 December 2011).

Kok C (2011) Striking a balance in foreign labour. *The Star Online Business*, 19 February, Available at: http://biz.thestar.com.my/news/story.asp?file=/2011/2/19/business/8094068 (accessed 3 May 2012).

Kwak K-J (2006) The current status and prospects of the automotive industry in Malaysia. In: Masuyama S, Vanderbrink D and Yue C (eds) *Exchange and Cooperation between Malaysia and Korea*. Gyeongnam, South Korea: Green Publishing Company, pp. 169–206.

Latifah C (2011) Institutional foundation for resilience of the financial sector. In: Institute of Strategic and International Studies (ed.) *Malaysia: Policies and Issues in Economic Development*. Kuala Lumpur, Malaysia: Institute of Strategic and International Studies, pp. 251–284.

Leete R (2007) *Malaysia: From Kampung to Twin Towers: 50 Years of Economic and Social Development*. Shah Alam, Malaysia: Oxford Fajar.

Liew CT (2007) PAS politics: defining an Islamic state. In: Gomez E (ed.) *Politics in Malaysia: The Malay Dimension*. Abingdon: Routledge, pp. 107–137.

Malaysian Investment Development Authority (MIDA) (2011) Industrialization: MIDA, In: Institute of Strategic and International Studies (ed.) *Malaysia: Policies and Issues in Economic Development*. Kuala Lumpur, Malaysia: Institute of Strategic and International Studies, pp. 181–202.

Mathews P (ed.) (2007) *Chronicle of Malaysia: Fifty Years of Headline News: 1957-2007*. Kuala Lumpur, Malaysia: Editions Didier Millet.

Menon J (2008) *Macroeconomic management amid ethnic diversity: Fifty years of Malaysian experience*. ADB Institute discussion paper no. 102, Tokyo, Japan: Asian Development Bank Institute.

Menon J (2012) Malaysia: Growth without private investment. *East Asia* Forum 12 September. Available at: http://www.eastasiaforum.org/2012/09/12/malaysia-growth-without-private-investment/ (accessed 8 November 2013).

Milne R (1976) The politics of Malaysia's New Economic Policy. *Pacific Affairs* 49(2): 235–262.

Ministry of International Trade and Industry (MITI) (2006) *Third Industrial Master Plan (IMP3) 2006–2020*. Kuala Lumpur, Malaysia: MITI.

Mohamad S (2009) Malaysia's experience in monetary and exchange rate policy. In: Yussof I (ed.) *Malaysia's Economy: Past, Present and Future*. Kuala Lumpur, Malaysia: Malaysian Strategic Research Centre, pp. 204–205.

Nambiar S (2011) Trade, investment and reform: Challenged for Malaysia. Journal of Economic Cooperation and Development 32(1): 31–52.

National Economic Advisory Council (NEAC) (2010) *New Economic Model for Malaysia, Part 1*. Putrajaya, Malaysia: National Economic Advisory Council.

Navaratnam R (2003) *Malaysia's Economic Challenges: A Critical Analysis of the Malaysian Economy, Governance and Society*. London: ASEAN Academic Press.

Office of the United States Trade Representative (OUSTR) (2009) Malaysia free trade agreement. Available at: http://www.ustr.gov/trade-agreements/other-agreements/malaysia-fta (accessed 15 April 2012).

Ong M (2003) Changing power configurations in Malaysia. In: Barlow C and Loh FK-W (eds) *Malaysian Economics and Politics in the New Century*. Cheltenham: Edward Elgar, pp. 106–118.

Ping L and Yean T (2007) Malaysia ten years after the Asian financial crisis. *Asian Survey* 47(6): 915–929.

Prime Minister's Office Malaysia (2012) Economic transformation program annual report 2012. Jabatan Perdana Menteri. Available at: http://etp.pemandu.gov.my/annualreport/ (accessed 23 September 2013).

Ragayah H (2011) The New Economic Policy: growth with equity. In: Institute of Strategic and International Studies (ISIS) (ed.) *Malaysia: Policies and Issues in Economic Development*. Kuala Lumpur, Malaysia: ISIS, pp. 439–472.

Regan D (1976) Islam, intellectuals and civil religion in Malaysia. *Sociological Analysis* 37(2): 95–110.

Roff W (1967) *The Origins of Malay Nationalism*. New Haven, CT: Yale University Press.

Siddique S and Suryadinata L (1981) Bumiputra and pribumi: economic nationalism (indiginism) in Malaysia and Indonesia. *Pacific Affairs* 54(4): 662–687.

Slater D (2003) Iron cage in an iron fist: authoritarian institutions and the personalization of power in Malaysia. *Comparative Politics* 36(1): 81–101.

Tan J and Jomo K (2011) Privatisation: 1. Lessons from privatisation. In: Institute of Strategic and International Studies (ISIS) (ed.) *Malaysia: Policies and Issues in Economic Development*. Kuala Lumpur, Malaysia: Institute of Strategic and International Studies, pp. 329–364.

Tham SY (2009) Malaysia's domestic policy and trade expansion. In:Yussof I (ed.) *Malaysia's Economy: Past, Present and Future*. Kuala Lumpur, Malaysia: Malaysian Strategic Research Centre, pp. 105–131.

The Economist (2013) Malaysia's election: A dangerous result. 11 May. Available at: http://www.economist.com/news/leaders/21577390-after-tainted-election-victory-najib-razak-needs-show-his-reformist-mettle-dangerous (accessed 8 November 2013).

Torii T (2003) The mechanism for state-led creation of Malaysia's middle classes. *Developing Economies* 41(2): 221–243.

Unit Penyelarasan Pelaksanaan, Jabatan Perdana Menteri (UPP) (2012) 54: Sambutan Kemerdekaan. Available at: http://www.icu.gov.my/pg/1icu.php.

United Nations Development Program (UNDP) (2013) Malaysia. Country profile: Human development indicators. Available at: http://hdrstats.undp.org/en/countries/profiles/MYS.html (accessed 23 September 2013).

Von der Mehden F (1975) Communalism, industrial policy and income distribution in Malaysia. *Asian Survey* 15(3): 247–261.

Wad P and Chandran Govindaraju VGR (2011) Automotive industry in Malaysia: an assessment of Its development. I*nternational Journal of Automotive Technology and Management* 11(2): 152–171.

Wong L (2011) Agriculture. In: Institute of Strategic and International Studies (ISIS) (ed.) *Malaysia: Policies and Issues in Economic Development*. Kuala Lumpur, Malaysia: ISIS, pp. 121–146.

World Bank (2013) Malaysia overview. Available at: http://www.worldbank.org/en/country/malaysia/overview (accessed 23 September 2013).

WTO (World Trade Organisation) (2010) *Trade Policy Review Malaysia 2010*. Geneva: The World Trade Organisation.

Yearbook of Statistics Malaysia (2010) Department of Statistics Malaysia, June 2011. Available at: http://www.statistics.gov.my/portal/download_Buku_Tahunan/files/BKKP/Buku_Tahunan_Perangkaan_Malaysia_2010.pdf (accessed on 20 October 2013).

Yussof I (ed.) (2009) *Malaysia's Economy: Past, Present and Future*. Kuala Lumpur, Malaysia: Malaysian Strategic Research Centre.

Author biographies

Md Nasrudin Md Akhir is the Executive Director of the Asia-Europa Institute and Head of the Malaysia-Korea Research Centre (MKRC) at the University of Malaya. His main research interests include Japan's foreign policy and international relations of East Asia. He received his PhD degree in international relations from Universiti Utara Malaysia.

Keum Hyun Kim is currently senior lecturer at the Academy of Malay Studies and Deputy Head of the Malaysia-Korea Research Centre (MKRC) at the University of Malaya. Her main research interests include cross-cultural studies on economic development, corporate culture and socio-cultural changes in Malaysia and Korea. She received her PhD degree in Socio-cultural studies from the University of Malaya.

Chung-Sok Suh is the Executive Director of the Korea Research Institute and a Professor in the School of Management at the University of New South Wales. He received a doctoral degree in Economics from the University of New South Wales. Chung-Sok's research interests include Economic Development, Foreign Direct Investment, and the Globalisation Strategies of multinational enterprises from emerging countries.