

*The Malaysian "Vision 2020" National  
Development Plan: Implementation  
Problems In Sabah*

by

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## *ABSTRACT*

In the past, capitalist development in Malaysia has been inhibited by factors such as underdevelopment, a lack of human capital, dependency and the tensions caused by an ethnically divided society. However, in February 1991, Mahathir presented the Vision 2020 Plan which pointed to the challenge ahead to turn Malaysia into an industrialised and developed nation by the year 2020. This plan embodied the liberal economic policies and administrative reforms that he had advocated since assuming the premiership in 1981.

The thesis aims to examine the implementation of Mahathir's Vision 2020 in Sabah which, in ethnic terms, is the most heterogenous State in the periphery of The Federation of Malaysia. It is the author's hypothesis that the diverse problems these liberal policies have encountered economic, social and political spheres are largely due to communal conflict. Further, such ethnic conflicts have produced some unintended outcomes. As in the past, the structural problems associated with meeting the challenges of Vision 2020 will prove to be a continuing source of conflict between Sabah and the Federal Government. For instance, the Bumiputera entrepreneurial and Vision Village development programmes have met with problems of an overdependence on government, an attitude which was instilled in them over the 20 year of the NEP (1971-1990). Public enterprises continue to incur huge losses and Mahathir's alternatives to them are Privatization and Corporatization. The implementation of the Vision Village programme has also been problematic due to the existence of traditional subsistence farming which resists commercialization. Furthermore, industries in urban areas remain undeveloped and centralised. Thus Sabah's poorly developed industrial infrastructure and the absence of successful Bumiputera entrepreneurs has hindered the Vision Village development. Meanwhile, the Bumiputera entrepreneurs remain reliant on Government contracts and the concessions which it grants in order to sustain their businesses. Finally, despite the liberal orientation, the policies relating to National Education, National Unity,

economic development and Islam still indicate attempts to preserve Bumiputera and Islamic domination in politics.

Thus, Mahathir's liberalism will produce unintended consequences and uneven development. This indicates more serious conflicts to come.

## *AUTHOR'S DECLARATION*

This thesis, which critically analyses national planning in Sabah in particular and Malaysia in general, is my original work. It is the result of my research at the University Of York from January 1995 to May 1998. Most of the information which is not available in Britain was obtained during my five months of research in Sabah in 1996. This work has not been previously published; either in whole or in parts.



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## *PREFACE*

My beliefs concerning the utility of planning changed after I spent nearly five years as a student in the USA. I was amazed that politicians and industrial corporations did not discuss economic planning in the media. For them, it did not seem that planning - in the form of State intervention - was necessary in order for society to function effectively. My belief that State led planning was becoming redundant was only strengthened when the Soviet Union collapsed in 1991.

Locally, Malaysia was also struggling to implement its Five Year Plans and the New Economic Policy. The success of these plans depended on events which were beyond the control of planners and decision-makers. This has occurred despite the fact that there have been efforts to liberalize the administration of the multi-ethnic Malaysian society. It is factors such as these which remain beyond the direct control of planners and decision makers that form the "grey area" that I have explored in this thesis.

The measures which Mahathir has taken to liberalize government administration have made this study more interesting compared to a study of the New Economic Policy (1971-1990). It is the multi-ethnic Malaysian society which has made the implementation of the Vision 2020 very challenging. As a matter of fact, Mahathir has outlined nine challenges before Vision 2020 development plans can be successfully implemented.

## *ACKNOWLEDGEMENTS*

First of all, I wish to acknowledge the Sabah State Government for awarding the scholarship which enabled me to pursue this doctoral thesis in England. In addition, the study leave from my employer, Malaysia's Department of Information, has also contributed to the welfare of my family here. With seriously ill parents in Malaysia, I considered myself fortunate and privileged to have the support of these two agencies. Despite having sick parents, I do not consider them as a hindrance in my study but, in fact, they have provided me with a strong motivation to finish my work. However, I wish I could have communicated more fully with my mother before she passed away in November, 1997. Thus, I wish to dedicate this thesis to my mother, Margaret Bahawanie and my father, Donald Cole .

Although most of the work in this thesis is original, I would like to acknowledge the guidance of my Supervisory Committee which has offered me invaluable advice. In particular, I wish to acknowledge the strict guidance from the Chairman, Professor Steven Yearley as well as Dr. Vladimir Andrle and Mr. Philip Stanworth as supervisors.

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# *CHAPTER ONE*

## INTRODUCTION

Since gaining independence in 1957, Malaysian history may be understood as embodying three successive strategies of national development. These strategies have been enshrined in various planning policies formulated with the assistance of the Economic Planning Unit (EPU) of the Prime Minister's Department. The EPU, however, has no political power in its own right. The national plans reflect political decision-making by the Prime Minister and his Cabinet (Faludi, 1973: 1-8). They assume a broad commitment to a mixed economy system, where much economic activity is driven by private capital and enterprise, but the state has extensive powers to pursue national priorities by various forms of intervention. The three stages differ from one another in the priorities and targets that receive special emphasis, and in the scale and methods of state intervention in the economy.

The first strategy was dominant during 1957-1969, under the Premiership of Tengku Abdul Rahman. Its main characteristic was a continuity with the British free enterprise model of economy and planning. The economy was not the main focus of political activity during the period leading up to and immediately following the formation of the Malaysian Federation of 14 states in 1963. In 1969, however, racial riots in Kuala Lumpur led to a major policy change. The new strategic thinking of Prime Minister Tun Razak focused on the adoption of the New Economic Policy (NEP), which was in force from 1971-1990. The NEP was a strongly interventionist policy designed to restructure the already divided multi-ethnic society and to eradicate poverty.

The third strategy of long-term development has been in operation since 1991, under the auspices of Prime Minister Mahathir and his Vision 2020. This strategy and its rhetoric fits in with the world-wide climate of opinion on economic matters that has been prevalent since the Cold War ended in Soviet defeat. The world was a witness to the empire of directive state planning collapsing under the weight of economic dysfunctions while the realm of free capitalist enterprise triumphed. Like other political leaders throughout the world, Mahathir took the lesson that state planning should never be regarded as ultimately a possible alternative to markets and capitalist entrepreneurship. Vision 2020 represents a shift towards liberal economic thinking, in which the promotion of private enterprise and competitive markets is a key ingredient in any development strategy that a government might viably pursue over the long term. On the other hand, like all development plans, Vision 2020 is the product of political processes rooted in national history. The conditions of a multi-ethnic state with an economically dominant ethnic minority (the Chinese) and largely poor indigenous peoples (the Bumiputeras) were politically no less pressing in 1991 than in 1971. Vision 2020 consequently combines some western liberal policies, e.g. privatisation, with efforts to develop the economic potential of Bumiputera communities in particular, and to foster a modern Malaysian nation unified by a shared commitment to both economic progress and Islamic values.

All national development plans seek to transcend conditions that are perceived to have held economic development back. They express political will to achieve progress and define important terms of state power legitimation. They use technocratic language in their formulations, but their targets, budgets and statistical equations are inevitably the result of political transactions between conflicting interests. What is true of plan formulation is even more true of the multi-layered and complex process of plan implementation. The development plans are documents of political centralisation while their implementation testifies to the centrifugal forces of locally established conditions, interests and alliances. Within the micro-worlds of plan implementation, local politicians, officials, businessmen and others use the centrally issued plans as a resource as much as a guide in their own decision-making. The process of plan implementation may result in successes and failures of greater



or lesser degree. It is, however, unlikely ever to result in an unmitigated success on every count, because its micro-political processes are bound to produce some unintended outcomes.

World history gives many examples of planned development campaigns. They often show contradictory elements in the centrally issued plans, and always some unintended outcomes in their implementation. The nature of the theoretical contradictions and practical resistances varies from case to case. Stalin's Russia, Mitterand's France and Nyerere's Tanzania are cases born of diverse ideologies and historical contexts, with accordingly diverse problems encountered in the plan implementation process. But they are all cases of local implementation practice turning out to be problematic for the central planner, at least in some respects.

The purpose of this thesis is to provide an account of the Malaysian case. I outline Malaysian history with a special emphasis on development planning; examine the ideological shift from NEP to Vision 2020; and present detailed evidence concerning the implementation of three important dimensions of Vision 2020 plans in Sabah, an especially underdeveloped and peripheral state within the Malaysian Federation.

Before giving a more detailed account of the research objectives and methods, however, it is appropriate to offer a thumbnail sketch of Malaysian society.

## *1. THE MAIN CHARACTERISTICS OF MALAYSIAN SOCIETY, ECONOMY AND POLITICS*

Geographically, twelve of the fourteen states in Malaysia are located in the Malay Peninsula and two are on Borneo Island. In itself, this geographical spread gives some preliminary indication of the various cultures which have arisen in these diverse areas. In addition to this cultural and geographic diversity, Malaysia is also a multi-ethnic society.

From its population of about 20 million, the Bumiputeras make up 60% of the population, Chinese 30%, Indians 9.5% and other ethnic groups 0.5%. These groups are also made up of various cultural backgrounds. Sabah had a population of 2.1 million in 1996. Its population was then made up of 143,700 Malays; 381,300 Kadazan/Dusun; 250,300 Bajaus, 61,600 Murut; 310,300 other Bumiputeras; 234,900 Chinese; and 196,600 others. The Sabah figures do not indicate that Muslims comprised the majority of the population. Of the listed ethnic categories, only the Malays are predominantly Muslim. In addition, there are about 515,800 foreigners in Sabah who are mostly Muslims (Department of Statistics Sabah, 1996).

Conflicts are inevitable in a heterogeneous society where the various groups have different social, economic and political backgrounds.<sup>1</sup> Even before independence, there were already ideological and ethnic differences among Malaysians. For example, although the Chinese have adopted the capitalist ideology, the Malays - who live mainly in rural areas - have been protected by Muslim Sultans. The Malays and the other indigenous groups are classified as the Bumiputeras or "children of the soil". In terms of religion, the Bumiputeras are made up of both Muslims and non-Muslims. The non-Muslim Bumiputeras are made up of Buddhists, Pagans, and Christians.

In economic terms, the Malaysian domestic economy has been dominated by the Chinese since colonial times. The Chinese capitalist spirit was favoured by the British colonial rulers. Thus, the economic structure is divided so that the urban



Chinese make their living through trade and industries. On the other hand, the Bumiputeras live mainly in the rural areas and earn their living through agriculture and subsistence farming. Some of the rural Bumiputeras, particularly in Sabah and Sarawak, still make their living by hunting and gathering. Thus, income inequality between the urban Chinese and the rural Malays/Bumiputeras is inevitable unless there is some effective form of income redistribution. Besides, the Malaysian dependent economy can be adversely affected by world economic recession, which can also become an obstacle to the income redistribution policy. In fact, since independence the Government has attempted to diversify its economy to overcome such problems.

The State capitalist development projects of the NEP did not benefit the rural population (Ariffin, 1994). The income difference between the urban and the rural populations is still large, although both incomes have increased compared to the earlier period. In fact, the transformation of the economy from one based on agriculture to one based on industry has contributed further to the problem of poverty in rural areas. By 1995, manufacturing provided 2,051,600 jobs which only 1,428,700 remained working in the agriculture. Statistics from the Seventh Malaysia Plan indicated that manufacturing supported 2,051,600 jobs compared to 1,428,700 in agriculture. This industrializing and urbanizing trend will continue unless Malaysia is affected by recession. It is going to cause unemployment in the peripheral regions. Poverty is still a persistent problem in the peripheral States such as Sabah, Sarawak, and Kelantan, where agriculture is still the major component of the economy. Most of the rural poor in Sabah are still living in houses made of bamboo and palm leaves. In the urban areas, poverty can be characterised by the presence of people living in squatter housing. However, Malaysian economic development has led to a rise in people with middle income earnings (Seventh Malaysia Plan, 1996-2000: 8). But in comparison to other developing nations, Malaysia's economic growth since independence is commendable, with an average GDP growth of 6.7 % during the NEP (1970-1990) and 8.7 % during economic boom under the Sixth Malaysia Plan (1996-2000). However, the growth is contributed more by the World economic recovery since 1987 and the presence of MNCs.

In political terms, the Malaysian Government has largely been controlled by UMNO-dominated party coalitions. In the initial period of independence, the coalition was called the Alliance. After the 1969 Racial Riots, the coalition adopted the name National Front (Barisan Nasional). The United Malay Nationalist Organization has dominated Government, thanks to the constitution which stipulates that Islam should be the official religion and Malay the official language.<sup>2</sup> Although people of other faiths are free to practice their own religions and teach their own language, the constitution gives the Bumiputeras and the Malays privileged access to offices of government. In any case, the Government has always given priority to the Bumiputeras in its policies and planning. This was especially marked under the NEP. Many scholars regarded the NEP as the death of democracy, because it seemed to promote Bumiputera socialism.<sup>3</sup> State intervention under the NEP gave priority to the Bumiputeras in all aspects of development. They had greater opportunities in access to education, business, trade, and Government positions. These policies were an attempt to restructure the socio-economic basis of society and to eradicate poverty. Millions of Ringgits were spent on the Bumiputeras' development. The NEP discriminated against the Chinese, in an attempt to reduce the inequalities between them and the Bumiputeras.

Malaysian national development must take into consideration the fact that socio-economic inequality within Malaysia is divided along ethnic and regional lines (Jomo, 1986). Furthermore, this inequality is being reinforced along political and economic lines, where the Malays/Bumiputeras have the political power, while the Chinese gain economic power. These divisions of power are not coincidental but are the result of historical as well as cultural and ideological differences.



## *2. IDENTIFICATION OF THE PROBLEMS*

In formulating my thesis, it is important to consider the various development problems development in Malaysia in general and Sabah in particular. This is particularly so with regard to the problems that the NEP encountered in its attempt to restructure society and eradicate poverty. This task is interesting as, by its own standards, the NEP was not a successful policy. For example, although it set a target of achieving 30% Bumiputeras capital ownership in business and trade, the figure had reached only 20.3% when the NEP ended in 1990. Further, individual ownership of capital stood at the even lower figure of 12% (GOM: 1991). However, in social terms at least, the NEP was partially successful as Bumiputera enrolment in degree courses had doubled in relation to Chinese enrolment. However, this increase is primarily a quantitative one which, as I argue in chapter 5, has had the unintended consequence of reducing quality.

In economic terms, the Government was faced with falling prices in Malaysia's major commodities: rubber, palm oil and cocoa. In response, it created incentives for multi-national corporations (MNCs) to invest in Malaysia as a way of attempting to diversify the economy. The MNC's capital is also deemed necessary to balance Chinese economic domination and to create more employment. In addition, Malaysia has broken its dependency on agriculture by developing heavy industries. A good example of this occurred in 1985 with the development of its first national car: the Proton. However, as Malaysia itself has little capacity to develop a car industry, it has had to take the more expensive route of buying Mitsubishi technology from Japan. Thus, although the Proton is constructed in Malaysia, it is made with Japanese technology. As a result, Malaysia's automobile production can be manipulated by the Mitsubishi Company, which is capable of imposing unfair conditions on the Government (Jomo, 1989: 44-47). As a consequence, although economic growth is being achieved, it is being done at great cost. The problem of Malaysia's dependence on foreign technology also indicates the failure of national planning in Malaysia to address this long standing problem. Due to the dependency

problems brought about by capitalist exploitation, the NEP income redistribution objectives led to various unintended outcomes.<sup>4</sup>

Furthermore, despite the numerical growth of Bumiputeras entrepreneurs, many Bumiputeras are still dependent on Government contracts and concessions. In open tenders, the Bumiputeras cannot compete with wealthier businessmen such as the Chinese. Because of this unfair competition, some Government contracts are reserved for Bumiputeras contractors only. In rural development, the Bumiputeras are still dependent on the Government to provide basic social and economic amenities. This dependence has cost millions in public expenditure and the amount is increasing annually. But despite this economic assistance, the developmental imbalance between the backward rural areas and the more developed urban areas still persists. However, the Government needs the support of the Bumiputeras to preserve its legitimacy. Thus, the State can manipulate the Bumiputeras to preserve its power by constant reminders of the social, political and economic privileges which would be lost if the Chinese dominated the Government. At the same time, the Chinese - who want to protect their business interests - have had to negotiate with the Government concerning the allocation of resources for national development. It is difficult to reconcile these conflicting demands upon and interests in the national development plan. However, the NEP was successful in legitimizing the Bumiputeras' power and in establishing Bumiputera institutions for the promotion of Bumiputera interests.

Due to the various problems facing Malaysian national development during the NEP, the Government responded by putting up a number of alternatives. For instance, the importance of Islamic values in Vision 2020 illustrates Malaysia's determination to create its own national image rather than following the West's lead. At the same time, Malaysia has had to consider the multi-ethnic nature of its society and its present free market economy. Although Vision 2020 reflects a movement in the direction of Islamic Socialism and modernization, it simultaneously promotes a free enterprise economy through its policies on Privatization, Malaysia Incorporated and National Industrialization. Ironically, these policies are in direct conflict with



Islamic ideology, particularly the prohibition on earning interest (the "riba"). Non-Muslims welcome the free market, but oppose the use of Islamic ideology. However, the Malaysian administration has dealt with this conflict by creating Islamic economic mechanisms to cater for the needs of the Muslims. These include Islamic banking, management, insurance and Islamic ways of investing. Logically, adopting a single planning ideology is both easier and more practical than having two planning ideologies. A single planning ideology enables easier implementation and management. At the moment, decision-makers have to reconcile these two groups in order to implement the plan. For instance, although Mahathir was originally anti-Chinese, he has shown some willingness to be reconciled with them under the Vision 2020 grand plan (Means, 1991). Planners have to consider these two groups when formulating their plans. However, both economic ideology and national ideology are politically important in Malaysia. Due to the problems of participation of Islamic communities in trade and industry, the Islamization Policy is seen as an attempt to bring about modernization among the Islamic communities in Malaysia. In addition, modernization of Islam is inevitable if it is to survive the global economic challenges.

In response to the dependency problems facing Malaysia, the Mahathir leadership has taken several steps to overcome the problems. Under the Vision 2020 Development Plan, Malaysia adopted an export oriented economic strategy. Under this strategy, Malaysia needs to industrialize to increase the productivity and quality of its exports. This is indicated by the privatization and corporatization efforts that have been going on since the mid-1980s. This means that Malaysia needs not only financial capital but human capital which can contribute to this development. The National Education Policy needs to be reviewed in line with the Vision 2020 development. Thus some of the privileges in education under the NEP need to be reconsidered so that Bumiputeras' subsidy mentality can be abolished and become competitive. Furthermore, the dependency on developed countries for trade and loans has to change. Other than that, Malaysia needs a more competitive economy in order to cope with globalization and liberalization.<sup>5</sup> How these global challenges can be met is an important question that motivates my analysis of the implementation of Mahathir's policies in Sabah.

In response to the political problems, the leadership has also adopted several measures to curb money politics, patronage and cronyism in the Government and National Front component parties.

All these measures are being implemented in line with Mahathir's Vision 2020 challenges, which are: (1) to create a united Malaysia; (2) to create free individuals who are progressive, calm, self-confident, and possess a national pride that will be respected by others; (3) to create and develop a stable democratic society that will become a model for other developing nations; (4) to create a moral and ethical society; (5) to create a liberal and tolerant society where all Malaysians can practice their own beliefs but remain loyal to their nation; (6) to create a scientific and progressive society that not only uses technology but also contributes to technological development; (7) to create a caring society and caring culture; (8) to create a just society through equal distribution of income; and (9) to create a prosperous society that has a competitive, dynamic and stable economy. Of these nine challenges, numbers one to five and seven focus on mental aspects and social values, while six emphasizes science and technology, and eight and nine address the economy. Thus in terms of focus, Vision 2020 primarily emphasizes the human aspects of development. These challenges are reflected in the policies which are discussed in this thesis. Despite the multi-ethnic nature of the society, some of the policies seem to favour one ethnic group over the others.

Due to the unique features of the Malaysian society, economy and politics, planners and decision-makers play important roles in reconciling these various differences. How these roles are being undertaken in Malaysia is examined in this thesis. In addition, it is also important to examine how the development policies contradict one another. Malaysian National Development planning and its implementation problems has been the subject of an economic study (King, 1990), while Sabah itself has been the focus of a study by a political historian (Luping, 1994). This thesis aims to contribute to this field of knowledge by detailed examination of the implementation of Vision 2020 development policies and



administration in Sabah in particular. It covers the political, economic and social dimensions of the problems of national development.

In developing this thesis, various literature on national development plans in developed nations, socialist development plans and development plans in developing nations have been reviewed. For instance, Soviet planning had met with various social constraints in the implementation of planning (Andrle, 1994: chapters 6-7). A study on national development in Southeast Asia also found that religious and cultural factors have been an impediment to national development (von Der Mehden, 1980).

In Bumiputera entrepreneurial and village development, studies have indicated various problems of implementation. The Malaysian Economic Consultative Council Report on the NEP indicated various unintended outcomes. Whether this trend can be changed is doubtful unless Malaysia's social, economic and political structure change.

In National Education Development, various literature has also been reviewed which indicates the important role of education in social restructuring, eradication of poverty and nation-building. However, the Seventh Malaysia Plan (1996-2000) indicates that Malaysia is still lacking the necessary skilled manpower. The Bumiputera privileges in education have, in fact, affected the quality of education. In the process of meeting the target to increase the numbers of Bumiputera professionals, the quality of education and the national need for vocational manpower are being sacrificed. This imbalance in national education development needs to be examined in this thesis. However, the Bumiputera quota in education has led to the growth of a new Malay/Bumiputera middle class. The new Bumiputera society is now involved in various professions, compared to the pre-NEP period (Means, 1991: 317). This also indicates a new kind of conflict in Malaysia in addition to the persistent religious and ethnic conflicts. Finally, the poor quality of education, particularly in the rural areas, needs to be resolved.

In a multi-ethnic society, contradictions in policies are inevitable. The policy on Assimilation of Islamic Values In Administration is one such policy. Ever since the revival of Islam after the Islamic Revolution in Iran in 1979, the Islamic party, the Pan-Islamic Party of Malaysia, has posed a challenge to the legitimacy of the UMNO as the champion of the Malays and their Sultans (Mutalib, 1989: 113-125). In addition, the 1980s also witnessed the growth of various Islamic movements including some which the Government identified as deviationist (Means, 1991: 71-74). These traditional groups of Muslims clashed with the authorities on several occasions. In response, Mahathir has taken steps to curb the activities of such groups. As a preventive measure, Mahathir has made several reforms to modernize Islam. However, in this process the policy has been questioned by the non-Muslim opposition, who felt that their own religions and worshippers could be suppressed and discriminated against. At the same time, the Government has to preserve the good image of Islam as an official religion among the non-Muslims. Like the Muslims, the non-Muslims also have their own ethnic culture besides their religion. The Islamization measures have led to the rise of Islamic social and economic institutions. For instance, one of the latest developments in this effort is the establishment of the Institute of Islamic Understanding.

Available Government data on Bumiputera entrepreneurial development, vision villages, National Education, Islamization Policy, National Unity and other Mahathir's Policies indicates some implementation problems. Thus, in this case Sabah leaders have to make their own decisions on the best means of implementation, which involves changing the targets and objectives of the plan. Thus, at the State level, the actual objective of the plan is not being achieved or takes longer to be achieved. In addition, the policies of Vision 2020 contain some ideological contradictions. These have caused implementation problems, leading to national and regional conflicts involving leaders, interest groups and political parties.



### *3. OBJECTIVES OF THE THESIS*

This thesis is an empirical study of Malaysia in general and Sabah in particular, regarding a planned development campaign. It examines the influence exerted upon the process of planning implementation by social, economic and political forces. Although previous studies have contributed various arguments regarding these problems, this one will further our understanding of this area by studying the implementation problems in the peripheral Malaysian State of Sabah. The social, political and economic factors that influence the implementation of national development plans may appear in various forms, depending on the nature and characteristics of the country and on the approach of those involved in planning, decision-making and implementation. From such evidence, one hopes to assess whether the present policies and mechanisms of implementation will be able to meet Vision 2020's nine challenges. In this regard, I have decided to study the following areas of the Vision 2020 development plan which are:

1. The history of Malaysia and its planning system which led to the adoption of Mahathir's Vision 2020.
2. An assessment of the New Economic Policy and Mahathir's new direction under Vision 2020
3. The problems of Bumiputera entrepreneurs and Vision Village Development.
4. The problems of National Education Development
5. The problems of Islamization, National Unity and Integration.
6. As this thesis is more of a critical analysis of planning my main aim is to assess the unintended outcomes rather than the intended outcomes.

Thus, with this thesis, it is hoped that a better definition can be found of the roles of planner and decision-maker in national development. In addition, I hope to find some conclusions to the problems of planning<sup>6</sup> which will be practically relevant to Malaysia. The debate is not really about theory of planning and markets, but about the problems of Vision 2020 implementation in its initial stages.<sup>7</sup> However, an understanding of the concepts and ideologies of market and planning is vital in this thesis.

#### *4. ANALYTICAL FRAMEWORK AND PROCESS*

My analysis of the problems of implementation in the Vision 2020 Development Plan begins by studying the problems, achievements and failures of the NEP, as well as the state of the economy, society and Government at that period. Government reports, particularly the Malaysian Economic Consultative Council Reports on the NEP, served as a bench mark in the analysis. Various relevant studies on development were also referred to in studying development problems in Malaysia. To give a better focus, studies on Malaysian development are also reviewed.

The most vital part of an analytical framework associated with the study of national development planning is to examine the formal mechanisms of implementation which have been in place and the innovations made in the implementation of Vision 2020. For instance, this involves the Federal and State mechanisms of implementation which have been created to deal with certain development programmes. In addition, this means that in the process of implementation, these decision-makers are actively involved in clarifying the plan objectives, targets, capacity and prospects of implementation. The formal mechanisms in the context of this thesis include the Prime Minister's Department, the Ministry of Public Enterprise, the Ministry of Education, the Ministry of Agriculture, the Ministry of National Unity and Social Development, the Ministry of Rural Development and those institutions involved in the propagation of Bumiputeras interests. All these agencies are involved in implementing policies relevant to the



Vision 2020 Development Plan. Within this formal mechanism it is important to examine the various conflicts involved in the implementation, such as the bureaucratic and leadership problems in the implementation machinery. In addition, this also necessitates an examination of the public resources involved in implementation.

Studying the implementation of national development plans also requires one to study informal process of implementation. This includes studying the roles of decision-makers, party leaders, implementers, financial controllers, planners, entrepreneurs, workers, and interest groups. As the problems in Malaysian Development are about social inequality between the Bumiputeras and the Chinese, this involves examining the informal networks that have developed in the Malay and Bumiputera dominated Government. Finally, it also entails examining the responses of other ethnicities in the multi-ethnic Malaysian society.

Problems of implementation are to be expected in all national planning systems. However, different systems of planning deal with problems according to their own values. It is difficult to be fully rational in addressing planning problems as they involve humans and human errors. However, most governments try to keep implementation problems secret by categorising them as classified information. Such secrecy is obviously functional for the Government, as public knowledge of its problems could clearly affect its legitimacy. The co-ordination agencies play an important role in identifying implementation problems in national planning. However, theoretically, planning is a system made up of various institutions which are interdependent. As a consequence, factors which affect the Treasury are likely to have repercussions for the rest of the planning institutions. As the heads of the system, national leaders have to find alternative strategies to deal with planning problems or the whole system may encounter a crisis. Often a planning system's problems are caused by structural defects within the system itself. For example, a plan that is based on market principles needs democratic planning institutions that can co-ordinate production and the redistribution of income and resources, as well as socio-economic development. This will require negotiation, consultation and

parliamentary debates in order to reach consensus before the plan is actually implemented. In addition social, political and economic trends mean that the plan loses its validity unless changes are made in line with these trends. For instance, the use of high-technology labour-saving machinery may cause unemployment. This trend will require new systems of education, new thinking approaches from society and even ideological changes. Thus, planning as a system is not particularly responsive to change. Planning needs to adopt a pragmatic critical and democratic approach. Considering these factors, my responsibility in this area is to find empirical evidence regarding the causes of the problems of implementation in Sabah. This also requires one to examine the reactions and responses of the national leaders in dealing with these problems, considering that they have to protect Bumiputeras interests and the Islamic ideology despite the multi-ethnic nature of the society. In addition, social inequality in Malaysia is brought about by the Chinese domination of the economy and the elites' trying to maintain their power in government.

In analysing the outcomes of the research, some comparison has to be made in the leaders' initial aims and the outcomes. These outcomes are assessed against other research and views of the opposition. The suitability of the policies and errors are also assessed against the economic, social and political situations in the country and the empirical evidence.

## *5. METHODOLOGY*

This thesis focuses on the initial stage of the implementation of the Vision 2020 development plan. Its first task is to establish what particular elements are lacking in planned capitalism. In doing so, it integrates sociological, historical, interpretative, theoretical and policy forms of analysis (Rutland, 1985; and Rudner, 1975). As we know, without State intervention, conflict between the bourgeoisie and the proletariat is inevitable. State intervention is necessary to avoid the conflicts caused by market monopoly and exploitation of the workers. Politically and socially, free competition is preferred by developed nations as they have more capital and high technology. This raises the question of the role of social, economic and political



structures in a free market economy. However, even though innovations have been made to adapt these structures to changing situations, developing countries still have problems of poverty and other social ills. Since the demise of the Soviet Union in 1991, most nations have begun to adopt the capitalist development ideology. Thus, I embarked upon the process of testing the Malaysian Vision 2020 development plan. The trial of "Vision 2020" begins at the national level, providing a general sense of the problems in Malaysia as a whole. Following this, the thesis proceeds to examine: planned entrepreneurial development; national education development in Sabah; and planning of Islamization and community relations in Sabah. As this is only the initial stage of implementation, it is more a critical analysis of the implementation problems than an evaluation of Vision 2020's performance. Thus, this thesis is about the problems of structure and decision-making. Although I support the liberal approach to planning in a free market, I argue that it is not feasible in a politically, ethnically and economically divided society. Previous experience indicates that the Government has always been met with dilemmas and crises<sup>8</sup>, which are complicated further by the population's divergent religious beliefs which put the national ideology to the test. This occurs despite the fact that the direction taken by Mahathir's under Vision 2020 will help Malaysia to sustain its economic growth and enable it to accumulate a surplus that can be distributed for the welfare of the people. As a result, my method can be decomposed into the following aims:

1. Identifying issues of national development in Malaysia.
2. Studying Government information and the process of development planning in Malaysia.
3. Explaining faults in the development plan, such as its impact, causes and effects, seriousness and consequences.
4. Finding other explanations, examples and alternatives for the problems of implementation.

5. Investigating who is responsible.
6. Investigating the responses of the people, to obtain a balanced picture of the problems from both sides through local and national newspapers as well as the electronic media. Foreign media and independent reports are very useful in that they provide independent views of the problems in Malaysia.
7. From these investigations, the author develops the arguments for this thesis.

Most of the information for this dissertation is drawn from government sources i.e. ministry and department publications. The data are in the form of statistics, annual reports, pamphlets, working papers, policy papers, and five-year plan reports. In addition, newspaper articles are used to provide some feedback information on the government's current policies.

Second, some studies on Sabah also serve as a source of reference in my study. However, in comparison with Peninsular Malaysia, little research has been performed on Sabah and so literature on West Malaysia has proved useful in formulating this thesis. Anthropological studies on the various ethnic groups in the remote rural areas of Sabah by Western researchers have also provided some useful insights into the traditional communities in Sabah.

Third, where possible, I have gathered data on Malaysia's neighbours in South-East Asia. It is intended that this will serve as a source of comparative reference by which it will be possible to judge whether or not Malaysia is really performing as well as it claims.

Fourth, reports from the United Nations, the World Bank, the Association of South-East Asian Nations, private reports and private associations' pamphlets have also proved to be useful in this thesis.



Finally, local and national newspapers are very useful in providing evidence about the pitfalls of the government's policies and plans. However, I find that the present government is more interested in announcing and publicising its new plans and programmes than in announcing their outcomes. Thus, assessing the outcomes of the government's policies is the most difficult task of my thesis.

## *6. PLAN OF THE THESIS*

Chapter 2 of this thesis is the "History of Malaysia And The Planning System." This history maps out the processes and problems of planning in Malaysia and its impact on the society. This history culminates with the promulgation of Mahathir's Vision 2020 on 28 February, 1991.

Chapter 3 is entitled "Mahathir's Vision 2020" and attempts to put the grand plan into perspective. It examines the plans, policies and reforms relevant to Vision 2020.

Chapter 4 is entitled "The Development of Bumiputera entrepreneurs and Vision Village Development". It examines the problems of Bumiputeras entrepreneurial development in the agricultural and industrial sectors. The main aim is to change the rural Bumiputeras into successful entrepreneurs by the year 2020. It is part of the decentralization plan following the Bumiputeras development programmes which concentrated on urban areas during the NEP.

Chapters 5 and 6 discuss the various structural problems in Sabah. Chapter 5 is focused on "National Education Development In Sabah." It examines educational reform and the implementation of Vision 2020 in Sabah. Chapter 6 is entitled "Islamization and Communities In Sabah". This chapter attempts to explain the problems of ideology and culture in the implementation of the national development plan.

Chapter 7 is the thesis' concluding chapter. It summarizes the findings of the previous chapters, which cover the preliminary implementation problems of the Vision 2020 development plan. It suggests that there is no straightforward solution to the implementation problems of Vision 2020 development in Sabah, as they are structural problems which originate from colonial era and from Kuala Lumpur. The present structural problem is due to the fact that Mahathir policies are ethnically based on Bumiputeras and Islamic ideology.

## CHAPTER TWO

### HISTORY OF MALAYSIA AND THE PLANNING SYSTEM

#### *1. INTRODUCTION*

This chapter is a historical survey of Malaysia from the Colonial period to the present Mahathir era. It shows the impact of foreign influence on both the local politics and the economy of a rich hinterland. It also provides an account of how Malaysia achieved independence and created development which improved the standard of living in a multi-ethnic society. As a result of this development, Malaysia was brought into foreign and local conflicts. The chapter also shows how a new nation, formed in a hurry in 1963, dealt with communal problems through the Five-Year Plans, social reforms, and prepares to be an industrialised nation by the year 2020. Finally, Sabah's development problems are also examined.

#### *1.1 Historical Background Of Malaysia Up To World War II*

Early Malaysian history began with the Malacca Sultanate founded by a Sumatran Prince, Parameswara in 1400.<sup>1</sup> He later adopted Islam and turned Malacca into a centre for the spread of Islam. The turn of events in the regions finally led to British intervention in Malaya and Borneo about five centuries later.

First, in around the 7th century, the Arabs came to Southeast Asia in order to trade for spice. That was followed by the Portuguese attack on Malacca in 1511. The Portuguese turned Malacca into a fortress and a sanctuary for trading ships. The defeated Sultan, however, escaped and established the Johore Sultanate (1641-1758)



and sought the assistance of the Dutch against the Portuguese. The powerful Dutch were then successful in taking over Malacca. Third, in 1785, the British established their first colony in Penang; they founded Singapore on 28 January, 1819 and became the Dutch's only rival in the region. Fourth, in 1824 the Anglo-Dutch Treaty was signed and, as a result, Malacca was transferred to the British in exchange for Bencoolen in Sumatra.<sup>2</sup> Using a line drawn across the Strait of Malacca, British influence was limited to the lands which were later to be Malaysia. Malacca, Penang and Singapore were initially called the Straits Settlement and were administered by a British governor. As a consequence, British imperialism charted the present Malaysian boundaries.

Since Malaya was still economically, socially and politically underdeveloped, the British waited for the right moment to intervene in the rest of Malaya. Researchers such as Gullick (1958) and Ryan (1967) referred to Malay society on the eve of British intervention as distributed primarily along the coastal regions and river valleys. The system of control adopted by the Sultans involved imposing the payment of tributes which indicated loyalty. Their palaces were usually located along strategic areas of the river. The structure of authority in a sultanate was, the Bendahara (Chief Ministers), Ministers (*menteri-menteri*), the Temenggong (Commander of Troops and Police), the Penghulu Bendahari (Treasurer), Menteri (Secretary of State) and Shahbandar (Harbour Master and Collector of Customs). The Bendahara had power to impose payment of tributes on the communities that lived along the river valleys. The rivers served as their main source of livelihood and sampan (a small rowing boat) was often the only means of transportation. Individual subjects paid taxes on the land, levies on trade, and served the sultans in developing village communities. They lived through subsistence agriculture, fishing, hunting and gathering and simple trading. As they were often exploited by the palace lords, they led a simple life so that they could migrate easily when forced to leave.

There were no precise figures concerning the population of the Malay peninsula. However, there are demographic records for some states. For instance, in 1891 Selangor had a population of 26,578 and the province of Wellesley had 52,836 in 1860. The population of Kedah in the 1850s is estimated to be about 100,000 (Ahmat, 1984: 4-8). These figures indicate that the region was sparsely populated. The population in Malaya was mostly Malays until the Chinese arrived in the 19th century. They came as labourers to the Straits Settlements especially the newly founded Penang (1786) and Singapore Islands (1819). When tin was discovered in Perak (1850s) and Selangor (1860s), a large number of Chinese immigrant workers came to the Malay Peninsula. Thus, the number of Chinese in the main land increased too (Ryan, 1967: 171). These immigrants were not attracted to Sabah and Sarawak as the two regions were still underdeveloped. Thereafter, with the discovery of rubber in 1876 and its success after 1896 due to the demand of rubber by the mass production of cars, many Indian labourers were employed in the European plantations. These are some brief accounts of immigrant workers in West Malaysia which led to the multi-ethnic composition of Malaysian society (Ryan, 1967: 112-118).

The British decided to intervene in the rich tin mining<sup>3</sup> state of Perak in 1871 when there was a scramble for the throne among the royal successors. Raja Abdullah, who claimed to be the rightful sultan sought British intervention to help him secure the throne. The British recognised Raja Abdullah as the rightful ruler after the Pangkor Agreement of 20th January, 1874. Their intervention was justified on the pretext of restoring law and order even though it angered the Malay chiefs. J. W. Birch was appointed the first Resident in Malaya on 30 October, 1874 to help the Sultan administer the state.<sup>4</sup>

The system of appointing a Resident to help the Sultan administer his region was extended to other Malay states. The sultans of Selangor (1875), Pahang (1887) and Negeri Sembilan (1889) requested British intervention to restore law and order in their states. Thereafter, the British worked to improve relations with the Malays. Living conditions and communication networks were improved and tax exemptions,



granted on certain basic necessities all resulted in an increase in trade.<sup>5</sup> The proper and more efficient management of the tin mines (which were formerly under the sole control of the corrupt Malay chiefs who had rights to levy taxes) later led to a rise in the income for the populations in Perak, Selangor and Sungai Ujong. As the states developed, the British realised that there were different systems of land administration in each of the four states. As the British were previously not aware of this matter it made been difficult for their administrators to handle land problems and, consequently, they found it advantageous to develop a common land law. Furthermore, new immigration laws covering all of Malaya were needed to facilitate the movement of workers from India and China. The British authorities thought that a single administration for all the four states might solve the administrative and financial problems. The less developed state of Pahang could then receive assistance from the other three states. The problems of the four British Residents were considered and the proposal to form a federation was agreed. This agreement was officially signed in July 1895 after the Resident of Perak, Frank Swettenham persuaded all four Sultans to agree, and the federation came into being in 1896. Frank Swettenham was then appointed Resident-General of the Federated Malay States, and a constitution was drafted to define the powers of the Governor, High Commissioner of the Federated Malay States, Residents and the Malay Sultans. The constitution provided for the formation of a federal council whose members included representatives from the Malay, British and Chinese communities. This council possessed the authority to form legislation, and was regarded as a symbolic beginning of both constitutional government and the modern nation. It also led to an increase in the states' revenue and enabled the federal government to improve the economy and living conditions. For example, public services were introduced such as an agricultural development programme, railways, medical service and British educational system. At this time (1890s), in fact, the development of Malaysian agriculture was stimulated by the introduction of rubber tree seedlings from Brazil. The seedlings became the basis of the plantations that were to meet the growing demand for rubber as the twentieth century progressed.

The formation of the federation was followed by the expansion of British power to the northern Malay states of Trengganu, Kelantan, Kedah and Perlis in 1909.<sup>6</sup> Finally in 1914, the British forced the Sultan of Johore to officially accept a British adviser and the whole of the Malay peninsula fell under British influence. However, Trengganu, Kedah, Perlis, Kelantan and Johore remained as unfederated states.

In Northern Borneo, the British influence was expanded by giving a charter to the North Borneo Company in 1881 to manage the state. Prior to the rule of Chartered Company, North Borneo had been under the Sovereignty of the Brunei Sultanate but this was later ceded to the Sultan of Sulu due to difficulties in maintaining control of the territory. The British had intervened in Northern Borneo after helping the Sultan of Brunei to bring law and order to an area that was plagued by pirates who preyed upon the trade routes of the Western coast of Borneo. The area in the northern part of North Borneo that was then already under the Sultan of Sulu was bought by the British from the Sultan in a treaty signed on 22 January 1878 which granted the area of North Borneo under his control to Baron de Overbeck and Alfred Dent Esquire. (The Sultan of Sulu claimed North Borneo when it gained independence in 1963 through Malaysia: see Appendix A on the 1878 Treaty). The British then granted a charter to the North Borneo Company to manage the state (1881) and Treacher became its Governor from 1882 to 1887. At this time, Sabah had little in the way of natural resources that could be profitably exploited. Workers had to be brought in from Hong Kong, Indonesia and India as North Borneo had a very small population. Chinese labour was brought to Sabah only in the 1920s and 1930s.<sup>7</sup> Before that, it seemed that Sabah was employing mainly Indonesian immigrant workers. According to Ryan (1967), about 33% of the workers in 1921 in Sabah were Javanese. The indigenous population consisted mainly of Bajau, Brunei, Kadazan, Murut, Bisaya, Sungai, Suluk, Eastern Bajau and other groups. The Bajau, Brunei and Suluk, Bisaya and Sungai, Bugis and other groups who originated from Kalimantan were mostly Muslim. It is believed that they were, in general, the original people of Borneo who had accepted Islam since 1440 and among whom the faith had developed ever since (Harrison, 1964). With the exception of the Brunei,



these people speak Malay as their second language but do not regard themselves as Malay. Besides the Chinese and Indonesians, the shortage of labour meant that Indians and people of Filipino origin were also brought in to work on the British plantations. Thus, the shortage of labour caused people of many different origins to be relocated in Sabah which explains its present multi-ethnic profile.

In Sarawak, a British merchant adventurer - Brooke - came to power after helping the Sultan of Brunei put down rebellions and combat piracy in the region. In recognition of his assistance the Sultan of Brunei installed him as governor in 1841. Brooke's government was based on local tradition and custom and he introduced very few Western ideas. Brooke sought British government assistance only when necessary but he was successful in eradicating piracy and head-hunting. Later, he annexed the Trusan Valley in 1884 and Limbang in 1890 from the Brunei Sultanate. The two areas became Sarawak's Fifth Division. In Sarawak, the Brooke government also brought in Chinese labour and other immigrants due to the shortage of workers.<sup>8</sup>

Like Sabah, Sarawak's early population consisted of many indigenous groups including Malay, Kedayan, Indonesians, Bisaya, Melanau, Kelabit, Murut, Kenyan, Kayan, Sea Dayak (Iban), Land Dayak, Punans and a few other jungle hunter gatherers. As in North Borneo and Brunei, the Muslim religion was firmly established in Sarawak since 1440. Both Sarawak and North Borneo have an enormous diversity of cultures. Yet, the populations of Sarawak and Sabah were small and the land sparsely populated. The population was concentrated around river valleys and along the rich coastline. This cultural diversity has remained a feature of the region and presented a challenge at a much later date for development plans produced by the centralised state.

The British government was not actually eager to administer Malaya, North Borneo and Sarawak. They were merely interested in protecting the trade route to China and, hence, their own trading interests. The British also wanted to make sure that other powers did not build strategic positions in Malaya and Borneo. However,



their presence had played an important role in changing the economy of Malaysia which in the early days was solely subsistence farming and fishing.

By 1880, Europeans began to invest their capital in tin mines and introduce Western technology. By 1904, Malaya had become the largest tin producer in the world. Tin-smelting became Malaysia's first industry and the first step towards modernisation. At the same time, the rubber-planting industry was flourishing due to high demand in the USA. During the boom years from 1910 to 1912, the price of rubber rose to about \$5 per pound and, as a consequence, thousands of acres were planted throughout West Malaysia, Sabah and Sarawak. The two industries enabled the development of communications that further stimulated economic development and also enabled the administration to build hospitals and schools. The population of West Malaysia increased rapidly due to immigrant workers.

However, from 1920 to 1932, a few years after World War I, Malaya was badly affected by an economic slump due to over-production of tin and rubber. The situation worsened when economic depression struck the world from 1929 to 1932. So, with the declining state income, the Sultans in the Federated Malay States became aware that they had lost much of their power in exchange for economic prosperity, whereas the Sultans of Unfederated Malay States held a lot of power and prosperity. When the Sultans of the Federated Malay States suggested that their power be returned, it received strong opposition from the Chinese who were afraid of losing their businesses.<sup>9</sup> Unfortunately, the step toward decentralisation from the Federal Council was shelved due to the Japanese invasion in December 1941.

## *2. THE EMERGENCE OF MODERN POLITICS IN MALAYSIA*

After World War II<sup>10</sup> the British had already put up a plan for the development of Malaya which entailed a total reorganization of the British Administration. The British Colonial office proposed that Malaya be united, forming a Malayan Union. Under this proposal, the Federated and Unfederated Malay states would be united, the Malay Sultans would lose all their powers, and the state

governments would be subordinate to the central government. Laws would be passed by a Central Legislative which would be the most powerful legislative organ as it controlled the whole of Malay Peninsula. The approval of this plan by the Malay Sultans was not required as they had been reduced to the role of mere advisers when Malaya turned into a British colony. Citizenship would be given to all those born in Malaya and those who had been in permanent residence in Malaya for ten out of the previous fifteen years. Sir Harold MacMichael was also sent to secure the Malay Sultans' signatures to agree to abdicate their thrones.

However, many of the Malays who were politically aware formed the United Malays Nationalist Organization (UMNO) in 1946 to oppose the proposed Malayan Union (Ryan, 1967: 211-235). Due to the Malay opposition, the Malayan Union proposal was replaced by Malayan Federation which, in 1948, became the basis of the present Malaysian Constitution. The Federal Constitution provided for more members in the Legislative Council and seven members in the Federal Executive Council. Both the Legislative and the Federal Executive Council members were nominated by the British Government which was an important step toward the formation of an elected Federal Council. In December 1951, the Kuala Lumpur Municipal Elections were held for the first time and won by the Alliance parties of the UMNO and Malayan Chinese Association. The Alliance defeated the Independence of Malaya Party led by Dato Onn who had resigned from UMNO. UMNO believed that independence could be achieved through constitutional means.

The Malayan Communist Party was not immediately banned after the war. They had organised the Malayan People Anti-Japanese Army and fought side by side with the British in the Malayan jungle during the war. The communists had actually planned to take control of the government before the British administration was restored. When this plan failed, they launched subversive campaigns by infiltrating the vital institutions of society such as the trade unions and political parties, and eventually controlled them by force. With support from Communist China, they created disturbances by assassinations, demonstrations and strikes. When the situation deteriorated, the colonial government declared a state of emergency. Under



these emergency powers, the police were able to detain and arrest all those suspected of being involved in subversive activities and violence. The Director of Operations, Harold Briggs also began the resettlement schemes by which those living in rural areas not controlled by security forces were resettled in new villages. The plan was successful in weakening the communist movement as villagers could no longer be forced to supply their needs. When Gerald Templer became the High Commissioner of the Federated Malay states, he stepped up operations against the communists. He instigated village guards, village security councils and regulations which aimed to improve villagers' welfare in order to win their support. Templer's regulations combined military suppression and social development to great effect and the communist threat was contained and eventually began to subside.

The growth of the Malayan economy also contributed to the success of the emergency operations. The rise in price of tin and rubber due to the Korean War, provided a welcome source of income to pay for the considerable cost of the anti-communist campaign.

During the struggle against the communists, elections were also held in July 1955. The Alliance parties of UMNO, MCA and MIC won 51 out of 52 seats and Tengku Abdul Rahman became the first Chief Minister. The birth of this communal alliance indicated that there were problems in uniting the various, ethnic, economic and political interests into one party. The Chinese who were beginning to dominate the business sector due to their growing economic prosperity, brought about by the British "divide and rule policy" also wanted to protect their business interests. This policy was also partly initiated by the need to protect the Malay and indigenous interests who wanted to preserve their traditional lifestyle in the villages and as rulers of the Malay land. However, after the 1955 elections, the Alliance demanded self-government within two years and total independence within four years. In 1956, a Malayan delegation consisting of Sultans and Federal Ministers went to London to claim independence by 1957. On August 5 1957 an agreement to form a Malayan Federation was signed in Kuala Lumpur for an independent Malaya after considering the Reid Commission report. However, the Reid Commission was reviewed to



accommodate the views raised by the Malays on preserving the Malays' privileges in the constitution as they were the majority in the Alliance government. At midnight on 30th August 1957, a declaration of independence was made at the Merdeka Stadium, Kuala Lumpur with Tengku Abdul Rahman as Prime Minister. The Sultan of Negeri Sembilan, Tuanku Abdul Rahman ibni Al-Marhun Tuanku Muhammad was appointed as the first Malaya Head of State (Yang di-Pertuan Agong) for five years on a rotational basis with the nine sultans of Malay states. The new constitution preserved Malay rights and privileges. The land policy made it compulsory to have the approval of the Ruler's Conference on any legislative or administrative act, to change these special privileges. The Malaya constitution also provided that Islam be the official religion and the Malay language the national language. Malay rulers were also made the head of Muslim religion in their state, and the paramount ruler (Yang di-Pertuan Agong) was made the head of Muslim religion in Penang and Malacca as neither had a Malay king.<sup>11</sup> The constitution also provided that, "every person has right to practice his religion," and promulgate it but, "state law may control or restrict the propagation of any other religious doctrine or belief among persons professing the Muslim religion."

The constitution also provided that, with the use of Malay as a national language, no person should be prohibited from using or learning any language; "Federal and State Governments shall have the right to preserve and sustain the use and study of the language of any community," and the full implementation of Malay as national language should be achieved gradually over ten years. Within those ten years English could still be practised in all government communications.

The functions of the Malay rulers in the new constitution were those of upholding the constitution, protecting the special position of the Malays and Muslim religion, giving consent for legislation to be passed, appointing ministers, dissolving cabinets and attending the ruler's conferences.

The new constitution also allocated powers to the States and Federal Governments. The Reid report allocated extensive powers to the Federal Government. These included defence, external affairs, internal affairs, civil and criminal law, federal citizenship, naturalization and aliens, state and federal elections, finance, trade, commerce and industry, shipping, communications, federal works and power, surveys, education, medicine and health, labour and social security, welfare of Aborigines, and censorship and publications. State governments were allocated power over land laws and licences, Muslim law, religion and Malay custom, agriculture, local government, local services, state works and water, and state administration. Matters such as social welfare, scholarships, protection of wild animals, town and country planning, vagrancy, drainage and irrigation, and rehabilitation of mining land were the joint responsibility of the Federal and States Governments. The Reid report also allowed some institutional flexibility through delegation of power. The Federal authorities could delegate responsibilities to the States or States' powers to the Federation through agreements made by executive action. The states could decide whether to adopt federal legislation or not.

Federal revenue was derived from both import and export duties and income tax, while a large proportion of states' revenues came from the land. But the Federation agreement also allowed Federal funds to be transferred to the states by allocation and grants. This encouraged the state's dependency on federal grants in the years that followed independence. The Reid report proposed to give the states a more precise share of federal grants over a five year period, rather than an annual grant. Malaya adopted its First Five-Year Development Plan beginning in 1956 and ending in 1960. Other states not in the Federation such as Singapore, North Borneo (Sabah) and Sarawak were also heading for changes after the war. Sabah (North Borneo) had a Six-Year Plan (1959-64), Singapore a Four-Year Plan (1961-1964), and Sarawak a Four-Year Plan even before Malaysia was formed.

Sabah was not affected by the communist insurgency after the war although communist influence did spread to both Sarawak, in the form of the Sarawak United People's Party, and the neighbouring nation states of Indonesia and Brunei. Sabah



and Sarawak were given new constitutions and turned into British colonies rather than being subject to indirect rule. There was almost no resistance or objection to British action, especially in Sabah, as there was little developed local political consciousness at that time. In fact the majority of the people had welcomed their liberation by the British and Australians from the Japanese regime. Under the Colonial system, the British government could provide funds for reconstruction. In Sarawak, Anthony Brooke who already had quarrelled with Raja Vyner Brooke, opposed the plan to make Sarawak into a British colony. The Raja wanted Sarawak to be reconstructed by Britain. His proposal was just passed by the Council Negeri in May 1946 by a vote of 18 to 16, and Sarawak became a Crown Colony on 1st July 1946. While Malaya and Singapore were busy fighting the communists<sup>12</sup>, Sabah and Sarawak were undergoing economic development. Sabah's economy improved particularly by exporting timber to Japan but also through the export of rubber and copra. Thousands of acres of British rubber plantations were developed at this time which stimulated the growth of the agricultural sector. Sarawak also produced rubber and pepper for export.

In the 1959 Malaya general elections, the Alliance won 74 of the 104 seats and continued in government. This represented the beginnings of parliamentary government and the strong representation of the Alliance allowed the idea of a Malaysian Federation that had been under discussion since 1958 to keep its place on the political agenda. However, the move towards the formation of Malaysia was a complex one as it was influenced by the political conditions and events occurring in Sarawak, Sabah and Singapore.

The two states of North Borneo and Sarawak, both located in Borneo, had shown some interest in joining the proposed Malaysian federation. After a number of discussions with the parties involved, the idea regarding the formation of Malaysia was approved in 1961. A commission chaired by Lord Cobbold visited Sabah and Sarawak between February to April 1962 and reported that the people of the two states had agreed to join the Federation of Malaysia. Most Singaporeans also agreed with the opinion of the Commission and outcome of the meetings of the respective



leaders whose states were to join the federation as they were keen to gain Independence from Britain. So, in July 1962, it was agreed that Malaysia be officially formed on 31 August, 1963 (see the map in Appendix B).

The formation of Malaysia was opposed by Indonesia and the Philippines. The Indonesian Government aspired to annex North Borneo and Sarawak when the British left Borneo and alleged that the people of North Borneo and Sarawak had not been consulted. The rebellion in Brunei led by Azahari in December 1962 which opposed the formation of Malaysia was used as further evidence by the Indonesians, to support their own opposition stance towards Malaysia. The Philippines also claimed North Borneo, on behalf of the Sultan of Sulu who had leased the area to the North Borneo Company in 1878.

These political confrontations turned into armed aggression when Indonesian forces crossed the boundaries of Sarawak and Sabah from Kalimantan Borneo. However, this aggression did not prevent the formation of Malaysia. Tengku Abdul Rahman met Sukarno in Tokyo in May 1963 and began the negotiations which resulted in an agreement in July 1963, Malaysia being officially formed on 31 August, 1963.

Although the people of Sabah and Sarawak had agreed to join Malaysia, at the insistence of Indonesia and the Philippines, the United Nations conducted an opinion survey in the two states. The UN reported in August 1963 that the people of the two states favoured the formation of Malaysia, of which they were to be part, and 16 September 1963 was then fixed as the official date for North Borneo and Sarawak to join Malaysia. Malaysia also became a member of the Commonwealth nations.

Both the Philippines and Indonesia responded by breaking diplomatic links with Malaysia. However, the Indonesian confrontation was finally settled by negotiation and a peace agreement was signed in Jakarta on 11th August, 1966. Nevertheless, the Philippine Government has still not officially dropped its claim on Sabah.

There were various obstacles and challenges on the road to the formation of Malaysia. Firstly, Malaya, Sabah, Sarawak and Singapore were ethnically, economically, and politically different. The emerging Malaysian Federation would have about 50 indigenous groups, all of whom made their living differently. In addition, there were other immigrant groups such as the Chinese, Indians, Indonesians, Filipinos and Europeans each with their own group interests. The total population was small and, as a consequence, the land was sparsely populated. The land itself was largely undeveloped and inhabited mainly by peasants and tribal people living by subsistence agriculture. Furthermore, Malaya, Singapore, and Sarawak were faced with communist insurgency and Sabah was occasionally troubled by pirates originating from the Philippines. World War II had also given the people of the federation a bitter lesson in the need for strong armed forces to defend their homelands and that was impossible to achieve as isolated units due to the small population of Sabah, Sarawak and Singapore.<sup>13</sup>

The Prime Minister, Tengku Abdul Rahman was a lawyer by training who had gained valuable experience in drawing up the Malayan constitution and negotiating independence. He proceeded with negotiations to form Malaysia based on the Malayan precedent and thus the Malayan Constitution formed the basis of the present Malaysian Constitution. The Malaysian Constitution protected the special privileges and rights of the Malays although other ethnic groups were granted rights of citizenship. Malay became both the national language and the official language in the public services and in the educational system, replacing the English language. However, English served as a second language (the English language is still widely used in Malaysia today especially in the private sectors). Islam was also adopted as the official religion.

Subsequent to the formation of the Federation, political developments such as the PAS (Islamic Party Of Malaysia) and the control of Kelantan and Trengganu after the 1959 general election, continuing communist threat, Indonesian policies of confrontation and the plural society had influenced the system of socio-economic development in Malaysia. Even though the Bumiputeras were granted privileges and priority in education, scholarships, religion, licences and other opportunities as stipulated in the constitution, Tengku was very cautious about implementing these in order not to antagonise other ethnic groups. Other ethnic groups were given the freedom to practice their own religions as long as they did not infringe the purity of Islam. For instance, although business could help the Malays raise their standard of living, it had to be achieved according to syariah law of "riba" (the Islamic prohibition on earning by interest).

### *3. MALAYSIA'S PLANNING SYSTEM (1950-1995)*

When Malaysia was formed, many of the existing administrative practices were automatically adopted. Tengku remained Prime Minister, Kuala Lumpur became the Federal Capital, and the Government's economic policy retained the format of a development plan. During the transition period from 31 August 1963 to 1965, the Second Five-Year Malaya Plan (1961-1965), Sabah Six-Year Plan (1959-64), Singapore Four-Year Plan, and Sarawak Second Four-Year Plan (1964-68), were still implemented. The First Malaysia Five-Year Plan was inaugurated for 1966-1970. Malaya, Sabah, Sarawak and Singapore required development plans after World War II on the recommendation of the International Bank for Reconstruction And Development (IBRD). These plans served as a pre-condition to the application for assistance from IBRD. Countries with the best plans were usually given better financial assistance. Thus, it is interesting to observe how early historical events had influenced the development of the planning system.



### *3.1 The Malaya Five-Year Plans*

The IBRD study of Malaya in 1954 recommended that its development should be promoted through the private sector. The Alliance which won the 1955 General Election laid the foundation for the future planning system of Malaya and later that of Malaysia itself. Due to the lack of qualified and experienced officials who could set up the machinery for planning and co-ordinating economic development, a British expatriate, Oscar Spencer was recruited to head the Economic Secretariat of the Economic Committee of the Executive Council. These two agencies were responsible for formulating the economic policy and preparing the development plans. With the official establishment of the Economic Committee in April 1956, the planning office was removed from the direct control of the Federal Treasury. The First Malaya Plan was also influenced by top-level bureaucracy which mainly consisted of British expatriates. So the First Malaya Five-Year Plan was based on their experience of the Draft Development Plan (1950-1955). In the Draft Development Plan (DDP), priority was given to correct an imbalance in the economy which was due to over dependence on rubber and the communal division of economic activity. A large number of the Malays who formed a majority in Malaya were engaged in agricultural activities. The strategies adopted to deal with the imbalance were to promote economic growth and to diversify the economy in order to enable a better choice of jobs for the future (Rudner, 1975: 26). The threat from communist guerillas which prompted the declaration of the Emergency may have influenced the British to change their "divide and rule" policy in Malaya. The free enterprise ideology was also useful in countering communist propaganda. Furthermore, the formation of United Nations Organizations after World War II played an important role in encouraging colonial rulers to improve conditions in their colonies. Former top British civil servants in Malaya such as Frank Swettenham who sympathized with the indigenous inhabitants also played an important role in influencing the British policy in Malaya (Turnbull, 1974/75: 239-254). Besides a plan for post-World War II reconstruction, Malaya was also preparing a plan for independence. So it seemed that many of the plan's priorities were formed in a hurry and influenced by events of that time.

### *3.2 The First Malaya Plan (1956-1960)*

The First Malaya Five-Year Plan was prepared in haste for presentation at the London meeting in December 1956 to January 1957 in order to convince Britain of the need for financial assistance for an independent Malaya. The plan which was approved in October 1956 with a fund of \$1,138.5 million.<sup>14</sup> It had four objectives which are listed in order of priority: (1) rubber planting, mining, port construction, agricultural modernization, and the stimulation of industrialization, (2) education, improvement in health services especially in rural areas, and the most urgent water supply schemes, (3) housing, transportation, communications, and electric power and (4) public administration.

The overall objective was that, when all these priorities had been achieved, the rate of public and private investment would rise creating more employment. Thus the main role of the plan was to preserve and advance the interest of the capitalist groups in the hope that their investments would create more jobs. The plan failed to provide guidelines about raising the wages of workers and to prevent exploitation. The poor rural farmers benefitted little from the plan as it took time for the linkage effects from the public investments in industries in the urban areas to reach them. Besides, entrepreneurs were still unwilling to invest in the rural areas due to communist threats, and the government emergency regulations such as curfew hours encouraged the concentration of industrial and commercial development in the towns.

The First Malaya Plan encountered problems with under funding due to falling revenue from the decreased prices of rubber and tin. Furthermore, foreign investors transferred their profits overseas. This situation was exacerbated by emergency regulations which generally confined development to safer urban areas.

The Treasury's stringent measures caused ill-feelings in the groups which they affected; groups such as the rural population and wage earners. These groups demanded improvements in the social services, health services, education and

housing. When the Pan-Malayan Islamic Party took the east coast in the 1959 General Elections, the Alliance Federal Government had to divert some of their funds to rural areas. This political situation indicated that democratization of the development planning via electoral pressures could help identify the needs and problems of the people.

Socio-economic programmes that aimed to promote political and economic stability under the plan usually achieved better target performance. In education, the Inter-Communal Education Committee under Tun Razak undertook the task of designing an educational system that would promote national integration, nation-building and development for the people of various ethnicities who comprised Malaya. The education policy aimed to ensure that every child would have access to primary education by 1960.<sup>15</sup> As a result there was an increase in the number of pupils. Increased funds were required to build classrooms and the target was achieved in 1958, two years ahead of schedule. By 1960, 95% of eligible children attended school. The Treasury approval of extra expenditure had partly contributed to the target's achievement, but the good performance of the plan at the primary level might also have been caused by the high motivation of the teachers who at that time held most of the UMNO committee posts in the village branches. Nevertheless, development in secondary, technical and agricultural education was impeded by financial constraints. Furthermore, divisive communal interests affected the development of new national type government secondary education which could serve all. The lack of secondary schools defeated the whole purpose of education as an agency for promoting social mobility and nation-building. Many school leavers were unable to gain places in secondary schools in order to continue their education. Only a relatively prosperous minority could afford to continue their secondary education in towns.

The lack of funds was also seriously felt in the health services. However, despite its manifest failings, the first Malaya Five-Year Plan provided a useful framework for the next Five-Year Plan.



### *3.3 The Second Malaya Five-Year Plan (1961-1965)*

The Second Malaya Five-Year Plan (1961-1965) was an improved version of the First Malaya Plan. The machinery of the planning system was applied to Sabah and Sarawak when the plans of the two East Malaysian states were absorbed in 1963. Thus, it is important to analyse the problems of the Malayan plans in comparison to those of East Malaysia's plans especially those in the Sabah region. By the time of the Second Five-Year Malaya Plan, the planning machinery had expanded to meet its increasing responsibilities. It was organized into: (1) National Development Planning Committee, (2) Economic Planning Unit, (3) Departmental Staff Units, (4) National Operations Room, (5) State, District and Kampong Rural Development Committees and (6) Co-ordinating and Expediting Development Activities by Ministry of Rural Development.

The Second Malaya Plan was allocated RM5,050 million which was twice the sum allocated for the First FYP. Federal projects and public enterprise were awarded RM2,150 million and private sector investments RM2,900 million. Malaya had to finance the plan through foreign loans, and by liquidating its assets due to the falling prices of rubber and tin. The Second Five-Year Plan had five objectives. Overall, these aimed to improve the rural population's standard of living. At the same time, it attempted to achieve some balance in economic development so that living standards could be maintained and more employment created for the growing labour force. This was achieved through diversification and expansion of the economy in both the agricultural and industrial sectors. Finally, social development was expanded in education, public health, housing, as well urban and rural utilities.

Under the first objective, the rural populations were provided with basic public services and socio-economic development such as rural industries, incentives in agriculture, education and rural clinics to improve their standard of living. The rural electricity served about 9,949 households in 1956 and the number served in 1960 increased to 12,000. By June 1963, the Central Electricity Board alone recorded an increase by 6,606 households. The major projects in the rural

development were rural roads (RM163,773 target), Land Development (RM161,707 target), and Drainage And Irrigation (RM120,615 target). By June 1963, 72% of the expenditure for rural roads, 75% for rubber replanting and 48% for drainage and irrigation was spent.

The failing rural health services were given more funds in the Second Malaya Five-Year Plan with a total sum of RM39,390. By the end of 1963, 27 health centres, 93 sub-centres, 406 mid-wifery clinics were funded, and the majority of RM92 million expenditure for education was spent on various school programmes for rural children. Agencies such as the Federal Land Development Authority (FELDA), and the Rural Industrial Development Authority (RIDA) were created to speed-up the implementation of rural development programmes. By the June of 1963, FELDA had provided 37 thousand families with 179 thousand acres of land in the new settlement schemes.

Due to the falling prices of tin and rubber, there had to be increased exploitation of these two products in order to maintain the national income and standard of living. Thus, although there was an increase in production in these two sectors, they were not so successful in creating more employment.

In an effort to diversify Malaya's major exports so that it would not be so highly dependent on rubber and tin, the government's resources were mobilised to the maximum. This was the government's last resort in its effort to ensure that the Second Malaya Five-Year Plan would be successful. Oil palm plantations increased from 135,000 acres in 1960 to 153,00 in 1962 whilst food crop plantations rose from 118,000 in 1960 to 146,000 acres over the same period. The need for agricultural research to increase productivity was recognised by investments in and improvements to the Agricultural College at Serdang. The government also provided many incentives for the growth of new industries such as tax relief, tariff protection, investment estates and attempts to enlarge the Malaysian market. These incentives resulted in an increase of 20% in the manufacturing and construction sectors between 1962 and 1963. The Pioneer Industries Ordinance that was passed in June 1963

recorded the establishment of 99 new firms with a called-up capital of RM134 million. Malayan Development Finance Limited, World Bank and Bank Negara also played important roles in financing industrial development.

In terms of social development, the government was strongly committed to providing sufficient education for future generations. The steps that were taken in education development began, firstly, with the appointment of the Education Review Committee. This was later followed by reforms in Education with the establishment of the Education Act 1961, a new education policy and the national-type schools. This resulted in the expansion of secondary schools and the introduction of vocational schools. In addition, the University of Malaya was moved from Singapore to Kuala Lumpur and the College of Agriculture, Serdang expanded to meet the need for skilled manpower for national development. There was an overall increase in the number of secondary schools by 90% and the rural schools in general by 137% which was also followed by an increase in the number of classrooms.

At that time, blue collar vocational schools were less attractive as many still preferred the white-collar job track. The educational ethos at that time placed quantity above quality. However, the policy was a positive step in the future development of education. But, in reality, it was not able to meet Malaya's skilled manpower needs other than as a system for propagating national interest. Besides, entrance to the University of Malaya gave better opportunities and advantages to students from well-off families compared to less competitive students from rural areas. The active lobbying of political parties especially Malayan Chinese Association who represented the Chinese interest, had led to the relaxation of Malay language requirement for non-Malays.

The success of the First and Second Malayan Plans - particularly in rural development - was assisted by the Deputy Prime Minister, Tun Abdul Razak's, effort. His other posts as Minister of National and Rural Development and Minister Of Defence had exposed him to various challenges and experiences. He was an excellent manager, thinker and planner and was responsible for the introduction of



the Red Book Plan. In his speech on national development, he warned that the implementation of plans would not be successful without the participation of the people. The Red Book Plan which he adopted in the administration of development ensured that programmes were implemented and unsuccessful ones identified. An English expatriate who was Chief Planning and Development Officer in the Ministry of National and Rural Development, C.G. Ferguson (1965: 150-151) in his writing was impressed by Tun Abdul Razak's excellent leadership in the implementation and administration of developments.<sup>16</sup> Furthermore, better organization, cooperation and the end of Emergency Regulations contributed to the success of the rural development programmes.

However, urban-rural imbalance in development led to rural-urban migration. This migration was also partly influenced by better road communications and public transport which were introduced to the villages. Although the Malayan government built 2,150 flats and 8,463 houses by June 1963, these were insufficient. The migration had led to the squatter housing problems around the cities, especially on the outskirts of Kuala Lumpur. Even today, these remain a significant sight around cities and large towns which is a testimony to both the limitation of a planning system which relied heavily on free enterprise and inability of the agencies concerned to cope with the problems.

#### *3.4 The Pre-independence Sabah Development Plans*

Like Malaya, North Borneo (Sabah) adopted the Reconstruction and Development Plan for the periods 1948-1955 and 1956-1960 after the devastation caused by World War II. Sabah received grants from the British Colonial and Welfare schemes. Funds were also coming from the Colombo Plan, United Nations agencies and private foundations (Ongkili, 1972: 80). Compared to Malaya, there was little political development in Sabah after the Reconstruction and Development Plans. Malaya went ahead to achieve its independence from Britain after that and had its own Malaya Five-Year National Development. However, by the mid 1950s, political parties and leaders began to arise in Sabah. In addition, Sabah was already

building up its own economy by exporting timber, rubber and copra. At the same time, Britain was anticipating giving its colonies in Borneo (i.e. Sabah, Sarawak and Brunei) independence. Thus, it was necessary for Sabah to have its own socio-economic development plan for independence. Although the colonial power had formulated the five year plans beginning in 1956, these were difficult to implement due to a lack of trained personnel (Ongkili, 1972). As Sabah's economy improved, it adopted its own Six-Year Development (1959-1964) plan prior to independence in 1963 (Lim, 1986: [156-170] and Gudgeon, in Sullivan Leong, [1981]). The Sabah Plan was necessary as the funds which Britain could spend on its colonies were limited. However, Sabah needed a longer phase of six years for its development plan due to its lack of implementation capacity.

The Sabah First Six-Year Development Plan (1959-1964) was continued after the achievement of Independence and incorporation into Malaysia on 16th September 1963. The increase in funding and better treatment of its colonies indicated that Britain was under pressure from the United Nations to rebuild and modernise both its present and former colonies. The plan was based on the objectives of promoting economic growth, human resources development, modernization, and the reduction of social inequalities (Lim, 1986: 168).

As in Malaya, the pressing social tasks at that time were in education and the health services particularly the rural areas. Before 1963, in Sabah, there were more missionary and private run schools than government schools, for out of 519 schools in Sabah, only 146 were government schools, 121 mission schools, 116 being Chinese and other systems accounting for 136. Of these, 489 were primary schools, thirty were secondary schools and one was a technical school (George, 1981). The trend continued even a decade after independence. With regard to the education of girls, parents were still accustomed to the norm that girls should remain at home and hence they were given little encouragement to attend school. However, at the time there are increasing numbers of girls going to school compared to in the earlier days. With the thriving timber industry, plans were set for the improvement of the educational system in preparation for Sabah's future needs.



In health services, further improvements were needed to deal with the problem of tropical diseases. However, the birth rate was also rising while at the same time the death rate showed a declining trend. With the ratio of doctors, nurses and hospital beds below standards, many services needed to be expanded into the rural areas. So, there remained plenty of room for improvement in the medical services. Government propaganda campaigns were also required to educate people about tropical diseases and overcome the beliefs and fallacies about traditional cures. Other than government funding, Sabah also received assistance from the World Health Organization and UNICEF. Like Malaya, Sabah also inherited the British system of administration and legal system up to the district level. However, the native laws and administration were preserved to deal with matters such as family inheritances, marriages and other family problems. The social structure remained largely based on ethnicity and regions. The Chinese, who were mainly traders lived in the towns while the locals (Bumiputeras and indigenous peoples) lived in the rural areas. The rural population were mainly farmers while those living in the coastal areas earned their living by fishing. There was also a rural labour forces on the British plantations.

On the whole, the pre-independence Sabah Development Plans were just drafts; they were merely individual departmental estimations of expenditure and not actual expenditure. According to Lim (1986: 168):

"they were not comprehensive development plans with explicit economic targets and a concern for internal consistency."

Therefore, it did not matter much whether the Sabah Plan was Six-Year Plan or Five-Year Plan. In fact, Ongkili (1972) argues that Sabah adopted the same Five-Year Planning system as in Malaya after its Reconstruction and Development Plan (1948-1955). Whereas Lim (1986) argues that Sabah adopted the Six-Year Plan for the period only in 1959-1964. Thus, it is not clear whether the 1948-1955 Reconstruction and development Plan was extended further in Sabah due to implementation problems or it subsequently adopted two five-year Plans as viewed by Ongkili. However, the author is certain that Sabah had a Six-Year Development



Plan (1965-1970). However, Ongkili (1972: 79) did indicate implementation problems of the pre-independence plans due to the lack of trained man power and labour.

Nevertheless, these pre-independence Plans were successful in promoting economic growth in Sabah through export of the main primary products such as rubber, copra and timber. Because of the British Colonial policy that its colonies should be able to produce raw materials for Britain, industrialization was neglected. However, the exports of these primary products indicated that Sabah's revenue increased from RM7.2 million in 1947 to RM98.0 million in 1963. The increase was contributed to largely by the rise in the export of timber compared to rubber (see Pang in Kitingan and Ongkili [1989: 82-88]). Economic growth had enabled the development of better economic and social infrastructure such as sea and land transportation, as well as telephone and postal services.

On achieving independence through Malaysia in 1963, Sabah continued with its own Six-Year Development Plan (1959-1964) but received more funds from the Federal Government in Kuala Lumpur in comparison to the Colonial Administration. These funds were mainly for economic and social infrastructure development. The Peninsular Malaysia system of rural development was also introduced in Sabah. The Second Sabah Six-Year Development Plan (1965-1970) was later incorporated into the First Malaysia Plan (1966-1970).

### *3.5 The First Malaysia Plan (1966-1970)*

The central bureaucracy of the Five-Year Malaysia plan was located in the National Operation Room in Kuala Lumpur. It served as a nerve centre for planning operations against poverty, ill-health and illiteracy. Economically Malaysia had problems in financing the plan because the prices of its major exports, rubber and tin, were subjected to international market fluctuations and politically Malaysia faced confrontation with her Indonesian neighbour. Further, it was apparent that the most delicate matter in the future of such a plural society was to maintain national unity

and integration. Finally, the people's standard of living had to be improved. The plan had five objectives which were similar to the Second Malaya Plan except that it now needed:

"To promote the integration of the people and states of Malaysia by embarking upon a development plan explicitly designed to promote the welfare of all."

(GOM, First Malaysia Plan 1966-1970: 7)

In addition to the Five-Year Plan, Malaysia also adopted a 20 year perspective plan with long-term targets and objectives outlined as follows: (a) a per capita income of RM1,500 in 1985, (b) 2.4 million new jobs, (c) a more equal income distribution, (d) better education, health services and housing, (e) better infrastructure for economic growth and (f) a healthier population. All these were possible if Malaysia had a diversified economy, high investment and rising rate of saving.

The First Malaysia Plan absorbed both the Sarawak Second Five Year Plan (1964-1968) and Sabah Second Six-Year Plan (1965-1970). Some programmes were, of course, revised where required to suit the newly formed Federation of Malaysia. With an enlarged boundary and a high rate of population growth, Malaysia needed more money for socio-economic development. Malaysia which consisted of Malaya (50, 840 square miles), Sabah (28,490 square miles), and Sarawak (48,340 square miles) has a total area of 127,670 square miles. The population of Malaysia at the start of the First Malaysia Plan was 8.052 million in Malaya, 520,000 in Sabah and 835,000 in Sarawak which totalled 9.411 million people. Communication and infrastructure especially in Sabah and Sarawak were not well developed. The economy of Sabah and Sarawak was still dependent on primary products such as timber, agriculture and fishery.

As Malaysia had a deficit in its international balance of payments, one step taken to combat this was to reduce the amount of imported foodstuffs. This loss was compensated by increasing the agricultural production of the sparsely populated



hinterland. Nevertheless, despite the balance of payment deficit, Malaysia found no problem in obtaining foreign loans as the prospects of the First Malaysia Plan were good. There were impressive growth rates in the manufacturing sector in areas such as tobacco products, the chemical industry, machinery, metal, non-metallic minerals and basic metals, food products, beverages, wood and rubber products, transportation equipment, building construction, iron ore and tin. As a consequence, the gross domestic product of Malaysia grew to RM8,078 million in 1965 at a rate of 6.4%. At the same time the consumption of the private and public sectors rose due to high living standards and capital formation (2.8 % a year). Motor vehicles, radios and electricity were in high demand. The projections of GNP and the prices of domestic goods were good except that Malaysia had to cope with both a rising population and the price fluctuation of its major export products. These two problems needed to be tackled so that the people's living standards could be improved.

Since the public and private expenditure of RM4,550 million was financed by deficit financing, the government had to make sure that the money was spent effectively. A development administrative unit under the Prime Minister's Department was established and a central purchasing system was adopted to make sure that the fund was not wasted. Government projects were done just to meet its minimum standard requirement and so quality was compromised. Thus, it failed to take into consideration the long-term effects of the projects. Most of the socio-economic development funds of RM3810 million went to agriculture and rural development.

The government needed to encourage the people's support and participation in the implementation of its planned programmes. But its free enterprise ideology had made the rich richer while the rural people lived in poverty thus widening the inequality gap even further. The government's reliance on the private sectors to improve the economy did not work. The government failed to take into consideration the fact that theoretically the duties of running the state and free enterprise could not converge. The private sector failed to deliver the goods that the government expected. Foreign companies remitted their income home rather than paying taxes



and contributing to Malaysia. Thus, even during the early days of independence, Malaysia already had a "free riders" problem.

In Sabah, socio-economic development during the First Malaysia Plan was still far behind Peninsular Malaysia. For instance, in education, mission schools remained the best choice for well-off families. These schools provided education up to secondary school which enabled students to obtain their Cambridge School Certificate. To further their study for Cambridge High School Certificate, students had to transfer to the capital city in Kota Kinabalu. Most Chinese sent their children to Chinese primary schools and transferred to English schools for secondary education. A few Islamic schools were planned and were beginning to take shape but most Muslim children learned to read the Koran from the village guru's home. Due to the lack of quality government schools, Sabah Foundation sponsored some promising secondary school students to study in Peninsular Malaysia. Scholarships to study overseas were offered only to the lucky few. Only well-off families, especially the Chinese, were able to send their children for university education overseas and consequently they tended to have a superior education to the Bumiputeras and others in Sabah. The same social trend was appearing in Malaya and associated with racial prejudice which treated Bumiputeras as lazy and backward.

In the 1969 General Elections, the Alliance lost its two-thirds majority in Malaya and therefore could not push forward its planned programmes in parliament. Friction between the Chinese and the Malays during the election campaigns resulted in the May 13th racial riot in Kuala Lumpur. The parliament was suspended and elections in Sabah and Sarawak were delayed although the riots did not spread to the two states. Most of the rural population in Sabah and Sarawak did not even know about the rioting in Kuala Lumpur probably due to government control of the electronic media. Besides, anyone raising sensitive issues that might destroy the communal unity and undermine social order could face action under the Internal Security Act. Newspapers charged under the Sedition Act could also face risk of being closed down.

When the elections were resumed in Sabah and Sarawak in June and July 1970, the Alliance in Sabah won 16 parliamentary seats. In Sarawak, the Alliance parties consisting of Party Bumiputera, Sarawak Chinese Association and Pesaka won only 9 of the 24 seats. Later, the Sarawak United People Party (SUPP) members joined the coalition which enabled the Alliance to form a government with a two-thirds majority.

During parliament's suspension, some solutions were worked out to restore peace and harmony. Tun Abdul Razak had also assumed the post of Prime Minister after ousting Tengku.<sup>17</sup> The Department of National Unity was established and goodwill committees were organised to conduct community activities. The National ideology, Rukunegara<sup>18</sup> was adopted in mid 1970, its stated aim being to unite the nation, to build a democratic, liberal, progressive and just society. At this time, a new policy was drawn up for Malaysia known as the New Economic Policy (NEP). When the parliament resumed after the Alliance Government gained the needed two-thirds majority from the overdue Sabah and Sarawak parliamentary elections, the NEP was ready. It became a vehicle to safeguard and promote the interest of both the Malays and the indigenous groups (Bumiputeras) in Malaya, Sabah and Sarawak. The NEP was given twenty years (1971-1990) to achieve its two pronged objectives of eradicating poverty and restructuring Malaysian society. As the NEP was the beginning of active state intervention to protect and advance the privileges of the Malays and the indigenous groups, it attracted much of criticism from the other non-



Bumiputera communities. The target of the NEP was to achieve 30% Bumiputera participation in the private sector by the year 1990.

### *3.6 The Five-Year Plans And The NEP (1971-1990)*

The NEP was put into practice during the Second Malaysia Five-Year Plan beginning in 1971. Like the previous plans the Second Malaysia Five-Year Plan aimed to overcome problems that had been identified in the previous plans. However, due to the racial riots, the Second Malaysia Five-Year Plan adopted the slogan of "A Just Society" which is one of the five principles of Rukunegara (the national ideology). Its objectives incorporated the NEP objectives which were summarized as follows: (1) the two-pronged objectives of NEP to eradicate poverty and restructure society, (2) the modernization of rural lives, (3) the rapid and balanced growth of urban activities, (4) the creation of a Malay commercial and industrial community, (5) partners in all aspects of the economic life and (6) better opportunities and additional resources.

In dealing with the problem of poverty during the Second Malaysia Five-Year Plan, the government hoped to ensure that development and economic growth would benefit all, and that the poor would have a fair share of the economic growth. The redistribution of income was not as practised in Western countries but in the form of better public services for basic needs, subsidies and education for all eligible children up to university level. The Bumiputeras were to be given priority in admission to local universities and in the award of scholarships. Quotas were also set for admission of the Bumiputeras in those fields of study where they lagged behind. With better education, the government argued Bumiputeras would become more competitive and also provided the government with the skilled manpower necessary for the implementation of planned development programmes. Due to pressing needs in education, the Second Malaysia Plan projection showed that education expenditure would grow to RM350.8 million in 1980 compared to RM25.8 million in 1969. Restructuring did not entail taking from one community and giving to another. It aimed at building a just society in which no one group monopolised the economy.



This was to be done by active government intervention in the economy. So, Malay privileges were no longer restricted only to land, ownership laws, government employment, and distribution of government services. The restructuring of society would, it was hoped, result in a complete overhaul of Malay society, in which the Bumiputeras would participate actively in economic development and urbanization.

The Second Malaysia Plan had a better rationale of planning with the adoption of growth zones concept. For instance, in regional planning and land development, in Pahang Tenggara the poor regions were being integrated into the growth zones. This concept was overlooked during the FMP. For instance the Jengka Triangle development was not so successful because it was isolated from the economic growth zones. Opening more lands that had little economic growth potential would not help the settlers improve their standard of living hence causing many to quit. The concept of growth zones came after the mid-term review of the plan in 1973 and was adopted in the Johore Tenggara and Pahang Tenggara land development. But the Federal Government land development plans were constrained by the fact that State Governments had jurisdiction over most of the suitable land. State governments usually preserve lands that have good revenue earning potential for their own projects.

The NEP was integrated into both government programmes and private enterprises. In the public sector the quota for the Malays in the Administration and diplomatic services and education was actually exceeded. The rapid development had resulted in the need for more specialised training for the Bumiputeras and more universities. Nevertheless, economic growth alone would not solve rural poverty. The rural Malays were well embedded in their culture and development which came from above, had little effect on them. Perhaps democratization of the development process would have helped them to participate more actively. However, Sabahans had never experienced direct rule from the Sultans who were more receptive to changes. Traditions and cultures became the main obstacle to development. However, the Second Malaysia Plan was successful in promoting economic growth. The fall in oil prices also highlighted the fact that Malaysia could not rely on the

export of raw materials to achieve economic growth. The diversification of the economy and industrialisation of the First Malaysia plan needed to be intensified. Malaysia's GDP, however, did grow to 7.4% exceeding the target of SMP which was 6.8%. In poverty eradication and restructuring programmes, one of the negative effects was a "subsidy mentality" in the Bumiputeras rather than self-reliance. The last two years of the Second Malaysia Plan saw the height of student unrest in universities about the issues of social inequality and poverty.

The Third Malaysia Five-Year Plan (1976-1980) showed good prospects for Malaysia. Her investments in economic diversification were beginning to bear some fruit. This was coupled with a strong world economy which led to the rise in demand for her exports. Malaysia had new manufactured products especially from food processing, electrical goods, rubber products, plywood and chemical products. There were 50 industrial estate schemes and 9 free trade zones in Peninsular Malaysia by the time of the TMP. These facilities had attracted even the transnational corporations from the USA and Japan due to rising costs in their own countries. They were especially attracted by the cheap but educated Malaysian labour. Women were being employed in large numbers in factories throughout peninsular Malaysia and by 1980 their numbers reached 80,000.

However, due to inflation which was running at 7%, the government had to be able to balance its expenditure with its earnings. Public campaigns on inflation were launched. One of the campaign slogans was "grow your own food." Out of the expenditure of \$18.6 billion in the public sector, 25.5% was spent on agriculture, 9.5% in mining, manufacturing and commerce, 16.6% on social development, 36.5% on infrastructure development, administration and environment, and 11.9% for defence security. Programmes on the eradication of poverty took 38.2% of the total development expenditure. The states targeted for the programmes were in Kedah, Perlis, Kelantan, Trengganu, Malacca, Sabah, and Sarawak.



The private sector had become partners with the public sector as required by the NEP. The investment in the private sector was 26.8 billion out of 44.2 billion investment targets. The TMP was financed through local and foreign loans which was risky if the finance and monetary systems were mismanaged. The other challenges to TMP were the need for increased staff and experts in the new fields brought about by industrialisation. For instance, experts in environment protection were needed with the enforcement of the Environment Quality Act.

Based on the overriding objectives of the NEP, the TMP's objectives were: (1) reducing the incidence of rural poverty, (2) reducing the incidence of urban poverty, (3) enhancing the quality of life, (4) equal shares irrespective of ethnicity in all walks of life, (5) 30% Malay ownership in economic assets, 40% non-Bumiputeras, and 30% for foreigners, (6) fostering entrepreneurship amongst Bumiputeras, (7) encouraging and supporting private and foreign investments, (8) promoting the further mobilisation of human and other economic resources for development and (9) developing and expanding the social and physical infrastructure of the economy to effectively sustain the above objectives.

The Third Malaysia Five-Year Plan hoped to increase productivity so that Malaysia would have a strong economic base for the future generation. While, at the same time, it had a large amount of untapped resources in Sabah, Sarawak, Johor and Pahang. The most promising of these was the exploration of petroleum and gas on the East coast of Malay Peninsula and the West coast of Sabah and Sarawak. The development of infrastructure and growth centres in Sarawak did not need much expenditure as it was only a matter of making improvements. Finally, effective promotion strategies were needed for Malaysian-made goods.

Meanwhile in Sabah, the NEP had also led the Federal Government to do something for Sabah under the Chief Ministership of Tun Mustapha. Tun Mustapha was alleged to have abused his power and was seldom in Sabah.<sup>19</sup> As a result of this, Harris, the State Finance Minister resigned to form the BERJAYA Party. The party was later headed by Tun Fuad who had resigned as Head of State in order to



do this. Following the State Elections in April 1976, USNO won 20 seats and BERJAYA 28 ousting Tun Mustapha (USNO) out of power. Under the new BERJAYA state government, the NEP was beginning to make its presence felt in Sabah. For instance, Kojasa Enterprise, a state owned shop, was started in order to offer bargain prices on goods and better services and undercut the Chinese shopkeepers. It had several branches in Sabah. Many public and statutory bodies were set up to help the Bumiputeras start their own businesses.

Nevertheless, by 1980, Bumiputeras were still unable to take charge of the economy despite government subsidies. The Bumiputeras who were awarded government contracts, sub-contracted them to the Chinese who had both large sums of capital behind them and more business experience. This, in fact, helped to promote co-operation between the Chinese and the Bumiputeras, but it defeated the purpose of creating successful Bumiputera entrepreneurs. They were just sleeping partners of the Chinese and waiting to get their shares when payment claims were ready. This used to be termed "Ali Babaism."

In Sabah, many of the government's statutory bodies which were set up to help the Bumiputeras were running at a loss due to inefficiency and mismanagement. For example, in 1980, Sabah Land Development Board losses were estimated to be more than \$30 million. Due to these heavy losses, the Chief Minister, Datuk Harris decided that a private agency, the Sime Darby Group be appointed to take over the management of Sabah Land Development Board (SLDB) on 21st July 1981. On 11th August 1981, Harris amended the Inquiry Commission Ordinance Chapter 16 which outlined the conduct of officials of statutory bodies. The amendment allowed a surcharge to be made on the officials who abused public funds.<sup>20</sup> Harris' speech on the amendment mentioned:

"Large sums of public funds which have been allocated to statutory authorities and other Government sponsored agencies have been mismanaged. Millions of ringgit have been wasted and many projects have not succeeded to the extent we have hoped."

(Campbell, 1986: 326)

When Mahathir assumed the Malaysian Premiership on the retirement of Hussein on 16th July 1981, he immediately introduced many reforms and measures<sup>21</sup> and pushed hard to put the NEP into practice after a mid-term review of the TMP showed that the target of 30% Bumiputeras participation would not be achieved by 1990. Mahathir had been one of the strong supporters of Tun Razak in formulating the NEP, and the mid-term review provided a good opportunity for him to push forward with new ideas from his previous experience as Minister of Trade and Industry in order to transform Malaysia into a newly industrialized country. However, at this time, Malaysia also faced recession and the falling prices of its major exports. So the Fourth Malaysia Plan (1981-1985) had to be financed by 46% foreign borrowing (RM4.6 billion in 1982) with 54% coming from domestic sources (Hua 1983: 162). Other than that, Malaysia borrowed from the World Bank only for specific projects and purchases.

Between 1982 and 1985 Mahathir put forward policies such as Clean Efficient and Trustworthy Administration Through Leadership By Example, Look East Policy, Malaysia Incorporated, Privatization, National Industrial Policy, National Agricultural Policy, and Assimilation of Islamic Values in Administration. These policies outline future changes under Mahathir's administration which will be discussed further in this thesis. And due to recession and poor performance of NEP, he launched a campaign against what he saw as the Bumiputeras' subsidy mentality.

In line with the Look East Policy, Malaysia sought assistance from Japan and Korea to achieve its objective of becoming a newly industrialised country. Most industrial projects during the Third Malaysia Plan and the first two years of the Fourth Malaysia Plan were given to Japanese and Korean firms. The state-led industrialisation stretched the financial resources of the country to the limit. Despite the proposals to promote and institutionalise honest and efficient administration contained in the plan, the industrialization programs were marred by many blunders, unaccounted losses, corruption, frauds, scandals, conflicts of interest, debt, money politics and mismanagement.<sup>22</sup> Much of the industrial development promoted by the Heavy Industries Corporation of Malaysia such as Perwaja, cement and Proton car



projects were running at a loss. In particular the RM1 billion Proton car project was criticised as economically unfeasible.

The expenditure on industrialization programmes not only increased government debt, but also affected other programmes in the Fourth Malaysia Plan due to budget cuts. It was estimated that public expenditure was cut from RM1,027 million in 1983 to RM984 million. The education, defence and home affairs budget was slashed by 16% to RM548 million. Most of the expenditure was used to pay for the new industrialization projects undertaken mainly by Korean and Japanese companies.

Because of the debt burden, there was increasing state intervention, restrictions and reforms. The first of such interventions, which stimulated protest from a number of interest groups, was the amendment of the Societies Act 1981. This allowed the government to shape and restrict political association and participation. Independent trade unions were replaced by in-house unions in accordance with the Japanese model. Notably, however, the Japanese workers received higher levels of remuneration than Malaysians. By such moves, the government restricted workers from demanding for better wages. In addition, Mahathir's policies marked an important stage in that they indirectly encouraged a much closer relation between business and politics - a cause of much criticism by the opposition parties and interest groups. In fact, the Malaysia Incorporated Policy promotes such relationship between the public and the private sectors which, of course, needs well disciplined managers when it comes to managing corporate finance.

The Fifth Malaysia Plan (1986-1990) was the last opportunity for Mahathir's government to achieve the NEP's objective of eradicating poverty and restructuring society. The recession that affected Malaysia between 1982 to 1986 had taught planners the importance of human resources development in achieving economic growth. A well trained labour force - especially from the Bumiputeras - was found to be an important factor both in increasing productivity and redistributing income.



For instance, industries - especially MNCs - are employing cheap female labour in large numbers to work in factories. The recession had also prevented the NEP's objectives being fully achieved. During this period there was labour unrest, political corruption, favouritism in the award of privatised projects, and mismanagement. This was marked by allegations of interest groups about mismanagement, discrimination, labour unrest and award of privatised government projects to UMNO politicians. These problems also highlighted the fact that economic factors played a significant role in national unity. These public criticisms of Mahathir's policies also indicated their growing awareness of human rights and freedom, equality and democracy.

Due to mismanagement, the economic development and growth that has been achieved has benefited only a few opportunists and has left the poor the poorer. Malaysia needed to have people, especially Bumiputeras, who could manage and regenerate wealth. Furthermore, the greater reliance on revenue and domestic saving, and reduction in borrowing to finance the Fifth Malaysia Plan meant that managerial, administrative and scientific expertise was needed to raise economic productivity. Expert knowledge was seen as central to improve economic growth, in the marketing of new products, to the effective and efficient utilisation of resources, and increase the rate of investment. Such measures, it was argued, would not only overcome the effects of recession, but create more employment, stimulate business and industrial activity, and encourage an increase in corporate ownership by Bumiputeras. These measures also aimed to reduce unemployment and its associated problems that had resulted from the world wide recession.

The overall strategies in achieving economic growth in Malaysia as reflected in Mahathir's policies were: privatisation, the efficient management of the economy, the mobilization of the agricultural sector, the stimulation of industrial development, a greater emphasis on research and development, the further development of human resources, the improvement of spatial planning, the development of urban centres and an increased female participation in the development process.

In addition to the national unity programmes implemented since the 1969 riots, the Fifth Malaysia Plan re-emphasised the need for positive values in national development. They were: values crucial to national unity, a strengthened work ethic, entrepreneurial spirit, religious values and a clean environment. These values were emphasised due to problems of corruption and mismanagement which had been associated with previous plans and damaged Malaysia's international image. Besides, with the implementation of the privatisation policy, projects involving large amounts of capital needed people who were competent and reliable to manage and administer them. The Bumiputera Malaysia Finance Ltd., (a government owned finance agency) scandal in 1983 involving a business transaction of about US\$580 million had taught Mahathir's government a bitter lesson.

Fortunately, economic recovery came to Malaysia in 1987 with an economic growth of 5.2%. This was due to an improvement in the world economy and the rise of Malaysia's exports such as electronics, the Proton car, sawn logs, sawn timber, palm oil and petroleum. Jomo *et al* (1989) argue that the recovery was linked to a growth in world trade cycle but would not have been so strong had it not been for the diversification of Malaysia's exports and its programme of rapid industrialization.

In the late 1980s, Malaysia had political problems such as deregistration of the UMNO party due to internal quarrels. There were public demonstrations against favouritism in the award of the privatised projects<sup>23</sup>, low wages, rural poverty and industrialization. The incidents led to many arrests under the Internal Security Act, a last resort in handling political opposition and trouble-makers.

Meanwhile, in Sabah, Parti Bersatu Sabah (United Sabah Party) had gained power in mid 1985 after defeating the National Front Party of BERJAYA which was led by Harris. Under Harris, many new development projects and public enterprises were implemented hastily. Sabah did achieved strong economic growth but observers regarded it as fragile economic growth. In addition, his government suffered from inefficiency, mismanagement and corruption. A number of issues had been important for the PBS's success including increasing Sabah's share of the oil and gas income



in Labuan. One of the winning issues of PBS was regarding Harris's decision turning Labuan Island, a part of Sabah, into Federal Territory. The Territory (Kuala Lumpur and Labuan) was constitutionally created for some administrative reasons. Besides, the persistent problems of rural poverty were becoming a political issue in Sabah.

Nevertheless, the former Chief Minister, Datuk Harris Salleh had developed Sabah greatly and brought some social change during his nine years' rule. He followed the same pattern of development as that adopted in West Malaysia in accordance with the implementation of NEP in 1970. Harris was remembered as a Chief Minister in a hurry. It was also probably due to his attempt to achieve the NEP objectives (which were not doing so well as reported in the mid-term review of the Third Malaysia Plan). During his rule, Sabah received an amount of federal assistance and the beginning of some modern industries such as shipping, oil and gas in Labuan; car assembly and paper mill in Sabah.

The Fifth Malaysia Plan (1986-2000) incorporated the recommendations of the Report of the Cabinet Committee to review the implementation of the Education Policy (1979) implemented during the Fourth Malaysia Plan and which had revealed important changes in Malaysia's education system. For instance, pre-school regulations had been enacted which had given the government power to supervise, control, coordinate, train teachers, develop the curriculum and upgrade the quality of pre-school education. The 1984 a nationwide study had shown that there were 279,000 children between the ages of four to six attending pre-school education. These centres, nurseries, etc. were run by the Ministry of Rural Development and private agencies such as the church, religious bodies, social organizations and individuals. The new curriculum for primary schools, which was introduced to in 1983, needed teachers to teach a new subject on manipulative skills (a "kemahiran hidup" subject to acquaint students with basic practical skills other than the usual subjects), but the class-teacher ratio in the new curriculum for primary schools had also worsened slightly.



In secondary education, measures had been taken under the 4th Plan to increase the number of rural children in the science streams by providing residential science secondary schools and the MARA Junior Science College. However, the enrolment in vocational schools had increased relatively little from 12,500 in 1980 to 13,700 in 1985. This indicated that social attitudes towards vocational education had changed if compared to the 1960s in Malaya when there too had been little response to increase the numbers taking vocational courses.

The 1985 data showed that the ratio of students to teachers was 2.2 million to 92,200 (24:1) in primary schools, in secondary schools, there were 918,400 students to 40,300 college trained teachers and 16,600 graduate teachers (16:1). There were shortages of teachers in subjects such as science, physics, chemistry, mathematics, English and Bahasa Malaysia, but an excess in social science subjects.

In line with the NEP's objectives, the participation of Bumiputeras in tertiary education had increased. The number of Bumiputeras taking diploma and degree courses in local institutions had risen and now outnumbered the Chinese. The percentage of Bumiputeras out of 25,046 attending diploma courses was 94.5% compared to 4.9% Chinese in 1985. The percentage of Bumiputeras of 37,838 students attending degree courses was 63.0% compared to 29.7% Chinese. At Independence in 1963, Malaysia's only university was University of Malaya. By Fifth Plan, Malaysia possessed the University of Science, National University, University of Agriculture, University of Technology, International Islamic University, and Northern University of Malaysia. Bumiputeras were provided with preparatory courses after completing secondary education prior to entering diploma and degree courses in engineering and sciences.

Besides education, other social developments were made in community areas such as youth, sports, social welfare, and information and broadcasting. The overall objective was to inculcate what the government regarded as positive values oriented towards community development, self reliance, and nationhood. But most of the achievements in social development were concentrated in Kuala Lumpur and its

surrounding regions. In the states such as Sabah, this type of development was minimal and projects associated with sports, culture and youth did not achieve the standards of professionalism typical in the West. Professional sports were only in football, horse racing and golf. But there is now growing awareness concerning social development. There was increased expenditure: culture \$12.50 million, community development (KEMAS) \$48.47 million, Aborigines Department \$60.65, Youth \$26.00 million, sports 85.48 million, social welfare services \$34.00 million. One of the problems was due to the lack of professional staff and research in these fields. A significant form of assistance in social development was provided by Japan in the form of professional guidance through the Japanese Overseas Volunteer Corps.

The expenditure on information and broadcasting was slashed to \$51.99 million (1986-1990) compared with 91.12 million during the previous plan. This was probably due to the commissioning of private television in 1985 which was owned by some members of the UMNO elites. Furthermore, the increase in the use of cheaper, locally made television programmes from 60% in 1980 to 100% of broadcasts in 1985 had also reduced costs. The measures were also taken partly due to the need to reduce the influence of Western movies on the audiences, as well as in response to critics from traditional Muslims. Furthermore, this is in line with the Policy on Assimilation of Islamic Values in Administration.

The success of NEP programmes in fostering Bumiputeras participation in the private sector and encouraging them to attend higher education was reflected by the increasing size of the Bumiputeras' middle-class. The income redistribution accomplished by economic growth had created a new Malaysian middle class from the Malay communities. So, rather than bringing about social equality, it divided the society further in terms of ethnicity and income. Malays are now divided into rural Malays, urban Malays, new land settlement Malays, the urban poor Malays, and urban middle class Malays.



In Sabah, the growth of timber industries since Tun Mustapha's rule, had also brought about many wealthy Chinese timber tycoons. The timber industries did not create jobs for the rural population as cheap labour was recruited from Indonesia and the Philippines. While politicians and their Chinese partners gained huge acres of timber land, the rural farmers were confined to their small pieces of paddy land. Their land title was protected according to native laws but had less value in the land market compared to the ordinary title. Thus, a small Sabahan wealthy class had been created. Furthermore, Bumiputeras graduates who had been sponsored to study overseas and local universities by Sabah Government were beginning to become established in their jobs which also created a new middle class in Sabah.

During BERJAYA rule under Datuk Harris (1976-1985) which had strong federal leaning, many of the NEP programs were extended to Sabah. A diversification of the economy was started which helped to boost the economy of Sabah and created new jobs. By the time a new state government, headed by Datuk Pairin<sup>24</sup>, under Sabah United Party (PBS) was formed in mid 1985, the incidence of poverty in Sabah, according to Households Income Survey in 1984 was reduced to 33.1%.

Under PBS, the Sabah Action Blue Print (SAB) was launched in 1987 which aimed to give Sabah a conceptual framework to guide the implementation of economic development. The Sabah Five-Year Plan which ran from 1986 to 1990 was a revival of the earlier Sabah Plan. Further diversification of the economy will be its overall objective. Although it sounds similar to the Malaysia Plans and the NEP, SAB provides a better strategy to deal with local economic problems that had been overlooked by the Federal government. This is due to the fact that Sabahans (as well as Sarawakians) had a different culture and their own way of earning a living compared to Peninsular Malaysia. Furthermore, the West Malaysians who occupied most of the top positions in the central planning agency were not familiar with the situation in Sabah. But SAB had a major weakness in that it failed to integrate social development and economic growth. Further, the ministerial committees involved were headed by politicians who had little experience in business. According to Pang

*et al* (1990), most ministries involved are not so committed in implementing SAB. This was probably due to the lack of experienced leadership in developing the economy and a dependent population. The increase of poverty during PBS government is a testimony to the poor performance of SAB. SAB had no clear target which made it difficult to assess and it became merely a budget spending plan. For instance, during BERJAYA administration, the incidence of poverty was 33.1% in 1984 compared to 58.3% in 1976. By 1987, the incidence of poverty had risen to 35.3%. The incidence of poverty in Sabah by 1987 was worse than Sarawak which showed a continuous decline. This indicated that a change of government had a negative effect on the poverty eradication programmes in Sabah.

The Sixth Malaysia Plan (1991-1995), was put forward when Malaysia had already recovered from the economic recession. Prior to the plan, and the end of NEP in 1990, the National Economic Consultative Committee was formed to discuss the future economy of Malaysia. Henceforth, it was argued that planning should take into consideration inflation, cost of development, growth and redistribution of income and wealth, national unity and social progress. The future redistribution policy would take into consideration the various ethnic groups, regions and the interests of the 14 states.

### *3.7 The Transformation Of Malaysia And Liberalism In The 1990s: The Way Forward*

Today, Malaysia does not have to rely primarily on agricultural and petroleum for its exports. The Proton car is beginning to sell well around the world. By 1990 Malaysia had exported more than 10,000 Protons. The year before, the Proton car had made a profit of RM32.5 million and revenue of RM820 (US\$ 303) million. 1990 was the best year for Malaysian economy when its economic growth reached 11.3% in the first three months due to expansion in foreign investment after the depression of the mid-80s. A blessing in disguise came when Malaysia was about to embark on its Sixth-Year Plan (1991-1995). Her foreign deficit was temporarily solved by the rise in price of oil due to the Gulf War. The National Front had also



just won the October General Elections although it lost the state of Sabah to the Sabah United Party (PBS) and the state of Kelantan to Pan-Islamic Party Malaysia (PAS). Parliamentary elections also showed that DAP gained more in Penang, Kuala Lumpur. PAS and Semangat 46 (a new party formed by former UMNO Vice President, Tengku Razaleizh) won all the parliamentary seats in Kelantan but two MPs defected to the National Front after the elections. These opposition parties formed the new front during the elections, "Gagasan Rakyat" to fight the National Front. After the failed attempt to wrestle power from the National Front during the General Elections, the Gagasan Rakyat seemed to lose its public appeal and disbanded.

With a fresh mandate from the October 1990 general elections a new cabinet line-up was appointed which showed some new faces and younger people. Mahathir was also ready for some fresh ideas. In a speech given at the Malaysia Trade Council Conference entitled "Malaysia: The Way Forward," he put forward Vision 2020 to turn Malaysian to a fully industrialised country by the year 2020. The Vision identified nine challenges namely: national unity; a free, calm, confident and strong society; a democratic nation; a moral and ethical society; a liberal society; a progressive society that utilises science and technology; a caring society; economic justice and a competitive, active, stable and dynamic society. All these are problems that concern individuals particularly Bumiputeras who are still backward and living in traditional ways. Although some of these challenges are nothing new to the well off Chinese and Bumiputeras, unity, individual development, morality and democracy will remain the toughest challenges irrespective of ethnicity and social position in a multi-ethnic society.

In preparation for the Vision 2020 grand plan, reformation started with the government machinery, the Civil Service. First, the civil servants were awarded a pay rise in 1990, as demanded by their union CUEPEC, and they adopted a new philosophy in line with the Vision 2020 and industrialization policy. The New Remuneration Scheme (SSB) emphasizes the importance of quality and productivity and civil servants are evaluated annually based on these criteria. Inefficient civil

servants are allowed to opt for early retirement at the age of 40. This policy aimed to promote a culture of excellence among civil servants based on seven core values of quality, productivity, innovation, discipline, integrity, accountability and professionalism. The pyramid shaped organization chart was reduced and a flatter shape introduced to both cut staff and facilitate a faster flow of information. This new system was implemented in steps until 1994.

At the same time, the National Trust Share Scheme awarded a handsome bonus and dividend to the Bumiputera shareholders at the end of 1990. To enable all Malaysians to invest irrespective of ethnicity, two new kinds of trust scheme have been introduced since 1990 which are called Bumiputera Trust Share (for Bumiputeras) and National Trust Share (for all Malaysians). The former investment scheme is guaranteed against market fluctuations while the latter is not. All these positive factors helped the National Front government campaign in the last 1990 general elections and helped dismiss some of the opposition allegations against the government policies. Although the two schemes enabled non-Bumiputeras to participate in the trust investment through the National Trust Scheme, Bumiputeras can invest in both schemes. These schemes are good incentives for the Bumiputeras but discriminate against the other ethnic groups.

Nevertheless, in Sabah, PBS - who had won the July 1990 state election for the third time since 1985 - continued to raise issues about deteriorating state rights. A factor which gained PBS Sabahan support especially from the non-Malays. So, in the October 1990 Parliamentary General Elections, the PBS tried to undermine National Front by withdrawing from the National Front coalition. This was done after seats were allocated among the National Front parties and candidates nominated. So it won all the 14 seats allocated with little opposition as the rival BN party USNO was only allocated 6 seats. Prior to this, there was already political friction between PBS leaders and the UMNO dominated Federal government particularly on religious and development issues in Sabah.



The Second Outline Perspective Plan (1991-2000) and New Development Policy (1991-2000) were adopted in June 1991 after the controversial NEP twenty year-term expired in 1990. These two outlined all the future agenda for the next ten years. On 10 July, 1991, the Sixth Malaysia Plan was ready which served as a foundation for a new era.

Basically the New Development Policy (NDP) aimed to replace the NEP which ended in 1990. Although NEP had improved Bumiputera participation in business and industry, the 30% capital ownership target was not achieved relative to the Chinese and the foreigners targets. The NDP represents only the first phase of a larger plan to turn Malaysia into an advanced nation by 2020. The NDP also marked a significant departure from state intervention in the economy adopted ever since the 1969 racial riot. The NDP emphasized economic growth for social restructuring and poverty eradication.

The overall objective of the Sixth Malaysia Plan was to build a united, socially just and resilient nation. The allocation of RM104 billion was for infrastructure, social development and defence. The allocations were divided as follows:

DEVELOPMENT PROGRAMMES	FUNDS ALLOCATED
Communications sector	\$73 million
Energy sector	\$979 million
Infrastructure and development	\$19 billion
Transportation	\$10.76 billion
Commerce and industry	\$5.75 billion
Education	\$8.5 billion
Health	\$2.25 billion
Agriculture and rural development	\$9 billion
Armed forces	\$6 billion
Security	\$1.5 billion
Combat poverty	\$600 million
Others	\$41.402 billion
<b>TOTAL</b>	<b>\$104 billion</b>

Table 1. The Sixth Malaysia Plan (1991-1996)

Development Expenditure

(Source: *FEER*, 1991)

With the privatisation policy implemented since the recession the 1980s, the government allocation for the economic development was reduced. Through the privatization policy, the private sector became a partner with the government in restructuring society. The government only owns shares in these companies in line with the Bumiputeras 30% equity. The private agencies which now produces some revenues for the nation are: power company, Tenaga Nasional; Malaysian



International Shipping; Heavy Industries Corporation; telephone company, Telekom Malaysia; Port Kelang; Malaysian Shipyard and Engineering; Proton car; Fima Holdings; Peremba; Sports Toto; and Desaru Tourist Resort. The original intention was to reduce government spending, promote the laissez faire economy hence helping to achieve the NEP's objectives. However, the privatization policy was perceived as controversial as Bumiputeras are still dependent on the government. In addition, only a few get richer from the privatization while the consumers have to pay higher prices for the privatized goods. Jomo *et al* (1989: 123-128) found that it promoted state capitalism rather than private enterprise. For instance, the former Finance Minister, Tun Daim was alleged to have secured government contracts for his own companies. Even UMNO owned companies were awarded the government contracts. For instance, the North-South Highway was built by UMNO owned company, United Engineers Malaysia (Jomo, 1989: 129-133). The corporations that are owned by UMNO and known to be involved in government contracts are Fleet Holdings Sdn. Bhd, Hatibudi Sdn. Bhd., Waspavest Sdn. Bhd., Korporasi Ushaha Bersatu, and many other UMNO linked companies. These corporations have several companies under them which monopolised almost all the vital and money making government contracts (Gomez, 1994: 48-155 and McVey, 1992: 103-126).

During the second half of the 1980s, many allegations had been made against the government concerning malpractice in the privatization process. Thus, the government had to take counter measures which led to abused human and democratic rights. These included outlawing labour unions and excessive use of the Internal Security Act during the "lalang operation" in 1987.

Privatization and industrialization had been accompanied by a neglect of the agricultural sector, so that food imports had increased notably. This was associated with urban migration when many plantation estates went into property business as commodity prices fell during the recession. Further, wages in the industrial sectors were 4 times higher than the agricultural sector. Although these privatized agencies are monopolists they are not able to respond to increased demand due to inefficiencies. For example, the power company, Tenaga Nasional cannot provide

sufficient power due to increased demand from the growing number of industries. But in Sabah, where the Sabah Electricity Board was not yet privatized, there were frequent blackouts too which caused losses to many business leading to a hunger strike until the matter was dealt with by the central government. As a result, the Sabah Electricity Board was proposed for privatization. Furthermore, industries tended to be concentrated in Peninsular Malaysia rather than in Sabah, Sarawak and other peripheries.

Mahathir brought many changes to Malaysia in the 1990s through his policies of privatization, corporatization and industrialization which had been introduced during the mid 1980's. Due to the liberalism policies, Malaysia needs to produce quality products and services to be competitive in the international market. These in themselves indirectly challenge Malaysians to change their cherished traditional lifestyle. In October 1991, the Standards and Industrial Research Institute of Malaysia (SIRIM) allocated RM40 million to design quality products. The Malaysian Technology Development Corporation, which was established in December 1992, will also help the SMIs in terms of capital and research. Malaysia has also adopted the Japanese strategy of support for the small and medium-sized industries and employs the assistance of Japanese advisers and volunteers.

Some progress is also being made in the field of mass communication and information technology. Despite this progress, as the multi-ethnic country is predominantly Muslim, censorship of sex and violence received strong approval in particular from the traditional Muslim community. The government television and radio are means of Islamic propagation. Koran reading is part of the television programmes in the early morning, evening and mid-night. In addition, coverage of Islamic events such as Koran reading competitions are being given priority, and other programmes have to be temporarily cancelled. More air time is also given on Islamic talks and education compared to the past. However, with the first private television channel, TV3, the government has adopted positive views towards talk shows on television that discuss current problems. The government is also aware that too much censorship will affect the domestic film industry. Besides, there are now numerous



video stores selling laser discs which are hard to censor. Pay TV channels are beginning to be introduced in Malaysia such as the Mega TV, Measat Broadcast and Metro Vision. The Information Minister estimated that there will be about 20 channels including pay televisions in the near future.

Whilst determined to develop Malaysia materially, Mahathir had also tried to modernise Islam. It may be that the allegations of dishonesty and corruption against his administration by the PAS leaders in Kelantan has motivated him to take these measures. Other than that there have been some deviationist teachings of Islam such as Al-Arqam. Besides, statistics showed that there have been an increasing number of crimes and social problems in the first two years of the 1990s. There has also been an increase in the numbers of child abuse, drugs among secondary school children, missing persons, rape and murder. Mahathir had already introduced Islamic commercial institutions from 1983 and also the International Islamic University. But seeing the current social problems and the misinterpretation of Islam by some groups, he established the Institute of Islamic Understanding in July 1992. Its prime duty is to preserve and promote Islamic values to Muslims and to non-Muslims alike. In June 1995, a rehabilitation centre for Islamic deviationists and those who have lost faith in Islam was established.

Some changes were also made in education to meet the needs of skilled manpower in international business. English once again began to play an important role in education. Non-Chinese parents are also encouraging their children to learn Mandarin. In August 1995, the Minister of Education announced that the period taken to study for Bachelor Degrees, except in medicine, will be three years only. There is also an elite secondary school, Kolej Tuanku Jaafar, established in 1991 to cope with the educational needs of the upper class. But, the pressing need faced by Malaysia in education is a shortfall of 13,000 mathematics teachers. Besides this, some schools such as the Tamil Language schools that serve the minority of Indian students have received little attention.

The 1990s also saw the beginning of a trade war with developed countries. In December 1990, Mahathir proposed the formation of East Asian Economic Caucus. The purpose of this was to build a strong regional market which would act as a protection against developed countries and reduce dependency on the west. The U.S, in particular, attached the condition of a clean human rights record for its trade and military assistance. This was particularly after allegations of human rights abuses in the late 1980s which could have affected Malaysian trade if the U.S imposed sanctions.

The 1990s also marked the expansion of the UMNO in Sabah. With this expansion, the United Sabah Nationalist Organization, (a Muslim dominated party and a National Front component) was dissolved and its members absorbed into UMNO. Prior to this, USNO was the only component member of the National Front in Sabah after the multi-racial party, PBS, withdrew from the National Front during the October 1990 elections. However, USNO was not able to garner Muslim support as they were opposed to Tun Mustapha's leadership and thus were politically divided. Therefore, uniting the Muslims under UMNO helped to strengthen the National Front in its campaign against the PBS government. A Federal Secretary's Office was also established in Sabah. When there were allegations that the PBS government had been abusing federal funds, the Federal Development Office was also expanded to channel and implement the federal development programmes. These two machineries also enabled Kuala Lumpur to communicate effectively in Sabah. UMNO was popular with the Malays in Sabah. Federal projects were launched to compete with the state projects and to win the support of Sabahans. UMNO raised development issues and pointed out that Sabah, under the PBS, lagged behind Peninsular Malaysia in terms of economic growth. For example, in 1991 Sabah only registered 4% economic growth compared to 8% in Peninsular Malaysia. The economy was also hit by the Federal ban on export of raw timber from Sabah in 1993. In addition Sabah had a problem with immigration from the Philippines and Indonesia. Immigrants from these areas had become a source of cheap labour in Sabah thus depriving locals of suitable employment. As a measure of the problem, the 1989 figure showed that there were about 103,000 foreign workers in Sabah. They were



being employed mainly in timber camps, agricultural plantations and on construction sites. This situation was inevitable since the local traditional land owning subsistence farmers were not used to waged employment.

The UMNO plan to regain control of the Sabah state government was stalled when five assemblymen of the dissolved USNO defected to the PBS. They alleged that they were improperly treated by UMNO and might not have a chance to be nominated in the next elections. Indeed, at the end of 1993, the Sabah's Chief Minister from PBS was found guilty of abusing his power by granting projects to his family. As a consequence, he dissolved the cabinet and called for elections on 18th February 1994. PBS won 25 of the 48 seats but after a few weeks the Chief Minister, Pairin, resigned on 17th march when his assemblymen defected to National Front parties. So the National Front State Government (a coalition) was installed with Sakaran as Chief Minister who held office during the transition period until he was appointed the Head of State for Sabah. His Chief Minister's post was then taken over by Salleh, the son of the recently retired Head of State. By that time, Sabah had been promised many development projects during the election campaigns. One of the largest was the RM100 million Sipitang hospital. Poverty in Sabah became a UMNO campaign issue during the 1994 Sabah Elections. So, Mahathir had to restart the programme of uniting the various ethnic groupings of Sabah that had been polarised during the PBS rule. Integration between Kuala Lumpur and Sabah was also enhanced by UMNO expansion in Sabah. The new Deputy Prime Minister, Anwar who had led the election campaigns in Sabah in 1994 also received popular support in Sabah.<sup>25</sup>

By the end of the Sixth Malaysia Plan, Mahathir has proposed several huge projects including the launch of the Puterajaya New City Centre on 9th August 1995 due to become Malaysia's future administrative centre. This was made possible by the new mandate Mahathir gained during the April 27th, 1995 General Elections. Many argued that the huge prestige projects are unnecessary when there are still issues such as pressing rural poverty and environmental problems which remain to

be addressed. But unemployment was reduced to 2.9% during the first three months of 1995.

#### *4. PROSPECTS*

The problems that lie ahead for Malaysia are clearly outlined in Mahathir's Vision 2020 Challenges. Malaysia has a long history of dependency going back to the Colonial period which has left a legacy of problems that have persisted until today. For instance, Malaysia is still struggling to correct the imbalances that exist in terms of income and opportunities between the urban and rural areas. Poverty still persists in Malaysia; particularly in the peripheral states. Furthermore, some indigenous populations in the rural areas are still living according to traditional patterns of subsistence farming and shifting cultivation. Poverty among farmers is exacerbated when the commodity prices decreased in the international market. In addition, some poverty alleviation programmes and the free health services have improved the birth rate and slowed down the death rate.<sup>26</sup> Although industrialization provides new employment opportunities for farmers, the agricultural sector has become less significant in the economy which also affects the restructuring effort to increase their income.

Furthermore, Malaysia is still dependent on MNCs for its exports. Despite the huge amount of employment this has created, the wages for local workers are still low. Thus even though they are employed, this is insufficient to bring them out of poverty. Workers' living conditions are still unsatisfactory. This is exacerbated by the existence of illegal foreign workers from the neighbouring countries.<sup>27</sup>

To overcome the dependency problems, the Bumiputeras need to mend their differences with the Chinese and be united. However, this is an uphill battle as the Bumiputeras are still insisting on preserving their privileges. The Islamization process is also in conflict with the National Unity Programmes. Since the Chinese still dominate the economy in the urban areas, the rural areas become the source of support for the Bumiputera dominated government.



Furthermore, the NEP and the administration have created the structure for Bumiputera domination in politics. It seems difficult to dismantle the structure since there are many dependent populations especially in the rural areas. The Mahathir reforms which have been implemented in order to meet the Vision 2020 challenges have, themselves, been met with various social, economic and political obstacles.

These problems are evident in the peripheral states generally, and Sabah in particular.

## *5. CONCLUSION*

This historical analysis has shown that the development of the Malaysian economy is divided into three stages. Firstly, during the Colonial Administration and Tunku Abdul Rahman Administration, there was a free enterprise economy. This was followed by the direct state intervention in the economy during the NEP. Finally, after the unsuccessful NEP experiment, Mahathir has attempted to liberalise the economy. This liberalisation is inevitable as NEP has exacerbated the dependency problems and ethnic differences. Thus, it only preserved the social conditions which led to the 1969 racial riot and, in doing so, made the recurrence of such an event likely in the future. However, this sets a good example where politics are put above the economy. Nevertheless, this analysis also shows that the economy plays an important role in success of the various Malaysian Plans and in the decision-making process. For instance, the implementation of the various Malaysian Plans has been influenced by world economic recession and recovery since the First Malaya Plan. All these factors influenced development in the peripheral state of Sabah.

On the whole, the factors discussed in this chapter and Mahathir's admission of the challenges, indicate the struggle against dependency is far from complete. The author will discuss the problems facing Vision 2020 Development Plans further in the ensuing chapters.

## CHAPTER THREE

### MAHATHIR'S VISION 2020: CONTINUITY AND CHANGE

#### *1 INTRODUCTION*

This chapter compares the NEP and Mahathir's liberal policies in order to identify the changes and continuities after 1990. In this endeavour, the author has chosen to examine some of Mahathir's key policies. These are: Malaysia Incorporated, Privatization, Public Service New Paradigm, National Agriculture, and National Industries. Economically, the changing trend in the agricultural and industrial sectors has provided some interesting clues on Mahathir's export led growth strategy. These sectors are determinants to the success of the social restructuring thrusts as outlined in the National Development Policy and Second Outline Perspective Plan (1991-2000). In political terms, economic success will consolidate the position of the UMNO dominated National Front Coalition. All these need social, economic and political reforms to overcome the implementation problems faced during the NEP (1971-1990) as discussed in this chapter. Thus, it seems that the NEP serves as a useful framework in Mahathir's Vision 2020 grand development plan.

#### *1.1 Background To The Problems*

When the NEP ended in 1990, the Malaysian economic base had widened from its narrow focus on agriculture to include manufacturing. Indeed since 1970, the share of agriculture in GDP has been falling. Further, manufacturing is also rapidly catching up with the agricultural sector in terms of its contribution to employment. In terms of export, manufacturing surges ahead of other products (Huq, 1994: 160, 7th. Malaysia Plan, 1996: 35-66). Malaysia had begun developing its



heavy industries since the early 1980s, increased its investment, and doubled its GDP. In agriculture, economic recovery since 1987 offered better commodity prices.

Nevertheless, despite these advances, the NEP was not able to achieve its overall targets. For example, the Department of Statistics showed that the rate of poverty in Peninsular Malaysia was 18.4% in 1984 whereas by 1987 it had only decreased to 17.3%. In Sarawak the rate of poverty was 31.9% in 1984 and the rate was only reduced to 24.7% in 1987. Whereas in Sabah the rate of poverty was 33.1% in 1984 but the rate *increased* to 35.3% in 1987. The Poverty Line Income was RM350 per month for a household of 5.14 persons in Peninsular Malaysia, RM429 per month for a household of 5.24 and RM533 per month for a household of 5.36 in Sabah (IDS, 1991: p.153-154 and IDS: p.3-48) (see Appendix C for details on poverty according to regions and target groups).

In regional terms, some states benefitted more from government development programmes in industry. The Western corridor in West Malaysia was more developed as most of the industrial estates were located in this area. Whereas, the Eastern part of Peninsular Malaysia, Sabah and Sarawak, lagged behind industrially. Furthermore, the backward rural areas require proper electricity and water supplies (Johari and Chang, 1990: 60-86).

Regarding the 30% capital ownership target by Bumiputeras, the NEP only achieved about 20%. However, ownership of capital by individual Bumiputeras (excluding state enterprises) was only 12%.<sup>1</sup> The programmes which aimed to increase the numbers of Bumiputera entrepreneurs were not so successful in building self-reliance. Instead, they created a "dependency culture" in which the Bumiputeras relied on government contracts and concessions. Until Bumiputera entrepreneurs are competitive enough, the 30% Bumiputeras ownership of capital will be difficult to achieve. As a consequence, income differences according to ethnicity will continue, communal differences will be heightened and the racial riots - such as the one in 1969 - will be inevitable in the future.

In education, the NEP faced problems of quality, high drop-out levels among poor students, an excess of art students compared when with science and vocation and technical students, lack of skilled manpower in industries and a lack of Bumiputeras in professions such as architecture, accountancy, engineering, dentistry, surveying, and law compared with the Chinese.<sup>2</sup> Due to the large numbers of art students, it is no surprise that Malaysia is facing structural unemployment particularly among art graduates. As a consequence, many arts graduates find they have to be retrained before they can be employed.

Theoretically, Malaysia faces the problem of "foreign dependency" due to the expensive projects implemented under the NEP. For instance, its reliance on foreign investors puts its economy at the mercy of foreigners. By 1995 Malaysia had faced a large foreign current account deficit of RM17.5 billion (*FEER*, 12.10.1995: 142).

Finally, the NEP faced problems of mismanagement and inefficiency in implementing its various development programmes. Among them were the Bank Bumiputera scandal, losses incurred by Bank Negara (Central Bank) through foreign business transactions, and losses in heavy industries and public enterprises.<sup>3</sup> These indicate only the larger losses; many more are simply unaccountable. The nature of these problems may have provided the main motivation for Mahathir to formulate the privatization policy in 1983.

The NEP faced strong opposition from the Democratic Action Party under a Chinese leadership, Lim Kit Siang due to its discrimination against the Chinese in economic and the administrative areas. The NEP also faced some opposition from the Pan Islamic Party (PAS), as the administration of the NEP failed to consider traditional Islamic views. Because of this problem, PAS branded the National Front administration under Mahathir as "un-Islamic." The NEP had not only produced resistance from the opposition parties, but had also caused internal conflict within the UMNO and the National Front Coalition. UMNO had a leadership crisis which culminated in Tengku Razaleigh challenging Mahathir for the UMNO presidency. Razaleigh lost the party elections but brought the matter to court over issues of party



constitution and UMNO was deregistered. The party had to be renamed NEW UMNO and Razeligh formed his own party from the UMNO splinter group.<sup>4</sup> MCA and PBS, the component members of the National Front also expressed dissatisfaction against the coalition. MCA raised the Chinese issues and had leadership squabbles from within the party. At regional level, Parti Bersatu Sabah (PBS) raised the "Twenty Points Agreement" as conditions for joining the Malaysian Federation. In particular it demanded a better share of the oil royalty with the discovery of the offshore oil field on the West Coast of Sabah.<sup>5</sup>

Thus, before Malaysia entered the next new round of development in the 1990s, the Malaysian Economic Consultative Council (MAPEN) was formed to study the economy after the NEP. The Council was appointed from distinguished members of society irrespective of whether they supported the government or the opposition. This was an attempt to obtain the views of various parties regarding the economic future of Malaysia. However, certain members of the opposition parties who were appointed to the Council boycotted it. The Council reported that the NEP had difficulties in the following areas:

"(1) Inefficient implementation machineries; (2) mismanagement of public enterprises; (3) lack of skilled manpower for industries and low quality of education; (4) ineffective entrepreneurial development programmes; (5) leakages and unethical behaviours such as committing trade offenses, drug abuse, moral degradation, entrepreneurs who are dependent on government, political patronage, and involvement of politicians in business; and (6) difficulties in adapting to the new socio-economic structure created by NEP."

(MAPEN, 1990: 98-107)

Due to the various problems and constraints, future development programmes are pressurising the state government, finance, resource and the people to do better. Simultaneously, capitalist development and exploitation pushed the rural people further to the periphery. In addition, administrative problems during the NEP not only hampered national development but also cost the government a significant amount of money. Therefore, under Vision 2020 the government is reforming its

management and implementation machineries at all levels. Restructuring public service in line with liberal policies is needed to reduce conflicts and to speed up the implementation process. Economic problems and mismanagement in the government can also trigger ethnic tensions which would hamper any effort to create national unity. In general, administrative reform will help to promote a good image of the government. Furthermore, the Japanese model of industrial development requires co-operation between the public and private sectors. Unless the government improves its quality of management, the required co-operation will be difficult to achieve.<sup>6</sup>

These are some of the points in Mahathir's agenda for the 1990s which will be discussed in this chapter. However, his liberal ideas, such as the "bottom up approach" and the flat organization structure, will face various challenges as the present administration is not fully democratic (Case, 1993). In addition, the liberal ideas will face various challenges from the traditional communities and ethnic groups. Thus, Mahathir's administration will need to consider both social and political justice and to be pragmatic in its future development programmes.

Some liberal ideas are needed after the controversial NEP which caused Malaysia to be labelled as a neo-fascist state by Western scholars. State intervention through the NEP, while emphasizing capitalist development and growth, had caused unbalanced development. Johari and Chang (1990: 84-86), in referring to studies on development from the 1960s to the 1980s, found that capitalist forms of development caused further inequality rather than eradicating of poverty as they intended. Furthermore, liberalism was prompted by the various demonstrations and protests during the last few years of the NEP (Halim, 1990: 82-83; and Jomo, 1989: 7). This view concurs with Johari and Chang (1990) who showed that NEP caused widening inequality which formed the major issue of the troubles during its last years. Thus, the liberal views of these Western scholars have to be considered in this thesis. Some of them argue that the conflict in the Third World due to growing global liberalism is inevitable. For example, Krasner (1985) summarised the position as follows:



"North-South conflicts are rooted in profound symmetries of power, and that political weakness and vulnerability are fundamental sources of Third World behaviour."

However, he seems to be supportive of the 1980's policy on Malaysia Incorporated. A condition in which the public sector works together with the private sector. Nevertheless, Page (1994: 624) found:

"Government interventions played a much less prominent role and frequently less constructive role in the success of the newly industrializing economies of Southeast Asia, while adherence to policy fundamentals remained important."

Page suggests that we look at the policies, institutions and economic circumstances. On the other hand, Streeten (1991: 123) found:

"The lag between technological advance and political institutions is said to be responsible for many of our problems."

Further, Malaysia has a large traditional rural population which is obviously still backward and dependent on the state. Thus, Jomo (1990) is critical of Malaysia's National Development Policy which emphasizes a liberal approach to economic growth for social restructuring. However, Bumiputera bourgeoisie and the rural population cannot be dependent on the government forever. Under the liberal approach to administration, the Bumiputeras are required to use their special privileges to contribute to the state's development. Liberalism is being welcomed by the Chinese. This is indicated by the various elections after 1990 where the Malayan Chinese Association gained more seats compared with the NEP period. However, as indicated in the National Development Policy (1991-2000) and the Second Outline Perspective Plan (1991-2000), the government still relies on economic growth to bring about equality. Additionally, the management is now aware of the importance of the "bottom up" approach. Even this will be very difficult to put into practice because of the existence of a backward rural population particularly in Sabah. Such

populations are still unaware of their democratic right, and remain dependent on the elites who wish to maintain power.

## *2. MAHATHIR'S POLICIES AND STRATEGIES OF IMPLEMENTATION*

Mahathir divided the problems and constraints facing Malaysia's national development into Vision 2020's nine challenges which were outlined in Chapter Two. These nine challenging values are important ingredients of an industrialized society in which everyone is interdependent. Furthermore, the globalization of the economy demands that Malaysia produces quality goods that can withstand international competition. To achieve this, Mahathir looks to Japan for guidance in line with his Look East Policy. Mahathir admired the Japanese economy where large corporations (zaibatsu) have co-operated with the government to create a stable economy. He also admired the Japanese concept of "Kaizen." This is a process by which Japanese companies strive to improve the quality of their products in stages until there is a zero defect. From the Japanese, Mahathir also learned that Malaysia can industrialize according to its own ways, values and resources. The nine challenges outlined under Vision 2020 require Malaysians to be both mentally and physically prepared. These challenges will build a strong Malaysian nation where the people will only identify themselves as Malaysians.

Furthermore, adopting concepts from the "Kaizen" way of thinking, Mahathir fixed a period of a thirty year deadline for Malaysia to become an industrialized society. In the 30-year period, there are six Five-Year Malaysian Plans. These five-year plans are six stages in which the administration seeks to improve the quality of Malaysian industries and standard of living by the year 2020. The first stage was the Sixth Malaysian Plan in which Malaysia was already involved in various heavy industries. The latest development during the Sixth Malaysia Plan was the building of light airplanes, the second national car (Produa) and launching of the Malaysian satellite. During the second stage under the Seventh Malaysia Plan (1996-2000), Malaysia will emphasize high technology. Nevertheless, the real challenges will be in human resource development, social harmony, and justice. Vision 2020 also



emphasized social participation and cooperation rather than exploitation which was a central feature of the NEP.

The move towards liberalism was felt as far back as 1983 when Mahathir introduced the twin policies of Privatization and Malaysia Incorporated. These were not new, but were based on Japanese models. The problems and success of the NEP prompted Mahathir to introduce more liberal policies in the future development of Malaysia. Thus, liberalism is Mahathir's agenda in the 1990s. This is being indicated in the National Development Policy (1991-2000) and Second Outline Perspective Plan (1991-2000). Furthermore, globalization of the economy has prompted Mahathir to take measures to enable Malaysians to compete at international level. This requires managers who are able to produce quality services and products. This is also compatible with the globalization challenges. Since Malaysia's industrial development is based on the Japanese model, it has to receive Japanese technical assistance and maintain friendly ties with Japan as well as familiarity with their culture. The Japanese model and culture will serve as a comparison to the Malaysian society particularly the Bumiputeras.

In a preface to the Second Outline Perspective Plan dated 17th June 1991 which was to replace the NEP Mahathir wrote:

"The second Outline Perspective Plan (1991-2000) which incorporated the National Development Policy marked the beginning of a new era in our effort to make Malaysia into a developed nation in all aspects by the year 2020. The goal of National Development Policy is to achieve economic development to create a just and united nation. NDP is based on the achievement and experience of the past decades and will continue on with the process to eradicate poverty and restructuring of society. This policy will be implemented based on the principle of growth and equal distribution to achieve a just redistribution for all level of society."

(Prime Minister's Department, 1991: viii)

He further emphasized that the achievement of the goals and targets of OPP2 (RRJP2) and NDP depend on stable and continuous economic growth.

Based on the problems and bitter experience under the NEP, the OPP2 and NDP adopted the following strategic thrusts:

"(1) To create an optimum balance between the goals of economic growth and equal distribution. (2) To ensure a balanced development for all the major economic sectors to motivate them to establish some linkage among each other so that economic growth can be optimized. (3) To reduce and eradicate inequality, and social and economic imbalance within the nation to encourage a more just partnership and equal opportunities from the economic development for all Malaysians." (4) To promote and preserve national integration by reducing the wide gap of imbalance in the economic development among the various states and between urban and rural areas. (5) To develop a progressive society where all the people live in harmony, have positive social and spiritual values as well as pride and love for the nation. (6) To develop the human resource including a disciplined and productive manpower, and to develop the required skills to face the challenge of industrial development through a culture of excellence without sacrificing the goal of social restructuring. (7) To make science and technology as a vital thrust in planning and socio-economic development which need effort to develop capability and motivation in strategic technology based on knowledge and develop the science and technology culture in the process of developing a modern industrial economy; (8) To ensure that in the effort to achieve economic development, proper attention be given to protect environment and ecology in the long term to ensure a continuous and sustainable national development."

(OPP2: 5-6)

Most of the agencies for the implementation of these eight strategies have been in existence since the NEP. However, some new agencies are being established since the promulgation of the Vision 2020. This is particularly those involving industry, entrepreneurship, rural development, human development, privatization, and Malaysia Incorporated.<sup>7</sup> Although some agencies have expanded, others are being reduced under the Civil Service restructuring programmes. (See Appendix D regarding the machinery for the co-ordination of the National Development Policy) These will be discussed further in this chapter where relevant.



## *2.1 Agricultural and Rural Development*

During the NEP, the state took an active role in developing agriculture in line with its policy of social restructuring and the eradication of poverty. This was because most of the rural poor were farmers, particularly paddy farmers and traditional fishermen. The problem of low income, productivity and poverty in the agricultural sector in the rural areas had been known since the Colonial administration. In addition, there was over dependence on rubber as an export commodity despite the inconsistent price of rubber on the international market. Logically, the problem of poverty among farmers in the rural areas could be overcome by raising their income and productivity, better marketing techniques as well as crop diversification. Furthermore, unbalanced development will cause rural urban migration which could pose urban social problems.

Thus during the NEP there were many state agricultural agencies which dealt with the problems of rural agriculture and crop diversification. Since many rural farmers are the privileged Bumiputeras, the NEP served as an instrument for the leaders to allocate more funds to the agricultural sector. Thus, during the NEP, the state pursued large scale development of new lands in an attempt to improve conditions for both the landless and the poor farmers. An effort was also made to improve management of traditional farms. These agricultural programmes could not be implemented without the creation of a number of agencies such as: Federal Land Development Authority, Fisheries Development Authority, Agricultural Bank, National Paddy and Rice Board, etc. Farmers Organization Authority, etc. In addition, states such as Sarawak and Sabah also formed separate agencies to deal with the agricultural problems.<sup>8</sup>

However, by the late 1970s, the agricultural share of GDP was rapidly declining (Abd. Rahman, 1994). With this decline, logically unbalanced development, rural poverty, low productivity persist. All were influenced by the fluctuating price of agricultural commodities overseas; an indication of dependency on the developed nations to buy its agricultural products. This has to change, as the

developed nations have well developed agricultural production techniques. For instance, Malaysia has had a problem in the past exporting its oil-palm when the USA alleged that Malaysian oil-palm was not healthy. In addition agricultural activities are not so profitable as manufacturing. Thus despite government intervention, agricultural development was not able to achieve the NEP objectives of social restructuring and the eradication of poverty. The Household Income Survey (1987) showed that the problem of poverty among rubber smallholders, paddy farmers, coconut smallholders and fishermen were still not effectively solved. While the rate of poverty in the rural areas is triple that of the urban areas.

Despite attempts by National Agricultural Policy to modernise agriculture and increase both its productivity and quality, the 7th Malaysia Plan shows that this sector is now contributing less to GDP, employment and exports. In 1990, it shared 18.7% of the GDP but declined further to 13.6% in 1995. It contributed 26% of the employment in 1990 but declined from 22.2 percent in 1990 to 13.1 percent in 1995. Furthermore, the NAP 1984 was not able to meet the need for food self-sufficiency. Thus, Malaysia is importing more food than it exports, despite its population of 20 million in a country that is still sparsely populated (7th Malaysia Plan, p.234, Table 8-6). These trends have continued since the end of the NEP.

The trends in agricultural production indicate managerial inefficiencies. This is contributed partly by the government policies to help the Bumiputeras and partly by dependency on the developed nations. In principle, the statutory bodies on agriculture such as FELDA, FAMA, state agricultural agencies, Fisheries Development Authority, Malaysian Cocoa Board, etc. have promoted imperfect competition. Agricultural production is monopolised by these agencies which fixed the prices of agricultural products. The prices offered to farmers for their products are too cheap to enable them to increase their income (Wan Hashim, 1988: 83-94 & 123-143). Thus these agencies of exploitation need to change their strategies in line with the liberalization of the economy. They need to be corporatized or privatized. The agricultural production needs to operate according to market forces. This means that state intervention through price control and agricultural subsidy must cease. The



management of agriculture will need to be based on large scale production (Silvaligham, 1993: 186-187; and Rendam, 1994: 18). Thus, the government ought to encourage land consolidation and large estate plantations. This means traditional farming and fishing ought to be replaced by mechanization in order to be efficient and competitive.

Furthermore, to reduce dependency on the developed nations in the export of agricultural products, the strategy of "down-stream" processing of agricultural products should be implemented. This means that in the future more agro-based industries will be established in the rural areas. Under the Vision Village development programmes announced by Mahathir on 4th July 1996, the government is encouraging the growth of village agro-industries, land consolidation and rural human resource development. Vision Village is one such attempt to reorganize and modernize the rural community so that it will be more efficient by the year 2020.<sup>9</sup>

## *2.2 Industrial Development*

Malaysia is rich in both agricultural and natural resources compared with other developing nations. Vast agricultural and mineral resources in the 1960s and 1970s enabled Malaysia to implement many socio-economic development programmes. The over-dependence on agricultural products and natural resources as a source of national income, however, made Malaysia neglect the growth of a strong industrial structure. Industrial development, which was left entirely to the private sector, did not benefit the public much in terms of employment and income distribution. World recession in the 1980s also affected the prices of Malaysia's main commodities, such as oil-palm, cocoa, rubber, petroleum and others. Obviously, the eradication of poverty through the green revolution also proved unsuccessful. Thus, industrialization is the best alternative; although there might be some other motives which need to be identified, such as ethnic and regional differences and foreign debts problems. Some sceptics view this step as a late start. Furthermore, globalization of the economy has also required that Malaysia be well-informed regarding the latest world trends, and in the use of high technology to remain competitive.

Industrial development in Malaysia has been marked by dependency on the West. This dependency is the result of Malaysia's industrial policies since the Colonial Administration. During the NEP, Malaysian industries were mainly producing goods for import substitution. (see Appendix E on the stages of industrialization in Malaysia) Although large sums of money were spent on heavy industries particularly during Mahathir's era, they were not competitive internationally and also made huge losses which wasted public funds. However, these industries attempted to meet the NEP's aims of encouraging Bumiputera participation in commerce and industry and 30% ownership of capital. To achieve these targets, many projects were implemented in a hurry although they were not particularly feasible considering the economic, social and political factors in Malaysia (Jomo, 1989: 1-8).

Under Mahathir's Administration, it is the first time that Malaysia has had its own National Industrial Policy. This was introduced in 1985 during the NEP and has continued through the 1990s. The objectives of Mahathir's Industrial Policy are: to encourage Bumiputera participation in all sectors of the economy; decentralize industry; encourage the growth of potential agro-based industries; promote high technology and training in the potential fields, and intensify the growth of SMIs.

Mahathir's Industrial Policy is also implemented based on the Industrial Master Plan (1985-1995). Compared to the NEP, Malaysia in general is moving from the Import Substitution Stage to Export Substitution Stage. The move to export substitution under Mahathir's Administration is a slightly drastic measure as the Prime Minister was trying to overcome the dependency problems in terms of capital and technology (Jomo 1989: 2). To meet these challenges, Mahathir's Administration is now introducing the quality paradigm in the Civil Service, upgrading the nation's industrial infrastructure, improving its marketing facilities locally and internationally. The IMP outlined several measures to meet the challenges of industrial development to increase exports by increasing efficiency. These are in the form of incentives to encourage the development of foreign and local heavy industries as well as SMIs. These are in the form of export incentives, loans, marketing and training. However,



the IMP still places special emphasis on Bumiputeras' participation in commerce and industry. Furthermore, the IMP touched on the need to create a network for the free-flow of information and effective monitoring system of industrial production. The IMP also indicated the need for the restructuring of agencies involved in industrialization. However, at the early stage of implementation it tended to favour heavy industry and foreign investors over SMIs and local investors. Thus, this measure could affect the development of SMI and Bumiputera participation in trade and industry.<sup>10</sup>

The export-led strategy witnessed other new concepts in the implementation of industrial development. These are the IMP's intra-industry linkages, one-district one-industry, down-stream processing, and quality. However, these concepts are also attempts for Bumiputeras' advancement in trade and industry. The intra-industry linkage concept is meant to provide co-operation between larger industries and SMIs. Thus, SMIs must keep up with the pace of development in heavy industry. This includes domestic, regional and global co-operation in industrial development. Several strategies are adopted to implement the intra-industry linkages concept. However, these strategies are merely an extension of former strategies under NEP such as infrastructural development, industrial parks, loans, marketing, and assistance for new Bumiputera enterprises. These strategies are given a new vigour under Mahathir's clean, efficient and trustworthy management. But, the decentralization theme in industrialization under Vision 2020, indicates some contradictions with the IMP (1985-1995) measure which is, "acceptance of the economies of location i.e., virtual abandonment of regional dispersal efforts." To advance Bumiputera interests, it introduced the Vendor Development Programme, the Umbrella Concept and the creation of Bumiputera Commercial and Industrial Community. The Umbrella Concept enabled Bumiputeras to become involved in the franchise business, while the Vendor Programme provide opportunities for SMIs to give supporting services to large companies.

Finally, under export-led growth, Malaysia needs large scale production in order to maximize profit and accumulate capital. This means it needs to use high

technology industries compared to the present and the NEP labour intensive industries.<sup>11</sup> This also means that Malaysia has had to import foreign technology seeing that it lacks the skilled manpower and technology, and thus perpetuates the dependency problems further.

On the whole, the National Industrial Policy required contributions from the private sector in order to meet its goals of increasing exports. Therefore, since 1985, Mahathir has introduced the Privatization and Malaysia Incorporated Policies. This will be discussed in the next section. On the whole, industrialization is an attempt to reverse the dependency problems by increasing Malaysian manufactured exports. But evidence shows the contrary. The 1994 nationwide study on the SMIs found that many local industries, especially SMIs, are still not well-integrated into the mainstream of industrialization. The SMIs products are still of low quality and production techniques remain primitive (see Appendix F on the problems facing SMIs.) Thus, all these need State assistance in order to change. Since most of Malaysia's present exports are still from MNCs rather than local manufacturers. As a result, the dependency problem is inevitable.

### *2.3 The Malaysia Incorporated and Privatization*

These two policies are closely connected, and were introduced in 1983. Basically, the Malaysia Incorporated is based on the premise that:

"Successful national development, particularly facing global competition, requires the public-private sector collaboration and co-operation and adherence to the perception of the nation as a corporate or business entity jointly owned by both sectors... The rapid economic growth will, in turn, generate more job opportunities and further increase in revenue which could be channelled to finance socio-economic development projects and public administration improvements."

(Abdul Hamid, 1994: 767-768)



This policy is modelled on the Japanese idea in which state and private sectors co-operate with one another in industrial development. However, in the case of Japan, the relationship between the government and the private sector is more informal. There is some sort of contractual relationship to help one another, particularly in finance, when the needs arise (Lee, 1989). However, without any well-established private companies which can work closely with the Malaysian government, particularly within industrial development, the corporatization concept cannot be implemented. Therefore, the Malaysian policy adopts a strategy to privatize some prospective government agencies. However, under the Malaysian privatization concept the 30% equity must be reserved for Bumiputeras. Until such agreement is reached, privatization cannot be implemented. The methods of privatization are: sale of Equity or Assets; Lease of Assets; management Contract; Build-Operate Transfer (BOT) or Build-Operate (BO) and corporatization.<sup>12</sup>

Sale of equity involves the transfer of management responsibility, assets and personnel. The lease method only involves the transfer of rights to use assets for a specific period. However, where feasible, the sale of assets can be negotiated after the lease. The lease method was used in the privatization of the Royal Malaysian Aircraft Maintenance Depot. The management contract merely involves appointments of professional management expertise where the public agencies lack the required skills in the specified field, or where mismanagement occurs. The Build-Operate Transfer and Build-Operate are methods by which the private sector funds and builds ongoing privatized projects such as highways and water supplies. On completion, the company can impose charges to cover its expenses for a specified period. Examples of the BOT are the North-South Highway and the second Link to Singapore. However, the Build-Operate method does not involve transfer of the facility to the government. Examples are Sistem Television Malaysia Bhd., Kuala Lumpur Light Rail Transit, and Plaza Rakyat.

In addition to privatization, and in line with its Malaysia Incorporated Policy, the Government introduced various strategies to promote a closer relationship between public and private sectors. These are strategies such as: promoting

dialogues, forums, seminars, workshops, the creation of consultative panels between the two sectors, improving the quality and productivity of the Civil Service, etc. Recently, these approaches have been improved to promote better understanding and participation at both national and international levels of the organization. These are among the main reasons which led to the adoption of the new paradigm within the Malaysian Civil Service. It means that the Civil Service has to adapt to the changing working environment around the world which involves the use of high technology and which is customer-orientated. Due to this policy, there have been several points of co-operation between private and public sectors, particularly since the Vision 2020 was promulgated in 1991. Several guidelines have also been issued to promote a positive relationship between the private and public sectors (Abdul Hamid, 1994: 767-830).

Both policies marked the beginning of economic liberalization. Malaysia has learned from the NEP and communist countries that public enterprises are burdensome and unprofitable. The Privatization Masterplan was ready on 8th February 1991, just twenty days before Mahathir proposed the Vision 2020 ideas. In a foreword to the masterplan, Mahathir seemed convinced that the government was departing from the old approach of state intervention in the economy. Some laws are being streamlined to expedite implementation of the privatization projects. Many programmes have also been implemented in line with the Malaysia Incorporated and privatization policies which involved both private and public sectors.

Considering the present stage of social, economic and political development, the author thinks that these policies will cause various conflicts within Malaysia. The groups which have benefitted most under the NEP will not want to surrender their privileges and positions. These groups will place demands on the government regarding the implementation of the Privatization and Malaysia Incorporated policies; particularly with respect to the problems of Chinese domination of the private sector and the existence of MNCs. Thus, the two policies will face some implementation problems due to these conflicts.



A study of Port Kelang Container Terminal, showed that the problems of implementation were due to a shortfall of skilled government personnel, legal obstacles, protracted negotiations with employees, and differences concerning acceptable terms and conditions of sale (Leeds, 1989: 753-752). Nevertheless, government statistics can still convince the people of the viability of the two policies. From 1983 to December 1993, the government has privatized ninety projects. So far, it has gained RM10,749.37 million from the privatization proceeds. Between 1993 and 1994, fifteen of these privatised agencies have been listed in the Kuala Lumpur Stock Exchange. This has enabled the public to invest in these companies either privately or through the government sponsored schemes such ASB (Bumiputera Share trust) and the ASN (National Share Trust). This is an improvement on the funding of loss making public enterprises during the NEP. Stock market flotation also enables the public to participate indirectly in the Vision 2020 National Development. The private and public sectors are beginning to understand their new roles regarding Vision 2020 national development. Both sectors are beginning to accommodate one another compared with their relationship two decades ago. In his speech at the UMNO General Assembly on 4th November 1993, Mahathir stated:

"We have introduced many changes to the administrative system. If previously we co-operated less with the private sector, today we consider the public and private sectors as a team that work together to develop the country."

### *3. VISION 2020 DEVELOPMENT AND REFORMS IN THE CIVIL SERVICE*

This section examines some of the changes that have been made in the implementation mechanisms of related agencies, due to the new management paradigm in the Malaysian Civil Service.

The new management paradigm of the Civil Service will, hopefully, provide a better infrastructure and well-trained people capable of successfully implementing and withstanding the Vision 2020 challenges. The second transformation of the

Malaysian economy will force the people to adopt a new attitude and a new social perspective. The economy will be transformed from the financially centred paradigm to the human-centred paradigm. Material development will be replaced by human centred development which will create a Malaysian society that values quality. Mahathir's awareness concerning quality is noted from his early policy on "Clean, Efficient and Trustworthy" Government which was introduced as a slogan for the 1982 elections campaign. However, the Civil Service discrimination against the Chinese by setting quotas in favour of the Malays and Bumiputeras has not changed. Measures such as pass with a credit in Bahasa Malaysia in the public examinations for entrance into the Civil Service have made it tougher for the Chinese and gives advantage to the Malays and the Bumiputeras. Thus the Civil Service is dominated by Bumiputeras and Malays (Means, 1991: 25-27).

The implementation of quality improvement guidelines in the Malaysian Public Service is marked by the renovation of several offices. Some departments which implemented the guidelines renovated their counters and provided better space for customers than before. Some required counter service staff to wear uniforms. Most headquarters, especially the Federal Departments, are now displaying their Client's Charter. In implementation of development projects, a new planning and implementation system of development projects was introduced. (See guidelines on quality management issued by the Prime Minister's Department in Appendix G) and various publications by the Chief secretary to the Government, Tan Sri Ahmad Sarji).<sup>13</sup>

Under the new system, the National Development Council (NDC) was established to replace the National Action Council (NAC). The council is chaired by the Prime Minister and its members consist of the Deputy Prime Minister and eight other senior cabinet members with the Director General of the Implementation Monitoring and Evaluation Co-ordination Unit, as Secretary. Its functions are to ensure proper implementation in line with the NDP and the five-year plans. The NDC is assisted by the National Development Working Committee chaired by the Chief Secretary to the Government and its members are mainly top civil servants in



the agencies related to the implementation of development projects. Chiefly, the Working Committee's functions are mainly to ensure that implementation of development is in line with the NDP and the plans to identify implementation problems, to ensure that the system and procedure of implementation, monitoring and evaluation are efficient and effective, and to assess implementation capacity. The other mechanisms of implementation under the NDC are the Ministry Development Committee, State Development Council (which replaces the State Action Council) and the District Development Committee (which replaces the District Development and Action Committee). Under the National Development Policy, the National Development Council has established the Programmes Of The Hard Core Poor (PPRT) to deal directly with the problems of this group. The new system will hopefully be able to improve the implementation of development projects.

Total Quality Management (TQM) cannot be implemented if the Civil Service still performs its work in the established ways. Thus, it involves a thorough reform of the Civil Service. In addition to the new system in implementation of development projects, new management techniques are also being introduced such as: productivity and performance evaluation, the new system and work procedures, client's charter, improvement of the counter services, right-sizing, work ethics and values, inspectorate system, etc.. All these are being introduced in line with the Quality Service Paradigm to meet the changing needs of both society and the economic structure. These new management techniques are more applicable to the Privatization, Malaysia Incorporated and National Industrial Policies. However, these techniques of implementation will confront various problems in the underdeveloped rural areas and in dealing with the rural population. This is due to the lack of proper infrastructure and implementation capacity in the rural areas. Thus, under the poor conditions in the rural areas, implementation of development projects under the new system will still be delayed.

The annual performance evaluation for civil servants, which awards pay increments (stagnant for poor performance), a year increment (average), double increment (very good) and triple increment (excellent) also has some weaknesses.

These awards are decided by the selection committee based on the individual performance in annual evaluation. Some civil servants who have a good relationship with the manager are being awarded triple increment, although they have not produced quality services. In addition, the system could destroy team-work within government agencies. Consequently, there are suggestions that the award should be group-based rather than individual-based. Due to this type of discrimination, the National Union for Civil Servants (CUEPEC) proposed that this system be abolished. Demand for quality services from civil servants without increasing salaries to comparable private sector levels has also persuaded many top civil servants to leave the service. So the system that allows government servants to retire for mediocre performance is also taken advantage of by excellent ones, who then retire early and join the private sector. Thus, the services could be affected if there is a lack of experienced and efficient civil servants at the top.

In fact, it is the government's leadership that makes an efficient civil service. Malaysian leadership in the National Front Coalition Government has always been dominated by UMNO ever since the NEP. The laws that were enacted during the NEP such as the Sedition Act, Official Secret Act and the Industrial Co-ordination Act are still being practised. There is no purpose in making administrative reforms if the government is still managed by the same group of people with the same values and laws. Efficiency can only be brought about by a fully democratic government that respects human rights and freedom. Total Quality Management is in fact contradictory to the humanistic management approach. This is against the bottom up approach management as popularized by the government at the same time. TQM, as practised in Malaysia, is just an attempt to meet the demands for international standards which is a new form of colonialism that keeps Malaysia dependent on the West. Thus, TQM is a form of exploitation of workers which is not much different from the NEP. Evidently, TQM caused the doubling of development expenditure under the Sixth Malaysia Plan (1991-1996). However, the quality management paradigm has resulted in some improvement in the Malaysian Civil Service. The Seventh Malaysia Plan Report (pp. 685-710) showed that there has been an improvement in the implementation performance of development projects approved



under the Sixth Malaysia Plan. The changes in the Civil Service is evident in industrial, agricultural and rural administration.

Most ministries and their agencies have to conform with the management paradigm of the Civil Service in implementing the Vision 2020 development programmes. The new management paradigm is based on the Malaysia Incorporated and Privatization Policies. The Government is concerned about efficiency, quality and profitability in line with its focus on export led growth as a way of reducing dependency on the developed world. For instance, MITI's agency the National Productivity Centre, became the National Productivity Corporation. Furthermore, the various forms of assistance under the NEP, such as training, marketing and loans are being reorganized into the Vendor Development programmes, Umbrella Concept and through special government promotion. This is in line with the IMP strategy of creating intra-industry linkages. However, at this initial stage, MITI continues to provide incentives to foreign investors in the form of industrial estates allotment, loans, tax holidays and free trade zones. In addition, SMIs are less developed and still not using modern technology (Seventh Malaysia Plan: 263-302).

In agriculture, the implementation agencies of the NEP are still functioning. However, there are attempts to privatize certain agencies and close some conflicting agricultural agencies. This is in line with the liberal policy of reducing state intervention in agriculture. This means agriculture must be based on free enterprise. Government subsidy will be reduced and large scale farming through mini-estates takes the place of traditional farming and inefficient smallholders. The mini-estate form of management has already been put into practice by the Rubber Smallholder Development Authority.

Furthermore, the Ministry of Rural Development also announced the new philosophy and strategy for rural development on 28th November 1994. A new approach is required since the Integrated Rural Development was not dealing directly with the problems of rural poverty. Thus, the problem of poverty persists. An improvement in this respect seems to require various forms of social assistance,

rather than an increase in the poor's income through increased productivity as is assumed in the integrated agricultural and rural development programmes. Under the new system of rural development, the Ministry of Rural development created an agency to manage the rural development programmes under the "Vision Village Movement," the Institute of Rural Advancement (INFRA). The new management under the Vision Village is a vast improvement on the old system where infrastructure was given higher priority than human development. The "Vision Village Movement" also involves the private sector and non-government organizations other than the District's government agencies. INFRA will train the rural people in the modern management of villages through various programmes that have been outlined by the Ministry of Rural development under the "Vision Village Movement." This change in management is deemed necessary due to the so-called second transformation of village economic structure. By 2020, when the people have adopted the values of excellence and quality, each village will have small industry, service industry, clean environment, competitive agricultural and industrial sector, rural-urban migration, intelligent infrastructure, well planned village and higher income. Due to the adoption of the liberal approach in economic undertakings and the free market system, Malaysians must adopt the qualities of a competitive individual. The "Vision Village" also adopts a new paradigm in the management of rural development. The new paradigm emphasizes participation; growth, equity and stability; the market economy, human development and preservation of the environment; learning organization culture; systematic, integrated development, etc. All these will place emphasis "development from below" to allow the creation of self-reliance and free individuals, while government participation is reduced to that of guide and motivator.

The Vision Village will make rural areas attractive, progressive and profitable. Its management is based on corporate concepts and operation strategies. The organization is commercialized and adopts a strategy of maximum profit. This strategy places results and accountability first and emphasizes the new management paradigm.



The target of the "Vision Village Movement" will involve 3000 villages by the year 2000. In the first year of operation, the Movement will involve 642 villages. The villages are categorised as state assembly election constituency areas (482 villages), Land Development Authorities areas (50 villages), Regional Development Authorities (70 villages) and the poorest villages (40 villages). Rural problems will be identified in advance so that a plan of action can be prepared and implemented with the participation of the rural people. All these "Vision Village Movement" strategies are based on the new paradigm on management of the Malaysian Civil Service.<sup>14</sup>

#### *4. HUMAN RESOURCE DEVELOPMENT*

The problem of manpower has been troubling Malaysia ever since the British intervened and ruled its various states. The multi-ethnic component of Malaysia's population is due to the past effort of the British Administration to employ more labour in their plantation industries, particularly the Indians, Chinese and Indonesians. However, in the 1990s Malaysia needs skilled manpower for industrialization. The burden of training the human resource in agriculture and industries has been placed in the public sector in line with the National Education System. Although, private education is now being encouraged it is still subjected to strict control from the Federal Government.

Due to industrialization, the Malaysian Civil Service, as the largest employer, had to adopt new training programmes to meet the needs of the Industrial Master Plan, the Privatization Policy and the Malaysia Incorporated Policy. The globalization and liberalization policy also necessitates that the government adopt a global training approach even if it involves learning the English language in addition to the National Language, Bahasa Malaysia. The Government still maintains strict control on education. Until now, rural education posed the greatest challenge to the government's goals of restructuring society and eradicating poverty. Under the Second Outline Perspective Plan, the government clearly stated that:

"A special emphasis will be given in the effort to improve the quality of education and school facilities to reduce the high rate of drop outs in the primary and secondary schools particularly in the rural areas, improving the employment prospects among school leavers and assist them to get advance training within the education system"

(OPP2: 29)

Furthermore, under Vision 2020, current technical and scientific knowledge has become insufficient. In order to develop further, Malaysia needs an ethical and disciplined work force. Training on these matters has now been given greater emphasis at primary school level under the National Education System. However, the Public Service Department through the Institute of Public Administration has been training public servants on good ethics and discipline in line with the Privatization and Malaysia Incorporated Policies as well as the Quality Campaign just discussed. The need for such training is also in line with the "Policy on Assimilation of Islamic Values in Administration" and the need to combat corruption and mismanagement.

In addition, the Ministry of Human Resources has its own agencies, programmes and training schemes which are designed to meet the needs of Vision 2020. In 1989, the Ministry established the National Vocational Training Council, (NVTC). Following this, the Human Resource Development Council, (HRDF), was established in November 1992. The NVTC is more of a planning body and the HRDF is the implementation agency on human resource development. Since July 1993, various training schemes have been introduced. The need for both quality and recognised qualifications in industry led to the establishment of the National Occupational Skill Standards and Malayan Skill Certificate.<sup>15</sup>

##### *5. IMPERFECT COMPETITION AND CRONY POLITICAL CAPITALISM*

The dependency problems in Malaysia are partly attributed to the former British Colonial Administration. By the time the British left Malaysia, society was already communally divided. Furthermore, free enterprise under the Premiership of Tengku Abdul Rahman only perpetuated the problems. The state policy of non-



intervention failed to address the problems of income inequality according to ethnicity and regions. The promulgation of the NEP in 1971 as discussed earlier, was an attempt to overcome the dependency problems through social restructuring and the eradication of poverty. A target was set so that by 1990, Bumiputeras would be able to own 30% of the business and capital. Other nations have never adopted this unique form of income redistribution measure. Putting the policy on paper before reaching a communal consensus was undemocratic. Implementing it would be even tougher especially for a new Malaysian Federation. Implementation needs social engineering and ingenuity. However, in principle, capital accumulation works on the principle of efficient large scale production as well as competitiveness, not to mention profit and loss. Furthermore, accumulation and creation of capital also take a long time to produce results and, in order to do so, need a stable economic and political context. In addition, the successful accumulation of capital on a national scale requires a skilled workforce as its human capital. The NEP reverses the principle of capital accumulation as envisaged by Marx. The most important characteristic of the NEP was imperfect competition and crony capitalism. Indirectly, this policy perpetuated the dependency problems and defeated the purpose of social restructuring and eradication of poverty.

The Bumiputera ownership target in business and industries is still being continued under the Vision 2020 development plan. Thus in principle Malaysia is just promoting imperfect competition in the economy which will also cause further inefficiency. This perpetuates the problems of inefficiency as in the NEP. Efficiency plays a significant role under Vision 2020 development as it involves heavy industries and the use of high technology. Thus, losses will be larger than those incurred by the NEP and, indeed, this has become evident recently. Furthermore, this involved foreign capital and high technology which is dependency on a large scale compared to the NEP. This also represents an exploitation of Malaysia's natural and human resources. Based on these arguments, Vision 2020 is a more efficient form of State exploitation rather than efficient production to meet the export led strategy.

Inefficiency still persists in the Government implementation machineries. In agriculture, the income of farmers has not improved much due to mismanagement and leakages of the funds (Silvalingam, 1993: 8). This indicates that if a government cannot manage agricultural development properly, it is unlikely that it will be successful in industry without foreign assistance. Inefficiency in agricultural management means that the rural-urban imbalance still persists because it is difficult to reverse (Siwar and Ariff Hussain, 1992: 249-272). This inefficiency also involved Government heavy industries and other public enterprises.

Inefficiency can also be witnessed in the way government contracts are being awarded, the involvement of political businessmen and financial management. It is true that Mahathir's policies have led to the growth of capital. Nevertheless, the approach has not led to an increase in the productivity of local entrepreneurs. This is because of their dependency on government contracts and concessions. Malaysia needs genuine entrepreneurs who can make a contribution to the nation without depending on the government. Gomez (1994) showed that Mahathir's policies have led to the growth of political businessmen and big corporations with political links (see also McVey, 1992). This kind of crony capitalism persists despite the administrative reform and the new remuneration system for civil servants.

Businessmen who claim to be strong supporters of ministers and VIPs usually obtain endorsement, particularly in receiving loans which involve large sums of money. Due to this privilege, favoured businessmen are able obtain multiple bank loans. This leads to a situation where they use the loans from one bank to pay off the debts from another. Business dealings are done to protect political interests although they may not be profitable and productive in the long run. Thus, this could cause political conflicts within the National Front Coalition unless everyone receives a fair share. Thus the National Front Coalition is just like a club where members enjoy many privileges especially the award of government contracts (see McVey, 1992; and Gomez 1994 for a detail study of the political businessmen in Malaysia).



Economically, imperfect competition has caused a rise in the prices of government controlled goods such as cement, flour and chicken. In the past, producers have demanded that the prices of these goods be raised in response to the rise in prices of other goods. They refused to sell these goods until the government raised the prices.<sup>16</sup> In the case of cement, dealers were stock-piling cement and smuggling it out to Thailand. Thus protected industries in Malaysia have not been able to meet the targets of production and demands of consumers. In 1996, it was disclosed that Perwaja incurred a loss of RM2.3 billion.<sup>17</sup> This kind of loss has been experienced ever since the NEP. Imperfect competition is also bad for the growth of small and medium industries as they are not able to compete with the larger capital intensive industries. Inefficiency brought about by imperfect competition has involved all levels of administration from the Federal to the State Governments. Shaikh's study (1992) found that, "Malaysia's public enterprises had low rates of return and well below opportunity costs of funds." He showed that the Government classification of public enterprises for 1986 was; 63 (13.9%) sick, 140 (30.9%) weak, 48 (10.6%) satisfactory, and 201 (44.4%) good.<sup>18</sup> Inefficiency even crept into the Malaysian Central Bank (Bank Negara). This was alleged to have lost about RM30,000 million due to its speculative activities in the money market. This led the Governor of the Central Bank to resign (Othman, 1994: 9-127).

All these issues - particularly state involvement in privatized agencies - can actually work against the idea of liberal administration. However, the idea of promoting close co-operation between government and big corporations can help to integrate some businesses which are owned by the various ethnic groups. This, however, has also been inhibited by the need to protect Bumiputera interests, too.

## *6. THE SIGNIFICANCE OF THE NEP ON MAHATHIR'S POLICIES: CONTINUITIES AND CHANGES*

It is still too early to assess the impact of Mahathir's Vision 2020 development policies. However, initial examinations of his policies and the current socio-economic trends indicate an attempt to continue on with the old policies and strategies despite the changes made in the 1990s.

Politically, the NEP served to consolidate and legitimize the Bumiputera dominated government. Since the NEP's termination in 1990, the laws and state machineries for the protection of Bumiputera and Malay privileges have not changed. With the policy on "Assimilation Of Islamic Values In Administration," Islamic ideology is also being propagated to project the good image of Islam as a National ideology. Although Islam has been the National ideology, before 1985 it was not openly propagated in the administration. The influence of Islam within UMNO, the dominant party in National Front, has even divided the party leadership itself. The Deputy Prime Minister, Anwar is an evident supporter of the Islamic group, which could challenge those supporting Mahathir.<sup>19</sup> In addition, due to the need to reach the target of 30% Bumiputera ownership of capital, ethnic politics is becoming prominent. The National Front parties led by UMNO are openly involved in the acquisition of Government contracts.<sup>20</sup> This is added to by the prevalent practice of money politics which Mahathir is beginning to eradicate in order to preserve UMNO and the National Front legitimacy.

From the point of view of economic development, Malaysia is still dependent on the West in terms of capital and technology. This situation has continued even after independence and through-out the NEP. Strong economic growth in Malaysia brought about by the export of electrical goods is mostly due to the existence of Multi-National Corporations. In reality, Malaysia is still struggling to build its local small and medium scale industries, and to encourage the use of modern technology and automation.<sup>21</sup> In addition, the dependency problems are exacerbated by the lack of skilled manpower to fuel the process of industrialization.



Since independence, the government has made efforts to modernize society by developing Malaysian industry, agriculture and infrastructure. In conjunction with this, there are also policies devoted to rural-urban problems and even the Government's own administration. However, there still exists a huge number of the traditional rural population who make their living through subsistence agriculture. This imbalance in development is worsened by the recent industrialization programmes. More money is being spent on industries, leaving the agricultural sector poorly managed despite the large amount of funds which are allocated to it. The motivation to industrialize and promote the growth of heavy industries stemmed from the need to achieve 30% Bumiputera ownership of capital. This has distracted the government from the real issues of social restructuring and eradicating poverty. In addition, recent rises in the price of goods have affected the poor most. This could also affect the government's objective to restructure the society and eradicate poverty through economic growth (see Appendix H). The government's controversial policies can also be seen in the National Education Policy, National Unity Policy and the Assimilation of Islamic Values In Administration. Due to these, there is not much difference between the NEP and present Mahathir's Vision 2020 development policies. Despite their privileges, the Bumiputeras are still unable to catch up in education, business and industry. The NEP and the current policies have, in fact, perpetuated dependency among the Bumiputeras and prevented the spirit of competition within a multi-ethnic society. Since unbalanced development still persists, the NEP strategies need to be continued under the Vision 2020 development plan.

## *7. CONCLUSION*

On the whole, although Mahathir's liberalization policies were intended to overcome dependency problems in Malaysia, they have actually worsened them. Malaysia has become trapped in huge foreign debts since Mahathir took over the Premiership in 1981 due to his loss making focus on uncompetitive heavy industries. The reforms in the Civil Service have also been costly but there has been no

corresponding improvement in efficiency as is evident in this chapter. Thus, Mahathir's policies are just another form of capitalist exploitation.

One significant change in the economy, however, is that the agricultural sector is contributing less to GDP and employment compared to the industrial sector; a trend which has given strong support for Mahathir's liberal policies on trade and administration. This will make it possible to increase Malaysian exports. Inevitably, the agricultural sector has had to adopt the capitalist form of production and associated land reforms. Even this has been inhibited by the need to protect Bumiputera privileges and traditional farmers. While agricultural contribution to GDP is falling, local manufacturers and heavy industries are not doing as well as expected and Malaysia has had to over-rely on MNCs for its export earnings.

The ruling National Front coalition is still dominated by United Malays National Front. However, there are some noticeable changes within UMNO, namely the strengthening of its Islamic values, internal conflict and its expansion in Sabah in 1993. Most of the old guard in UMNO have been deposed in party elections or have been given less significant posts within the Government. The new generation in UMNO are younger and more self-centred. Only exploitation of the rural peasants and Muslims will continue to keep them in power. This is likely to lead to an abuse of the Bumiputera privileges and a worsening of the communal problems. Nevertheless Anwar, Mahathir's new Deputy, has always emphasized continuity (*kesinambungan*) in his various speeches.

The dependency problems have not only led to increasing foreign debt but also to rising prices. These increases have affected the poor most and have worsened poverty as well as the rural-urban imbalance in terms of development. Imperfect competition which has been brought about by the need to protect Bumiputera interests has also perpetuated inefficiency in the government and the economy.



## CHAPTER 4

### BUMIPUTERA ENTREPRENEURS AND VISION VILLAGE DEVELOPMENT IN SABAH

#### *1. INTRODUCTION*

This chapter examines state intervention against the problems of rural poverty, and poor Bumiputera participation in commerce and industry. These two problems were first dealt with under the NEP (1970-1990) but were not satisfactorily resolved, particularly in Sabah (National Economic Consultative Council Report 1990: 17-120). The two objectives were popularly known as the "two-pronged" objectives of NEP. Further, the NEP's attempt to reduce the income imbalance between the well off Chinese and the less developed Bumiputeras did not meet its target of 30% Bumiputera participation in commerce and industries. This was due to political, social and economic constraints on the policy plans. As a consequence, alternative solutions were adopted after 1990 in dealing with public enterprises and rural development. This study focuses on the initial period of the Vision 2020 grand plan.

#### *1.1 Background Of The Problems*

##### *1.1.1 Geography And History*

Before examining the problems in Sabah, it is vital that one understands both its historical and geographical background. Sabah has an area of 28,500 square miles and, as such, it is the second largest state in Malaysia. Although it has a hilly interior, about 85% of the land is suitable for agriculture.<sup>1</sup> The sea is a natural supply of all sorts of food and the forest is rich in timber. Its other natural resources

are petroleum, methanol, copper and even gold. Thus, if they are properly managed and exploited, Sabah has wealthy natural resources.

Historically, Sabah was ruled by the Chartered Company (1880-1940) and the British Administration (1946-1963). It inherited British administrative and legal systems. Although the British also brought some economic development in Sabah, they neglected the rural areas and the Bumiputeras. Their capitalist approach to development has caused an imbalance in terms of income between the well-off urban dwellers - especially the Chinese - and the low income Bumiputera rural dwellers. The urban areas have better infrastructure in terms of communication, electricity and running water than the rural areas. The imbalance has persisted up to the present day despite the government development programmes which have been operating since 1963. Most of the Bumiputera rural dwellers earn their living through subsistence farming. The big plantations used to be owned by British companies. Presently, there are some plantations which are managed by the Sabah Land Development Boards and Federal Land development Boards to resettle the landless. However, due to the restructuring programmes, public enterprises are being established in manufacturing which can help expedite development in the states. In Sabah, although the Bumiputeras dominate the political scene, historically the Chinese capitalists have held economic power. Thus, the political power of the Bumiputeras frequently comes into conflict with the Chinese capitalist power. This conflict will be the determining factor in the implementation of the government development plans in Sabah.

### *1.1.2 The Problems*

Although the NEP showed some improvement in Bumiputera participation in commerce and industry, the rural areas have not experienced full impact of this policy. This is especially so for rural areas in peripheral states such as Sabah, Sarawak and Kelantan. Nevertheless, the government was pleased that the Bumiputera participation in commerce and industries had increased as is indicated by 20.3% capital ownership by 1990 compared to the 2.4% level in 1970 (see Table 5).



	1970	1990 Target	Malaysia (1990)
Bumiputera (including Trust Agencies etc.)	2.4	30	20.3
Other Malaysians	32.3	40	46.2
Foreign Residents	63.3	30	25.1
Nominated Countries	2.0	-	8.4

Table 5. Capital Ownership Of Share Companies After  
The NEP Ended In 1990 in Percentage

*Source:* Malaysia Outline Perspective Plan (1991-2000), GOM, K.L, (June 1991).

Various public enterprises were established as a way of allocating resources and encouraging Bumiputera participation in commerce and industry. If compared to the cost to the nation, the author thinks that the increase is not worth the money spent (FEER, 12.10.1995: 142).

However, the NEP was not able to fully achieve its objectives. As a controversial policy which discriminated against the Chinese in economy, it led to further rifts between the Chinese and the Bumiputeras. Some thought that NEP spending benefitted the Chinese capitalists as they generally supplied the equipment and facilities which are necessary for development .

Despite the NEP, factors such as urban-rural imbalance in development, poverty, regional social and economic differences, the issue of poor Bumiputera participation in commerce and industry persist.<sup>2</sup> All these are characteristics of dependent capitalist development. Thus, when the NEP ended in 1990, its two pronged objectives of restructuring and eradication of poverty had to be further pursued under the National Development Policy (1991-2000). However, in line with Vision 2020, the Government has reformed its administration to be more efficient than before. This is also in line with the policies on Privatization, Malaysia Incorporated and National Industrialization. These policies are alternative means to

improve Bumiputera participation in commerce and industry. Thus, it is interesting to examine their implementation in Sabah.

Although the present Vision 2020 development provides a liberal framework for Bumiputeras entrepreneurial development, it still faces implementation problems. Industrial and Vision Village developments are faced with various conflicts. The large Bumiputera dependent population is coupled with dependency on foreign capital for development. Its heavy industries are not competitive enough compared with the MNCs. Exploitation by the MNCs is not conducive to the development of the less competitive SMIs. The development of industrial parks will primarily benefit MNCs as they are more competitive compared to the local companies.

Furthermore, without private Bumiputera capital, the industrial decentralization which is required by the Vision Villages project will be difficult to implement. There needs to be efficient market mechanisms whereby the rural population can market their products rather than depending on Government. In addition to these problems, there is also a lack of skilled manpower which means that Sabah is largely without one of the key ingredients for successful capitalist development. Therefore, Bumiputeras dependency is inevitable.

The privatization and corporatization of public agencies are also impeded by the need to protect the Bumiputera share in ownership of capital as well as in management. Thus, although these agencies have adopted corporate and private sector concepts, they are subject to Government control and protection. Thus the situation of imperfect competition which was discussed in chapter three is inevitable even under Vision 2020 development.

With the present level of development, the management will face many constraints in implementing Vision 2020 effectively. A possible problem in this regard is that the present managers are still unfamiliar in implementing industrial development. For instance, the existing agro-based industry such as cocoa, oil palm, and rubber are slow to venture into down-stream processing. The Bumiputera



entrepreneurial development will only be successful if the government can organize the various ethnic groups into a huge corporate organization. This means that the different ethnic groups will have to work together to unite their resources and increase productivity

However, as the government is interested in maintaining its own political domination, it is unlikely that there will be true co-operation and unity between Bumiputeras and the Chinese, as well as between Bumiputeras of different ideological backgrounds. Thus, although some programmes are not so feasible, they are implemented only to preserve the Government's political interests. For instance, it does not make sense to have a decentralized plan for industry in Sabah when the urban areas themselves are not yet fully industrialized. The rural population has few skills and experience in starting their own rural industry. Furthermore, the failure of the decision-makers in the NEP did not provide the positive experience needed to implement Vision 2020 development.

Taking all these points into account - and also considering the lack of modern technology - it will take longer than 2020 for Bumiputeras and rural areas to industrialise. These points are a reflection on decision-makers in Kuala Lumpur who have failed to take into account Sabah's stage of development when they embarked on the Vision 2020 grand plan as well as the usual Five-Year Plan and the Outline Perspective Plan (1991-2000). The decision makers are quick to put aside their previous failures and create new plans to preserve the government's legitimacy as they did under the NEP. This may be what the Prime Minister, Mahathir, means when he tearfully proclaimed the Malay Poem (sajak) "Unfinished Struggle (Perjuangan Yang Belum Selesai)" during the UMNO gathering in 1996.<sup>3</sup>

Since the NEP, public enterprise in Malaysia has been a means by which the state has intervened to increase Bumiputera participation in business and industry as well as in ownership of capital (Milne, 1976: 235-261). From the Marxist point of view, this will undermine the ethnic and social structure in Malaysia and will transform the Malaysian state. This means there will be some conflict between the

new and the traditional society. This is not the only source of potential conflict as ethnic difference may also assume themselves into a class struggle. All these potential conflicts originate from the attempt to create and accumulate Bumiputera capital. Lim (1985: 56-59) has revealed some contradictions between state capital accumulation and Malays/Bumiputeras interests. The state's direct involvement in capital accumulation is seen as an attempt to preserve Malay/Bumiputera legitimation in government. This gives rise to a situation where the state competes with private capital (which represents various ethnic groups and foreign investment in Malaysia). This has affected Bumiputera capitalists. The effect of state capitalism could be even worse in peripheral Malaysian states such as Sabah. However, the government programmes to promote the growth of Bumiputera capitalism have undermined the state itself. The privatization of public enterprise is seen as the beginning of the loss of autonomy of the state. According to Halim (1990: 82-83), this loss is countered by increasing authoritarianism combined with economic liberalism. Privatization was not due to an attempt to redistribute income but due to losses incurred by the public enterprises. Studies by Bumiputera scholars themselves indicate that there has been some mismanagement of the public enterprises other than the lack of skilled manpower (Halim [1990]; Shaikh [1992]). Furthermore, other scholars such as Leeds (1989: 741-754), and Lim (1985: 37-59) indicate that there is mismanagement and corruption in the Malaysian public enterprises. Other than the Vision 2020 Development Plan, various proposals have also been forwarded by the Bumiputera Economic Congress to improve the situation. Let us examine the problem by looking at the peripheral Malaysian state of Sabah. With the loss of the government legitimation and autonomy especially in the urban areas, it is likely that the Bumiputera leadership will shift their attention to the rural areas. Furthermore, industrialization of the rural areas is necessary as the economic trend shows that agriculture is contributing less to GDP and employment. Unless steps are taken to decentralize the industries in the urban areas, the income inequality gap between the urban and rural areas will widen. Thus, the Vision Village human centred development will help to retrain the villagers who have been pushed to the margins of capitalist development and bring them to the mainstream.



Marvin (1989: 764-785), in his study of a Malay Village in Peninsular Malaysia, found that rural development in Malaysia has been successful in bringing about infrastructural improvement. However, this has not encouraged the villagers to fend for themselves. Instead, they are becoming dependent on the government to develop their villages. This approach seems to turn into a tradition in the development of rural Malaysia. As a consequence, the new approach under the Vision Village Programme is trying to reverse this problem whereby development starts from below (i.e. the bottom up approach). The new approach will also encourage the development of agro-based industries. Studies such as those by Parikh and Thorbecke (1996: 375) on industrialization in India found that rural industrialization does help to improve the standard of living in the villages with industry when compared to those without. In addition, this has also led to the growth of a new service sector. However, this does not mean that agricultural development in the rural areas should be neglected by the government as both sectors are good labour absorbers. However, an over reliance on agriculture will not be able to handle rapid population growth. As Alauddin and Tisdell (1991) point out, due to population growth, the green revolution must be followed by industrialization for labour absorption. Islam et al (1987) found that, considering the high cost of industrialization, both sectors should play complementary roles. Indeed, the high cost of industrialization has led many scholars to point out the need to revitalize agriculture and encourage down-stream processing. Furthermore, consideration should be given to various structural, distributive and political problems. Rural industries should also take into consideration market fluctuations in the price of their products. If market fluctuations occurred, they would leave the villagers with debts and lead to a poor living standard. As Briggs showed in his study on the economic crisis in Tanzania between 1974-1976, due to villagisation policy, one should not force peasants to do something which they are unsure and uncertain about. The villagers must be allowed to think for themselves about the profitability and benefit of the programmes. However, Park and Johnston's (1995: 201-203) study of rural development in Taiwan pointed out that in addition to government policies external factors have also contributed to the success of rural industries in Taiwan. In addition to the government policies, it is the capitalist motive that led to successful

industrialization of rural Taiwan. For instance, rising income provided the rural people with sufficient start-up capital to begin small and medium industries. Successful rural industries served as good role models for other villagers to follow. In addition to the well educated human capital and fitting vocational education, Taiwan's leadership is pragmatic in their implementation of the government's policies.

Due to the various problems facing public enterprises, the author doubts whether the Vision Village programmes can be successfully implemented. In order to develop a better definition of the problems, the author will examine the Bumiputera entrepreneurial programmes and "Vision Village" development in the peripheral Malaysian state of Sabah.

## *2. BUMIPUTERA ENTREPRENEURIAL DEVELOPMENT IN SABAH*

The development of public enterprises in Malaysia and in Sabah in particular was originally based on the guidelines of the NEP. In Sabah, the early public enterprises mainly dealt with commerce, timber, agriculture, fisheries, and natural resources. It was only under the BERJAYA rule (1976-1985) that public enterprise was expanded to manufacturing. All these expansions were implemented during the NEP. They included cement manufacturing, vehicle assembly, brick making, shipbuilding engineering, clinker manufacturing, flour and feed production, coconut oil processing, and sugar refinery. By the 1990s, the manufacturing activities of SEDCO had expanded. These public enterprises are also involved in the service and commercial sectors. Other than that, these public enterprises also have the social restructuring responsibilities which usually take the form of incentive schemes for Bumiputeras in commerce and industries. With the expansion of state enterprises, their management and organization has become more complicated. Thus, by the 1990s, the major state enterprises such as SEDCO and the Sabah Foundation were beginning to restructure their organizations<sup>4</sup>. It appears that the state realised that it could not combine its commercial activities with its social responsibilities. This means that if the state makes little profit, there will be less money for welfare. Let



us then examine the roles and functions of these public institutions. What problems do they have in implementing the policy plans?

The implementation of Bumiputera entrepreneurial development involves many ministries and agencies. The 1990s is a period of institutional restructuring. For instance, in May, 1995, the Federal Ministry of Entrepreneurial Development was established in Kuala Lumpur.<sup>5</sup> Its role and functions are based on the following objectives: to develop prospective Bumiputeras entrepreneurs, to foster a competitive spirit, to assist Bumiputeras financially and in infrastructural developments, to coordinate various programmes implemented by its various agencies, and to instill cooperation between Bumiputeras and non-Bumiputeras. The Ministry also handles matters relating to Bumiputera incentive schemes in commerce and industry. This scheme takes the form of credit, training, licences, and provision of business premises, and industrial sites. These facilities and infrastructures are important for the promotion of new Bumiputera entrepreneurs who still need guidance and assistance. Even though the Ministry's functions include services to non-Bumiputeras, priority is given to Bumiputeras. The final goal is to create a Bumiputera Commercial and Industrial Community that is able work with other communities. Thus, it is vital that the government establishes some links between Bumiputera entrepreneurs and successful entrepreneurs so that they can share experience and expertise.

The various agencies which are under the Ministry are the Commercial Vehicle Licensing Board, Council of Trust for the Indigenous People (MARA), Urban Development Authority, Malaysia Development Bank Berhad, Malaysia Handicraft Development Corporation, and Credit Guarantee Corporation. These agencies involve millions of ringgits of public funds which are sufficient to achieve the objectives and strategies that have been outlined by the ministry. Among these agencies, only MARA has a branch in Sabah. MARA caters only for Bumiputeras, unlike the other agencies under the Ministry which have a wider ethnic scope. Within its focus on the Bumiputeras, MARA has broad functions which cover training, credit and development of the infrastructure for Bumiputera entrepreneurs.

Although MARA has a branch in Sabah to implement the Federal policy plans as land matters fall under state power, MARA's federal programmes such as the provision of business premises have difficulty in finding suitable sites. Thus after overcoming the problem of horizontal linkage, the management then finds difficulty in vertical linkage at the state level. In addition, MARA is incurring financial losses. Indeed, most of the programmes undertaken by MARA are later closed down without it even being announced to the public what problems have led to the closure. For instance, the bus transport and the "satay ria" ventures have been closed down without giving the public a chance to voice their interests about these public ventures.

### *2.1 The Ministry of Industrial Development Sabah and The Bumiputera Entrepreneurs<sup>6</sup>*

The agencies under Ministry of Industrial Development Sabah are the Department of Industrial Development Research, the Bumiputera Participation Unit, and Sabah Economic Development Corporation. Although their broad objective is to promote and co-ordinate the growth of industries, the Ministry - as indicated by its organization structure - has placed a strong emphasis on the participation of Bumiputeras in commerce and industries in line with the NEP's objectives. One of its agencies, the Department of Industrial Development, is continuing the effort to identify industrial potential in Sabah.

To understand the way in which the promotion of Bumiputera participation in commerce and industry is being organized and implemented, I shall examine the two agencies of implementation, SEDCO and BPU. These two agencies were originally created in line with the objectives of the New Economic Policy (1971-1990) (see Appendix I).



## *2.2 The Sabah Economic Development Corporation (SEDCO)<sup>7</sup>*

In line with the NEP, Sabah has also developed its own public enterprises and Bumiputera entrepreneurs. In commerce and industry, the Sabah Economic Development Corporation (SEDCO) is the implementation agency responsible for the development of Bumiputera entrepreneurs. This agency helps the state government with the production of import substitution products. SEDCO is involved in manufacturing, real estate development, the service sector, and trading. In line with the Vision 2020 development, SEDCO has recently established a subsidiary, SEDCOVEST. This agency provides incentives for the creation of successful "Bumiputera Commercial and Industrial Community". The various undertakings of SEDCO's subsidiaries in the manufacturing, real estate, service, and trading sectors, indicates a capability to produce quality products that can be marketed overseas.

## *2.3 The Objectives, Role And Functions Of SEDCO*

SEDCO was originally established to achieve the NEP's objectives of eradicating poverty and restructuring of society. Thus, under the NEP, it also had to: accelerate economic development of Sabah by identifying, initiating and investing in projects that are consistent with the government's priorities and are financially sound; to prepare the necessary infrastructure for the promotion of industries and commercial areas in the state; and, to achieve a strong financial foundation.

To achieve the objectives, it has to adopt the role of pioneer in establishing new industries, economic infrastructure, creating business opportunities for Bumiputeras and development projects through joint-ventures with both foreign and local investors. After the experience of the NEP, SEDCO's role has not change much but there is pressure to adopt a new role in line with the Vision 2020 particularly in creating a Bumiputera Commercial And Industrial Community. Its new role will also emphasize modernization, promote the business image of Sabah as well as industrial development.

Thus, in line with the Vision 2020 challenges, SEDCO as a public corporation functions as the state's industrial machinery. It functions under the directive of the Minister of Industrial Development and ensures that industrial infrastructure such as industrial estates and industrial facilities which can create employment and economic growth are in proper order. This is in line with the Ministry of Industrial Development objectives which are:

"(a) To accelerate the growth of the manufacturing sector to ensure a continued rapid expansion of the State's economy and to provide basis for attaining the social development consistent with the policies of the government, and, (b) To enhance and co-ordinate the promotion of investment opportunities for efficient utilisation of the State's natural resources."

(MID, 1990)

#### *2.4 The Bumiputera Participation Unit (BPU)<sup>8</sup>*

Another agency, the Bumiputera Participation Unit (BPU) also plays an important role in helping Bumiputera entrepreneurs. This agency was created in 1977 during the height of the implementation of the New Economic Policy in Sabah. It still plays an important role in helping to meet the Bumiputera quota in commerce and industry. It acts as a co-ordinating agency in entrepreneurial development which spans all sectors. The BPU gives Bumiputera status to Bumiputera companies. This status provides them with privileges in acquiring government contracts and is awarded to companies which meet certain conditions. For a sole proprietor to acquire Bumiputera status, the company's shares must be totally owned and managed by Bumiputeras. In partnerships and limited companies, 51% of the shares must be owned and managed by Bumiputeras. In addition, to register with the BPU's Contractor Centres, a company must possess a valid licence. The registration classifies the contractors in groups ranging from A to F. Group A enables contractors to undertake government contracts up to the value of RM500,000 above. While, at the other end of the scale, group F entitles contractors to undertake government contracts with a value of RM70,000 or below. In addition, all government works with a value below RM50,000 are reserved for Bumiputeras.



## *2.5 The Objectives, Functions And Roles Of The BPU*

The BPU's objectives can be summarised as attempting to increase Bumiputera participation in commerce and industry in line with the Vision 2020 development. (Formerly, it attempted to achieve the NEP's objectives). To do this, the BPU needs to assist Bumiputeras by whatever means are in line with the current policies. Its assistance comes in the form of training, finance, advice, guidance, management, preparation of working papers. Thus, the BPU serves as a vital Bumiputera institution which helps to improve their socio-economic condition. The organizational structure of the BPU consists of the Director who is responsible to the Minister of Industrial Development and assisted by a Deputy Director and supporting Units. These are the Research and Planning Section, Enforcement and Monitoring Section, Training and Guidance Section, Administration and Finance Section, Contractor Registration Section, and Bumiputera Status Registration Section. All these sections have their own roles and functions but all of them help to achieve the overall objectives of the BPU regarding Bumiputeras. Recently, with the establishment of the Ministry Of Resources And Enterprise, some of the training roles of the BPU have been taken over by the new Ministry.

Since its establishment in 1977, the BPU has acquired a broad experience of the problems which Bumiputera entrepreneurs' face. One of the main problems is poor servicing of their loans.<sup>9</sup> Based on the previous development experience, the government required that all contractors who undertake government projects need to be registered with the Contractors Service Centre (PUKONSA) at the BPU. In addition, to register for Bumiputera status, a company must possess a valid business licence and meet the requirement on the percentage of Bumiputera ownership of its shares. Once a company gets its Bumiputera status, it enjoys special privileges of access to government tenders and government negotiated contracts. The attainment of Bumiputera status requires the approval of a committee set up for this purpose. Since PUKONSA keeps record of these companies, it can serve as referrals to these registered companies. Other than that, the BPU monitor the private sectors to ensure that government policies regarding the requirement on the employment and ownership

of shares in the private companies are being observed. Thus, the process in ensuring that Bumiputeras enjoy their privileges and shares in commerce and industry is clearly outlined by BPU even after the NEP (see Appendix J: The Strategic Process).

Regarding the award of government loans to Bumiputera entrepreneurs, the Committee to implement the credit schemes for Bumiputeras was created in 1978. At first, the award of the loans was not properly administered and controlled. When there were poor repayments by 1983, the government began to enforce some guidelines regarding the power of, and the amount of approval that can be sanctioned by, an official. However, with the creation of the finance companies by the State Government, the loans which help Bumiputera entrepreneurs are being disbursed through the Sabah Credit Corporation or other related agencies. Thus the responsibility for managing the loans falls on these credit agencies. This dealt with the problems in the past where BPU and Rural Development Corporations held the responsibilities to make sure that loans were being repaid.<sup>10</sup> However, this does not prevent loans from being misused for other purposes and then defaulted on (Ongkili and Leong in Johari, 1989: 141-165).

However, a question arises concerning Bumiputera companies which own Bumiputera status licence but are not in operation. Most Bumiputera contractors boast about their potential to attain Bumiputera status. These companies remain dormant until there is a chance to acquire government contracts. Many Bumiputera companies have been granted the Bumiputera status, but it is hard to identify their business premises compared to the Chinese which dominate the urban areas. This indicates that these so called "two Ringgits companies" are possibly owned by civil servants or by those who are just waiting for government contract opportunities which they will carry out in addition to their main job. This is possible as some state contracts are not being tendered, but are based on negotiated terms of contract. In the negotiated contract, contractors can negotiate the worth of their undertaking. In contracts for the supply of goods, price of goods can be pushed up or low quality products supplied. Thus, registration under the Contractor Service Centre (PUKONSA) and the granting of Bumiputera status to eligible companies can be



abused. Besides, the BPU's objective is to increase Bumiputera participation in commerce and industry. It is an incentive scheme rather than selective on the approval of the PUKONSA certificate and Bumiputera status. Since there are still very few successful Bumiputera entrepreneurs, BPU training programmes hope to deal with the problems regarding the applicant qualification. Furthermore, although the government can increase the Bumiputera ownership of licences, it cannot increase the Bumiputera ownership of capital. It is capital that creates successful entrepreneurs not the government or society.<sup>11</sup> In addition, most of the Bumiputeras owned companies are concentrated in large urban areas and only a few are located in the underdeveloped districts. Thus, any government projects in the underdeveloped districts have to be undertaken by contractors from the urban areas. This is especially so when the better off urban contractors have greater licence status and better relationships with the administrators than the Bumiputeras in the interior districts. Thus, among the Bumiputera themselves, there is some inequality of access to government contracts. Thus, unless the problems associated with a lack of capital can be overcome, the problem of dormant companies will persist. Furthermore, due to lack of capital, Bumiputera contractors are known to have sub-contracted their contracts to wealthier Chinese contractors. This phenomenon was termed "Ali Babaism" during the NEP. In terms of the ownership of business premises, the non-Bumiputeras still predominate in Sabah.

Thus, SEDCO and BPU are two agencies that are directly involved in the goal of increasing Bumiputera participation in commerce and industry. However, due to corruption and mismanagement, the public are losing confidence in the government's agencies and departments.<sup>12</sup> These problems are expected to be overcome by the recent administrative reforms under the New Remuneration Scheme. The areas that need to be given particular attention in the government agencies are financial management and interdepartmental co-operation. Furthermore, the globalization of the economy requires managers to handle international finance and co-operation with confidence. Time management is also important to improve productivity and competitiveness. This can be achieved by using high technology and providing training incentives for staff.



However, as public enterprises established for the purpose of helping Bumiputeras are becoming a burden to the government, the privatization policy was introduced in 1983 to deal with these problems.<sup>13</sup> This policy will involve various subsidiary companies under SEDCO that are currently making a loss. The state Ministry of Finance records show that many public enterprises in Sabah are not profitable. The large losses were revealed by the Sabah State Secretary at a conference organised by the Institute for Development Studies Sabah (formerly the Permanent Secretary of the Ministry of Finance). The policy on Bumiputera entrepreneurial development is obviously in conflict with the State Treasury's objective of safeguarding and reserving public funds. Most public enterprises do not evaluate the programmes they implement. If they do, the results are not made public until millions of Ringgits are lost. The people at the grassroots level do not, or at least, do not want to know what is going on because they do not benefit very much from the programmes personally. Most of these public enterprises are chaired by politicians especially strong party leaders. These people consist of party leaders who lost their seats in the general elections but were subsequently appointed to public office because of their influential position in the party. They are not really popular politically among the people. Thus, there is some conflict between political appointees and civil servants. Political interference in the running of public enterprises has also caused public servants to lose their motivation. However, the government has not allowed these problems to become an obstacle in carrying out their development plans. In fact, millions of Ringgits have been spent on these public enterprises despite their losses. Under the Sixth Malaysia Plan (1991-1995), SEDCO was allocated RM43,302,000. This figure is estimated to increase to RM216,058,410 under the Seventh Malaysia Plan.<sup>14</sup> The five fold increase is due to the development of the Kota Kinabalu Industrial Estate at Telipok. As an alternative, Mahathir's Privatization Policy becomes the future guideline for future SEDCO's ventures. Under SEDCO's restructuring programmes, its commercial activities will be taken over by Kesabah Holdings Ltd..<sup>15</sup> This will enable SEDCO to concentrate on its socio-economic activities of helping Bumiputeras. This solution has been taken to overcome SEDCO's conflicting roles in the past.

### *3. THE PRIVATIZATION OF PUBLIC ENTERPRISE IN SABAH*

In line with the privatization policy, the Federal Ministry of Entrepreneurial Development introduced the umbrella and vendor programmes to help Bumiputera entrepreneurs. Under the umbrella concept programmes, Bumiputera companies are given incentives to market the products of well established companies. This concept has enabled many Bumiputera companies to get involved in the franchise business. In the vendor programmes, SMIs are given assistance so that they can provide supporting services to well established companies.<sup>16</sup> For instance, in order to manufacture the Proton car, it was necessary to establish many supporting industries. While many private companies have been set up in Peninsular Malaysia through these programmes, Sabah is only just starting to build up its industrial estates and free trade zones. The privatization of loss making public enterprises only began after the 1990s. The privatization policy in Sabah only began recently although there have been talks about privatization since the policy was introduced by the Mahathir administration. For instance, the State privatization committee was only formed in December, 1991 which is roughly eight years after the privatization policy was introduced by Mahathir. Privatization of some public enterprises in Sabah is necessary as most of them are making losses. From the RM2.3 billion investment in public enterprises, the state government only receives 1% return (B.M.: 20.12.91). This indicates that there is a poor link between the Federal and State Ministries in implementing policy plans. Federal circulars are slow to be implemented in Sabah. At this stage, the implementation process mainly involves paper work and internal reorganization. In addition, Sabah is lacking skilled manpower to fill the positions in privatized companies. Furthermore, both federal and State government's under the PBS (1985-1994) were quarrelling over Sabah's position within Malaysia.

Indirectly, privatization encourages the growth of large corporations. Successful companies can be listed in the stock market thereby enabling the public - especially Bumiputeras - to buy shares. The Amanah Saham Bumiputera (ASB) provides opportunities for Bumiputeras to invest in the stock market.<sup>17</sup> ASB is guaranteed by the government and prevents the Bumiputeras from incurring losses



due to market fluctuation. Thus, although government firms are being privatized, the government still maintains the New Economic Policy measures of ensuring 30% Bumiputera ownership in these privatized enterprises. This is also in line with the Policy on Corporatization of Malaysia which was introduced in 1983, a few months before the Privatization policy. Under this policy, the private and public sectors are required to work together to increase productivity. This is based on the Korean and Japanese model rather than that of the French. This is also based on the Mahathir's Look East Policy.<sup>18</sup> Thus, these three policies form the main guidelines in all future government ventures. However, this creates two conflicting institutions; public enterprise and the private sector with government interests. Thus, the Malaysian entrepreneurial development is functioning like the double-edged sword as it cuts both ways. All these measures and problems are due to the need to protect Bumiputera interests and the national ideology.

In Sabah, privatization has drawn the attention of both the National Front and the opposition parties. This is especially so where privatization will benefit certain groups and involves large sums of money. However, their attention is drawn because privatization measures will make some individuals richer. Thus, their concern is not really to protect the public interests but their own personal and political ones. The public has no say in the privatization of these public enterprises. Although, in the past, privatization has involved raising the prices of certain public goods, the public or consumer groups have not been consulted about this. Voting in the assembly or parliament will surely be won by the government. Thus, as yet, there is no open debate in parliament and the assembly regarding privatization and government enterprises or corporate bodies.<sup>19</sup> Most of the debates have been pre-arranged and have been a matter of formality. Further, there has never been any public hearing on matters affecting the public interests.

However, in the past only political matters such as challenging the validity of appointment of Chief Ministers were heard in court. In addition, it is the appointment of officials in these privatized agencies which are becoming the political issue rather than the public interests. The appointment of certain indigenous groups

or people from West Malaysia is being questioned. The way public enterprises are going to be sold to Chinese companies will also be a political issue for ethnic parties.

In the past, the sale of Sabah Forest Industries by the PBS government to the Chinese owned Lion Groups in September, 1993 became a central issue for the National Front during the 1994 Sabah Elections. During the election campaign in Sabah, the Deputy Prime Minister Anwar promised to renegotiate the terms on the sale of SFI if the National Front won. When the National Front won the elections, many more agencies were targeted for privatization. The sale of SFI was honoured, but the ownership of shares by Bumiputeras had to be renegotiated.<sup>20</sup> Thus, any deal on privatization must first meet the requirement of 30% Bumiputera share ownership. Such developments do not represent a total privatization of the various agencies but something like a government managed privatization.

Furthermore, the privatization of these very expensive agencies always involved well established companies from West Malaysia. This is a good sign for national integration. Other than bringing capital investment to Sabah, such privatizations also build a good working framework between the people in West Malaysia and Sabah. Business interactions between the West Malaysians and Sabahans will enable both sides to share each other's experiences and will bring them closer together. Some of these companies are owned by influential people in the National Front parties in West Malaysia. However, co-operation has been construed by opposition parties as exploiting Sabah's natural resources and wealth. Often, this is solved by offering appointments and preserving the 30% Bumiputera quota in ownership of shares and properties. Thus, the Privatization Policy led to the rise of new Bumiputera middle level managers in Sabah. The top level managers are usually appointed from former public servants who have had good relations with the politicians and who are usually Western educated. Furthermore, under the present Islamization policy people will have better chances of being employed in these posts if they are Bumiputera, Muslim and UMNO members. There is no point in privatization, if the agencies concerned are still managed by the same people.



Privatization of government agencies led to the development of corporate monopolies rather than free competition and efficiency. Most of these expensive public enterprises are located in the urban areas. This, in itself, causes a regional economic imbalance. Furthermore, most of the industrial parks that are being planned are located in the urban areas. The government will promise foreigners many incentives in order to encourage them to invest in Sabah. In the process, many of the Bumiputera privileges will be eroded. The main motive of foreign corporations is profit and they do not care if they have to insult national or Sabahan leaders. The author also thinks that national leaders sense something negative about foreign investors.<sup>21</sup> Unless Bumiputera entrepreneurs improve their management efficiency, they will not be able to compete in a free market condition and the 30 % Bumiputera capital ownership target cannot be achieved. Furthermore, the present level of Bumiputera capital ownership will not be sustainable.

Therefore, in the 1990s after much frustration with the public enterprise development programmes in urban areas, it is logical to shift to the "development from below approach" or decentralization. However, since most villagers are not ready for industrialization, it is feared that the approach will be hastily implemented and will result in more authoritarian management. In addition, the goods produced will not be of good quality. These issues will be discussed further in this chapter.

#### *4. VISION VILLAGE DEVELOPMENT: FROM INFRASTRUCTURE AND NEW LAND DEVELOPMENT TO INDUSTRIAL AND HUMAN CENTRED DEVELOPMENT*

Plans to improve the Bumiputeras' standard of living will not be complete without addressing the rural areas. Since the NEP was implemented in 1971, various development programmes are being financed in the rural areas. The implementing agencies start with Federal agencies and are followed by state agencies and village organization. Most of the present rural development programmes are based on models created by the Federal Government. During the early days of independence, the Deputy Prime Minister Tun Razak introduced the Red Book Plan (Ferguson,

1965: 149-167; and First Malaysia Plan [1966-1970: 3-4]) . The plan's basic aim was to provide an infrastructure for the rural areas. During the NEP, an integrated approach to rural development was introduced. Under the Vision 2020 development plan, the Vision Village model is being introduced. Thus, the success of the implementation of rural development depends on good relationships between the federal and state agencies. This horizontal link has to be improved in order to ensure that the relevant policies and plans can be communicated effectively to state government. Thus to ensure proper implementation, some Federal agencies have had to expand to Sabah. In addition, new agencies are being established and new services are being introduced. These horizontal links have been hampered as Peninsular Malaysia is separated by sea and can only be reached after three hours of air travel.<sup>22</sup> Thus, there has to be two-way communications between the Federal Government and the States. According to the twenty points agreement, when Sabah entered Malaysia in 1963, it was supposed to be equal partners with the rest of Malaysia. But some of the twenty points have been eroded in the process of implementing policy plans. Even though circulars from the Federal agencies can reach Sabah within a day, most of them take years to be implemented by the State government. The main reason for late implementation is due to shortage of financial allocations. In addition, these circulars have to be circulated from the Chief Minister's Department to the various districts.<sup>23</sup> When the policy plans reach the districts and villages, officers are still unfamiliar with the programmes to be implemented. These problems are added to by other administrative problems. All these factors are acting together to delay the implementation of development plans. Thus rural development remains the toughest challenge for the National Front Government. Nevertheless, this responsibility has to be carried out as most of the Bumiputeras are living in rural areas.

Rural development involves implementing officers, agriculture, infrastructure, finance, and the people. There is almost no manufacturing in Sabah's rural villages. Thus, development involves several institutions and an integrated approach towards development. These institutions are the Sabah Land Development Board, the Department of Agriculture, the Rural Development Corporation (KPD), Sabah



Foundation, Ministry of Rural Development (federal and state), Community Development Centre, and District Office. Of course, this involves the Chief Minister's Department which acts as a co-ordinating agency for the overall state development. In addition, this also involves political leaders and representatives from the national to the district and village levels.

At the district level, the co-ordinating body for rural development is the District Development and Security Committee. This Committee is chaired by the District officer. Its members consist of various supporting agencies, including the People's Development Leader (PKR) who is a political appointee.<sup>24</sup> PKR is the right hand man of the assemblyman or the member of Parliament. He is usually appointed due to his position as the head of the party or deputy head in the constituency. As each district has more than one constituency, there could be two or more PKRs in each district. He attends all government functions and meetings in the district. Due to his position, he is more influential than the District officer who is merely a civil servant. The PKR is second to the elected representatives in the district. However, he is more accessible than the Assemblyman or Member of Parliament. An assemblyman or Member of Parliament could also be a minister and could hold other public offices in the capital and seldom come to his constituency. Thus a PKR is favoured by the people especially if he is kind with his cash and provides grants for small village projects.

The District Office is only an administrative centre of the district. Thus in a poor district where economic activities are slow, the co-operation of various agencies dealing with agriculture, industries and commerce is needed. The aim is to create sufficient trade and economic activities to raise the income of farmers and their standard of living. This integrated approach to development is being co-ordinated by the District Development and Security Committee (Chee, 1983: 76-136).

In the early days of independence in 1963, the Agriculture Department was solely responsible for agricultural development. During the green revolution, the Sabah Land Development Board was established in 1969 to deal with the problems

of new land development and settlement schemes. Later, at the height of the NEP's, the Rural Development Corporation (KPD) was established in 1976. Other public enterprises dealing with agricultural activities are the Sabah Rubber Fund Board, the Federal Land Development Board, the Sabah Forest Development Authority, and KO-NELAYAN. The KPD's various programmes are classified into human development, economic development, incentive schemes and infrastructure for farmers, and environmental development. These comprehensive programmes cover a range of activities from planting to the marketing of agricultural products. However, since its initial aim was income redistribution and not productivity, many of the KPD's subsidiaries incurred losses. In addition, financial management under the Bumiputera managers and board members has resulted in some conflicts of interest. These are largely due to indecision over whether to preserve Bumiputera interests or to pursue a "rational" economic decision. Thus increasing numbers of Bumiputera workers are being employed despite falling productivity (Gunting, 1986).

In the end, most of the KPD's 26 subsidiary companies were privatized and became Bentaniaga Limited (B.M.: 30.8.95). Other than the KPD's subsidiaries, the Sabah Land Development Board has also been corporatized to improve management efficiency. The Sabah Paddy Board was closed down and its functions taken over by Department of Agriculture and a Federal agency, the National Paddy Board. The privatization of these agencies is in line with the new National Agricultural Policy to increase productivity in agriculture. This can be done through efficient management of agricultural land and the adoption of a market economy. This step is taken with the aspiration that it can create successful Bumiputera entrepreneurs in agriculture. Thus public agencies dealing in agriculture must all work within the framework of building an industrial society.

However, agricultural development lacks integration with other agencies. This needs to be improved so that farmers can receive full benefits from the government incentive schemes and subsidies. The Vision 2020 grand plan also brought about the expansion of Federal agencies to deal with agricultural problems in Sabah. Recently, the Malaysian Agricultural Research Institute and Malaysian Farmers Association



Board were expanded to Sabah. More federal agencies will be expected to expand in Sabah if the implementation problems continue. Financially, the agricultural sector is receiving assistance from both Federal and State Government<sup>25</sup>.

Furthermore, agricultural development in Sabah seems to be fragmented. As yet, there is no successful large scale farming by local private individuals - particularly Bumiputeras - except plantations owned by foreign companies and state managed farms. Agricultural development in Sabah has led to the creation of new village settlement schemes. In contrast to traditional villages, agriculture in these new settlement schemes is being managed in the form of estates. The large lands in the new land development schemes managed by the Federal Land Development Board (FELDA) and (Sabah Land Development Board) SLDB enabled mechanization and large scale farming. On the other hand, agricultural development in traditional villages is still beset with cultural and ideological conflicts.

The failure of the various agricultural, commercial and industrial policies to deal with problems of poverty and societal restructuring has led to the adoption of alternative strategies. By now, decision-makers have learned from their experience in implementing the NEP. The problems should be clearer and more focused. On the contrary, the Vision 2020 reflects another grand plan taking an implementation period of thirty years. In Vision Village programmes, the villagers become the target of implementation in this long and unrealistic plan. My opinion is that, once villagers are successful in their enterprises, they will move to urban areas. In the West, capitalist development was accompanied by people working for the landlords becoming waged earners in factories. However, most Malaysian traditional villagers are land owners no matter how small their land is. There are also people who acquire land through the new land settlement schemes. These new schemes are part of the government's effort to encourage Bumiputeras' participation in agriculture entrepreneurship during the green revolution.<sup>26</sup> These new settlement schemes are managed by agricultural agencies such as FELDA, the Sabah Land Development Board, etc. These lands are being planted especially with major export crops such as cocoa, palm oil trees, rubber trees. Villagers of the Vision Village are encouraged

to participate in growing these crops. However, they are given incentives to start their own agro-based industries to manufacture these major agricultural products rather than export them raw. Let us examine the implementation of these programmes in the peripheral state of Sabah.

What are the prospects of achieving the objectives of Vision Village programmes under the strategies that have been outlined by the Federal Government? These strategies are being adopted in the light of the previous problems under NEP. The Vision Village is an attempt to move away from the old concept of "development from above" to one of "development from below." In other words, it is part of the decentralization plan for industrial development. The ultimate goal of Vision Village is to create a society that has strong motivation, initiative, is knowledgeable and has sufficient discipline to implement the village modernization programmes. To achieve these goals, the Vision Village has to meet seven objectives. On the whole, these objectives set standards for the villagers of the year 2020. They involve positive values such as: self-reliance, participation, educating the future generation, new thinking on land ownership so that small farms can be united into large scale farming, a determination to create the industrial scenario, empowerment of villagers and equipping them with the skills to implement Vision Village programmes. However, these objectives do not show a serious concern to increase productivity and quality. These are two factors in increasing the income of villagers who have been living on subsistence income and poverty. In addition, the objectives do not mention problems that are involved in overcoming ethnic differences in the rural areas. Unless these objectives include the poor villagers and other ethnic groups, the Vision Village objectives will suffer from fragmentation. It also does not mention how rural village economic development can be linked to the private sectors. Doing so will help to promote co-operation between villagers and private capitalists (including the Chinese). Thus, it seems that the Vision Village is another politically motivated development programme exclusively for the Bumiputeras. Although the Vision Village programmes aim to increase the income of villagers, they do not mention ways and means to finance these village industries. It looks like a cheap means of development compared to the finance provided for the



big public enterprises in urban areas. The bottom up approach to development should also be able to reverse the public finance "top bottom approach". This will prevent "leakages" in the rural funds before they reach the villages (Silvalingam, 1993: 6-12). This will also create savings among the villagers which can then serve as start-up capital with which to begin their own SMEs.

In Sabah, the Federal implementation agencies are the agencies of the Federal Ministry of Rural Development, KEMAS. The State Ministry of Rural Development agencies are the Community Development Centre and the District Office. However, due to the integrated approach of rural development, many other government agencies are being involved. However, allocation for rural development particularly public infrastructure is very small compared to economic allocation for agricultural development.

Before examining the implementation of problems that Vision Village might face, it is extremely important to examine the problems of village development during the NEP. The old approach of village development in Sabah was based on the integrated village development. In this integrated approach, which is still being practised today, committees were set up at state, district and village level. At the state level, the committee was chaired by the State Development officer and consisted of 22 members from various related departments. These departments cover responsibilities for the development of areas such as the infrastructure, economy, administration and planning, communication and public relation. In addition the Community Development Officers are included as members. Infrastructure development includes road construction, electricity supply, water supply, for example. The agencies responsible for the economy are Agriculture Department, Department of Industry, Veterinary Department and others.

The district level committee of the old model village programmes consisted of the District officer as chairman, and the members consisted of state agencies branches in the district. At the grass root level, there is the committee on model village development. The social strategy of the model village is to train villagers so

that village harmony can be preserved and standards of living improved. The economic strategy represents the provision of public utilities and agricultural development. The old model does not mention developing village agro-based industries. This strongly indicates that at that time agriculture was the main source of income. The implementation of the old model village used to start with a work camp co-ordinated by the Community Development Centre. The participants consisted of the Village Development Committee members and the villagers. Funding was provided by the Federal and State Government. However, most of the funds are being provided by the state government. Other than that, the members of the implementation committee also provided their own assistance in terms of advice and subsidies.

However, this old approach to village development which is still practised today embodies the "development from above" style. As a consequence, there has been little democratic practice at grass root level. Thus, the village chief is not democratically elected but appointed on the basis of his loyalty to the government in power. There has been little effort to increase income through mechanization although there should have been under the development plan. In addition, farm sizes are small and there is little opportunity for large scale production. Illiteracy among villagers causes communication problems. This makes it difficult to convey knowledge on modern village management and modern farming. The villagers are being kept at subsistence level. However, looking back to about three decades ago, it cannot be denied that there is some improvement in public services. However, due to political interests, model village developments are not evenly implemented.

Due to the various problems encountered in village development, new strategies are being adopted under the "Vision Village" programmes. These programmes were first introduced in 1994 in Peninsular Malaysia, where they emphasized the importance of agro-based industry. The "Vision Village" movements can be understood if one refers to Mahathir's Policy on New Direction in Village and Rural Development. This policy was envisaged in April 1984. The policy objective is to reduce the rate of poverty in rural areas by increasing the income of farmers and



smallholders. In the long run, this will serve as a motivation for them to be involved in the commercial sector and to invest. Its strategies are: commercial management by uniting all the small farms, development of village industry, and regrouping of small villages for better public services. In other words, the policy is the first step in developing capitalism concept at the village level. This sounds more interesting and challenging than the old model. This is manifested in the form of the present "Vision Village" movement.

However, the Vision Village movement in Sabah cannot be implemented immediately in all areas. As a start, three Villages are being selected to be developed into Vision Villages. But past experience casts some doubt on the sincerity of the leadership in developing the villages in Sabah. Indeed with a change of government, these programmes could just be forgotten. For instance, with a change of government and strategies, villages which were developed under the old model are turning into ordinary Sabah villages. Under the BERJAYA government, the responsibilities of village development came under the Director of People Development Leaders, who is a political appointee.

When the PBS were in power, the People Development Leaders (PKR) came directly under the Chief Minister's Department and separated from the Community Development Centre. This, left the Community Development Centre with fewer responsibilities and, as a result, it became neglected. As a matter of fact, the centre was overgrown with shrubs and grasses. The responsibilities for village development were taken over by the Institute for Human Development (Institiut Pembangunan Insan).

When the National Front government came to power in March 1994, the Ministry of Rural Development was subsequently established. Thus, the Chief Minister's Department is relieved of some of its duties concerning rural development. With the new Ministry of Rural Development, the implementation of rural development becomes the sole responsibility of civil servants with the Minister at the apex. Although the officials are merely facilitators, there is a hierarchy of decision-

makers from the federal to the state and district levels. Thus, Vision Village programmes will still be facing the same bureaucratic problems. Further, there are many government departments and agencies involved in the Vision Village Development, each with their own objectives and motto. Because of this, there is likely to be misunderstanding and mismanagement. Successes and failures could be claimed or blamed as the work of certain departments or agencies. Most officials seem to agree that the failures and delays in village development are caused by poor planning.<sup>27</sup>

The selection of villages to be developed as Vision Villages is frequently made on the basis of which constituencies were won by the National Front. Thus constituencies under the opposition are often left out. Indeed, the actions of civil servants to implement the plan in opposition constituencies used to be branded as showing support for the opposition. Thus, before an official could implement the plan, he would already be transferred to a different district or department. This kind of allegation is often false, but only the fear of those who worried that their political interests would be upset if development is implemented evenly irrespective of the communities' political allegiance. Thus questions in the implementation of rural development plan involve political, economic and social interests.

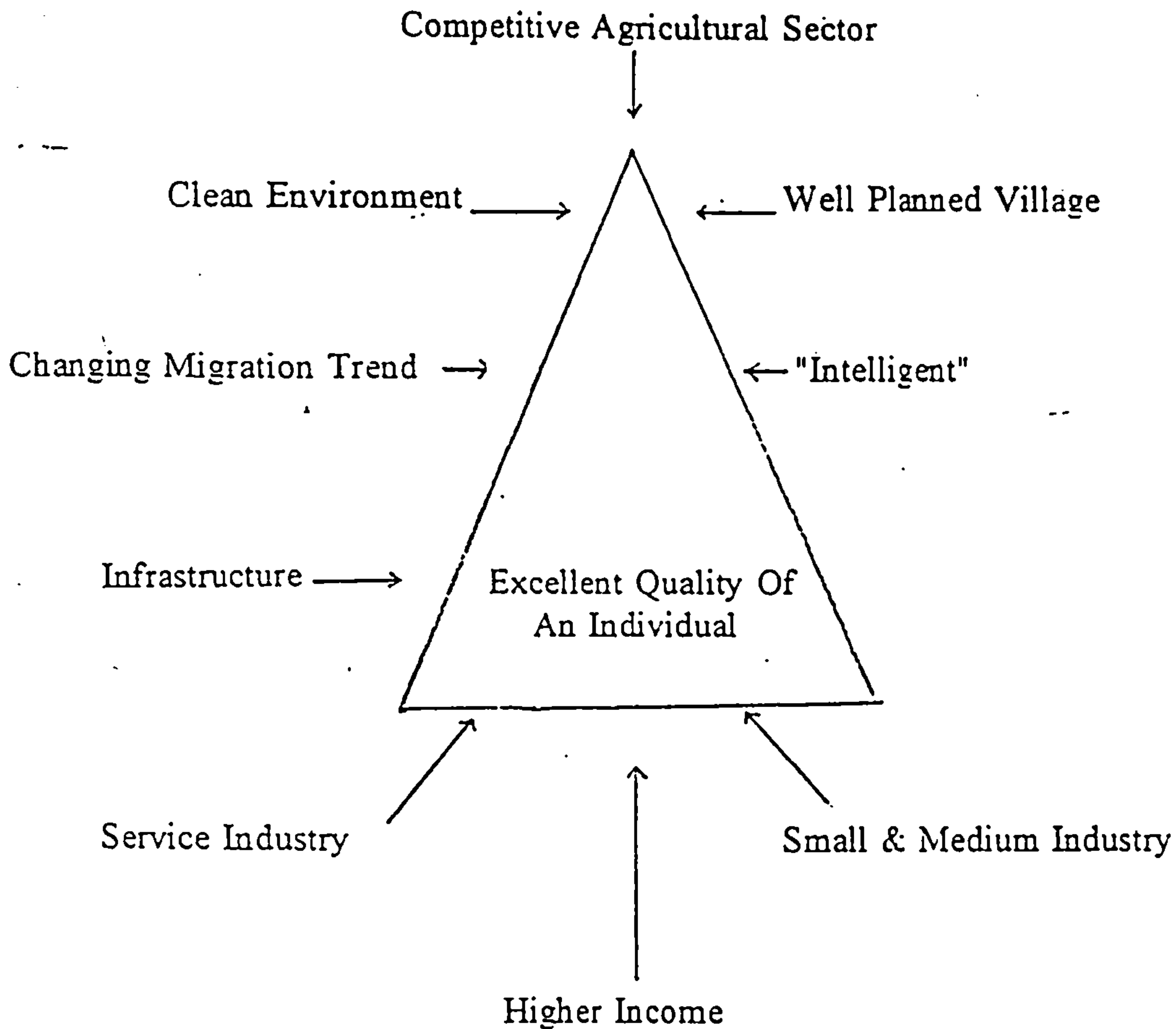
How are the Vision Village programmes implemented in comparison with the old programmes? Is the new decision-making process in village development more effective? With the recent reform of the Malaysian Civil Service organization by the former State Secretary, Tan Sri Ahmad Sarji, rural development should be more effective. The government's facilitator role in the Vision Village Development is no different from the old approach in which the agencies concerned planned and allocated budgets. Thus, there is likely to be a situation where villagers are referred from one agency to another in order to meet their needs.

Basically, the Vision Village Movement is based on the human centred development philosophy. This is in line with the liberal ideology and the need to improve the quality of living in the rural areas so that they will be compatible with



the current knowledge and lifestyle. However, the philosophy still sticks to the integrated strategy as one of its two strategies. The second strategy is human development. In implementing the Vision Village, first the villages that need to be developed are chosen. The implementation machineries consisted of the Central Committee, Working Committee, Regional Co-ordinating Committee and Village Action Committee. All these Committees have separate duties. An annual allocation will be provided for the Vision Village development which will be sub-divided into infrastructure development, economic development, human development and miscellaneous expenses.<sup>28</sup>

All the changes in village development under the Vision Village Movement are in line with Mahathir's earlier policies as discussed in Chapter 3. However, specifically the Vision Village Movement outlines seven initiatives that need to be taken by individuals which are: (1) human development, (2) development of a harmonious family, (3) development of a society that has identity and strong motivation, (4) quality infrastructure, (5) competitive economy, (6) effective delivery system, and, (7) creating an institution that is responsive to change. The Vision Village Movement will involve the non-government bodies and private sector, society and individuals other than the government agencies. Furthermore, the condition for the success of the Vision Village are: (1) the highest minimum education and appreciate the need for continuous learning process, (2) introduction of modern technology (3) the broad use of information technology (4) changing of the basic economic activity, (5) quality infrastructure, (6) liberal and open mind, and, (7) guided by the market. The scenario of the future Vision 2020 Village is schematically shown in Figure 1 below:



*Fig 9: Scenario Of The Future Vision 2020 Village  
(Adopted From Berita Harian: 4th. July, 1996)*

However, unless the management emphasizes productivity, the Vision Villagers' income will not increase. This emphasis requires a broader application of mechanization in agriculture, down-stream processing of products and efficient marketing. Providing the villagers with better public facilities without actually increasing their income could create disaffection. For instance, providing a telephone service without increasing the villagers' income will only increase their expenses unless they are given a special rate. Socially, this will also increase income disparity among villagers and exploitation of the low income group.

Without some independent union in which villagers can discuss their economic matters, any major problems that arise will be referred to politicians. Independent farmers or labour unions will help to voice and unite their opinions



regarding the economic future. Thus the grass roots level must first be instilled with democratic views so that they are aware of their civil liberties. It is democratic forces which will move the government into action. Unless this has been achieved in politics, rural development will still face the same bureaucratic and political problems as under the NEP. Free economic competition will not be effective in improving economic efficiency if there is little freedom of choice.

Financially, other than the allocation of Ministry of Rural Development, the departments which are members of the Vision Village Development Committee also provide funding on matters that fall under their responsibilities. In addition, assemblymen and members of parliament have their own constituency grant. However, development programmes can be implemented on a voluntary basis with the co-operation of the villagers. The voluntary approach to implementation is referred communally as "gotong royong." Under this voluntary service, the villagers get together to build community halls, clean up the villages, build bridges, build better houses for the hardcore poor, among other projects. While men do the menial jobs, the ladies prepare the food and drinks. This kind of community service has been practised for generations in traditional villages. The government is reviving it to instill community spirit among villagers. It is cheap, but development officers and funding agencies are not happy with the quality of work done under this concept. Without this voluntary approach the allocation of RM90,000 for each Vision Village will not be sufficient. However, this allocation is supplemented by other agencies within the Vision Village Development Committee. This was also the practice under the old approach of village development. It is a standard practice to allocate government funds to the various villages.<sup>29</sup>

Furthermore, grants from the Assemblymen and Members of Parliament can supplement the village development funds. These grants are distributed in an *ad hoc* manner.<sup>30</sup> They used to be allocated on the spot, especially during political rallies at general election time. If "gotong royong" can be organized, the village projects can be completed on time. As a consequence, the villagers increasingly rely on assistance from the politicians rather than on the projects under the formal

development plan budget. A request for these grants are made by the Chairman of the Village Security and development Committee. This practice bypasses the civil servants implementing the five-year development plan. This *ad hoc* approach has increased the villagers dependency on their elected representatives. If village representatives think that their villages have been bypassed, then the elected representatives will be cursed. Busy elected representatives used to give the village representatives some letters of reference to refer their problems to the responsible agencies. Thus, at the end of the day, village matters will all go back to the District Officers and other civil servants concerned. This is because most payments to village projects have to go through District Office, the treasury and related government agencies. Thus, there is not much difference from the NEP in the informal approach of implementation of the Vision Village programmes in Sabah.

##### *5. IMPLEMENTATION PROBLEMS OF BUMIPUTERAS ENTREPRENEURSHIP AND VISION VILLAGE PROGRAMMES*

Historically, the Sabahan Bumiputeras have relied on subsistence earnings and the capitalist ideology was totally absent from their culture. This is in contrast to the Sabahan Chinese for whom capitalism is their life blood (Han, 1971). Thus, it is not surprising that the problems which affect Bumiputera entrepreneurial development in Sabah are shortage of capital, mismanagement, poor infrastructure, uncompetitiveness and a lack of business and entrepreneurial experience. As the government was concerned about attaining the objective of 30% Bumiputera participation in business and industry, substantial amounts of credit was provided for Bumiputeras at the initial stage of implementation. This was especially during the Third Malaysia Plan when government reviews showed that the NEP's objectives were far from being achieved. When economic recession ensued during the first half of the 1980s, the government cut down loans for Bumiputera entrepreneurs. This step was also taken due to the poor repayment rates.

Poor management on the part of the government also contributed to the failure of many Bumiputera entrepreneurs. During the USNO rule under Tun Mustapha,



there was an abuse of public funds which depleted the Sabah Treasury. Following BERJAYA rule (1976-1985), many public enterprises experienced losses due to mismanagement and corruption. This occurred despite the BERJAYA government manifesto to free the Sabahans from Mustapha's regime and bring about prosperity. The intention to help Bumiputeras through the creation of various public enterprises was met with huge losses due to mismanagement and corruption.<sup>31</sup> This was followed by PBS rule (1986-1994) headed by Pairin who was a Christian and a local Kadazan native. Under the PBS, little effort was made to develop Bumiputera entrepreneurs as the state leaders were busy quarrelling with the Federal Government over Sabah's status in Malaysia. As the government was headed by a Christian, the non-Muslim Bumiputeras were alleged to have enjoyed better opportunities in business, government licences and village projects. When the National Front Government was formed in 1994, the leadership had learned the pros and cons of national development planning. It is evident that it is almost impossible to implement central planning programmes without the co-operation of the state governments. On the contrary, the national government as a whole inherited a large foreign debt from the NEP development programmes.

Lack of proper infrastructure discouraged Bumiputeras to start new enterprises or expand the existing ones. Firstly, more than half of the areas in Sabah still have no electricity. Further, the urban areas including Kota Kinablu always experience power failures. This is obviously not conducive to the growth of industry. Furthermore, vast areas of Sabah still have no running water. Other than these infrastructure problems, most villagers are either subsistence farmers or small traders of agricultural products. This trade of agricultural products usually takes place during the weekend open market called "Tamu" locally. Only a fortunate few are able to obtain stalls in the district council markets to trade daily. In spite of that, the products sold are of low quality even though they are cheaper than those in the Chinese grocery stores. Thus, the flexible low prices of the villagers' products make them prone to exploitation by wholesalers and experienced businessmen. Government intervention by fixing and controlling the prices of agricultural products is contrary to free market principles. Another form of state exploitation occurs when

the Government buys agricultural products such as palm oil, rubber and cocoa which are relatively cheap locally, only to sell them in the export market at a higher price. Thus Vision Village development must provide the villagers with a better income. An increase in their income will raise their standards of living and change their traditional way of life and culture. The old mode of production must be replaced by the capitalist mode of large scale production. This will enable farmers to market their products not only locally but also internationally. This means that the government must be able to create trade links between farmers and traders outside the countries. However, all these issues hinge on the question of capital. Farmers have little capital to carry on their trades. Without capital and knowledge of modern marketing, their products cannot find a good market and appropriate prices.

Furthermore, trade links not only serve farmers, they are also useful for the development of cottage industries such as the manufacturing of simple products like tapioca chips. Sabah still has problems in developing Bumiputera entrepreneurs capable of developing agro-based industries in the villages. The large capital owned by the Chinese can actually serve to develop rural industries through some form of partnership or trading cooperation. It will take time to rebuild these relationships after the discriminatory measures imposed on the Chinese under NEP. Unless the bridge is repaired, the division of Sabahans into urban Chinese and rural Bumiputeras will affect the development of genuine Bumiputera capitalism. The Bumiputeras are still too dependent on government contracts.

As political power is in the hands of Bumiputeras, responses to their problems involve administrative reorganization. For instance, a new Ministry of Rural Development was established in 1996. This institutionalizes the problem of rural development rather than dealing with its roots. In other words, the problems of rural poverty require careful planning rather than radical solutions. This political solution is not likely to be successful in dealing with rural problems. For instance, although the Bumiputeras have been in power since the NEP, they failed to bring about balanced development and equality. Despite all the power and institutions, the government has not been successful in handling the problems of Bumiputeras and



rural development. This means that the government does not have the resources to deal with their problems. It needs time and planning to allocate the scarce resources for Bumiputeras and rural development. In a way, this is right as there is no drastic solution that could deal effectively with the economic, political and social problems. However, most previous and present planning policies prioritise economic, rather than social, development. An indirect form of income redistribution is provided in the form of free public services. Social welfare assistance is provided only selectively for the long-term poor. Although there are some social benefits, the scheme is still not comprehensive enough to allow everyone to enjoy it. Under the five-year plan budget, the welfare budget is quite small when compared to other social service budgets. Thus the people - especially the self-employed - have to work constantly. The family is still a good form of social security for the rural people. However, this is not able to handle the problems of rural poverty. The present policy is likely to perpetuate inequality and poverty. The division of the society into rural and urban means that any rural programmes will only benefit the Bumiputeras not the Chinese. However, being successful entrepreneurs, the urban Chinese are able to fend for themselves. They have acquired organizational structures which enable them to live without depending on the government. Thus, successful Bumiputera entrepreneurs are needed to provide leadership in dealing with economic and social problems. Without good Bumiputera leadership and capital, it appears that the state has to bear all the economic and social responsibilities. Cultural revolution alone without skilled labour and capital would only work to the disadvantage of the Bumiputeras. In addition, the objectives of Vision Village does not mention how farmers can increase their productivity under the present conditions. There are no production targets. Farmers cannot expect to improve their standards of living without increasing productivity. Unless productivity is emphasized by the management, the development process could lead to another cycle of poverty and dependency.

Until 1995, the Bumiputeras entrepreneurial development still faced the same problems in Sabah. The problems persisted because the government was run by the same Bumiputera interest group. If the government has been dominated by Bumiputeras, then why are there problems in achieving the 30% Bumiputera

ownership in commerce and industry? The government tenders and licences could easily be awarded to, or reserved for, Bumiputeras. Although the state has power to increase the awards of tenders and licences for Bumiputeras, it cannot increase Bumiputera ownership of capital and assets. These require individual initiatives and, once acquired, efficient management is needed to maintain and invest them. The lack of capital among Bumiputera entrepreneurs is apparent by examining the classes of licence possessed by Bumiputeras. The Bumiputera Participation Unit record in 1994 shows that of the PUKONSA certificates awarded according to classification, there are more non-Bumiputeras holding Class A licences, while there are more Bumiputeras holding class C to F certificates (see BPU, 1994 in Manjun, 1995). Thus, it is obvious that Bumiputeras are still not capable of handling businesses that require large capital. Further, it also remains that many Bumiputera entrepreneurs are still dependent on government contracts. The manufacturing licences given out by the Federal and state government to Bumiputeras are not in operation as required until suitable government contracts are available. The 1994 figures showed that out of the 515 licences given out only 247 were in operation. The status of the others were not in operation or unknown (Manjun, 1995). Furthermore, Manjun (1995) shows that in terms of ownership of business premises, the non-Bumiputeras still predominate. The non-Bumiputeras have more permanent business premises while the Bumiputeras predominate among the small stall operators (see Table 6 below).



<i>Types Of Premise</i>	<i>Total Ownership</i>		
	B	NB	Total
1. Shophouses	1,968 (22.8%)	6,662 (77.2%)	8,630
a. Permanent Blds.	708 (12.7%)	4,866 (87.3%)	5,574
b. Semi-Permanent	357 (19.9%)	1,433 (80.1%)	1,790
c. Temporary Blds.	903 (71.3%)	363 (28.7%)	1,266
2. Hotel	38 (19.8%)	154 (80.2%)	192
3. Warehouse	26 (6.8%)	356 (93.2%)	382
4. Stall	2,797 (77.6%)	808 (22.4%)	3,605
5. Light/Factory/ Workshop Blds.	166 (16.4%)	848 (83.6%)	1,014
6. Business Office	36 (13.1%)	238 (86.9%)	274
Total	5,031 (35.7%)	9,066 (64.3%)	14,097

*Table 6. Ownership Of Commercial Buildings In Sabah (1984-1991)*

*Source:* Bumiputera Economic Congress Sabah 1995 In The Context Of New Sabah. "Participation Of Sabah's Bumiputera In Commerce And Industry," By Masidi Manjun.

(Notes: B - Bumiputera, NB - Non-Bumiputera)

However, since Bumiputeras are relying on the government, they look successful externally; for example, many own luxurious vehicles. They have, however, poor records of servicing their loans (Ongkili & Leong in Johari, 1989). Politicians also seize the opportunities provided under the Bumiputera incentive schemes to run businesses themselves. The Bumiputera businessmen still rely for their survival on the government contracts such as supply government agencies requirements, services, and government building construction projects.<sup>32</sup> Thus, they are not contributing much to the development of the state as required. When payments for the jobs performed are delayed, these contractors use to come begging for payment at the agencies concerned. Many Bumiputera contractors meet the relevant officials with stereotypical reasons for not completing their contracts. The

agencies involved in paying contractors are the Public Works Department, the State Development Department, the Federal Development Department, the Sabah State Treasury, Federal Treasury and other departments related with the development projects. The Public Works Department is the one that provides approval for finished projects. Thus one can see many frustrated and happy contractors at the PWD counters. To expedite payment, most contractors befriend the supporting staff. Thus sleaze is a common matter, especially in the canteens and coffee shops which are frequented by government officers. This is acceptable according to local tradition but not to Western standards. Sometimes contractors just pay for the lunch or breakfast of the related staff at the canteens. However, on other occasions, contractors will promise a percentage of the payment if it is expedited. Thus, these staff are at the directive of the contractors rather than the officer-in-charge. Sometimes, contractors give officers tickets to travel overseas. All these phenomena arise due to the lack of capital among Bumiputera entrepreneurs. The factors I have discussed indicate that Bumiputera entrepreneurs are not capable of taking up big projects without government assistance. The poor image of Bumiputera entrepreneurs has also made it difficult for them to acquire loans from commercial banks and finance companies.<sup>33</sup>

Other than weaknesses in assets and money capital, Sabah also faces problems in human capital. Thus, agencies have been set up since the NEP to train Bumiputeras in commercial and industrial skills. However, by 1995 this problem still lingered on. There is possibly something wrong with the course programmes and the participants. The focus of attention in the course is development of Bumiputera entrepreneurs. The course content includes building the right attitudes in commerce and entrepreneurships, practical training at some successful business companies, operation management, and how to compete in the business world.

Due to the above problems, the Federal Government which is dominated by UMNO in the National Front coalition promised that it will revive the Sabah's economy when it formed the next government in Sabah. Once in power in March 1994, the National Front promised to bring about reform within 100 days. As a result most of the PBS's existing policies on development such as the Sabah Action



Blue Print were abolished, and the National Front created its own plans for Sabah. These are the New Sabah Campaign, Sabah Outline Perspective Plan, and the Sabah Industrial Master Plan, Privatization Plan, and the creation of new implementation agencies. During the 100 days of the National Front Government, various projects especially federal projects that were delayed under the previous government were implemented. Many new and large scale development projects were launched such as new five star hotels, golf courses, and housing projects. Further, there was also a reorganization of government agencies and privatization of unprofitable public enterprises. Later, the Sabah Outline Perspective Plan were introduced to replace the Sabah Action Blue Print (SAB). A National Front blue print is being emplaced. Compared to the Outline Perspective Plan, the SAB did not set a specific time period for its implementation. Without a time frame, it will be difficult to assess its achievements. However, the Blue Print did outline previous performance, Sabah's strengths, weaknesses and constraints, new economic and social infrastructure, priorities, roles and responsibilities. It did not mention the capacity or means of delivery. It was as if the PBS's SAB was content to manage with what Sabah already has. For instance, the SAB does not specifically mention the means by which employment and investment should be created.<sup>34</sup>

On the other hand, the Sabah Outline Perspective Plan is very confident about Sabah's social and economic prospects. It sets strategies and targets to increase production, create employment, deal with inflation, create private investments, and redistribute income. The main difference with SAB is that the Sabah Outline Perspective Plan (1995-2010) detailed its delivery system clearly. The Sabah Outline Perspective Plan has broader means of implementation compared to SAB. This is probably based on the National Front Government experiences in Peninsular Malaysia as well as its better implementing agencies. Being in the National Front government, Sabah has better links with Kuala Lumpur which can help to boost performance of the development plan and strategies. The private sector serves as means to promote economic growth. Thus investors from Peninsular Malaysia and foreign countries are projected to bring capital to Sabah. In this regard, the Labuan International Offshore

Finance will be the main incentive for investors to come to Sabah. In addition, there are already plans for industrial parks and free trade zones.

At the rural level, new poverty eradication programmes are being implemented in addition to the Vision Village programmes. Although there is an effort to restructure and redistribute income, there is no comprehensive plan on restructuring and poverty. The policy on the poor that are mostly living in the rural areas only concerns the provision of basic needs. At present, it is not well designed to address the growing problems of urban poverty caused by internal and foreign migrations. In addition, the welfare of the Chinese in urban areas have to be given equal attention. Thus the policies on socio-economic development look fragmented and discriminatory.<sup>35</sup>

Although National Front Leaders take turns to be the Chief Minister of Sabah, the social, economic and political structure indicates that some divisions persist. The Bumiputera and Chinese entrepreneurs are still unable to achieve consensus in economic, social and political matters. Competition in commerce and industry must be made among equals. However, the government is now aware that discrimination will cost them dearly in elections. One measure which was taken to show some goodwill among the various communities in Sabah and Malaysia in general was the recent step to enable all to invest in Amanah Saham Nasional (National Share Trust). Simultaneously, the Federal Government created another scheme exclusively for Bumiputeras, Amanah Saham Bumiputera (Bumiputera Share Trust). Thus while making some concessions to the Chinese and non-Bumiputeras in economic matters, the government also preserved the Bumiputeras privileges. It is as if they simultaneously took one step forward and one step backward.

The need for a rapid industrialization plan in Sabah arises as the previous Malaysian plans have failed. Sabah did not greatly benefit from the high economic growth in Malaysia. Rapid industrialization in other states indicates that Sabah must prepare its own industrial infrastructure. In addition, a new economic infrastructure is needed due to globalization of the economy. Due to its late start in industry and



reliance on agricultural exports, Sabah's annual growth in GDP has decreased from 5.5% in 1988 to 3.0% in 1994. This has occurred despite the fact that Sabah has experienced the highest economic growth rate of 14.9% in 1982 (Sabah Industrial Masterplan, 1996: 3). Despite the industrialization programmes under Vision 2020, Sabah's national product is still largely dependent on the agricultural sector. With the depleting timber resource, its exports are declining. The contribution of forestry and logging to Sabah's GDP is declining from 20.4% in 1982 to 8.2% in 1994 (Sabah Industrial Masterplan, 1996: Table 1.1). According to the SIMP, Sabah's ability to pay for its imports has been decreasing over recent years. This structural change in Sabah's economy from primary to secondary products was probably the cause of higher unemployment rate of 8.9% in 1990 compared to 6% in Malaysia as a whole (IDS, 1991: 11). These phenomena influence the implementation of the Government plans and policies. According to the Chief Minister, Yong Teck Lee, the economic problems in Sabah are:

"related to the structure of the State's economy, small market size, geographical location, high transportation cost, poor infrastructure and government machinery. This will need a paradigm shift in planning and decision making process and greater commitments from private and public sectors."<sup>36</sup>

(D.E.: 16.6.1996)

In response to these worrying indicators, new plans are being put forward under Sabah National Front Government. Problems are dealt with by creating further plans. It is amazing that Sabah needs more plans today than it did during the 1960s when its timber resources were abundant. The growing need for entrepreneurial and rural development in Sabah will lead to more state intervention in the economy and society. State intervention seems inevitable as limited resources are available for economic and social development. However, the only liberal economic alternative available for the Sabah Government is to attract foreign investors and tourists. Foreign capital is needed to develop industries in Sabah. Foreign investors are also good alternatives to Bumiputera and Chinese entrepreneurs. The Bumiputera entrepreneurs alone will not be able to get the industrialization programmes off the

ground unless they have sufficient capital. Privatization of government public enterprises is one of the responses of the government to poor performance of Bumiputera entrepreneurs and its public enterprises.

It is hard to know how much the Chinese have in the banks in the form of capital. Nevertheless, data from the BPU shows that the Chinese still predominate in the business and industrial sectors. Even without these data, hindsight shows that the Chinese still own a majority of the business premises in the urban areas. Thus, the problem of capital will be the first obstacle to be overcome in order to develop a self-reliant Bumiputeras businessmen.

Government measures to control the export of round logs have recently met with a peculiar response from timber exploiters. This led to the rise of illegal timber exploiters and the illegal export of round logs (a persistent problem in Sabah timber business). Recently the government discovered that logs worth more than hundred million ringgits have been shipped illegally. In addition, the Timber Trader association has also expressed its displeasure with the ban on log exports. They petitioned the government to lift the ban as they were not making enough profit. Processing the logs caused wastage in the wood as some part of the logs is discarded in the down-stream processing.

Regarding the Vision Village programmes, the main implementation problems are in traditional villages. These villages represent various ethnic groups such as the Kadazan, Bajau, Murut, and Rungus. Thus, the villages are isolated culturally. Furthermore, the mountainous topography of these regions makes it difficult for agricultural mechanization. In one Murut region in the southern interior, the government responded to the problems by resettling the villagers via new land settlement schemes. This, however, means that the government has to take the responsibility of the village management, land allotment, and the provision of infrastructures. However, this kind of land settlement in Peninsular Malaysia has also encountered problems where settlers abandoned their lands.<sup>37</sup> This happened when the settlers discovered that their income had not improved much. This will probably



remain the norm for this kind of settlement schemes in Sabah in the next twenty years. However, the government has already anticipated these problems by preparing its industrial master plan.

Furthermore, ideologically, Islam does not promote economic activities that are against the concept of Islam. An example of such prohibited activities would be manufacturing rice wine and farming pigs. These kinds of products have good markets in the Western world and non-Islamic countries. Thus, ideological restrictions also become an impediment in Bumiputera entrepreneurial and "Vision Village" development programmes. The Islamic economic system as an alternative is discussed in Chapter 6.

#### *6. SOME UNINTENDED OUTCOMES*

The problems of implementing Bumiputera entrepreneurial and rural development in Sabah have led to increasing government intervention in the economy. This is performed in the name of Bumiputera interests. Rural and entrepreneurial development are a means to legitimise the National Front Government. The Sabah Outline Perspective and the Sabah Industrial Master Plan are game plans formulated by the state against Chinese capitalists. This, leads to a situation where state capitalism is competing against Chinese private capitalism. This is contrary to the policy in Japan and South Korea where there was some collaboration between big corporations and the state. However, Sabah still has no Bumiputera corporations which are large enough to serve as implementation machinery of the state. In this context, it is ironic that supplies for development projects come from Chinese stores. Thus while the Chinese exploit the government development and investment projects, state capitalism is exploiting as well as mobilizing the Bumiputeras to achieve their political means. Thus the announcement of large scale government projects are being welcomed by Chinese capitalists. It is not surprising that there is some kind of partnership between the managers representing the state and the Chinese capitalists. Thus, the present gameplan and framework needs to change if there is to be meaningful development for all parties.

The future technological development will also benefit the Chinese and foreign capitalist suppliers. Thus, this will deepen the structure of dependency of the Bumiputeras in Sabah. As happened in Malaysia in general, Sabah will accumulate a large foreign deficit. By 1996, Sabah had already experienced a trade deficit. The only means of repayment is from export of agricultural and natural resources. Thus state capitalism in Sabah is competing against the well equipped foreign and Chinese capitalists. It is ironic that the government is attracting foreign investors but discriminates against its Chinese citizens.

The prospect of building an agro-based industry for foreign markets is still not so bright. Sabah itself is importing foodstuff including rice and fruits.<sup>38</sup> Its major export product is still timber. Thus, the state government has large dependent rural population and, at the same time, a significant number of urban Chinese capitalists as well as foreign capitalists. This will only lead to growing government expenditure and even more vigorous planning. Government intervention, however, has proven not so conducive to the growth of private entrepreneurs. The Chinese can respond to the government intervention in the economy by manipulating the prices of their goods and services. Second, they can move their capital overseas where it is more profitable. In the past, the Chinese response to government discrimination has been to reinvest overseas. This, can be seen in the number of Chinese professionals migrating overseas during the New Economic Policy. However, the government policy of Bumiputera entrepreneurial development has led to the growth of informal sectors such as night street vendors. In addition Bumiputeras are now dominating the open air and weekend market trade. In transportation, better public roads between the rural and urban areas has led to the growth of Bumiputera mini-bus operators and taxis. Before the NEP, almost all areas of business were dominated by the Chinese. In addition, civil servants are now involved in small business operations especially during the weekends. Some civil servants are also involving themselves in businesses by joining up with the contractors in government projects. Some become vendors going from one office to another selling goods such as sandwiches, and even dresses which they have bought at cheaper prices from neighbouring countries such as Indonesia, Thailand and the Philippines. In addition,



the privatization of government services has opened up some opportunities for civil servants who wish to do extra work. However, these kinds of businesses have not reflected any quality improvement of Bumiputera in business products and management. These are phenomena which can be seen with hindsight on the outcome of Bumiputera entrepreneurial development programmes. Those who are operating as companies and in a modern environment will also notice little difference. Bumiputeras are just interested in making quick money rather than serving their customers needs. This might be one of the reasons why prices in Sabah are higher than in Peninsular Malaysia although Sabah is part of the common market in Malaysia. As a response, the Chinese are presently shifting to new areas of business due to overcrowding in these kinds of business. Most Chinese are now concentrating in businesses that require large capital investment.

Thus, the effect of the Vision 2020 Plan in so far as it concerns entrepreneurship and rural development in Sabah has been to reorganize and expand existing Bumiputera privileges. Such a preservation is required in order for the government to keep its legitimation in politics and stay in power. In other words, the government is creating fear among the Bumiputeras that if they are out of power, the development of rural areas and entrepreneurial programmes will not be implemented. The Deputy Prime Minister, Datuk Seri Anwar Ibrahim used to say: "we must use our power in government to champion the rights of the people."

Thus, unless industrialization and privatization benefits the Bumiputeras, it is likely that they will not be implemented. The Bumiputera privileges become the determining factor in decision-making. According to one treasury official, money is allocated according to plan, but projects are not implemented due to the need to preserve political interests. Thus funds can be manipulated to preserve political interests. For example, it is possible that funds for certain constituencies are diverted to other constituencies or other projects that promote Bumiputeras political interests. It is also possible that some development programmes which are feasible in certain regions are being diverted to other less feasible ones. Therefore, unless there is full democracy, implementation of the development plan will always face political

interference (Case, 1993). For instance, states that used to be ruled by opposition, such as Kelantan are amongst the most backward in Malaysia. In addition peripheral areas which have not yet experienced full penetration by the state capitalism, have a poor infrastructure. Finally, economic interests are always given priority over social interests. An example of this is that many settlers in Telipok in the District of Kota Kinabalu are being displaced due to the building of the Kota Kinabalu Industrial Parks. This is the largest industrial park ever developed in Sabah. The land owners are now being compensated by the Federal Government. Compensation takes time and represents the most significant task which could delay implementation of the projects. Thus, land owners are being pushed further to the fringe of capitalist development. This also indicates that Sabah's regional planning fails to predict the future land needs. The Vision 2020 grand plan is thus useful in predicting the future economic and social needs. However, in the process of trying to achieve objectives of Vision 2020, it is possible that more and more land owners will be displaced. Thus capitalist planning is effectively promoting foreign and local investors while displacing some local people. This, in itself, is pushing the traditional farmers and villagers into the peripheral areas. In addition, the government will be dependent on foreign capital which could lead to the accumulation of large foreign debts rather than a surplus. Without sufficient government funds, people's future will also be affected as there will be less money for rural development. In one way, long-term planning helps to avoid problems of having to compensate land owners. In addition, it helps to identify future social needs.

However, capitalist development is hard to predict as can be seen from the case of Bumiputera entrepreneurs. It is difficult to develop entrepreneurship as it is an economic process which requires us to make continuous choices. It also needs us to utilize capital to the utmost. If the present management does not improve, it is likely that Vision 2020 will lead to further inequality. As less funds are available due to the diminishing surplus and growing population, rural areas will have less money available for development. This will force the people, particularly the rural population and Bumiputeras further to the margins of capitalism, a challenge which



they need to be prepared for in a capitalist society (King, 1988: 1-23). This means a more liberal approach to rural and Bumiputeras development is inevitable in the future. The independent attitude of Chinese capitalists enable them to make rational economic choices. Privatization of some public enterprises is a rational choice. It enables Bumiputeras to take part in commerce and industries. However, unless Bumiputeras are able to run their own private banking and financial institutions, the cycle of exploitation by the Chinese capitalists will continue. On the other hand, Vision Village is a step in the right direction to develop entrepreneurship in the rural areas. However, it takes time for the Vision 2020 development programmes to be fully implemented. This prediction is based on the current problems facing the implementation of Vision Village programmes in Sabah. Officials are still having difficulty in implementing Vision Village as they are impeded by the existing village and economic structures. Even top civil servants are facing problems in choosing the right approach with which to implement Vision Village programmes. This is because social and economic development cannot be experimented with to see whether or not they will prove successful. Another constraint in the plan is a lack of funds. Thus the programmes cannot be implemented in all villages, but only in selected ones. To initiate the Vision Village programmes requires the co-operation of village committees. However, co-operation can only be initiated if the government provides some incentive schemes. So far, there is no village that can be singled out as a particularly successful model village in Sabah and which could be copied by villagers and administrators in other districts. However, since the political destiny of the government is determined by its ability to capture the minds and hearts of the rural population, it is likely that implementation is politically motivated. Thus it is probable that implementation will not go according to plan. The great concern is that the traditional villagers are still unaware of their economic future and civil rights. As a consequence, they are likely to be influenced and manipulated by political and ideological beliefs.

Bumiputera entrepreneurs are also thinking of short-term rather than long-term benefits. The Prime Minister, Mahathir has suggested that there are some Bumiputeras who want to be instantly rich. Thus, it is likely that there will be

political corruption in the process of pursuing their "get rich quick" schemes. Informally, the outcome of the government policies on promoting Bumiputera entrepreneurs is the rise of political businessmen. These businessmen are pursuing the get rich quick government contracts, timber concessions and other government projects. In this regard, even political constituencies and representatives are not being spared from this kind of political businessmen. Thus Bumiputeras and rural farmers are not really contributing much to increase productivity in Sabah. Their role in future will be to serve as supporting industries to the government's own enterprises or privatized agencies. Furthermore, Sabah still has no large scale and successful industries which can serve as an umbrella to smaller and medium entrepreneurs. On the whole, the institutions for future entrepreneurial development do exist, but the prospects are still uncertain. At the initial stage of implementation of the Vision 2020 grand plan, effective management is the key to success. It is management which determines productivity, quality and achievement of objectives. However, the loss of confidence by private financial institutions regarding Bumiputera entrepreneurs has proven otherwise.

There is not a single village in Sabah which manufactures exportable products. This situation has arisen because the old approach to village development placed the emphasis on infrastructure and new land development rather than on the development of industries and individual skills. Such an emphasis did little to solve the problems of income inequality and regional economic imbalance. The old structure of development has in fact impeded the implementation of Vision Village programmes. Most of the products are still crude and locally marketable. Timber and timber products still form Sabah's major exports. Other than that there are also a few other natural resources and agricultural products that are being exported. However, where are the manufactured products produced by public enterprises, particularly SEDCO and KPD? (see Sabah Yearbook of Statistics 1994, and monthly statistics, 1995 and 1996).



## *7. CONCLUSION*

With hindsight, previous performance under the NEP demonstrates that - in spite of the large sum of investment - the various programmes have yielded little in the way of economic return. Public enterprises have not contributed much to increase Malaysian exports compared to development in oil palm and rubber plantation. In line with the National Development Policy, unless there is strong economic growth through industrialization, the objective of restructuring the multi-ethnic Malaysian society cannot be achieved.

However, the development of industrial parks and "Vision Villages" are twin mechanisms which are thought to be effective in reducing regional economic and income imbalance despite the high capital investment. But, in the mean time, Sabah must overcome the nine challenges of Vision 2020. It is difficult for Bumiputeras in Sabah to face the challenges of Vision 2020 seeing that the NEP failed to create self-reliant Bumiputera businessmen despite the special privileges, financial assistance and guidance. It could be that the Bumiputera institutions themselves and the political process itself have failed the Bumiputeras. In comparison, the Chinese self-reliance have made them successful in trade and industries. Thus, Vision 2020 national development will take time, experience, confidence and motivation.

## *CHAPTER FIVE*

### NATIONAL EDUCATION DEVELOPMENT IN SABAH

#### *1. INTRODUCTION*

This chapter discusses some of the main issues of national education in the multi-ethnic Malaysian society and in Sabah in particular (Hirschman, 1987: 555-577). National education is one of the means by which newly independent countries shed their Colonial Education legacy. Despite this common goal, the major ethnic groups in Malaysia have found it difficult to reach a consensus regarding the education of their children. For instance, the Chinese are against any measure which would abolish Chinese schools for the sake of national unity. This lack of consensus has placed the National Education Policy in a dilemma. In addition, due to the socio-economic structure of society, there is also some disparity in educational development as is evident in the peripheral states as well as in the rural areas. These have justified the Government's attempt to use education as a tool of restructuring by increasing Bumiputera professionals. In this context, the purpose of this chapter is to discuss some of the issues relating to National Education such as: (1) investment in education, (2) the issue of Bahasa Malaysia, (3) the issue of Islamic education, (4) the Bumiputera quota, (4) the issue of academic and vocational education, (5) rural-urban imbalance in education, and (7) the issue of manpower needs.



### *1.1 Background To The Problems Of National Education*

Plans to implement the National Education policy in Sabah were first drawn up after Malaysian independence in 1963. Prior to that, education under the Chartered Borneo Company and the British Colony was left mostly to missionaries and the private sector. During that time the Government itself ran very few primary and secondary schools. Other factors which are important in understanding the problems of education in Sabah are the sparse population and underdevelopment of rural areas. Further, in historical terms, the growth of Sabah's Educational System is different from that in Peninsular Malaysia. Sabah and Sarawak seemed to adore Western styles of education. (Indeed, Sarawak even had a Westerner as its King). Since both states were still underdeveloped, the expansion of education was slow. As a measure of this, we can consider the 1960 census in Sabah which showed that 30,000 children of school age were not going to school, compared to 46,957 who did attend (Wang, 1964: 199-209). Thus, by rights, Sabah should have prioritised education from the beginning of independence.

Being a new nation, Malaysia needs an education system that will mould the fragmented colonial structures into a coherent national organisation. During the initial period of independence, textbooks were imported from England and China. Due to their origin, the contents of these books were contradictory to nation-building efforts of the Malaysian Government. Further, the various ethnic, missionary and Government schools had no common purpose. Although the Government was aware of these problems, it could not adopt a National Education System without consulting the people of various ethnic groups, languages, cultures and religions. All these groups have their own, quite different, values and ways of socialization.

Since 1957, the National Education System has undergone several, discrete stages of change. However, running through-out all these changes is the influence of a dominant Malay group. As a result, there has been a constant Malay influence on the way that objectives and strategies have been formulated. For instance, after the 1969 racial riot education reforms were used in the NEP as a means of social

restructuring. In particular, priorities were given to the Malays and the indigenous people (together termed the "Bumiputera") at all levels of education. Later, in 1979, a Cabinet Committee Report chaired by Mahathir reviewed the 1961 Education Act. This review was an attempt at reforming national education policy.

According to the 1989 World Bank Report, Malaysia had 99% enrolment in primary schools. Despite this encouraging attendance statistic, the ratio of students to teachers in these schools is still too high to ensure good quality education for all students. Furthermore, Malaysia is still lacking in qualified staff to teach the subjects of mathematics and science.<sup>1</sup> This is clearly a problematic situation as qualified teachers are the essence of a quality education. Further, ill equipped school laboratories have also discouraged students from entering the science stream.

The problems facing education that I have outlined above are more serious in rural areas, especially in the peripheral states such as Sabah. One cause of this is that infrastructural inadequacies in the remote rural areas have placed further obstacles in the way of education. For example, in many rural areas the roads are still unsurfaced making it difficult for pupils even to attend school in some cases. Further, even if students can actually get to the classrooms the working environment can be quite poor due to a of lack electricity and water supplies. The effects of this can be gauged from the performances in public examinations in Sabah and Sarawak which, as a whole, are still well below national levels.<sup>2</sup> As a consequence, it is not surprising that there is a problem with high school drop-out rates in the rural areas. Although those dropping out can enter the public skill training centres, in Sabah especially, these youths still encounter problems in obtaining a job in their chosen fields after completing the course. This is a sign of structural unemployment and unbalanced development.

In higher education, the National Education Policy has been partly successful in reducing the ethnically based nature of much employment (Fifth Plan). This is in line with the restructuring objectives of the NEP. An indication of the scale of changes can be gauged from the dramatic increase in Bumiputeras enrolling on degree



courses. In 1970 there were only 3,084 Bumiputeras taking degrees whereas this had risen to 23,838 in 1985: in other words, nearly an eightfold increase. By comparison, over the same period, the number of Chinese and Indians taking degree courses only increased by approximately three and four times respectively. However, in this context it is important to remember that admissions to universities are not totally determined by an individual's academic achievement. Priority is given to Bumiputeras on the basis of a quota set by the government. Indirectly, setting quotas in this way has had an affect on the quality of education. Donaldson (1994) found that students experienced feelings of discouragement, guilt, anger, and pressure to overachieve because of racism. Probably the most serious problem, however, is that the quality of education is being sacrificed in order simply to meet the quota of Bumiputeras. Furthermore, Malaysia is still dependent on the West in higher education. According to the Fifth Malaysia Plan, there were about 60,000 Malaysian students studying overseas.

By 1990, the number of student enrolments in the primary to tertiary levels had increased by 106%. There were only 2,240,064 enrolments in 1970 compared to 4,118,827 in 1990. The number of primary school enrolments increased by 5.28% between 1981 to 1989, while the number of secondary school enrolments increased by 28% between 1981 to 1989. The enrolments on degree courses were 37,840 (1985) and 58,000 (1990) in seven public universities which represents an increase of 56.91%.<sup>3</sup> Although there is still a lack of teachers in primary and secondary schools, the number of teachers in primary schools have increased. There was a 47% increase in primary school teachers and a 30% increase in secondary school teachers between 1981 to 1989.<sup>4</sup> According to the Seventh Malaysia Plan, the total number of Malaysians in the education system (i.e. from primary to university levels) in 1995 was 4,932,650. This total is subdivided into: 256,800 pre-school; 2,766,870 primary; 1,124,910 lower secondary; 514,970 upper secondary; 80,080 post-secondary; 35,410 non-graduate teacher education; 17,080 certificate; 46,930 diploma; and 89,600 degree. The total allocation for education under the Sixth Malaysia plan was only RM8,025.2 million whereas this been has increased in the Seventh Malaysia Plan to

RM10,098.8 million. From these statistics, the government can make predictions concerning Malaysia's future education and manpower needs.

In Taiwan where the education system has placed an emphasis on science and technology, the statistics show that overall RM37 billion has been spent on education (*B.H.:* 24.6.96). Further, this relatively high expenditure has occurred despite the fact that Taiwan's population is only one million above that of Malaysia (that is, 21 million and 20 million respectively). Malaysia's annual expenditure in education in 1994 was about RM1,312.62 million. Thus, the Malaysian expenditure is obviously insufficient to meet the needs of an industrialized country. Furthermore, many of the rural areas have neither proper education facilities nor an adequate infrastructure. There is also a need for more expenditure to keep pace with national economic trends and the globalization of the economy. As a result, the lack of skilled manpower in Malaysia cannot be overcome unless the government is willing to commit itself to increased expenditure on education in order to improve quality. In fact, it was the lack of suitable manpower which caused the British Administration to bring in Indian, Indonesian, Chinese and Filipino workers to Malaysia.

Furthermore, under the Vision 2020 development plan, the strategy of export led development will require efficiency. Effectively, this will mean the use of modern technology and mechanization. So, in order to meet this requirement, Malaysia will need large numbers of technicians and blue collar workers. As a result, the future education development structure will need to achieve some balance between academic and vocational education.

## *2. THE NATIONAL EDUCATION POLICY AND STRATEGIES OF IMPLEMENTATION*

One function of the National Education System in Malaysia's multi-ethnic society is to serve as a symbol of unity, equality and national integration. To do so, the present system will need to undergo various changes in order to meet the twin demands of society and the economy. Being a new nation, Malaysia needs an



education system that can mould the fragmented colonial system into a coherent national education system.

The foundational stage in the development of a National Education System was the Razak Committee in 1956 and the Education Ordinance 1957. The Committee recommended that a national system of education was needed to inculcate a sense of national loyalty in the future generation. As a consequence, textbooks which had both a local content and a common syllabus were needed. However, at that period the main challenge was to overcome illiteracy and thus quantity was emphasised more than quality. Further, like other developing nations, the United Nations Educational and Scientific Organization also played an important role in developing a national education system for Malaysia. Due to the role of this international agency, there is growing pressure to improve the education system.

In addition, there was also growing pressure from both the United Malay Nationalist Organization and Bumiputera political parties to improve rural education. Another factor which contributed to the development of a national education system was the need for national security as Malaya was being threatened by communist insurgencies. The formation of Malaysia in 1963 also triggered a confrontation with Indonesia. Thus, in line with the Talib Report (1960), the reviewed Malayan Education Policy emphasized the Malay's and Bumiputeras' political and national interests. This report recommended that the education system in Malaya should meet the needs of a multi-ethnic society. Malay, as a national language, would be used as a medium of instruction. The primary school sector was divided into standard schools (which were run by the government) and standard-type schools (which were financed privately). In the standard-type school, languages other than Malay and English could be taught if there was sufficient parental demand. Similarly, secondary schools were divided into national and national-type schools. Malay was adopted as first language and English as a second. This meant that universities gradually had to adopt Malay as their first language. In order to prepare for this change in instructional language, more Malay language teachers were trained. Sabah was

allowed a ten year transition period before Malay was fully adopted as a first language of instruction in 1976.

Under the Education Act 1961, the Education Policy guaranteed that all children must attend school until the age of 14 years. This policy was successful in increasing the number of secondary school enrolments. In turn, this increase led to a demand for more schools, teachers and public funds for education. The Act required that Malay be used as a language of instruction as a first step in promoting national development through education.

The First Malaysia Plan (1967-1970) and the Second Malaysia Plan (1971-1975) were the initial periods in which planners started to identify the problems with, and strategies of, attaining Education Policy objectives. Rural education was given top priority in an attempt to reduce the inequalities between rural and urban educational opportunity. As a result of this policy, education in rural areas was provided from the pre-school to secondary levels. However, degree and diploma level education are still mostly located in urban areas.

In Primary education, the government has increased its expenditure in rural areas to provide schooling even in the most remote areas. Secondary school opportunities have also been increased in these areas. In addition, schemes such as those providing textbook loans and school food are being introduced to help poor students. This has provided rural students with opportunities to further their education in universities and institutes which are largely located in the towns.

The end of the First Malaysia Plan (1966-1970) and the beginning of the Second Malaysia Plan (1971-1975) were periods when students who had enjoyed compulsory education began to finish their secondary education. However, most only completed Form Five as there were very few schools that provided Form Six education. Most of the schools capable of providing Form Six level education were still located in regional capitals and major towns. In addition, rural secondary schools provided instruction only up to Form Three. As a consequence, on passing



their Lower Certificate of Examination, students from rural areas had to transfer to secondary schools located in towns. Thus compulsory education which was introduced in the Education Act 1961 brought about demand for tertiary education and skills training. This, in itself, required more teachers, more schools, and more facilities with the obvious consequence of an enlargement in the education organization. In turn, an expanding educational structure required better management to co-ordinate the implementation of the education plan. In general, evaluations of the initial implementation of National Education Policy have found that rural schools were underachieving by comparison with those in urban areas. Students from rural schools showed poor levels of achievement in subjects such as science, mathematics, and English. Unless this problem is addressed by the Ministry Of Education, the government's objective of reducing the inequality gap will not be achieved. This is due to the fact that admission to colleges, universities, training institutes and the award of scholarships are dependent on good grades from secondary schools. So, unless this inequality is addressed, urban students will have better access to tertiary education and skills training centres than rural students. Thus the community structure itself is already in conflict with the education policy. In addition, an increase in the number of secondary school leavers will mean that more tertiary institutions and training centres are required. Unless this is successfully implemented there be many frustrated teenagers. Any progress which has been made in education and training will be rendered meaningless unless it leads to relevant employment.

The second phase in implementation of the 1961 National Education Policy came after the racial riot in 1969. At this time, education became a tool of national unity as well as a means of effecting social, economic and political development. The national language, Bahasa Malaysia, became compulsory in schools. The principles of Rukunegara or National Ideology were also instilled in students. The Education Act in 1961 that had been implemented in Malaya, was extended to Sabah in January, 1976. The development of rural education was intensified after the racial riot in 1969. But this time, as if the education policy was insufficient to function as a tool of national unity by itself, it was supplemented with the principles of Rukunegara and the New Economic Policy. Thus, those implementing the National

Education Policy Plan under the NEP had to manipulate the situation in favour of the Bumiputeras. The National Education Policy served as a tool for achieving the two-pronged objectives of the NEP: namely, social restructuring and the eradication of poverty. These two objectives are based on the principle that people can be united if they are equal. However, the NEP's goals have to be examined from political, social and economic perspectives. Since the implementation of New Economic Policy and National Education Policy effectively gives power to the Malays and the Bumiputeras, there is a tendency for mismanagement. This grip on power in the national development and education programmes has also been prompted by various university student demonstrations during the first half of the 1970s. Partially as a consequence of these demonstrations, the government was under pressure to deal with the problems of inequality and poverty.<sup>5</sup> There was also a strong uneasiness concerning the Chinese who were dominating the economic sectors in Malaysia. Thus various pro-Bumiputeras education programmes were implemented. These included: scholarships, the construction of more educational institutions exclusively for Bumiputeras, priority for Bumiputeras in admission to local universities, and better education opportunities for rural students.

### *2.1 Mahathir's Education Reform*

In line with the aspirations of the New Economic Policy and the Rukunegara, the National Education Policy was reviewed. A Cabinet Committee chaired by Mahathir was set up in 1974 and its report was finally ready in 1979. (At this time Mahathir was the Education Minister and later the Deputy Prime Minister). The reviewed policy adopted four objectives:

"(a) To achieve national unity in a multi-ethnic society, (b) to produce skilled manpower for national development, (c) to further extend the policy of democratization of education in order to strike a balance in all aspects of education between rural and urban areas and (d) to mould a disciplined and morally refined Malaysian society."

(Ministry Of Education, 1990: 4-6)



In addition, the reviewed version of the National Education has its National Educational Philosophy. If strictly observed, the philosophy aspired to make education a tool of national unity. This can only be achieved when the education system produces responsible individuals who are capable of making contributions towards society. To do this the system needs to be able to cover aspects of individual needs such as developing individual potential, intellectual development, emotional and physical needs, belief in God, and all the traits of good individuals. On the whole, like any other education philosophy it attempts to promote excellence in the individuals. However, the philosophy seems to be against the Western education philosophy where freedom is cherished above anything else (see Appendix K on the philosophical framework And the Education System). Despite this apparent conflict, due to the globalization of the economy, the need to learn English language and western knowledge is inevitable. In addition, Malaysia is a multi-ethnic society where the people have different cultures, beliefs and different level of intellectual development.

By the time of this second review, previous experience had taught planners about the types of problem which might be encountered in implementing an education policy plan. Assuming that the performances of the 1961 Education Policy were evaluated and problems were clarified, then the 1979 Education Policy should have had few implementation problems. Indeed, in its four objectives, only the democratization of education was not addressed in the old policies. Democratization of education represents the first step in a government effort to encourage the people's participation in the education of their children. However, Malaysia does not have a fully democratic government; only semi-democracy exists.<sup>6</sup> Thus, this situation might defeat the goal of democratization in education. Further, although parents are being encouraged to "participate" in education there is an important sense in which they are effectively powerless. The budget, curriculum, strategies, language of instruction and the whole concept of national education have been pre-planned. Thus parents are just participating in the Parent Teachers Association but have little actual control over what the education of their children. The government has predetermined what children should be taught according to the national education philosophy. Knowledge

cannot improve without individual freedom. Child development goes through stages and cannot be determined by any philosophy. Can one be forced to adopt a philosophy and curriculum of instruction? After all, students have to pass the national examinations and go to universities. They need to choose their own field of interest. Thus the education system should create a conducive environment which incorporates a variety of instruction that can help to develop the minds of the children. As an evidence of these shortcomings, how can a school expect to develop an individual's abilities when some have no playing fields, sport facilities or specialist instructors?

In this context, one possible solution to the problems of poor quality education is to encourage the development of a private sector. However, such a solution would only create inequalities based on wealth whereas it is government policy that everyone should have equal opportunities at all levels of education. An alternative way of improving quality is to make admission to tertiary institutions competitive. This could be implemented by setting high standards in the national examinations. In particular, it would be advantageous for Malaysia if such standards were created for moral education rather than for mathematics and sciences. This is because by themselves, mathematical and scientific knowledge will only create individuals who believe in science rather than in God and the divine spirit. These are some of the contradictions in the national education philosophy, and the new curricula for both primary and secondary schools (i.e. the KBSR and KBSM, respectively).

After the 1979 review, the National Education Policy adopted the following strategies: "(1) Bahasa Malaysia remains as the main language of instruction in school, (2) a standard curriculum that is Malaysia oriented, (3) a standard examination system, (4) streamlining of educational management, (5) upgrading the standard of education as a whole, (6) nine years basic education, (7) democratising education in relation to opportunities and quality through the just allocation of all aspects of education, (8) introducing education based on 3Rs (reading, arithmetic and writing), (9) secondary education based on an Integrated Secondary School



Curriculum (ISSC), (10) expansion of vocational and technical education, (11) diversifying and increasing the facilities for tertiary education especially for applied arts and science, (12) intensifying spiritual and religious education, (13) making the teaching of National language and English compulsory in schools and permitting the study of other languages i.e, Chinese and Tamil and (14) encouraging co-curricular activities," (Ahmad, 1993: 181-185).

## *2.2 The New Primary School Curriculum*

Following the 1979 review, school curricula underwent considerable changes in the 1980s. One reason for these revisions was that rapid social change and modernization had made the 1960s curricula largely irrelevant. The New Primary School Curriculum (KBSR) was introduced in 1982 (see Appendix L, On The Organization). The KBSR strategies were outlined as: (1) an integrated approach to teaching and learning, (2) variety in teaching methods with group teaching for same ability or mixed ability groups, class teaching and instruction, (3) variety in learning activities, (4) "flexibility" in the choice of content and in the use of teaching methods and aids, (5) continuous evaluation that is incorporated into the teaching and learning process and (6) an "informal" classroom atmosphere with space to allow varied activities. These strategies will be examined in more detail as this chapter develops.

In order to handle the needs of a multi-ethnic society, the new school curricula for primary school students were differentiated according to language of instruction. However, Bahasa Malaysia is compulsory in all these primary schools.

## *2.3 The Integrated Curriculum For Secondary School (KBSM)*

In secondary education, students are differentiated in terms of their interests e.g. those studying science, the arts or undertaking vocational training. The new curricula are structured into three areas. Firstly, "communication" which covers the Malay and English languages and mathematical communication. Secondly, "man and his environment" which includes subjects such as Islamic and religious education or

moral education for non-Muslims. The third area is "individual development" which includes music, art and physical education. Mahathir's future Vision can be understood from the new strategies and curriculum of the National Education System. Together, they reflect some awareness of individual development, global needs, Malaysian values and moral education.

#### *2.4 Tertiary Education*

Some tertiary educational institutions were created to cater specially for the Malays and the indigenous people. For example, the MARA Institute of Technology was set up with branches in most of the 14 states in Malaysia. MIT conducts courses at diploma level and "twins" its degree programs with universities in the USA and Britain. Additional vocational and technical schools are also being built. However, under the NEP, technical and vocational education play a less important role in comparison with academic education. The different weights given to these two types of education arose because the Bumiputera dominated government was primarily concerned to close the inequality gap with the Chinese in higher education. The success of the model programs can be seen by the increasing numbers of Bumiputeras in higher education.

By the 1990s, the implementation of Mahathir's Malaysia Incorporated and Privatization policies involved the education sector; particularly higher education. However, there is still some scepticism about the privatization measures in education. Sceptics argue that, because of the way the policy is being implemented, the Bumiputeras' interests will be neglected. Privatization through corporatization is more feasible so that educational quality can be improved with flexible management. The past system of regulation placed universities and colleges directly under the control of the Ministry Of Education. This made it impossible for university management to make its own decisions. A flexible, corporate type of management will enable universities to earn money and, as a consequence of that, to provide better facilities. The need for changes in higher education is being discussed in



seminars, conferences, symposiums, parliamentary debates and by the Minister of Education himself.

The government's programme of corporatizing universities will be implemented in stages as soon as agreement has been reached with the university staff concerning new terms of employment. As a first step towards corporatization, the University and the University College Act was amended in 1995. In June 1996, the Deputy Prime Minister, Anwar announced the corporatization of Malay's most elite school; the Malay College, Kuala Kangsar (MCKK). This is the school where most of the Malay leaders studied including Anwar himself. This corporatization will enable the MCKK to make its own financial decisions and thus overcome the lack of college facilities. One of the most important lacks concerns the necessity of computerization. This is especially pressing as various Chinese private colleges have already been computerized. However, despite the recent corporatization, the Ministry of Education still retains some influence over the MCKK - especially in determining the curriculum of this elite school. Prior to this, there were already suggestions that the Malaysian universities should be corporatized in stages. This will start with the corporatization of the University Of Malaya. However, there are still many issues that need to be resolved before this can take place. For example, after the amendment of the University and University College Act 1971 in 1995, the National Accreditation Board Act was debated in July 1996, and the National Council of Higher Learning (NCHL) was established in September, 1996. However, from the outlined functions of the NCHL, it does not seem that there will be a decentralization of power from the Ministry of Education, nor will more power be given to the universities. This appears very similar to the pre-1990s situation, as they both aim to expedite economic development and help the Bumiputeras. It seems like an attempt to move away from the bureaucracy associated with the old style of education.<sup>7</sup> The motivation for these changes arises from the government's policy of privatisation however, in contradiction to this, the government still does not wish to relinquish its control of higher education. Thus, it appears that the government has been placed in a dilemma in order to maintain Bumiputera interests.

Furthermore, due to the worrying problems in the quality of Malaysian education, the idea of Total Quality Management (TQM) is being introduced. In their recent speeches, both the Minister of Education and the Head of Higher Institutions have begun to talk about total quality management and computerization. However, educational studies have discovered that there are various problems associated with the implementation of TQM<sup>8</sup> and computerization.<sup>9</sup>

Regarding entry to public universities, the Ministry of Education has already set a target to ensure that 40% of the school leavers will enter university. This goal will only be reached if a new intake method is adopted. This new form of recruitment will not only be based on academic achievement and excellence, but will also take into account leadership quality, sporting activities and general knowledge. In other words, in addition to academic achievements, students must also possess the ability and character to acquire new skills. The old intake method has restricted the number of students to 11% of school leavers. According to the Minister of Education, the Universities in Malaysia will be able to accommodate 100,000 students by the year 2000. However, the new intake method cannot be implemented immediately due to the limited number of places at the existing public universities.

On the whole, the education system takes about 16 years to produce a graduate. This length of time has been shortened with the recent ruling to reduce university education to three years instead of four. This reduction will help overcome the problems of lack of lecturers and space, financial constraints, and the high demand for places in higher education and skill training courses.

As a whole, the implementation of the National Education Policy during the NEP was faced with a contradiction between restructuring and quality. The NEP, which emphasised quantity and restructuring for the sake of Bumiputeras, affected the quality of education. Furthermore, the National Education Policy under the NEP polarised the ethnic groups in Malaysia. However, the National Education Policy and NEP were partly successful in dealing with the problems of inequality in education and the identification of occupation according to ethnicity. The use of Bahasa



Malaysia as a language of instruction in schools has also played an important role in integrating the various ethnic groups in Malaysia.<sup>10</sup>

### *3. ORGANIZATION OF THE PLANNING AND IMPLEMENTATION PROCESS OF NATIONAL EDUCATION<sup>11</sup>*

As education is a Federal responsibility, the highest decision-making body is located in Kuala Lumpur. The whole National Education organization structure, the Ministry of Education is headed by a Minister of Education who is assisted by two deputy ministers. Just beneath them in the structure are the Director-General and Secretary General of Education. Under the Director-General are Directors of Education of the fourteen states of Malaysia as well as Divisional Directors of various education services. The Director of Education in each state controls all the District Education officers in the states. Under the Education Officer are the principals of the various secondary and primary schools in the district. In the case of Sabah where the state is divided in Divisions and Districts, there are also Divisional Education Officers who is higher than the District Education Officers. The Divisional Education Officer co-ordinates all the District's Education activities and responsibilities that fall under his Division.

There are also various National Education committees which aid in the decision-making process. The highest committee in the Ministry of Education is the Education Planning Committee. It is responsible for the formulation, coordination and implementation of the policies. Under this committee are other committees responsible for: the Central Curriculum, Development, Finance, Higher Education, Text Books, and Scholarships and Training.

Beyond the Ministry Of Education, there are also higher committees in the Prime Minister's Department which are responsible for development in general. Their decisions are vital on matters of national importance and those relating to education budget. The highest is the Cabinet Committee headed by the Prime Minister, followed by National Development Planning Committee and Economic

Planning Unit which are all under the Prime Minister's Department (see Ministry Of Education 1990 for details).

However, the system of organization and planning does not appear to allow for a mechanism which would provide some public input. Thus the system is very much like a regime. Under these conditions, there is a strong possibility that certain communities or regions are being left out in education development. There needs to be freedom for the communities to express their opinions about the education system and spending. For instance, unless poor school facilities in the remote rural areas are reported by the press, then = no sense of urgency in dealing with this problem will be created. Thus this, and other problems, could be covered up rather than being addressed.

#### *4. THE DILEMMA OF NATIONAL EDUCATION IN A MULTI-ETHNIC SOCIETY*

Education, as defined by the Oxford Dictionary, is the "training of mind and abilities." Sociologically, it is a form of socialization into certain values and roles. In a multi-ethnic society such as Malaysia it becomes problematic as to which group's values should be incorporated into the National Education Policy. Indeed, the government itself is divided on whether to embody secular or Islamic values in education. Recently, the government's leadership - which is dominated by Malay Muslims - has directed that Islamic subjects are made compulsory for all Muslims attending National Schools and National Type Schools. This is in line with the policy on the "Assimilation Of Islamic Values in Administration" that I will discuss in the following chapter. Since decision-makers in the Ministry of Education are mainly Muslims, Islamic values are being given priority in education. Basically, Islamic values work on the principle that Muslims should follow the teaching of Muhammad, the Koran, the Syariah and believe in Allah. Briefly, an individual subscribing to Islamic values should preserve the sanctity of Islam by the way he behaves, eats and prays. This means that Islamic values are concerned not only with the soul, but also with how an individual should lead a good life. Thus all these



values need a formal processes of socialization if they are to become nationally held. As a consequence, Islamic educators believe that the Government must enforce Islamic education (even in the private sector) to ensure that Muslims are not exempt from subjects.

However, in a multi-ethnic society where there are differing beliefs and ways of socialization, Islamic values and education are likely to be neglected. In one way, the enforcement of Islamic education is a positive move as it helps students from various ethnic groups to respect Islam and vice versa. On the other hand, non-Muslims are required to study moral education. Both these processes are means by which Malaysian values are instilled in students as outlined in the "Policy On Assimilation Of Islamic Values In The Administration." However, the National Education System cannot force Malay and Islamic values on non-Muslims as such an action would be against the Malaysian constitution. Thus, the National Education Policy's goal of instilling Malaysian values is difficult to rigorously enforce.

Besides, National Education also plays an important role in teaching students both academic and vocational knowledges. These are necessary to meet the nation's manpower needs. Since education is universal anyone, irrespective of religion and ethnicity, are entitled to acquire it. However, the major ethnic groups especially the Chinese prefer to have their own way of socialization.

In a multi-ethnic society, the key word in National Education in Malaysia is fairness. However, in a politically divided society such as Malaysia, ethnic education can be a means of achieving political ambitions. Thus it is difficult to predict what the future of National Education will be, especially as it faces the Vision 2020 challenges.

The Chinese's suspicion against National Education and vice versa was being expressed when it was proposed that the 1961 National Education Act be amended in 1990. The Chinese were worried about the particular amendment that gave power to the Board of Schools to close schools as this could affect the Tamil and the

Chinese National Type schools. Prior to the amendment, the Minister held the sole power to close down schools. The proposed amendment was politicised by various parties and interest groups such that it had to be postponed so that the views of various parties could be heard. Thus the National Education Consultative Council was established to hear their views (Ahmad, 1993: 361-396). However, the rationale of such an amendment is to put into practice the National Education Philosophy so that a strong Malaysian nation can be built through the education system (*B.H.:* 15.8.1990).

## *5. THE REALITY OF NATIONAL EDUCATION IN SABAH*

Now that Malaysia has been independent for nearly thirty years and the National Education has undergone various processes of change, it is interesting to examine what progress has been made in education development in Sabah. A particularly revealing way of doing this is to compare how the National Education has been implemented in Sabah and Peninsular Malaysia. Indeed, an adequate analysis of progress cannot be performed without using some comparative standards. Such standards are important so that the analyst is not swayed and confined by Federal statistics and the government's Five Year Plan reports on education. The Ministry of Education and its agency, the Department of Education, have always claimed that good progress has been made during the thirty years of independence. However, let us discuss how the National Education Policy has been implemented in Sabah.

### *5.1 Educational Investment In Sabah*

Historically, when compared to the Chinese, the Bumiputeras in Sabah have not enjoyed a good education. One reason for this is that the Bumiputeras live mostly in the rural areas whereas the Chinese live in urban areas. During the North Borneo Timber Company and British Colonial Administration, children's education was left either to private entrepreneurs, missionaries or the Chinese community. As a result, the Bumiputeras, who were poor, could not afford to send their children to



secondary schools. For religious reasons, missionary schools were not particularly attractive to some Muslim students. However, at that time, irrespective of their religion, students continued secondary education at missionary schools. However, many Bumiputeras could not even afford to complete primary school. Achievement based on examination results also caused high drop-out levels among primary school students.

After Malaysia independence in 1963, the responsibility for education in Sabah was handed over to the Federal Government. Prior to that Sabah had its own Education Enactment that shaped its school system. When the Education Act 1961 was extended to Sabah in January, 1976, Sabah's educational future was fully dictated by the Ministry of Education in Kuala Lumpur.

If one looks at the history of education in Sabah, Sabahan leaders were dissatisfied with the education system. During the USNO regime, the state government sent a memorandum to the Federal Government requesting a University College in Sabah. Another memorandum was sent during the Berjaya Government. This identified nineteen problems such as inefficiency, shortage of facilities, poor quality of facilities and instruction, lack of teachers and teacher training, problems of implementation of Malay Language as a first language of instruction, lack of funding, and the problems associated with Chinese schools. Prior to the memorandum, the Sabah Regional Planning Study 1980 was run by the British Overseas Development Administration.<sup>12</sup> This study identified that the urban primary and secondary schools systems were experiencing pressure due to high net immigration. On the other hand, as rural areas were not well penetrated by the education system and hence the problems of rural illiteracy were perpetuated. The other problems identified in the 1980 study were identical to those listed by the Berjaya Government in its memorandum to the Federal Government. Indeed, even up until the PBS Administration in 1985-1994, the Sabahan Government's demands had not been met. For example, Sabah still did not have a full fledged university but only a branch campus of the National University Malaysia (University Kebangsaan Malaysia).

Let us examine further the education problems and investment in Sabah during the Vision 2020 Development Plan. This is necessary in order to see whether there are some significant changes in comparison to the NEP period. First, let us examine the student enrolment statistics for Sabah. In 1992, there were 259,921 primary students and 14,238 teachers. The student-teacher ratio was therefore about 18; a figure which has remained constant up until the last statistics which were produced in 1995. So, in mathematical terms at least, education planners in Kuala Lumpur can defend their leaders on the grounds that Sabah has a sufficient number of teachers. However, averaging the figures in this way hides a large rural-urban disparity. Urban areas obviously have greater population densities than rural areas. Thus there is greater demand for teachers in the cities leaving the rural areas with a relative paucity. Despite relatively good student-teacher ratios in primary schools, the situation is quite different at secondary level. Here, in 1995, there was an average of about 46 secondary school students to one teacher. Since the Ministry of Education is planning to build more secondary schools in the rural areas, the problems of staff shortages in these schools will be more serious than in primary schools. The most severe shortage is for graduate and specialist teachers in secondary schools. Regarding school space, in 1994 the average number of students per primary school was 294 while in secondary schools, the corresponding figure was 815. One common way of handling this excess demand is to divide the school day into morning and afternoon session in which different sets of students are taught. For example, primary one to three may be taught in the morning and primary four to six in the afternoon. The shortage of school space is also prominent in the urban areas.

The facilities in Sabah are still obviously insufficient to meet the demand for both tertiary education and skills training. Further, even where such facilities exist, admission to them is not really competitive. With the present facilities and lecturers, tertiary education in Sabah can only accept a limited number of students. The number of courses which can be taught is also limited due to the lack of facilities, funds, and lecturers. In addition, the skill training institutes and vocational training centres have not proved that attractive to qualified school leavers. Furthermore, there



are still too few vocational and technical schools to meet the needs of Vision 2020 development plan. Even the existing ones are poorly equipped.<sup>13</sup>

That these problems have affected the quality of education in Sabah can be gauged by its poor examination results in comparison with West Malaysia. The number of examination candidates also indicates a low number of science students. The system of education has failed to encourage students to enter the science streams or to pursue technical and vocational training. The number of examination candidates also indicates that the students are lacking in self-confidence in science subjects. Instead, students prefer to take arts subjects which they are more confident of passing. According to the Department of Education Report (1995), there were only 1,723 science stream candidates out of 15,452 candidates for the Malaysian Certificate of Education in 1995. In the same year there were only 78 science stream candidates out of 1,942 candidates for Malaysian Higher Schools Certificate. This recent information dating back to 1990 indicates that the trend is going to pose a serious problem for Malaysia. In this respect, the holistic education philosophy has failed.

The lack of trained graduate teachers has also contributed to the poor quality of education. The need for such teachers is very difficult to satisfy as the teaching profession is so low paid that it does not prove an attractive employment option. This problem needs to be dealt with in a realistic way. At its present stage of development, Sabah does not need more university graduates. Rather, to develop an export oriented economy, Sabah needs more technicians in both the agricultural and industrial sectors. The handful of vocational and technical schools that do exist will not be able to meet the demands for skilled labour set out in the Vision 2020 plan. In addition, the few young people who are trained in technical skills still find it difficult to obtain jobs in their chosen fields. In other words, there is either structural unemployment, or a mismatching of the training course to the available jobs.<sup>14</sup>

Poor school facilities have not created a conducive environment for the mental and spiritual development of children. This situation has been exacerbated by a lack of buildings which has forced many schools to have separate morning and afternoon sessions as I mentioned above. The poor level of school facilities is particularly severe in rural areas.

There is still a wide gap between urban and rural education in Sabah. Rural schools in remote areas have no running water and electricity. Under such conditions very few of the students even consider going to university. The federal government's failure to resolve this urban-rural inequality represents one of the largest mistakes which any government, including the colonial one, has made in Sabah. The various administrations have failed to act as catalysts in developing all aspects of Sabahan society, especially as far as education for future manpower needs is concerned. The rural-urban inequality has persisted despite the fact that it is clearly written in the Education Act of 1961, that every child of school age has a right to education. Indeed, some natives living in remote areas still have no proper school facilities. Despite the Sabah State Government's 1984 memorandum to the Federal Government concerning poor school facilities, the problems still persist today. Indeed, there are still some schools which are constructed from palm leaves and bamboo. There are insufficient classrooms, improper toilets and canteen facilities in schools. According to officials in the Federal Development Office and the Education Development Division of the Department of Education, these problems will be remedied by the year 2000.

That the education facilities in Sabah are still far from adequate can be gauged from a comparison with The Republic of Singapore. The Republic of Singapore, which has an equivalent population to Sabah, has 36 Institutes of Technical Education and Centres, 8 Institutions of Higher Learning, 18 Special Education Schools and 6 religious schools. In this context, Sabah does have many more public primary schools (986 compared to 187 in Singapore). Further, it also has about the same number of secondary schools as Singapore. Sabah has 147 public secondary schools compared to 145 in Singapore (1995 figures). However, Singapore



has more private schools which numbered 426 in 1995 whereas Sabah only has a handful of private schools. Prior to the 1990s, private schools in Sabah served mostly drop-out students.<sup>15</sup> In general, most of the problems regarding education facilities in Sabah also affect Peninsular Malaysia except that the problems is more serious in Sabah (Seventh Malaysia Plan, 1996-2000: 303-339).

The poor quality of education in Sabah has attracted much attention recently; especially from the opposition parties who want to capitalise on the issue. As a consequence, many suggestions about how the local educational system could be improved are being made. Indeed, Najib, the new Minister of education, has had to acknowledge that the fund for the education in the Seventh Malaysia Plan is still inadequate. This shortage of money has occurred despite the fact that Sabah, Sarawak and Pahang are given the highest funding for education among the 14 states (*B.H.*: 12.7.1996: 26). Furthermore, in comparison with the West Malaysians, some groups feel that they have been discriminated against in terms of access to better education.

### *5.2 The Issue Of Bahasa Malaysia As A First Language Of Instruction*

Let us move on to examine the implementation of Bahasa Malaysia as the National Language and the language of instruction in Sabah. The implementation of Bahasa Malaysia in Sabah was completed in 1976 when, prior to this, all schools and universities used English as their instructional language. Initially, the main problems with this change in language occurred in schools where all the teachers gave instruction in English. As they were not well versed in Bahasa Malaysia the teaching quality was affected. There was also serious lack of specialist Bahasa Malaysia teachers. Indeed, the problem was particularly acute in the Chinese and Indians where the teachers could only speak in broken Malay. The promotion of Malay as a national language had an obvious affect on the standard of English which was attained in schools. In the long run, this will have negative consequences for the students. Being skilled in foreign languages is an obvious advantage to students who wish to seek employment in multi-national corporations or to attend foreign

universities. However, the goal of making Bahasa Malaysia the language of instruction in schools has been applauded by staunch nationalist politicians.

The new salary scheme under the National Education System required teachers to pass Bahasa Malaysia with credit at Malaysian Certificate of Education Examination level. Thus, teachers who were not proficient in this language found themselves either demoted or had their contracts terminated at the end of their probationary period.

In higher institutions, there is still a lack of reading materials written in Malay, and so the use of English textbooks and journals is inevitable. Recently it has been suggested by university officials that a flexible attitude on the use of English in higher institutions is adopted.<sup>16</sup>

It will be recalled that one of the reasons Bahasa Malaysia was made the language of instruction in school was to promote national unity. However, recent events have proved this policy to be ineffectual. For example, although the new generation Chinese and indigenous groups are now able to speak proper Bahasa Malaysia, they have not been absorbed into the Malaysian values. From the signboards on the Chinese shops and business premises, it is obvious that they are still using Chinese wordings. Indeed, even if they do use Bahasa Malaysia on signboards, there are often spelling and grammatical errors. Recently the government, through its agency Dewan Bahasa dan Pustaka, has had to strictly enforce the regulation requiring the use of Bahasa Malaysia as the main language on signboards. Thus improper signboards on Chinese business premises have had to be removed.

However, simply learning Bahasa Malaysia does not necessarily assimilate an individual into Malaysian values. Indeed, many people learn second languages without being absorbed into the culture which is associated with that language. Thus, the use of Bahasa Malaysia as a means of uniting the diverse peoples of Malaysia is questionable. After nearly forty years of using Bahasa Malaysia as a first language



of instruction communal division still exists. Having said this, Bahasa Malaysia is still the best instrument for encouraging interaction between the people of various ethnicities and languages. It has also served as a *lingua franca* in the region for centuries.

Although government policy is directed towards the use of just one instructional language, some ethnic groups are demanding that their own language be taught in school. This is the case with the Kadazan who see language as one means of preserving their cultural heritage. In addition, since the Kadazans themselves are comprised of various ethnic groups, internal disputes have also arisen; for instance, between the Kadazan and Dusun about who should be the dominant group. This issue is important because the dominant group will be better able to advance its ethnic concerns in the social, economic and political spheres.

Furthermore, nationalizing schools by making Bahasa Malaysia the first language of instruction has caused a deterioration in the teaching of English.<sup>17</sup> This indicates that such a policy should be implemented with care so that important languages, such as English, are not neglected. As a result of this deterioration in the standard of English, some remedial programmes have been created to promote English. In Sabah, Britain is giving assistance through the Rural Primary English Programme. This might also affect other languages - such as Chinese and Indian - as the schools are following a nationalised curriculum.

Compared to the issue of Islamic education that I mentioned above, the enforcement of Bahasa Malaysia in schools is more effective. This is because the government requires at least a credit in Malaysian in the Certificate of Education for entry into the Civil Service, tertiary education and in applying for Government scholarships. Nevertheless, these are not sufficient incentives for people who neither wish to further their studies in Malaysia nor work in the Government sector. This policy has also restricted the Government's capability to employ specialists from foreign countries as well as from the local Chinese and Indian communities. Thus, even though someone has the required skill, he cannot be employed in a permanent

Civil Service post without a credit in Bahasa Malaysia in the Malaysia Certificate of Education. Indirectly, this policy restricts an individual's freedom to work. Furthermore, to be fair to other ethnic groups such as the Chinese and Indians, some special assistance needs to be provided to help them learn Bahasa Malaysia. Despite the use of Bahasa Malaysia as a language of instruction, the performance of Bumiputeras in education - particularly in science and mathematics - is still unsatisfactory. In higher levels of education, the Chinese are now performing better in Bahasa Malaysia passing, and even surpassing, the performance of the Bumiputeras (Ahmad, 1993).

However, due to the Government's privatization programmes which have encompassed the Education System, it seems that Bahasa Malaysia is losing its significance in Malaysian education. There are now even some measures to make Malaysians proficient in English. Issues are also being raised concerning the more flexible use of English in Tertiary education. All these moves have their roots the Vision 2020 challenges which require a workforce that is effective in the global economy.

Furthermore, under Section 152 of the constitution, ethnic groups are allowed to teach and learn other languages. Thus, although the use of Bahasa Malaysia can help national integration, the Chinese and Tamil schools cannot be abolished. Indeed, Mark Koding - a Sabahan M.P. - was charged under the Sedition Act for raising the issue of abolishing these schools. On the other hand, when the Chinese have indicated that they will go against the Malay and Bumiputera interests, their request have not been entertained. For instance, the Chinese requests for their own university and to teach in their own language were not considered (Luping, 1994: 513-514).



### *5.3 The Issue Of Secular And Islamic Education In A Multi-Ethnic Society*

It cannot be denied that either an Islamic or a moral education provides the necessary pre-requisite for a disciplined future generation. As the official religion of a multi-ethnic nation, Islam's image will be tarnished if Muslims do not behave as Islamic strictures require. The development of Islamic Education and its integration in the secular education system was partly responsive to the Islamic revival in 1979. It is also the responsibility of the government through the state's Islamic Affairs Department to propagate Islam by creating schools run on Islamic principles

Recent trends, such as the increase in drug abuse and serious crimes (e.g. murder and rape) indicate that the school system needs to emphasize moral values to a much greater extent. Despite the strict moral code found in Islamic teachings, a majority of these immoral activities involved Muslims. Furthermore, it was estimated that about 2.5% of students have discipline problems, and 0.25% become involved in serious crimes such as drug abuse, theft and the possession of dangerous weapons (NST: 28.4.88). (When interpreting these statistics, however, it should be remembered that they apply mainly to urban, rather than rural, schools). This situation has occurred about six years after the implementation of KBSR and subsequently the KBSM both of which aimed to create moral individuals.

Indirectly, the problems with morality represent a significant challenge for Islam as a National Ideology from which the national education values are being formed. Under Mahathir's Administration the leadership has gained awareness about the need to preserve and instill Islamic values in Muslim students who attended the national schools. Islamic values play a significant role in ensuring the success of Vision 2020. Mahathir has always emphasized that Malaysia should develop according to its own values and available resources. Without Islamic education in national schools, the Government would have failed in promoting Islam as its official ideology. The National Education Philosophy in Malaysia is in fact based on the Islamic philosophy of knowledge. This philosophy is divided into two sections: the

Fardu Ain and Fardhu Kifayah. This means that students are required to learn and be taught both spiritual and worldly knowledge. If seen from the old Islamic school curriculum during the Golden Age of Islam, there is not much difference from the secular education curriculum. However, Islamic secular education is preventive rather than liberal. For instance, Islam does not permit premarital sex or drug abuse. By way of contrast, the Western liberal view does allow premarital sex, encourages the use of contraception and even permits the distribution of clean needles to drug users.

However, in a multi-ethnic society the influence of Islam is becoming diluted, and Malaysian culture is being influenced by secular, rather than Islamic, knowledge. It appears that the secular forces within present day Malaysia are stronger than Islamic ones. Thus, the attempt to integrate Islamic education into the National Education System is a sign of the leadership's struggle to preserve Islam as a national ideology. Islamic subjects are being taught to all Muslims like any other subjects in national school. For the non-Muslims moral education is a compulsory subject. The integration of Islamic education in National Education could help to promote a better understanding of Islam among the various ethnicities. However, the integration of Islamic education in national schools has faced problems of lack of specialist Islamic teachers (ustaz). In addition, private schools do not emphasize the importance of Islamic knowledge even though some Muslims attended these schools. A final factor which has contributed to the marginalisation of Islamic subjects is that they are not particularly significant in the entrance requirements for tertiary education.

Further, due to the need to preserve Islamic sanctity, it is feared that the integration of Islamic values in education could impede the development of Arts subjects which are against the concept of Islam (*FEER*, 23.8.1997; and Kahn and Low, 1992: 282-306). For instance, some Muslims believe that music education is unnecessary as it corrupts the student's morality. Thus, in general, this will also impede the development of other culture and arts subjects. In fact, during a "Seminar On Islamic Education" in 1987, one of the resolutions urged the Ministry of Education to reduce the time for teaching music in all Teacher Colleges and to use



the time instead for an Islamic subject. This move will be resisted by people who subscribe to other religions. This kind of problem will create an obstacle to the total integration of Islam into National Education. Coupled with the other problems in Sabah that I discussed earlier, decision makers are placed in a further dilemma; namely, whether to implement the Islamization process in schools.

However, compared to the 1960s and 1970s, there have been many recent advances in Islamic education. More money is being allocated to it, and effective means of propagation can be seen in the rise of various Islamic institutions. The establishment of an Islamic International University is a symbol of this progress. In addition to formal schooling, Islamic education is now also emphasized on national television. As a result, these developments should also be implemented in secular spheres; especially in vocational education. Furthermore, the planners and decision-makers must be able to achieve some balance to ensure that increased funding of Islamic education does not deprive others of quality education. Besides, the curriculum should encourage children to think critically to overcome the present problem where students even at university level are still learning by rote.<sup>18</sup> Thus, the old Islamic culture of observance to strict rules is not so feasible in order to encourage critical thinking in line with the National Education Philosophy (*B.H.:* 28.8.1990).

#### *5.4 The Issue Of A Bumiputera Quota In The Selection Of Students*

After the NEP finished in 1990, the Government continued the use of quotas and, in particular, fixed the numbers of Bumiputeras in tertiary education. The various institutions which were created by the NEP to promote the Bumiputeras' enrolment in education still remain in existence. However, it should be remembered that all children, irrespective of ethnicity, are eligible for the same schooling from primary to secondary levels. The only exception from this concerns parents who choose to send their children to Chinese or Indian vernacular schools.

The uncompetitive selection process for Bumiputeras in higher education and in scholarship awards has contributed to the falling quality of education in Malaysia. An example of these falling standards is that the British Medical Association has recently declared that it will no longer recognise an MBBS degree from Malaysia. The quota system has also affected the Bumiputeras' motivation to work hard for their examinations, as they know that they will be given priority over other ethnic groups. It is likely that this attitude will also spread among teachers, administrators and university lecturers. Furthermore, the Malaysian policy of positive discrimination in tertiary education and scholarships is not in line with the principles and aims of UNESCO. According to UNESCO education must be provided without distinction of race, sex, language or religion. Although the quota in favour of the Bumiputeras in tertiary education has increased the number of qualified middle-class Bumiputeras, it has polarised the society according to ethnicity and religion. In response, entry to tertiary education should gradually be made contingent upon educational achievement. One result of selection according to academic ability would be an improvement in the quality of Malaysian education.

Although Sabah is still behind Peninsular Malaysia in education attainment, this should not be used to justify giving Sabahans priority in access to higher education. Measures to improve education attainment should include overall quality improvement in various levels. In fact, studies such as those conducted by Hoerr (1973: 247-273) and Selvaratnam (1988: 173-196) have found that preferential treatment for Bumiputeras does not help much in reducing social and income inequalities. Indeed, this is also the situation in terms of school performance i.e. preferential treatment is not helping the Bumiputeras (Ahmad, 1993). Furthermore, the students that further their education through MARA and Sabah Foundation loans are found to be defaulting their contracts. As a result MARA and Sabah Foundation have made several appeals in the newspapers for them repay their loans. The last resort by Yayasan Sabah is by publishing lists of defaulters in the newspapers and imposing restrictions on sending students overseas. However, the Sabah Foundation is still continuing its policy to develop local education particularly for the Bumiputeras and rural students. Thus, these provide evidences that competitiveness



in education is vital to preserve quality. The spirit of competitiveness is no exception to the rural students in order to face the Vision 2020 challenges.

### *5.5 The Issue Of Academic And Vocational Education*

Historically, priority has been given to academic, rather than vocational, education. Vocational schooling was intended for students who were either not interested in academic education or did not have sufficient academic ability. The low priority given to vocational schools is can be seen from the numbers that were created: in the whole of Sabah there are only seven vocational schools! Thus those who did not complete their academic education found themselves with few skills except reading, writing, and arithmetic. Students in this position were obviously not well prepared to face life after school and, as a consequence, their prospects of employment were limited.

In Sabah, however, the important educational question is not whether to emphasise academic or vocational education, as both facilities are not yet sufficiently provided for. However, more money has been invested in academic, as opposed to vocational, education. But the current emphasis on an export led growth strategy and especially on manufacturing based exports, will change the picture of development in Sabah. In practical terms, this means that more technicians and engineers are needed. In this context, there is an obvious comparison to be made with Taiwan which became a newly industrialized nation by emphasising technical and vocational education rather than university education. Indeed, the Taiwanese model is the closest one which Sabah can follow in developing its educational and human resources. Expertise in modern technology can be imported from other countries, but it is not rational to employ foreign technicians in Sabah when there is high local unemployment in this field. This is especially so considering that Sabah has a large youth population who will become employable during the Seventh Malaysia Plan (1996-2000). The advancement of vocational and technical education needs to be given serious thought. This is particularly pertinent as the Five Year Plans have shown that the number of Bumiputeras in Malaysian Universities already outnumber

the Chinese and non-Bumiputeras. Despite this, there is still an urban-rural imbalance in terms of development and income distribution.

Nevertheless, in Sabah, there is still shortage of places in vocational and technical education for those who do not complete and academic education. This shortage mainly arises due to a lack of qualified teaching staff. Another factor which contributes to the relative paucity of vocational and technical training facilities is that they represent more expensive alternatives to the normal school system. At the present time, Sabah only has 7 vocational schools compared to 131 public secondary schools. At the same time, the number of students at primary and secondary schools are increasing annually. This imbalance should be taken into account and not dismissed, so that it can be reduced, if not eliminated, by the year 2020. In addition, the special privileges given to Bumiputeras and the need to increase Bumiputera professionals means that many are being pushed up into the university and thus overlooked the importance of vocational education. In fact, the provision of more vocational schools provides students with better choice of education opportunities. In this manner, the more competitive ones can go to the universities, or even the vocational and technical studies if they so choose. Thus, the National Education System seems to encourage students to seek white collar, rather than blue collar, jobs.

#### *5.6 The Issue Of Urban Rural Imbalance In Education Development*

Historically, in comparison with the urban Chinese, the rural Bumiputeras in Sabah did not have a particularly good education. As I outlined in previous sections, during the administrations of the North Borneo Chartered Company and the British Colony, children's education was left either to the missionaries or Chinese society. Thus the Bumiputeras who were poor could not afford to send their children to secondary schools in the town areas. Further, for religious reasons, missionary schools were not attractive to some Muslim students. However, at that time students continued their secondary education at missionary schools irrespective of their own religion. Many rural Bumiputeras cannot even afford to complete primary school.



Achievement based totally on examination had also caused high numbers of students to drop-out, especially at the primary six public examination.

In addition to the factors mentioned above another disadvantage which Sabah faces is its sparse population. This represents a handicap because priority is often given to heavily populated regions where there are strong demands for better education. Thus, a large proportion of the funds for education are being spent in the cities before the rural areas are even considered. As a consequence, rural schools will have to wait for the next Five Year Plan before they receive more funding. In fact, officials should not make excuses concerning the lack of funding for schools in rural areas with few students. The smaller the number of students, the better the quality of instruction will be. Unless this imbalance is solved, the quality of education in rural areas will continue to deteriorate (see Liew, 1990 and Hoerr, 1973).

#### *5.7 The Issue Of Sabah's Manpower Needs*

One of the main factors required for industrialization is a skilled labour force and, in particular, skills in the fields of engineering and science. However, in comparison with Peninsular Malaysia, the growth of Sabah's manufacturing sector has been slow. The agricultural sector still makes a large contribution to the national income and employment. However, since the promulgation of Vision 2020 Sabah has had to develop its own industries. The areas that have been set aside for industrial parks are in Kota Kinabalu, Tawau, Sandakan and Kudat. The Kota Kinabalu Industrial Park at Telipok will be able to create about 70,000 jobs if it is fully completed. When phase one of the park is completed, it will provide about 30,000 to 40,000 jobs.

In this context, we can examine the demographic statistics in order to ascertain what Sabah's future manpower and training needs will be. According to the Sabah Population Survey in 1991, out of the total population of 1,026,406, 743,602 have little or no education; 132,830 with LCE, 104,762 with the Malaysian

Certificate of Education (4 Thanawi); 3,657 with the Malaysian Certificate of Vocational Education/Malaysian Certificate of Education (Vocational); 15,655 gained a Higher School Certificate (includes Islamic education), 12,367 gained a diploma, and 11,193 a degree and 2340 people were unaccounted for. The survey also showed that the population entering the labour force according to age is, in the age group 20-24; 25,709 with LCE/SRP; 31,605 with MCE/SPM; 1285 with MCVE; 6359 with HSC; 2,444 with diploma and 934 with degree; and 392 unknown; out of a number of 75,050.<sup>19</sup>

In 1991, Sabah also has a population of 172,290 people between the age of 10-14 all of whom will be able to enter the workforce, colleges, universities and vocational training by the year 1996-2000 (i.e. during the 7th Malaysia Plan). However, the number of places available in local public tertiary institutions throughout Malaysia by the year 2000 will be about: 32,000 for teacher education, 21,290 for certificate courses, 61,900 diploma courses, and 167,900 degree courses (7th Malaysia Plan).

The labour force survey of 1992-1993 shows that Sabah has a large number of unemployed people between the ages of 15 and 24. In the age groups 15-19 and 20-24, 44.6% 20-24, 35% respectively were unemployed. In terms of their educational attainment 5.9 of the unemployed have no formal education, 19.4% with primary education; 69.9% with secondary education; 3.6% with tertiary education. This indicates that it is the less educated, rather than those with higher academic qualifications, who are more likely to be employed in the Sabahan job market. This phenomenon is the effect of mismatch of the education system with the job market or structural unemployment.<sup>20</sup>

From the preceding discussion it is apparent that, on the one hand, Sabah has an unemployment problem among school leavers and on the other, a shortage of skilled manpower. However, since the handful of industries in Sabah are still labour intensive, at the present the demand for skilled manpower is not so pressing. Most of the present industries use cheap and unskilled foreign labour from the Philippines



and Indonesia. Thus, the demand for skilled manpower is determined by the economic principle of supply and demand. For instance, before the ban on the export of logs which was Sabah's major export earner, this industry used many unskilled foreign labourers. After the ban in 1993, the demand for skilled manpower has grown due to the down stream processing of timber which has triggered the demand for skilled labour in the sawmills and furniture factories. It is believed that the downstream processing of timber will create more employment. As a result, training centres have increased the number of courses they run in timber and wood processing, and related areas. Kota Kinabalu Industrial Park still has a long way to go to before it is fully operational. But if Malaysia starts training its manpower, it will have sufficient skilled labour when most of the industrial infrastructure becomes ready by the year 2000. The main difficulty in fulfilling this goal, however, is the lack of training centres. The present skill training centres are run by the Human Resource Bureau, Ministry of agriculture, MARA, the Education Department, the Ministry of International Trade and Industry and other public agencies can only admit a limited number of trainees.

A study by the Economic Planning Unit and the Asian Development Bank in March 1991 showed shortages of skilled and unskilled manpower in various sectors. The ten employment sectors studied were manufacturing, construction, finance, the service, public and informal sectors, agriculture, fishing forestry and mining. The findings of this report make sense insofar as they acknowledge Sabah as lacking skilled manpower in chemical industries, construction, computer and science. However, it is ridiculous to suggest that Sabah has a deficiency of skilled workers such as chefs, customers services, drivers, and agricultural technicians. This imbalance indicates some weaknesses in the implementation of the overall development plan and the National Education Policy in particular.

## *6. NATIONAL EDUCATION PROBLEMS AND FEDERAL-STATE CONFLICTS*

The goal of becoming industrialised by the year 2020 has led to new political conflicts in Sabah. The inadequacy of both educational opportunities and facilities in Sabah has made local leaders question the capability and sincerity of the Federal Government in providing such services. In the 1960s and 70s Sabah's problems were presented to the Federal Government through formal administrative channels. Further, due to the Industrial Master Plan that was promulgated in the 1980s under Mahathir's premiership, there was a strong awareness among Sabahan leaders of the need for skilled manpower. Due to the poor quality of education, the PBS Administration demanded that the Federal Government improve the quality of education as well as provide a fully fledged university for Sabah. Furthermore, in comparison with West Malaysians, Sabahans felt that they had been discriminated in terms of access to better education. This is a legitimate issue for a Government that wanted to gain support against the Federal encroachment on Sabah's rights under the "Twenty Points Agreement."

Due to the Federal-State crisis in Sabah, many Federal projects were blocked by the PBS Government and acquiring State land for building schools was difficult. This also affected many educational development projects; in particular, the construction of new schools. For instance, during the PBS Administration in Sabah, from the 60 education development projects supervised by the Federal Development Department, the PWD, the Federal Territory of Labuan, and the Federal Land Development Authority only 12 were implemented. These projects were new primary and secondary schools, teachers quarters, a special education programme, a co-curriculum centre, a sport secretariat, and construction of some vocational schools. From the allocation of RM142,8312,735 only RM68,637.49 was actually spent on these projects by the middle of 1995.



Furthermore, with strong Chinese support for the PBS Government, the Chinese schools were indirectly shielded from Federal supervision. Effort was made to improve Federal relations in Sabah by granting Federal Funds to some Chinese high schools.

Thus, in the early 1990s, there were frequent visits by the Minister of Education and the Deputy Minister of Education from Kuala Lumpur to investigate Sabah's education problems. However, the federal leaders responded by saying that they could not meet the demand for a full university unless the Sabahans supported the federal government. If the demand was granted, it would probably encourage anti-federal sentiments or opposition. At the very least, the whole crisis indicated that another round of Federal-State political bargaining was necessary (Milne and Ratnam, 1974).

These educational issues subsided when the National Front Government regained control of Sabah after the local elections in 1994. In fact, the PBS actually won these elections by a very small margin, but its elected assemblymen defected to the National Front. As a consequence, the demands for better education were taken seriously. This can be gauged from the establishment of University Malaysia Sabah within 100 Days of National Front Government.

## *7. SOME UNINTENDED OUTCOMES*

The Malaysian National Education Policy has been reviewed three times since 1957 which indicates the Government's awareness that education needs continuous revision in order to meet the nation's needs. During the 1957 Education Act, Malay was made the first language of instruction. It was aimed at creating both a Malaysian identity and shedding the last remnants of British influence. The Education Act was the beginning of an attempt to create uniformity in education at all levels through one National Education System. In 1961, this system underwent some reviews which emphasized the basic aims of Malaysian nationalism such as the use of Bahasa Malaysia, moral and religious education, and vocational and technical

education. The 1979 Cabinet Report on education was an attempt to reform the National Education System. In particular, it attempted to improve quality to meet the industrialization process, build a Malaysian nation through education and emphasize skills in reading, writing and Arithmetic (the "3Rs"). In addition, the 1979 report adopted a National Education Philosophy in order to create well educated, holistic individuals who are capable of contributing to the nation. Furthermore, National Education was used as a tool to implement the NEP's objectives of restructuring society. On the whole, the National Education Philosophy is a mechanism for the advancement of Bumiputeras and Malays. Due to this, it is undeniable that some efforts have been made to promote Malay and Bumiputeras participation in education. Indeed, by 1990 the effects of this policy could be seen as some Bumiputeras and indigenous Malays were working as doctors, engineers and in other professional capacities. Such a situation strongly contrasts with the position just thirty years previously. Further, much to the pride of those who planned the National Education System, the younger generation Chinese are now able to speak and write Bahasa Malaysia fluently. On the whole, this generation is no longer confined to their villages but are migrating to urban areas to seek better pay and living conditions. With more qualified Bumiputeras and Malays in higher education, this has reduced the prejudiced outlook that they are "lazy" and "backward".

However, the unintended outcomes of the National Education deserve more attention in order for Malaysia to become a developed and united country by the year 2020. Sabah's achievements in education are evidently below national standards. In terms of the restructuring objective, National Education in Sabah was not so successful in reducing the inequalities between the rich and the poor, and urban and rural areas. The National Education Policy benefits individuals rather than the nation as a whole. The additional demands which were placed on the education system in order for it to meet the industrialization programmes have exacerbated problems associated with a lack of teaching staff. Furthermore, the special privileges given to Bumiputeras in access to higher education have affected the quality of education in Malaysia. Effectively quality is being sacrificed for quantity due to the need to increase the number of Bumiputeras professionals. The education system is



influenced by politics, and thus it is difficult to achieve balance and continuity. This has led to differential rates of achievement according to subject. For example, in English, both teaching quality and examination performance have deteriorated since education has been nationalised.

The uniqueness of the outcomes in Sabah is that people with no education have few problems getting employed. Whereas, there are large numbers of unemployed school leavers.

It is likely that the implementation problems faced by the National Education Policy will result in a reform of the system. For instance, there have already been demands from Islamic educators to Islamize the system. Indeed, more Islamic subjects are beginning to be introduced in higher institutions and corresponding changes will also be made at pre-school, primary and secondary school levels. The Islamization process is an indication of a larger conflict which will face Malaysia unless the Vision 2020 challenges are carefully handled. This potentiality for conflict is rooted in the multi-ethnic nature of Malaysian society. With the new Deputy Prime Minister, Anwar (who is well known for his Islamic leanings and as former Education Minister) the implementation of Islamization measures in schools may become a reality.<sup>21</sup>

## *8. CONCLUSION*

Although it is apparent from several studies that Sabah faces various educational problems, they cannot be solved easily. One of the reasons for this is that Sabah has been a victim of capitalist exploitation. For example, the creation of a proper infrastructure which would, in turn, create employment opportunities for local people is being neglected. The education policy and education planning that was meant to promote Bumiputera interest is worthless if no jobs are being created. Thus, it is no surprise that a majority of those completing vocational courses are unemployed (William, 1989: 71). In addition, many of the rural people still live by means of subsistence farming.

Furthermore, due to globalization, the education system cannot be based on narrow political interests or developmental and ideological approaches. Instead, it has to be founded on pragmatism and global knowledge approaches. For instance, development of economic capital must be balanced with development of human capital. This will avoid a situation where the state is capable of building more expensive hotels to attract tourists but neglects the fundamental issue of quality education. Besides, parents also need to show a sense of urgency when dealing with Sabah's educational problems.



## *CHAPTER SIX*

### ISLAMIZATION AND COMMUNITIES IN SABAH

#### *1. INTRODUCTION*

This chapter discusses the problems of Islam as a national ideology in a multi-ethnic society. It identifies the various problems within the Islamic communities and the responses of other communities to the Islamization process that is occurring in Malaysia today. This is followed by discussions concerning: (a) the issues of Islamic values and the national unity and integration programmes; (b) the conflict between Federal and State Authorities responsible for the propagation of Islam; (c) the ideological conflict in economic matters; (d) the conflicting roles of Federal and State National Unity Agencies; (e) the informal process of implementation of the relevant policies; (f) Islam and communal interests; and (g) the unintended outcomes of the policies and strategies. In discussing these issues, it is important to note that Islamic and communal issues are legally regarded as sensitive matters and which should not be openly discussed in public. All these restrictions originate from the need to preserve national unity and integration as well as Islamic sanctity. Thus, it is extremely difficult to collect data on these matters particularly in the context of Sabah.

## *1.1 Background to the Problems*

From the racial and ethnic compositions of Malaysia, the Bumiputeras are the dominant groups (Hirschman, 1987: 555-577). However, Bumiputeras are divided in terms of religion, politics, ethnicity and class. Conflicts are inevitable in a heterogenous Malaysian society when the dominant group tries to control the others. These divisive problems have made the issue of national unity prominent in Malaysia as a whole.

For instance, economic differences arising from economic factors led the government of Malaysia to adopt the NEP (1971-1990). Basically, its objectives were to restructure Malaysian society, reduce income inequality and eradicate poverty (see chapters two and three for a discussion of NEP).

However, the government failed to consider the ideological issues in the NEP's restructuring objectives. Islam, as an official religion, was left to flourish under the state authority. Thus, the Federal government had initially little power to intervene in matters concerning Islamic issues. There was no centralized control over Islam despite its status as an official ideology. It is not surprising that each state has a different interpretation of Islam and different Islamic legislation. The national economy was the main priority under NEP while Islam was left to the discretion of state governments. The issue of Bumiputera participation in the economy was used to maintain the Bumiputera legitimacy in government. Thus, the Bumiputera issues were being politicized. As a result the Malaysian society remains divided rather than united as envisaged in the Rukunegara. The various ethnic groups, beliefs and cultures are obstacles to national unity and integration. As politics is often economically motivated, there are some groups that feel left out. For instance, the traditional orthodox Muslims find it hard to participate in government and the economy where the basic principles of Islam are omitted. Traditionally Islam, and the state are inseparable. In addition, since Islam is an official religion, non-Muslim Bumiputeras felt themselves treated as second class Bumiputeras. Divisions among Bumiputeras of different ethnic and religious backgrounds have actually benefitted



the Chinese. This means the Chinese have more political bargaining power against the Bumiputera dominated government. In Sabah, the differences among Bumiputeras make the Chinese the king-makers in government (see Appendix M on voter composition by ethnicity). The Chinese can align with whatever party they choose as long as they remain united ethnically.<sup>1</sup> Furthermore, from the economic point of view, the Chinese businesses and capital constitute a notable part of the nation's assets.<sup>2</sup>

### *1.1.1 Islam and the Problems of Islamic Communities*

As an official ideology, Islam cannot be omitted from studies concerning the socio-economic and political problems of Malaysia as it plays a significant role in the Malaysian Administration.

Basically, there are two recognised groups of Muslims, as well as various deviationist teachings. The main schools of Islam are the Sunnah Wal Jemaah and the Shiites. Officially, Islam in Malaysia belongs to the Sunnah Wal Jemaah school of Shafii and teaching of Al-Ghazali. (The three other schools are Hanafi, Maliki, and Hanbali). This school is based on the Syariah and the teaching of Prophet Muhammad (hadiths). This is in contrast to the Shiite Muslims who are more of an Islamic political movement. The Shiites, like the Sunnis uphold Syariah, Koran, Sunnah (tradition of the Prophet), and ijma (consensus). The main difference between Sunnis and Shiites is their view about qiyas (analogy). The Shiites replace qiyas with aql (reason) (see Nomani & Rahnema, 1994: 2-16). Historically, there has been some feuds between the two groups over the teaching of Muhammad. Due to these fundamental differences, the Malaysian Government decided to ban the Shiites' teaching. The Al Arqam movement is also banned in Malaysia as its teaching has Shiite influence (Hj. Abdullah, 1992).

However, Malaysia does not practise the Hudud Penal Code which requires the death sentence for serious offenses such as murder and a hand to be chopped off for theft. Its legal system is inherited from the British Colonial Administration.<sup>3</sup>

As a national ideology, Islam covers almost all aspects of Malaysian lives. For example, the values of Islam play an important role in shaping the major planning policies in Malaysia. The constitution provided that Islam should be the official religion of Malaysia. The Rukunegara's oath, although ceremonious, upholds the principles of Islam and promotes its greatness. Nevertheless, before the policy on "The Assimilation Of Islamic Values In The Administration" was introduced in 1985, there were only a few Islamic institutions that worked directly to disseminate and preserve Islam as an official religion in Malaysia. The government's position at that time was more Malay nationalism than Islamization. Islam took the upper stage only in official ceremony and protocol. For instance, although the NEP was aimed at helping Bumiputeras and at eradicating rural poverty, fundamentally it did not realise that most of the rural poor were Muslims. (This is with the exception of Sabah and Sarawak where some of the Bumiputeras are non-Muslim.) Infrastructural development of the Malay rural areas alone is insufficient unless this is coupled with the development of rural Islamic institutions. In fact, in the old days, the words "Malay" and "Muslim" were being used interchangeably. When someone converted to Islam, he was considered to be entering the Malay community or to be Malay. Thus without a clear definition of Islam in Malaysia, this official ideology is being misinterpreted by various groups (*B.H.*: 4.7.92 and *N.S.T.*: 17.4.96).

After more than 25 years of independence, Islam has brought some changes to the administration of Malaysia. Traditionally, the Malay Kings were regarded as the protectors of Islam. However, with modernization, both the Islamic tradition in the palaces and the power of the traditional village Imam began to erode.<sup>4</sup> Thus, without enough Islamic machinery the modern bureaucracy is becoming more powerful than Islam. The sanctity of Islam is also being challenged. This challenge is inevitable particularly in a heterogenous society such as Malaysia. Considering the heterogenous society, the leadership has been adopting a moderate stance on Islam.<sup>5</sup>

However, the moderate approach in the administration of Islam has not only raised doubts among the non-Muslims, it has also received strong challenges from Islamic movements and the Pan Islamic Malaysian Party (PAS). Certain groups and



individuals (especially members of PAS) are involved in issuing and disseminating a "fatwa" (i.e. an order by Islamic authority) that Malays who are not members of PAS are unIslamic. This "fatwa" has not only created misunderstanding, disunity and misinterpretation of the Koran among Muslims, but caused various unusual incidents. Among them were: two imams in a mosque, performing marriage solemnization twice, refusing to pay the "zakat" (Muslim tithes) to the government "amil" (collectors of tithes), creating separate graveyards, boycotting other Muslims, quarrelling and separation among Muslim families.<sup>6</sup>

The Memali Incident on 19th November 1985 was a manifestation of the threat against the sanctity of Islam. This incident was caused by the deviationist teaching of Ibrahim Mhamood (Ibrahim Libya) who managed to instigate his followers to fight against the authority. This caused a clash between the followers of Ibrahim and the police. This clash led to the arrest of several followers, the death of Ibrahim and thirteen of his followers as well as four policemen (Memali Incident Report 21 of 1986). Prior to this, the former Minister of Home Affairs, Musa Hitam, had issued a white paper dated 8th November, 1984 on "Islamic Solidarity And Security." Musa warned that certain elements had taken advantage of the Islamic revival to spread deviationist teachings based on the wrong interpretation of the Koran.<sup>7</sup> This revival started after the Iran Islamic Revolution in 1979.

Islamization is also deemed necessary to encourage Muslims to save and invest in banks and engage in economic activities. What has become an obstacle to their engagement in economic activities is the Islamic principle that prevents Muslims from living on interest. This problem has to be taken into consideration when devising any economic programmes that will affect Muslims. According to the Prophet Mohammad, a "dirham of riba" which a man receives knowingly is worse than committing adultery thirty-six times" or "Riba (Syariah rule against earning on interest) has seventy segments, the least serious being equivalent to a man committing adultery with his mother."<sup>8</sup>

Furthermore, with the failure of the NEP and various social policies, the leaders of the United Malay Nationalist Organization look to Islamization as an alternative. Under the Policy on Assimilation of Islamic Values in Administration, which was introduced in 1985, the objectives are: to create a moral society that has a strong identity and is respected by other societies; a happy nation; the eradication of negative attitudes and to produce quality services. On the whole these objectives represent an attempt to strike a balance between economic development and the preservation of moral values. The policy is based on eleven universal Islamic values which are: trustworthiness, sense of responsibility, sincerity, dedication, moderation, hard work, cleanliness, good discipline, co-operation, and being kind and thankful.<sup>9</sup> It is an attempt to reform and modernize Islam. These Islamic reform measures will in some ways serve to overcome the obstacles posed by traditional Muslims in the implementation of the development plan.

The aim of the UMNO dominated National Front Coalition is to win the support of the non-Muslims. Their support is important in implementing development policies and in passing legislation in Parliament. Thus its strategy on Islamization is based on persuasion rather than force. On the other hand, there are Islamic groups who want to establish the Islamic state no matter what the consequences. Thus, religious forces can be seen to be intervening factors in the implementation of planning policies. Nevertheless, when Vision 2020 was promulgated in February 1991, one should note that UMNO was voted out of power by PAS in the State of Kelantan during the 1990 General Elections. PAS (an Islamic based Party) won with overwhelming majority.<sup>10</sup> Thus, there is little doubt that the recent emphasis on Islamic values is an attempt to keep UMNO legitimacy in government.



### *1.1.2 The Dilemma Of Islam As A National Ideology In A Multi-Ethnic Society: The Challenges Ahead*

Vision 2020's nine challenges are divided into two groups: one is concerned with building national values and the other with economic growth through industrialization. Economic prosperity will consolidate the National Front's regimented style of Government.<sup>11</sup> The national values will hopefully help to unite the people of various ethnicities and bring the fourteen states closer together. However, the national values which are based on Islam are in contradiction with the values of the multi-ethnic society in Malaysia. Due to the need to accumulate wealth through economic activities, the capitalist ideology also intermingled with the Islamic ideology, ethnic cultures and religions. In principle, the Malaysian form of planning is based on a capitalist ideology that is set within the boundaries of Islamic values. However, to the non-Muslims, Islam does not become a hindrance to their capitalist pursuit. For instance, the problem of usury (riba) is not an obstacle to the non-Muslims.

However, Vision 2020 faces various challenges from the traditional Muslim opposition. Actually, the challenges have led the present government to reform the Islamic Administration in order to preserve its legitimacy.<sup>12</sup> Furthermore, this reform is necessary considering that many of the social ills and commercial crimes have involved Muslims. Although such reforms will help to consolidate the Muslims' support, it contradicts the policy on national unity. Simultaneously, although the capitalist concept of assimilation is a good alternative, it has been resented by the traditional orthodox Muslims. The motive behind the policy is to modernize and reform Islam so that it can meet the present global social, political and economic challenges as well as ethnic differences within Malaysia.

It is very difficult to explain the Islamization policy in Malaysia without any truly successful model of an Islamic country that all Muslim countries can relate to. Most well established Islamic countries around the world do not face the communal problems as they are homogenous societies. Thus Islamic laws can be easily

implemented without much opposition. The problems of Islamic peaceful coexistence in a heterogenous society can be witnessed in history. For instance, India was divided into three, Pakistan, India and Bangladesh as Muslims and Hindus found it difficult to live together. The classic examples of religious conflicts can be found in Bosnia and Palestine/Israel. Thus, Malaysia is taking a high risk by adopting the policy on "Assimilation of Islamic Values".

A study by Nagata *et al* (1980) recognised that the revival of Islam through Islamic missionary activities has challenged the traditional authority throughout Malaysia. The issue of Malay identity is becoming less relevant as Malays become better educated and wealthier. This might be the motive behind the Islamization programmes in Malaysia but Islamization could also have exacerbated the ethnic differences.

From the economic point of view, religion (in this context Islam), is also an impediment to the implementation of development programmes and progress. A study by von Der Mehden (1980: 545-553) indicated that fundamentalist Muslims are boycotting many aspects of Western culture. This includes Western economics which are the root of present economic development, and also what they see as the immoral values. Thus, fundamentalist Muslims are obviously against the capitalist ideology. In principle, Islam is about the Greatness of Allah (Allahu Akhbar) and above all ideology. This is different from the protestant ethic which in itself helps to promote capitalist accumulation (Weber, 1976). However, Islam is not much of a hinderance to the development of capitalism nor is it against the cause of socialism (Jomo, 1996: 143). This is as long as development is carried out in the name of Islam. Nevertheless, Islam has been used by certain parties to achieve their political aims.<sup>13</sup> For example by using Islam against the capitalist system.

In addition, national unity becomes even more difficult with the rise of a new class structure and ethnic politics. The NEP's restructuring objective had produced the new Bumiputera middle class and businessmen. By the 1980s, there existed new middle class Bumiputeras and businessmen in Sabah, although they were still few



compared to the Chinese. This new group of Bumiputeras will pose a challenge to Chinese based capitalism. According to Jomo (1986), the ethnic differences in Malaysia have changed into class differences. Thus, the urban areas in Sabah are centres of class struggle between the Chinese and the Bumiputeras. This, in itself, has produced a class society and a class struggle within the urban areas. This is a manifestation of the NEP, a policy that promotes Bumiputera capitalism.

However, according to Hamilton (1977: 337-351) the Chinese capitalists are themselves fragmented. He found that the Chinese in Southeast Asia are adopting double identity. Hamilton suggests,

"One aspect of the identity is sub-ethnic regional identification, the other aspect an ethnic Chinese identification. The stronger one's sub-ethnic identity, the more taken for granted and meaningful in a societal context one's Chinese identity becomes. If one can answer Teochiu or Sze-Yap or Hakka to the question 'what are you?' then one's identity is securely Chinese."

(Hamilton, 1977: 348)

Nagata (1977: 395-398) observed that in an urban Malaysian Muslim Mercantile community, the Indians, Arabs and Malays considered themselves to be Malay. However, under certain conditions they sometimes identify themselves according to their ethnic origins. Thus within the Muslim mercantile community, there is also some social differentiation. Ethnicity is not an independent variable.

"The components of "ethnicity" then are variously cultural, of origin, religious, and sociopolitical, and "ethnicity" in or itself does not "determine" or explain any behaviour or relationship."

(Nagata, 1977: 397)

Furthermore, Nagata found that, "urbanism per se does not appear to be a crucial variable either in dissolving or precipitating ethnic consciousness, in keeping groups apart or in providing pressure for coalition or assimilation." Rather, factors of non- or supra-urban origin e.g. government policy and economic structure, must be invoked here. Furthermore, the use of the Malay Language as a national and official

language has not been able to resolve the ethnic differences other than as a *lingua franca*. Indeed, the other ethnic groups regarded this as an attempt to eradicate their languages and cultures. The other ethnic groups are adopting and learning Bahasa Malaysia just to gain entry into the Civil Service and to pass the public examinations. Some scholars are also puzzled that although Indians and Chinese have undergone modernization, their cultures have not changed. Thus culture as a praxis has a strong significance in explaining social relations or behaviour.

On the other hand, Spicer's theory shows: "The degree of an ethnic group's identity will vary in direct proportion to the amount of opposition encountered by the group, the greater the degree of opposition, the greater the degree of identity, and conversely, the lesser the amount of opposition the lesser the degree of identity," (Scott, 1990: 163). Let us consider this theory in the context of Malaysia.

Considering the various policies under Vision 2020, the author thinks that it is an attempt to assimilate Malaysians of various ethnic groups into the positive capitalist culture. This claim is based on the USA assimilation model. However, the capitalist development in Malaysia is founded on the Islamic ethic. This is akin to Weber's work on the "Protestant Ethic and the Spirit of Capitalism." However, the author thinks that this approach will cause various ideological contradictions as well as with the National Unity and Integration mechanism and the heterogenous society. The Islamic state hypothesis will be difficult realise concretely due to the multi-ethnic society. So would the Malaysian society be better off left alone to lead their own lives in a plural society as before the NEP (Milne, 1967)? To answer the question, let us consider some of the issues affecting the Islamization and the national unity and integration policies.



## *2. THE "ASSIMILATION OF ISLAMIC VALUES IN ADMINISTRATION" AND "NATIONAL UNITY" POLICIES IN PRACTICE: ISLAMIC REFORMATION TO PRESERVE IMAGE, MAINTAIN NATIONAL UNITY AND PUBLIC CONFIDENCE*

### *2.1 National Unity* <sup>14</sup>

After the Racial Riot in 1969, the NEP and the Rukunegara were promulgated as the initial mechanisms to bring about national unity and social order. Prior to this, there had been some effort by the government to unite Malaysian society in fighting the communists in West Malaysia after World War II and fighting the Indonesian confrontation just after the formation of Malaysia in 1963. Thus, some propaganda machinery already existed to make the people support the government and appreciate the newly formed Malaysian Nation. The electronic media are government controlled and the private press strictly monitored. Since then, national leaders have always emphasized national unity and integration in their speeches and various programmes are now being introduced to promote these. This is also supplemented by some legislation aimed at bringing about order and controlling the dissemination of sensitive issues by irresponsible groups and individuals.

The top level committees which have been created to take care of national unity and national integration are all under the control of the National Security Council. Under this council are the Psychological Warfare Committee; the Committee for the Integration of States in Malaysia; and Working Committees for the Integration of States in Malaysia (an implementation committee responsible to the main committee). In turn, these committees involve various government agencies working together to promote and preserve national unity and integration.

The Ministry of National Unity and Social Development is more of an implementation agency. It is here that the various programmes are planned, budgeted and co-ordinated. However, this ministry is answerable to the national level committees. The main agency involved in promoting these programmes is the

Department of National Unity. The main objective of the Department of National Unity is in line with the Vision 2020 national development policies, the constitution and Rukunegara. It is to preserve, promote and consolidate national unity and national integration. Uniting the people of various ethnic groups and religions from the 14 states in Malaysia is an ambitious task.

The process of national integration works hand in hand with national unity. The committee responsible for national integration is the National Integration Committee. Their work involves building a national identity which will bring the people of the 14 states closer together. This is in accordance with the Rukunegara and the Malaysian constitution which both provide for the people of Malaysia to live together in peace and harmony. The duties of this committee are: identifying the problems of national integration; identifying similarities and positive aspects of the regions in Malaysia; and making proposals for consolidating cooperation, understanding and integration.

The duties and functions of these top level management committees look very interesting. Thus let us go down the line to see how the programmes work in practice. Under the Ministry of National Unity and Social Development, a specialized agency, the Department of National Unity is created with the specialised function of promoting national integration and unity. The Department has its branch in Sabah. Its vision, mission, objective and motto are all based on the concept of promoting and preserving national unity. It adopts all the good values and traits of a good neighbour. Its basic principle regarding communal consensus is unity in all community matters and decisions. At the ministerial level, there is a panel of advisers on national unity which has been created according to the Compulsory Regulation of National Consultative Council 1970. The Panel of Advisers on National Unity was formerly called the National Consultative Council. Since 1990, many new programmes have been introduced which are: the creation of the Committee On National Integration (30th January 1990); the annual Unity Day declared on 16th September 1992; and the Youth Camp programme (1994). These programmes and committees are needed especially when Sabah - under the PBS -



began to raise issues of regionalism. This regionalism is evident in slogans such as "Sabah for Sabahans" and the "20 points" condition for Sabah when it joined Malaysia in 1963. The role of the Committee on National Integration is to make sure that the right and proper programmes of integration, based on the positive aspects of the values and similarities of the people of the regions are implemented. For instance, the Department of National Unity conducts various activities which include exchange visits between Sabahan and Sarawakian with West Malaysians and vice versa. Such exchanges involve Malaysians of all age groups, sexes and regions as the target groups. Workshops are organized to find ways and means to promote and preserve national unity. There are also various programmes which are aimed at promoting good neighbourly relationships. The neighbourhood programmes include leadership, youth groups, neighbourhood watch, etc. There are also travelling incentives such as cheaper fares for people to travel so that they can understand each other's cultures. The competitions in writing, arts, poetry and sports are also being organised. There are also various publications in the form of magazines, newspapers, journals and reports which are aimed at promoting national unity and good relationships among Malaysians of various ethnicities and beliefs. There are also unity awards as an incentive for those who have made some contribution to national unity.

Besides the Department of National Unity, other public sectors are also taking steps to promote national unity in Malaysia. The Public Service Department (PSD), as an independent and politically impartial agency, has been playing an important role in national integration and in uniting the people of various ethnic groups. The PSD as co-ordinator of all government departments is taking steps to ensure that the Vision 2020 challenges are being met. In addressing the challenges of a united, balanced and harmonious society, the PSD is promoting national integration dialogues and transfer program between the Sabah and Sarawak administration with the Federal administration. It attempts to achieve some uniformity in the administrative machinery. Thus, it needs to have uniformity in aims and aspirations, values, systems, procedures and techniques. This can be achieved through a unity of thinking, action and service.

In promoting dialogues among Civil Servants of the fourteen States in Malaysia, the Government has created the Federal and State Governments Relation Committee. This committee is chaired by the secretary of state for Malaysia and attended by secretary generals of various federal ministries and state secretaries of the 14 states. The forum facilitates the implementation of certain government policies. It also fosters understanding between federal and state governments on the various public services. The Public Service Department and State Government of Sabah and Sarawak public relation meetings have been successful in dealing with certain internal problems since they were formed in 1988. They help to expose officers from both sides to the latest development in the areas concerned. The forum also helps officers to become acquainted with each other, build administrative networks and thereby improve quality. It has proved useful in settling matters relating to personnel and in fostering strong relations.

Although most of the Public Service Department programmes have proved effective in fostering national integration, much more needs to be done both in terms of quality and quantity. As national integration is not static but changes with time, continuous innovation is needed to meet the current challenges. For instance, when Sabah was under the opposition party, PBS, the post of Federal-State Relation Officer was created. When the National Front parties formed a new government in Sabah in 1994, the post was abolished.

The Ministry Of Information Malaysia also plays an important role in propagating national integration and unity. This is in line with the principles of Rukunegara (National Ideology Oaths) and Vision 2020. It serves as the government's mouth-piece. The various agencies under the ministry are: Department of Information, Department of Broadcasting (RTM), BERNAMA (national press agency), National Film of Malaysia, Malaysian National Film Development Corporation, Malaysian Press Institute and Tun Abdul Razak Broadcasting Institute.

During the communist insurgencies after World War II in West Malaysia, and the Indonesian confrontation after the formation of Malaysia, the ministry played an



important role in the propaganda war. Its efforts were successful in winning the people's hearts and minds. Through its mobile units, the people were shown propaganda movies and talks about possible threats to the nation. During peace time, the Ministry, through its various agencies, continues its role by propagating national integration and national unity.

Furthermore, Malaysia has adopted the National Culture Policy. Due to its heterogenous society, Malaysia is now trying to develop a single Malaysian culture for all the various ethnic groups. The thrust of this national culture will be the Malay culture.<sup>15</sup> However, some of the cultures from other ethnic groups that are relevant are also inculcated into the national culture. However, Islam will be the most influential in the formation of the new Malaysian National Culture. One of the objectives of the National Cultural Policy is, "consolidating national and racial unity through culture" (Dept. Of Information, 1992: 291-292). Thus, there is now a growing concern to rehabilitate, preserve and develop culture, to instil cultural leadership, to campaign for national awareness, nationalism and nationhood, improve the standard and quality of the arts and to meet the needs of the social culture. In line with the policy, various cultural activities, research, arts performance, courses and other facilities are being implemented. Other than the various agencies at Federal and State level, the development of Malaysian national culture needs the involvement and contributions of the private sectors such as the cultural associations. This is in line with the privatization policy.

The various government agencies involved in national integration and national unity have spent millions of ringgits in trying to implement the various programmes. However, the social activities aimed at promoting national integration and national unity are intangible things. Although some of these activities were conducted, it was difficult to reach the target groups. For instance, activities such as public talks and film shows do not now attract a meaningful audience. Civic activities conducted in the Malay areas are seldom attended by other communities such as the Indians and Chinese. The Chinese, as business communities, construed it as a waste of their

time. However, activities that will bring them good business are being attended by the Chinese.

In addition to these national integration and unity programmes, economic activities aimed at restructuring society and reducing the inequality gap were outlined under the NEP. This NEP objective is being continued under the National Development Policy (1990-2000) in modified form. However, the institutions for the preserving of Bumiputera privileges remains.

## *2.2 The Islamic Values*

Besides ethnic differences, the Muslims are also divided in their beliefs on Islam. Islamic revival after the Islamic revolution led to the rise of Islamic fundamentalism in Malaysia. Prior to this, the traditional rural Muslims had been an obstacle to the government in implementing development plans. Their traditional Muslim beliefs were not in line with the government's moderate modern views of Islam. In addition, the Islamic party PAS has been inciting Muslims against the government. Thus, the rise of Islamic fundamentalism in Malaysia has divided the Muslims further. Furthermore, as the author mentioned earlier in the chapter, some traditional Islamic movements are preaching deviationist teachings. For instance, the Al Arkam Movement believed in their leaders as saviours. They led their own lives separate from other communities and Muslims until their movement was banned in 1994.<sup>16</sup>

Thus, when Mahathir took over the premiership in 1981, he introduced several Islamic institutions. He established the Islamic secondary schools complete with hostels, an International Islamic University, Islamic Bank, Islamic Insurance Company, and revamped the Islamic Affairs Division in the Prime Minister's Department. In 1985, he introduced the policy on the Assimilation of Islamic values in the Administration. However, as a first step, the policy will be implemented only in the government administration. In line with the revival of Islam and for political reasons, Mahathir established a branch of the Islamic Affairs Division of the Prime



Minister's Department in Sabah. Other reasons for the expansion of the Division were the problems of deviationist teachings and the existence of anti-Islamic elements who were trying to destroy Islam.<sup>17</sup> Thus the government is adopting a policy which will propagate the good values of Islam. This will help to preserve harmony, social, economic and political stability as well as to guarantee the security of Malaysia. By the 1990s, the modernization and reformation of Islam will have touched almost all aspects of Islam. These cover circumcision procedure, marriage and polygamy, education, welfare, economy and administration of Islam at various levels. Even some of the unIslamic palace traditions are being abolished.<sup>18</sup> However, Mahathir has always emphasized tolerance on religious issues in Malaysia.<sup>19</sup>

The above discussions of national unity, national integration and Islamization indicates that the government has not neglected the problems which stem from a multi-ethnic society. Like the US, the Malaysian constitution does guarantee that the people will live together in peace, harmony and be free to practise their own beliefs and cultures. The policy and programmes on national unity and integration provide good mechanisms for preserving, maintaining and promoting national unity and integration. However, the spirit of the constitution and the values of the government's overall policies are based on Islamic ideology. Although national unity and national integration aims to build a national identity, the direction taken by the government is toward assimilation of the people into Islamic values. The policy on AIVA clearly stated that the implementation would be based on persuasion rather than force. Due to its heterogenous society, there is no law that prevents the building of Christian churches (see article 11, Federal Constitution). In Sabah, the building of more churches under the PBS government, received a negative response from the Islamic community; especially from West Malaysia. Furthermore, the incidence of Kadazan Islamic converts reverting back to their old beliefs are being criticized (Unar, 1994: 28-36). Although freedom of religion is provided in the Constitution, such actions are regarded as an embarrassment to the national ideology and the administration of Islam in Sabah.

### *3. THE CONFLICT BETWEEN FEDERAL AND STATE ISLAMIC AUTHORITIES AND THE CHALLENGE OF ISLAMIC ADMINISTRATION*

According to article 3 of the Federal constitution, although the state government has power to make its own law regarding Islam, the Yang Di-Pertuan Agong is regarded as the head of Islam in all the fourteen states. Thus, with the approval of the Council of Rulers the Agong can make rules and decisions on Islam which apply to the whole of Malaysia. Despite this constitutional provision, the federal government has to take over responsibilities regarding Islam which are thought to be of national and political interest. For instance, the Federal Government has jurisdiction over areas such as the propagation of Islamic values and the management of pilgrimages. In addition, all matters regarding the management of the newly introduced Islamic economy are under Federal jurisdiction.

#### *3.1 Islamic Affairs Division of the Prime Minister's Department (BAHEIS) <sup>20</sup>*

The Islamic Affairs Division of the Prime Minister's Department (BAHEIS) was extended to Sabah on 1st June 1984. This extension to Sabah and to the rest of the 14 states is an initial measure to streamline the administration of Islam. However, the expansion of BAHEIS to Sabah is on the pretext of helping JAHEINS (Department of Islamic Affairs Sabah) and MUIS (Sabah Islamic Council). Its presence has actually lightened the financial and administrative burden of MUIS and JAHEINS. For instance, BAHEIS has taken over the administration of three missionary training centres from MUIS on 1st June 1984. These centres are: Islamic Missionary Training Centres, Keningau; Islamic Missionary Training Centres, Kudat; and Islamic Missionary Training Centres, Kundasang. BAHEIS has also taken over the responsibility of managing the Koran and the fundamentals of Islam classes throughout Sabah. Since the conception of this program in 1990, it now has 33 supervisors, 1,683 teachers, and 42,075 students. The classes can be conducted in community halls, at the village mosques, or the teacher's house. Thus, it is based partly on the old concept of "Malay village pondok school." This concept has helped many youngsters to read the Koran which gives the great pride to Malay/Muslim



parents in Malaysia. Parents will usually organise a small festival when their children have finished the reading of the Koran. Traditionally, during these ceremonies, the children are required to read a chapter of the Koran to assess their competence. Each indigenous group of Muslims have their own way of celebrating these events. The expenses for these classes are increasing yearly. In 1995 the expenses was RM4,352,389.13 compared to RM638,707.00 in August 1992 (BAHEIS, 1996).

The missionary unit of BAHEIS conducts 8 types of course such as: workshop/course on Assimilation of Islamic Values; Convention of Missionary bodies; courses for the Islamic Family, Islamic Excellence, Islamic Understanding and Islamic Life, Islamic Leadership, Moral Development, and Islamic Converts. Other than that, the missionary unit also organises Koran classes for adults, lectures by visiting lecturers, and other social and religious activities which are aimed at educating the people and propagating Islam.

In general, the role of BAHEIS is to strengthen the Islamic belief in the challenges from various non-Muslim communities in Sabah. At the same time, it is propagating Islam and indirectly gaining Muslim converts. This is not a stated aim but its strategy of propagation is through persuasion rather than by force. The expansion of BAHEIS to include Sabah is an historical moment for Sabah. This is due to the fact that the formal Islamic institution in Sabah was only started in 1971 with the establishment of MUIS. Thus, the MUIS (now JAHEINS) is still lacking skilled man power and is uncertain on the implementation of the Syariah law. For states that have a long history of Islamic Sultanates such as Selangor, Perak, Kedah, Negeri Sembilan, Kelantan, Pahang, Perlis, Trengganu and Johore, the expansion of BAHEIS is construed as infringing on the state's own power. Thus, the expansion of BAHEIS to Sabah is more of an assistance. In fact, the existence of BAHEIS helped the state, especially when the Chief Minister was a Christian. During the riot in 1986, the Muslims put up banners at the state mosque and during the demonstration walk demanded that the Federal government intervene to protect Islam which they thought was going to be neglected by the Christian Chief Minister who

gained power in 1985. It was not really a religious demonstration as it was instigated by politicians who were ousted from power during the 1985 Elections, but they made use of the Sabah State Mosque as their base (Talib, 1991: 8-10 and Luping, 1994: 411-414).

### *3.2 The Department of Islamic Affairs Sabah (JAHEINS) <sup>21</sup>*

Due to the lack of experience on the part of JAHEINS, it is likely that their management will follow in the foot steps of BAHEIS. However, the establishment of a formal Islamic institution was necessary due to various problems facing the Muslim community in the early days of independence. Furthermore, under Colonial rule Islam was being suppressed by the Colonial authority. With the establishment of MUIS, the administration of Islamic affairs is being improved and modernized. In doing so, this relieves the United Sabah Islamic association of some of their administrative burden. For example, duties such as Islamic education, Islamic tax collection and distribution (zakat), management of the pilgrims visiting Mecca, mosque management and other administrative duties are being handled by MUIS. MUIS also served as the implementing agency for all Islamic development projects such as building mosques, the preaching of Islam and all welfare programmes.

The Islamic administration was revamped December, 1995 within two years of National Front Government in Sabah. The role of MUIS is now focused on the formulation of policies. Its previous functions have been divided into three departments which are Department of Islamic Affairs Sabah, Syariah Court, and the Mufti Department. The organizational structure of JAHEINS is divided into the Administrative and Financial Division, Divorce and Marriage Division, Development Division, Dakwah Division, Syariah Administration Division, Education Division, Investigation and Enforcement Division, Prosecutor Division, and Publication and Public Relation Division. Thus, with the establishment of JAHEINS, Syariah Court and the Mufti Department, the process of putting Islam into its rightful place as an official religion has been achieved. From the author's point of view, the old management in which Islam was under control of a council with legislative authority



was improper as it treated the management of Islam as informal. Thus the Islamic community felt that the sanctity of Islam might be threatened, especially if a non-Muslim Chief Minister took power. As I mentioned earlier, Islam and the state are inseparable. In principle, the Head of State as the head of Islamic affairs in Sabah can balance the power of the Chief Minister. However, Sabah had a bad experience in the past in which Muslim converts who did not have sufficient knowledge of Islam were appointed as Head of State (Tuan Yang Terutama). Thus, either way, the sanctity of Islam can be tarnished. This might be the reason that in the USA, there is a separation of religion and the state.

Due to the Islamization process, the administration in Sabah has recently made various Islamic legislations. These indicate a move towards rationalization of Islam in Sabah as well. The motive behind all these new legislations was to preserve the sanctity of Islam and promote the good image of Islam as an official religion. The legislation is appropriately timed, especially when the motive behind the establishment of various Islamic institutions and policies are wrongly construed by non-Muslims as attempts at Islamization. Furthermore, Islam itself has been challenged by global problems and western capitalist ideology. These legislations are the Islamic Family Law, 1992; Sabah Zakat Act, 6 of 1963; Syariah Court Act, 1992 and other Acts relating to the proceeding of civil and criminal cases in the Syariah court.

### *3.3 The Islamic Family*

Let us examine some of the challenges faced by these Islamic institutions. As mention earlier, Islam and the local traditions have co-existed for a long time. As such, it is hard to differentiate between tradition and Islamic practice especially in marriage. Actually the solemnization of a marriage is basically a simple process but it has been complicated by local customs requiring various traditions to be performed before the marriage ceremony is over. The long marriage ceremony is a hindrance to modern economic activities. Indeed, some of these ceremonies last about a month starting from the preparation stage as if they were royal marriages.

In divorce, traditionally the wife simply returns to her parents together with her children and no contribution to their welfare is made by the ex-husband. There is very little dispute about this matter especially among low income families where no property is involved. Thus the family problems are being kept in silence. Jones (1994) was impressed that local customs were able to handle the problem of children involved in multiple divorced families without trauma. In addition, global problems have challenged the sanctity of Islam. The present work environment is not practical for the enforcement of Syariah law which regulates the relationship between men and women especially of mixed religions. The western ideology of equality between sexes has also challenged the enforcement of Syariah Law. In sex offence cases involving Muslims and non-Muslims, the non-Muslims usually go free.<sup>22</sup> Furthermore, due to the need to preserve the sanctity and image of Islam, prospective couples are required to undergo a blood test for HIV before marriage. Besides this test, the prospective couple will soon be required to read a chapter of the Koran. Although this helps to overcome Koran illiteracy among Muslims, it poses obstacles for marriage into the Muslim families and those of other religions. This in itself defeats the purpose of the missionary activities to gain more Islamic converts. In addition, it will question the Muslims rights to marry outside Malaysia. However, the Sabah Islamic Family Law 1992 merely formalised the Syariah rules on marriage and family which in the past have been influenced much by traditional customs. Thus, the law has not covered these new Federal Government proposals, except that Sec.53(1)(f)&(k), provided that a marriage can be dissolved on account of illness.

### *3.4 Islamic Tithes*

Regarding the Zakat (Islamic tithes), there needs to be more improvement in its management and collection. Since the state is the authority in management and collection of the Zakat, there is no uniform management on the collection and enforcement of Zakat laws. There are two types of Zakat. The Zakat Fitrah is compulsory and is based on payment of two kilos of rice or in money to the sum of RM2.40 per head. The second Zakat is compulsory only for those who are affluent. It is paid from a proportion of the person's wealth which is calculated according to



the Sabah Zakat and Baitul Mal Enactment in this context. The Federal Government has little power to address the problems of poor Zakat collection, as Islamic affairs are the concern of each individual state as provided in the Federal constitution. In addition, there is a structural problem in the system of Zakat management as regards traditional and fundamentalist Muslims. Colonial administration had taught the traditional Muslim communities to fend for themselves in regard to Islamic affairs. It is this group of Muslims and fundamentalists that resist payment of Zakat to government appointed amils (Zakat collectors). Scott's (1987) study of Zakat collection in the state of Kedah found that Malay peasants in the state of Kedah resisted payment of the Zakat, and this reluctance seemed common outside Kedah as well. The recent information shows that only 30% of the Muslims throughout Malaysia pay their Zakat. This was revealed by a Minister in the Prime Minister's Department, Dr. A.H Othman (*N.S.T.*: 28.10.93). The second reason for non-payment of the Zakat might be that urban Muslims who are in waged employment are beginning to lose faith in the system. If seen from the spirit of Islamic revival and reformation, this should not have happened. The urban Muslims are easily accessible as most have fixed addresses where collectors can reach them. In fact some employers are co-operating with the Islamic authorities in the collection of the Zakat. Furthermore, the wage earners are being taxed twice, firstly by the Inland Revenue Department and secondly, by the Islamic Zakat. This obviously is unfair to the Muslims themselves. People are willing to pay taxes as long as they can enjoy the public goods paid for through taxation. However, urban Muslims have few religious facilities within the multi-ethnic urban communities. Furthermore, the Zakat has not directly benefitted the poor. The existence of the secular form of Welfare has also made Zakat redistribution impractical. The traditional and fundamentalist Muslims will also refuse to receive a Zakat distribution if it is from a questionable source. This conflict is inevitable in a multi-ethnic society and a capitalist market economy. Furthermore, since the government allocates for the building of Islamic infrastructures, the issue of poor Zakat collection does not arise. Thus, it is inevitable that taxes from non-Muslims are used for the purpose of Islamic development. In fact, and in principle, the building of mosques and Islamic

education are community responsibilities. Therefore, state assistance in the building of Islamic infrastructures has helped to foster Islamic dependency on the government.

In Sabah particularly, the Zakat money was spent on building the modern MUIS complex. This complex only benefits the urban Muslims as it is used to house business premises and government agencies. By way of contrast, the rural mosques still have no proper amenities such as running water and electricity. However, modern buildings and big mosques do promote a good image of Islam externally. Furthermore, since the Muslim communities have no say in how the Zakat money should be spent, it is opened to abuse. Although in principle the money paid for Zakat should be paid sincerely in the name of Allah, it is difficult to sustain the sincerity when in some cases it appears to be spent on boosting a party's political image rather than on helping the poor. The distribution of mosques and suraus (places for Muslim prayer) does not indicate that the funds are spent in districts with the greatest need. Semporna and Tawau districts, which have a large Muslim population have about the same number of mosques as Beaufort, a district with relatively few Muslims.

### *3.5 The Syariah Legal System*

With regard to the Islamic Legal System, its role as an institution for the Muslims is unquestionable. However, the position of Islam as an official religion is being questioned since the secular English legal system is still in place. The English legal system which is a legacy of the colonial government has been used since independence. It sounds practical in dealing with cases affecting the multi-ethnic society in Malaysia. However, in line with the Islamization process, the Islamic and Malaysian Legal Systems have not escaped the attention of reformers. On 30 December 1992, the Syariah Court Enactment was passed, nearly 30 years after independence. The changes were partly due to the initiative of the Mahathir leadership which Muslims should applaud. With Islam as an official religion, it is logical that the Syariah Court should be housed under one roof with the secular court (Nawawi, 1989). Nawawi's view is based on that of Tun Salleh. It seems that the



Islamization process can no longer be halted. The orthodox Muslims fear that the Syariah rules will continue to be violated if the secular court continues to dominate the national scene. Capitalist development actually favours the secular system. For instance, the native court in Sabah which was introduced during British rule to preserve the native interests has lost some of its significance.

The pressure to unite the secular court and the Syariah Court by the Islamic movements was criticized by the President of Aliran, Democratic Action Party leader Lim Kit Siang and the Malaysian Bar Council. The Malaysian Bar Council considers that the federal secular legal system is still effective in dealing with the present society. In considering the problems of Syariah law in a multi-ethnic society, one should simply look into cases of adultery which involved Muslim and non-Muslim. Due to various technical reasons, non-Muslims usually go unpunished.

### *3.6 Mosques and Prayer Places*

The development of mosques and prayer houses has also been politicized. Election constituencies and villages under opposition control will find it difficult to request the building of new mosques and prayer places as construction of these infrastructures is politically motivated. Despite that, the number of mosques and prayer places is still insufficient to accommodate the increasing number of worshippers. At present, there is an average of 934 Muslims per mosque or prayer place. Since, the mosques and prayer houses are built by the government and politically motivated, opposition Muslims will hesitate to use them for prayers. If this sentiment is not dealt with, inevitably there will be separate prayer places in the same community in the future. Financially, this will strain public funds to the limit. If the state is under an opposition party, special request for minor development projects in the BN (National Front) constitution, such as the building of prayer places, are undertaken by the Federal authority. Even this is being disputed as the management of mosques and prayer places is under the responsibility of JAHEINS (formerly MUIS). Since the mosques and prayer places are under the state, sometimes it is difficult for federal agencies to obtain approval to conduct religious

talks in these places. This happened especially when Sabah was under the PBS government and, in itself, prevented implementation of the Islamization programmes under BAHEIS during that time.

#### *4. THE ECONOMIC ISSUES: CONTRADICTIONS OF CAPITALISM AND THE ISLAMIC ALTERNATIVE*

The Islamic alternative was introduced in the early 1980s when Mahathir became Prime Minister. At that time, the Malaysian economy was seriously affected by world recession. Prior to this, Muslims had enjoyed better Islamic Administration under the UMNO dominated Government in comparison to the Colonial Administration. Thus, the Islamic Economic System represents a broadening to the power of Islam as its original aspiration was only to be an official religion and moral guidance.

However, judging from the present economic policies, the Malaysian economy as a whole is based on the capitalist system. Since usury and any form of gambling are prohibited in Islam, the secular system poses a problem to the traditional orthodox and fundamentalist Muslims. They have alleged that Syariah principles have been ignored by the infidel National Front Government policies. This was indicated by various demonstrations by these fundamentalists during the 1980s which also involved the Pan-Islamic Malaysia Party-PAS (GOM, 1984). Thus, although the schemes attracted some less religious Muslims, they lacked participation from traditional Muslims in the rural areas. If this situation is not addressed then it will impede the industrialization programmes for the Malays and Muslims. In addition, the problem of poverty among Muslims is regarded as creating a bad image for Islam as a national ideology. Even worse, some Muslims who have been influenced by "deviationist" teaching of some Islamic movements such as Jamaat Tabligh and are refusing to work. Furthermore, loan facilities provided by the Ministry of Industrial Development and International trade, have attracted very few Malays and Muslims. Thus, the Islamic alternative can provide strong incentives for Muslims to become involved in trade and commerce.



The Islamic Economic System will not only help to project the good image of Islam among non-Muslims, it will also bring the Muslims closer to Allah. Further, it is a peaceful means of propagating Islam. Other than that, due to the oppression of the West against Islam, it is proper that Muslim countries develop their own Islamic Economic Systems and Islamic Banking which are free from usury. Islamic Economic development also symbolise the revival of Islam among Muslims and, in some ways, also attempt to overcome dependency problems on the West.

The introduction of the Islamic Economic System has no direct intention of Islamizing the non-Muslims through economic means. However, in the long run, Islamization will have a strong influence on the non-Muslims. The process of Islamization through economic means seems to be a long-term strategy and a means of socialization into the Malaysian society. The implementation of the system is marked by the establishment of institutions such as Islamic Banking, Islamic Insurance, as well as an Islamic form of business and financial management.

The first Islamic Banking in Malaysia was started with the passing of the Bank Islam Malaysia Berhad Act 1983. Historically, the first Islamic Banking System was established in Egypt in 1963. This type of bank provides the same facilities as a conventional commercial bank except that it does not award interest. Instead dividends or bonuses are awarded to its customers. However, this is a comparatively slow way to earn money from ones savings as the money cannot be used for unIslamic means. Once Islamic Banking becomes popular it will divide the bank customers in Malaysia into two groups. This means taking away some of the customers from the secular banks. This, indirectly, divides the people economically. With better incentives from the Islamic Bank due to the government assistance, it is likely to attract more non-Muslims in the future. However, Islamic Economics seem to lean towards socialism except for the provision on property ownership. Thus, it could not depart from the old subsidy concept under the NEP where the Bumiputeras were kept dependent on the government for the sake of political legitimacy.

However, interest free banking was expanded to allow commercial banks in Malaysia to open an Islamic Banking counter. As a result, by 1995, there were 23 commercial banks, 18 finance companies, and 3 merchant banks practising interest free banking (*N.S.T.*: 24.7.96). Bank Kerjasama Rakyat Malaysia Berhad has decided to adopt the Islamic Banking System fully in all its 65 branches. Bank Kerjasama Rakyat has two branches in the major towns of Sabah (in Kota Kinabalu and Tawau). The earliest Islamic Bank in Sabah is the Bank Islam Malaysia Berhad in Kota Kinabalu. In May 1996, Bank Islam Malaysia Berhad introduced the Customers Service Centre (PPP). This will enable BIMB to reach the various communities in Malaysia and Sabah particularly when the service is extended. PPP has the same loan facilities and level of efficiency as the conventional system. The BIMB Customer Service Centre will be expanded to 73 BIMB branches throughout Malaysia. According to the 1995 Bank Negara Report (the central bank of Malaysia), the Islamic Banking System is showing good progress. Furthermore, there are also indications that the Chinese are now showing some interest in interest free banking. This is a sign of success for Islam. However, the Chinese are probably merely taking advantage of the interest free loans.

In the Islamic Insurance System, the Takaful Act 1984 allowed the establishment of Syarikat Takaful Malaysia Ltd. and MNI Takaful Ltd. Both have branched out to the major towns of Sabah.

The creation of various Islamic economic institutions indicates that Malaysia is moving in the direction of an Islamic state. Nevertheless, the amount of capital in the Islamic economic institutions in Malaysia is still small compared to that in the conventional economic institutions. Thus, Islamic Banks are still not able to compete on equal terms with the conventional bank system. Since Islamic Economic institutions are public enterprises, the concept is not in line with the privatization policy. Comparatively, Islamic banking lacks the freedom of the capitalist economic system. Furthermore, when an Islamic bank conducts business with conventional banks overseas, they cannot avoid the problems of usury. In Malaysia, where there are many conventional banks, this problem is inevitable (see also Roy, 1991). In



Pakistan, even though Islamic Banking has been introduced, "banks have consistently opted for financial instruments closely resembling interest-based finance" (Cornelisse and Steffelaar, 1995: 687). In addition, as the Islamic economic institutions are attempting to promote the good image of Islam, they may also become engaged in activities which are beyond their means and capability (Khan and Mirakhor, 1990: 372-374). On the whole, Islam as a national ideology (especially the concept of usury), cannot not mix with the capitalist ideology, if, indeed, it is not firmly opposed to that ideology. In the future, it seems likely that globalization of the economy will bring the two ideologies into conflict with one another. This will become an obstacle to the economic development and political unity in Malaysia. Only good economic growth and the reduction of poverty among Muslims in Malaysia will be able to promote a good image of Islam to other communities. Unless this is achieved, ethnically divided politics will be inevitable. Capital is vital in economic development but this issue is always being overlooked by Islamic scholars and leaders. For instance, at the congress on "Islam and Vision 2020" organized by IKIM on July 1992 where Islamic scholars and leaders gathered to discuss Vision 2020, no mention at all was made of capital.

Based on the NEP experience, it seems that the Government will need to keep funding the Islamic Bank at a loss in order to preserve its Islamic image. Furthermore, studies on the Islamic Bank in other Islamic nations such as Pakistan indicate that its way of operating is still not as attractive to customers as conventional banks.

##### *5. CONFLICTING ROLES OF THE FEDERAL AND STATE NATIONAL UNITY DEVELOPMENT AGENCIES*

Even though there are religious and ethnic differences in Malaysia, there are policies, institutions and legislations which are designed to deal with such matters. Thus Malaysia is ready to overcome any ethnic or religious conflicts. Even though the NEP obviously discriminated against the Chinese, there were no direct physical measures such as deportation. The measures adopted by the NEP were to restructure

society and to reduce the inequality gap between the various ethnic groups so that, in the end, poverty would be eradicated among the indigenous people of Malaysia. Thus the Chinese understood the situation and had a choice. The Chinese are not totally excluded from important posts in the administration. In fact, some Chinese have become ministers, secretaries or directors in federal and state ministries and departments. However, there are some strategic posts which the Chinese cannot hold; especially those of Prime Minister and Deputy Minister. The suggestion by former MCA leadership to have a post of Deputy Prime Minister for the Chinese encountered a strong resistance from the UMNO leadership.

With the implementation of the policy on the Assimilation of Islamic Values in Administration, it is difficult for the Chinese to hold strategic administrative posts. So far they have been able to hold the posts of head of departments which require exceptional professional skills such as medicine, public work, and science. These are also areas where the Bumiputeras still lack skills.

Although there are institutions at all levels of administration which share the common goal of achieving national integration and national unity, in practice these departments are constrained by financial restrictions. This has prevented close cooperation between departments. Only a top level co-ordination committee could resolve such problems. Each department has its own limits to which it can make a contribution. Federal departments cannot spend money on projects that are under the responsibility of the state departments. There is some unity only during national celebrations where funds are being provided by the central committee. However, for most of the time departments and agencies do their own routine work. Thus, it is difficult for agencies to share views and performance of their work on national unity and national integration especially at a departmental level. The conflict is even more serious between federal departments and state departments where the finances are coordinated by two different treasuries. In addition these agencies are not located under one roof but are generally spread all over the town or city. However, types of cooperation which do not involve finance such as manpower are not a real obstacle.



Furthermore, there are few publicly or privately organized conferences in which national unity and integration can be discussed.

The state agencies responsible for national unity and national integration are the Ministry of Social Development and National Unity, the Chief Minister's Department and the National Integration Unit at the Institute of Development Studies Sabah. Nevertheless, information gathering on these matters is controlled by the Federal agencies such as the Special Branch of the Police Department, the Department of Information, Department of Broadcasting, Ministry of Internal Security and the Department of National Unity. Most of this information can only be shared between top level co-ordination committees in Kuala Lumpur. Thus, the state agencies in Sabah have little information. Inquiries about this information should be best made at the federal agencies. In addition, any controversial information revealed by state agencies could be construed as against the internal security of the nation. Thus, compared to the federal agencies, the state has little impact on national unity and national integration. The lack of power on the part of the state has, in the past, been the main source of dispute between Sabah and the Federal government. The community leaders in Sabah have communal support but the federal level of administration controls the agencies. It is actually the local community leaders who make the programmes a success. Thus, development from below should be effective in dealing with the low participation in these programmes. This involves empowerment of the local communities through increased democratization of the administration. This will be the overall goal of Vision 2020. All this depends on the leadership implementing national unity and national integration programmes. However, centralization of power and domination of UMNO in Malaysian politics are the source of ethnic and religious conflicts. Nevertheless, so far this has been countered by Chinese domination of the economy. Thus, where the economy is concerned, there needs to be some form of bargaining. This will be useful in balancing the unequal power structure. This is the symbol and logo of National Front politics. Therefore, let us examine the problems of national unity and ideology further in the context of the national politics.

## *6. NATIONAL FRONT POLITICS, THE ISLAMIZATION PROCESS AND NATIONAL UNITY DEVELOPMENT AND INTEGRATION*

Since the formation of Malaysia, the Islamization process in Sabah has begun. During British rule, the growth of Islamic organizations was suppressed. Christianity was propagated and Churches were built in almost every district in Sabah. These Churches belonged to both the Roman Catholic and Protestant denominations. Thus in Sabah, the Chinese and the non-Muslim Bumiputeras who went to schools run by the church were more likely to adopt Christianity. Although Muslim children had no choice but to go to church run schools, they did not adopt christianity. Despite the non-existence of formal institutions at that time to propagate Islam, the Islamic community was not attracted at all to Christianity. In fact, there was a feeling of prejudice among the Muslim students to join the morning prayers at the church-run schools. The independence of Sabah through Malaysia was also engineered by a Kadazan led party, the United Kadazan Organization. However, Islam was being championed by Tun Mustapha through the formation of United Sabah Islamic Organization. Mustapha was also the President of the United Sabah Nationalist Organization. This political party was dominated by Muslims from various races and ethnic groups in Sabah. Thus the attempt to dominate the political scene in Sabah was began by both the Islamic and Christian groups.

When Tun Mustapha became the Chief Minister of Sabah in 1967, he began the institutionalization of Islam in Sabah by setting up the Sabah Islamic Council. He later amended the state constitution and declared Islam the state religion. Thus the growth of Christianity was being checked by the official religion, Islam. Today the issue of Islam as the state religion is still being disputed by Christian and Kadazan led political parties. Thus, this historical event has sown the seed of communal problems in Sabah.



Another problem facing Sabah is the domination of its business sector by the Chinese. However, after the racial riot in 1969, the Government took steps to promote Bumiputera interest. Until now, Sabah has not been able to reduce the gap with the Chinese in terms of capital ownership as envisaged by the New Economic Policy.

However, due to the multi-ethnic component of the society, the Sabah state government has always adopted the concept of power sharing in government. The concept is the same as that practised in West Malaysia. Since independence in 1963, Sabah has formed an alliance government which was a coalition of various ethnic parties representing the various communities in Sabah. The Alliance concept of government lasted until 1976. The Alliance was replaced by a new party, BERJAYA, which was also a multi-racial party. The various communities are united into one party. In 1985, the BERJAYA government was toppled by another party, Parti Bersatu Sabah (Sabah United People's Party). This time, the PBS was headed by a Christian Kadazan. The PBS ruled until 1994 when many of its assemblymen formed new parties and joined the National Front coalition after the State Elections (Luping, 1994: 465-500).

Therefore, the community relations in Sabah have been influenced by changes in government. The concepts are identified as feudal, colonialism, pluralism, ethnic integration and finally back to pluralist politics. Under the Alliance system, Sabah was dominated by the Muslim party. However, each party works to preserve the interest of its own community. In a multi-racial party, the guiding principle is to unite the people of various communities in Sabah under one party. Although the Alliance Government promoted the Bumiputeras' interests, the non-Muslim Bumiputeras have lower status as Islam is the official religion. When Sabah was under the PBS which was headed by non-Muslim Bumiputera (1985-1994), the non-Muslim Bumiputeras were overjoyed. Although historically, non-Muslim and Muslims had taken it in turns to rule the state, under PBS the community was polarised further by its policy of promoting the Kadazan interests. Thus, in a multi-racial party, Sabah faces the problem of which community should head the

government. The multi-racial concept could be misused to discriminate against other ethnic groups, and exists only in name to gain popular support. On the other hand, in the Alliance or National Front concept, each party serves to protect the interest of its community. Although this helps to bring social and political stability, it also faces the danger of fragmentation. Politics which are based on religion and ethnicity in Malaysia act against the policy of National Unity. The former Chief Minister under the opposition PBS government attacked the present National front politics as lacking truly democratic values (*Borneo Bulletin*: 2.9.1991). He quoted the principles of Rukunegara of liberal, democratic and tolerant, as well as the caring culture of Vision 2020 to stress his point. On the contrary, the principles were not fully implemented. This was his response to the issues of national unity in Sabah and Malaysia despite being in the opposition. Although being under the opposition after the PBS went out of the National Front Coalition, Pairin was aware of the importance of unity among the people of Sabah for PBS future (see Appendix M on the ethnic and political composition of the people of Sabah). He is opposing the Federal policies but not the Sabahans' unity.

## *7. ISLAMIZATION VERSUS COMMUNAL INTERESTS*

Malaysia is made up of various races and ethnic groups (Hirschman, 1987: 555-577). Sabah in particular is made up of 47 ethnic groups each with their own language, beliefs and culture. From the religious point of view, there are some similarities in the Asiatic religion such as Buddhism, idol worship or paganism. Some of the ethnic groups are Muslims, but their cultures are different. They are united only from the point of view of religion. However, traditional farming techniques are about the same except in the way that wealth is distributed among the kin. However, their languages are completely different, with Malay being used as the *lingua franca* (see maps in Appendix N on the distribution of various ethnic groups, religious beliefs and languages according to districts in Sabah). Despite this, each ethnic group speaks Malay according to its own native slang which distinguishes it from the real Malay. However, there are some contrasting differences between ethnic groups due to their ways of earning a living. For instance,



traditionally the Bajau Laut are fishermen who live in their boats, but many of them have settled on the shore by building stilt houses near the coast. These houses are linked to the land only by foot bridges. There are also some differences in Chinese , kinship patterns, languages, cultures and in the ways they earn a living. They are mostly traders and have a strong love for wealth. They prefer a male heir to their wealth and trades. However, like the Kadazans, some Chinese have converted to Christianity. During the Colonial time, the Christian missionaries converted many of the local natives. Although Islam is the state religion, many of the Kadazans do not seem to be attracted to Islam due to their strong cultural differences. This is especially their love for the local rice wine and drunkenness.<sup>23</sup> Thus, the flexible Christian traditions seem to be their nearer to their ideal religion than is Islam.

In 1985, the communal differences were heightened when the PBS, under the leadership of a Christian, formed the new state government in Sabah after winning the state general elections. At this time, the State-Federal relationship also turned sour as the PBS harboured anti-Federal sentiments. This, in itself, affected the national integration and national unity programmes. The rise of the PBS in Sabah also coincided with the promulgation of the policy on Assimilation of Islamic Values in Administration, a process to turn Malaysia into an Islamic state (Mutalib, 1993: 78-122). The introduction of Islamic mechanisms might be seen as a threat to the beliefs of the non-Muslims. The PBS's rise was also partly caused by corruption in the BERJAYA government.<sup>24</sup> In addition, Sabah had poverty problems among the rural non-Muslim Bumiputeras.<sup>25</sup> Let us examine the problem in more detail.

The PBS government continued to use the 20 points agreement to protect Sabahan rights from Federal encroachment.<sup>26</sup> This included a demand for an increased share in the petroleum income from the newly discovered oil field off the west coast of Sabah. Thus, the national integration and national unity programmes were perceived negatively by other communities particularly from the opposition groups.

As mentioned earlier, formal mechanisms for the implementation of national unity programmes have been in place since the racial riot of 1969. Nationally, and on paper, these programmes seem to make sense. But at the state level, social-political and economic factors rendered them impractical. In the first instance, the values and ideology of the national plans are in contradiction with the other communal interests. Thus, this has restricted the freedom of other communities as well as the Muslims themselves. In fact, in 1990, the Malaysian Consultative Council for Sikh, Christian, Buddha and Hindu Sangam protested against the policy on Assimilation of Islamic Values in Administration. They gathered signatures to protest against the said policy (*B.H.*: 11.4.1990). In 1993, the human rights group "Jubilee Campaign" claimed that Christians in Malaysia were being oppressed. Islam is the intervening variable behind the national unity programmes. Thus, separation of the state from religion will enhance the national unity programmes. For instance, the policy on Assimilation of Islamic Values in Administration has no meaning to the non-Muslims. While Islamic values are being practised by Muslims, the non-Muslims felt that it was also right that they enhance their own religious beliefs.<sup>27</sup> It is insulting to the non-Muslim staff to pay attention to a policy which they neither understand nor believe in. This situation has rendered the policy impractical in many multi-ethnic organizations by creating a conflict of values. The policy also questions the sincerity of the Head of Department in implementing it. This is because it is difficult for a head who lacks knowledge of Islam to propagate such values among the staff.

As the policy on Assimilation of Islamic Values In Administration has been motivated by an Islamic revival in the UMNO dominated government, the implementation problem of the policy leads to a leadership split. Some construed the implementation problem as a leadership problem in Islam. This split has occurred at both the state and national levels.<sup>28</sup> The split is not only among the UMNO leaders, it also happened within the multi-racial party itself. Apart from the growing popularity of the Islamic party PAS, the Islamization problem has divided the UMNO party into the Islamic group under Anwar and the Mahathir group. Although this is being denied by both leaders, evidence has shown the contrary. In Sabah, the



leadership of Pairin under the multi-racial PBS has witnessed many Muslim leaders walking out of the party to join UMNO that has just expanded to Sabah. The split between PBS and the Muslim leaders happened after the plan to secede Sabah from Malaysia was exposed. Thus many Muslims began to support UMNO as it is a Muslim dominated party. This indicates that the Islamic revival is finally catching up in Sabah. The Sabah rights were overshadowed by the Islamic revival. The revival was, in part, caused by allegations that the Muslims in Sabah were being discriminated against under the PBS government. Even during the first year of PBS Government the Muslims had distrusted the Christian led government. They feared political deception and sought the federal protection. Perhaps the Muslim leadership themselves were dishonest to non-Muslim Bumiputeras while in power (Luping, 1994 :530-570). Some prominent PBS leaders including the younger brother of the Chief Minister were arrested under the Internal Security Act after the 1990 Parliamentary General Elections. The PBS government was finally ousted in the 1994 Sabah General Elections after they won with a small majority. The federal government engineered the defection of PBS elected assemblymen and a coalition government under the National Front was formed in Sabah. The parties represent the major ethnic groups in Sabah. These are: Sabah Democratic Party (PDS), Sabah People United Party (PBRU), Malayan Chinese Association (MCA), United Malay Nationalist Organization (UMNO), GERAKAN, Sabah Progressive Party (SAPP), Liberal Democratic Party (LDP). This is too many parties for a population of only two million particularly in comparison with the USA or Britain. However, under the National Front umbrella they serve as a forum to discuss problems of ethnicity, religion, national integration and unity. This helps to streamline the implementation process of the Vision 2020 development programmes. (However, this time with more federal assistance and guidance as their new strategy). This can be seen in its various development programmes. In addition, the Chief Minister's post is being rotated among the three major ethnic groups Muslims, Kadazan, and Chinese. Furthermore, there is also conflict between traditional and modern Islam.<sup>29</sup>

Due to the differences between Federal and state government under the PBS, some key agencies such as the Federal Development Department were expanded to

Sabah. Formerly, most federal development funds were channelled through the state government. This indicated that the Federal government harbours some distrust of the state government in the implementation of the development plan. Furthermore, the Federal Secretary post was also created in Sabah to serve as a federal liaison with the state government.

Ethnic and religious issues are often initially disguised by politicians as economic issues. However, as each side scores points against the other, they run the risk of creating religious and ethnic conflicts. Under the PBS, economic issues such as poverty have polarised the ethnic groups in Sabah. The rural people are being marginalised as economic development progresses. Since many of the poor are the Kadazans/Dusun, the issue of poverty attract their attention. At the same time, the Muslims are turning to Islam as their saviour, protection and political rallying strength.<sup>30</sup> Thus, the success of the national unity and national integration programmes depend on the co-operation of state leaders and their political ideology. Nevertheless, there is no sign that there will be a separation of religion and the state. In fact, the Islamization process is becoming increasingly bold day by day with the creation of more Islamic institutions. Despite this, Mahathir has maintained that Islam is a tolerant religion. What prevents good relations between Muslims and non-Muslims is the prejudice about Islam which is created by the Western media (*N.S.T.*: 17.4.1996 & *B.H.*: 11.4.1990). In fact, many public relations measures are being carried out to promote the good image of Islam in Malaysia. One of these is to encourage new converts to preach Islam (*B.H.*: 19.8.1991)

#### *8. UNINTENDED OUTCOMES: THE LIMITS OF ISLAMIC REFORM AND NATIONAL UNITY PROGRAMMES*

According to the Rukunegara which was promulgated after the racial riot in 1969, the overall aim of the nation was to create a liberal society. This would allow all the people of various ethnicities to live together in peace and harmony. However, Western liberal ideology places an emphasis on individual freedom, democratic institutions, the free market, and welfare (Lessnoff, 1986: 123-157). Thus, the



Malaysian aspiration of a liberal society has not met the requirements set by these prominent authors. Malaysian Islamic ideology is the main obstacle to the adoption of a fully liberal ideology. Furthermore, the Bumiputeras are still politically dominant over other non-Bumiputera groups, especially the Chinese. Free market ideology cannot be fully practised unless the Chinese and the Bumiputeras are capable of competing on equal terms. On the whole, structural problems have haunted the Malaysian policy on national unity and integration since independence. These problems did not emerge during colonial times as the constitution and the legal system were based on the liberal English Legal System. This had established the due process of administering society. Without these written laws, Malaysia would not have been created in the first place. All the 14 states in Malaysia inherited the same laws from the British Colonial Administration. Probably, the Islamic law imposed by the Islamic rulers would have been very severe without the English Legal System. Nevertheless, Islamic values have always played an important role in influencing the top decision-makers in Sabah. For instance, Tun Mustapha and Datuk Harris, although in conflict on many other issues, shared the same views regarding the propagation of Islam in Sabah. However, in comparison with Tun Mustapha, Harris was not directly involved in propagating Islam and converting the pagans of Sabah (Luping, 1994: 564-570). Islamic politics during both their leaderships dominated the Sabah scene. Thus, when they ruled there was little consensus among the various communities in Sabah. A multi-racial party which was aimed at uniting the people of various ethnicities existed only in name. Under the multi-racial party concept, the issues raised by some ethnic groups were construed as anti-national. Thus, in 1994 Sabah reverted to the old alliance concept of government. Under the National Front umbrella, the various ethnic parties shared power in administering Sabah. However, Islam remains the dominant value in the government administration especially with the policy on Islamization. This policy clearly states that implementation of the policy will be based on persuasion rather than force. Thus, in the long run many people will become accustomed to Islamic values and make their own decision to convert to Islam. This will be possible as long as the government is able to preserve the good liberal and tolerant image of Islam. Mahathir has always shown tolerance in implementing Islamic programmes (*N.S.T.*: 11.4.90). To prevent further

misunderstanding about Islam, Mahathir established the Institute of Islamic Understanding in 1992 (*B.H.*: 3.7.92). Thus during the Mahathir era, younger Sabah leaders seem to be tolerant towards non-Muslims in regards to Islamic matters. This is in contrast to the previous experience under Mustapha and Harris Administration.

Although the Rukunegara clearly spelled out the need for a liberal society, it seems that the contrary is actually occurring in Malaysia. Nationalists have blamed the colonial administration for causing unbalanced development and inequality in Malaysia. Malaysia inherited the already divided society from the colonial administration. It is this attempt to restructure society by replacing the old structure that upsets certain parties. This not only affected the Chinese but also people who have had to give up some of their traditional rights and power. Firstly, under the present system, even the Sultans are not free from the control of the Federal Government. The Federal government is encroaching on their rights to administer Islam in their states. Secondly, under the NEP, the Bumiputeras were given priority in all sectors of government and the economy. The Chinese regarded this as legalised discrimination but the pro-Bumiputeras called it positive discrimination. The NEP was, in fact, the beginning of the Federal build up of power. Due to this, many states such as Sabah and Kelatan are beginning to rebel against the Federal government. Instead of national integration, the states are questioning their position in Malaysia. Sabah, under the PBS raised the 1963 "20 points independence agreement" which guarantees an equal partnership with Malaya. It seems that the federal government is not confident that the state will implement the national planning policies. When the PBS raised the issues of Federal Departments in Sabah headed by West Malaysians, the Federal Government defended its decision on the grounds that there is still a lack of qualified Sabahans to hold the top federal posts in Sabah. It is not the lack of qualified Sabahans but that they are not being given the chance to lead. With weaker state government, the centralization of power in the Federal Government is inevitable. Although in constitutional terms Islam is a state power, the federal Islamic authority is the dominant force on Islamization. In practice, the state Islamic authorities are subordinate to the Islamic Affairs Division (BAHEIS) of the Prime Minister's Department. BAHEIS serves as a balance in



implementing Islamic laws and regulations at the state level. Thus, words such as "moderate" and "persuasion" form the theme of the Islamic campaigns in Malaysia. This is the theme shared by the late Prime Minister, Tengku Abdul Rahman who was also the President of PERKIM (Islamic Welfare Association of Malaysia). Thus, among the Islamic leaders themselves, there are differences on whether to adopt the direct Islamization measures or more moderate ones. Indeed, the division of UMNO into Mahathir's camp and Anwar's camp can be seen as a manifestation of the problem on the implementation of Islamic policies. The fast rising star of Anwar indicates the strength of the Islamic forces in UMNO.<sup>31</sup> Many leaders who seemed to have controversial attitudes on Islam were being ousted during the UMNO party elections in 1996. These ousted figures were mostly from Mahathir's camp. With the backing of the Muslim supporters, Anwar can depose Mahathir at anytime. However, this needs to consider the global factors particularly the economy.

Ethnic politics have been a recurrent feature of Malaysian government since independence and are difficult to abolish unless the UMNO party is dissolved followed by other ethnic parties. Ethnic differences are the most primitive form of difference. After nearly 30 years of independence these differences have evolved and have become more focused in the form of ideological differences. This also indicates that ethnic politics are now beginning to lose their power as people begin to modernize and become wage earners. Thus, the Islamization process may turn into religious conflict in Malaysia. This would become an obstacle in the creation of a liberal Malaysian society.

The Islamic movements have regarded various social ills in Malaysia such as drug addiction, the abandoning of babies, idleness among youths, drunkenness and gambling as due to the slack enforcement of Islamic law during the NEP (*B.H.:* 28.6.92). These problems also indicate that the Western legal system is not working well in Malaysia. As a response, Islamic movements have maintained that only Islam can build up good moral values among Malaysians. Furthermore, Anwar, the Deputy Prime Minister and Finance Minister, a former president of ABIM (Malaysian Muslim Youth Movement), believed that the Islamic Economic System will bring

Muslims closer to Allah. Muslim heads of department in the government sectors are also being criticized by the official missionaries for not giving the required leadership in implementing the policy on Assimilation of Islamic Values.<sup>32</sup> The heads of department themselves are behaving in a controversial manner which does not reflect a good image of Islam. The corporate leaders are busy having official functions in top class hotels and neglect the five-times daily Muslim prayer. Further, the weekly talks on Islamic values which are especially organized for government staff are not being attended by heads of department and attendances are poor. On the whole, the new middle class Muslims in Malaysia have to make a choice whether to observe Islamic regulations or their professional responsibilities. Under the Islamization policy, such people receive more rewards for being staunch believers. At the same time, the modern world has placed other Muslims in a dilemma. Thus, it is right to say that the fragmented society in Malaysia has made it difficult to implement the Islamic policies. It is a problem of the whole rather than the parts.

Although Islam is the official religion in Malaysia, the constitution guarantees that other groups are allowed to practice their own religions. Thus, there is no direct resistance to Islam. However, there are issues such as difficulty of appointing non-Muslims in certain posts such as Head of State, the involvement of non-Muslim officers in Islamic official functions, the integration of Syariah and secular courts, appointments in the public service, the difference of ideology and rendering the non-Muslim Bumiputeras as lower class Bumiputeras.<sup>33</sup>

Due to the Islamic ideology, the concept of a multi-racial party is no longer practical in Sabah. Muslims resist any form of unIslamic interference in their religion. For instance, when the former PBS Christian Chief Minister, Pairin read the Zakat Bill instead of a Muslim representative, UMNO made a great issue out of it (*N.S.T.*: 28.7.93 and 31.7.93). Thus, the ethnic parties united under the National Front remain the brand of politics in Sabah and Malaysia in general. As UMNO is the dominant party in the National Front coalition, it is likely that there will be less consensus in the coalition. Any criticism from individual members or controversial party decisions will be construed as against the concept of the National Front. In



Sabah, action has been taken against some party members of the National Front component parties for going against the wishes of the National Front. Thus, negotiation and consultation processes could be subdued as sceptics can be labelled as being against the party unity. This problem is coupled with the existence of money politics.<sup>34</sup>

The National Front would continue to hold the reign of power as long as economic growth remains strong. Mahathir's government would continue to manipulate the economy to preserve the good image of the government. However, the various incentives of Bumiputeras in the economy deprive other ethnic groups from enjoying the same benefits. This prevents the creation of a truly competitive, democratic and free market economy. Since the Bumiputeras try to keep their special rights as much as they can, this also becomes an obstacle in national unity and integration. Even after the NEP ended in 1990, the institutions for the preservation and promoting of Bumiputera privileges in the economy have not been dismantled. Indeed, they have evolved further under the new National Development Policy. The Minister of Education who is one of UMNO's vice Presidents holds the opinion that the NEP can still be continued.<sup>35</sup>

Thus, Islamization and the preservation of Bumiputera privileges are obstacles to the creation of a liberal society and also stand in the way of the policy on national unity and integration. Probably, the hidden aspiration in national unity is to integrate the people by assimilation into Islamic values. This is in contrast to the assimilation into the capitalist values of the USA. Furthermore, this also contradicts the previous policies on industrialization, privatization, and corporatization which are all Western concepts. In addition, all the concepts that had been copied from Japan are not in line with Islamic concepts. Thus, the Vision 2020 plan in itself is fragmented.<sup>36</sup> The Islamic ideology cannot fit in with capitalist values nor with the socialist and Japanese values.<sup>37</sup> Islam is a religion which stands by itself while not preventing its followers from the pursuit of wealth. This is in contrast to the Protestant ethic which encourages its followers to seek wealth and prosperity. Therefore, in a multi-ethnic society, religion should be separated from the state. This is impossible to achieve

in Malaysia as Islam and the state are inseparable. Even the administration of Islam, which is a state responsibility, has been encroached on by the Federal Government. Furthermore, as a National Ideology, its image may become tainted by the "deviationist" teachings of some Islamic movements. The "deviationist" teachings have become so prominent in the current decade that some Islamic pressure groups are demanding that they be banned.<sup>38</sup> Thus, the policy on "Assimilation of Islamic Values in Administration" has indirectly caused the rise of more Islamic movements including the divisive deviationist ones.

Despite the claims by Western scholars about Malaysian communal problems and authoritarian rule, the Sabah Public Complaints Bureau received almost no complaints up to 1995 concerning communal and religious discrimination (PCB, 1994/1995). However, one cannot dispute historical facts. Most of the troubles in Malaysia and Sabah broke out during the election campaigns and just after the General Elections. Among these incidents are the Racial Riot of 1969, the swearing in of two Chief Ministers after the defeat of BERJAYA Party in the 1985 Elections, the Sabah Riot in 1986, PBS deception and betrayal of BN during the 1990 Parliamentary General Elections, the secession plot in 1991, the Signal Hill Incident near the State Palace after the 1994 State Elections and several leadership tussles within the National Front Parties and the opposition.<sup>39</sup> In reaching a conclusion, one should bear in mind that economic and social aspects of these issues are both under state control. The economic aspect of the problems have been discussed earlier in chapter 4. Socially, Malaysia does not practice full democracy as some of the important instruments of self-expression and freedom are being controlled. Therefore, the communal conflict and differences are being instigated by the National Front and opposition leaders. Such conflict is being provoked as a way of protecting their political interests. The Prime Minister, Mahathir understood the problems well. Thus during the 1990 Sabah State Elections, and the 1990 General Elections, the government made a regulation that there should be no public rallies but only house to house campaigning.<sup>40</sup> Election campaigns during the national and state elections are also being shortened. During the 1996 UMNO Party Elections, Mahathir prohibited campaigning, money politics and the use of government facilities to ensure



smooth, fair elections and the unity of the party. The awareness of the political problems came after the UMNO spent millions of Ringgits during the 1994 Sabah State Elections to win back Sabah from the PBS. Therefore, during normal times, communal and religious problems do not surface much. This is because the people are busy earning their living rather than listening to politicians.

However, Islam is being used by politicians to unite the Malays and to garner support. The National Unity Mechanisms are being used by the government as well to determine their political future and potential. Without the involvement of popular politicians, the Islamization and national unity and integration programmes will not be able to reach their target audiences. Thus, there is little wonder that the weekly talks on Islamization, and national unity programmes have very few participants, particularly in Sabah.

## *9. CONCLUSION*

One lesson to be learned from this chapter is that the people's interests are of paramount importance over any others. The UMNO dominated Government legitimacy can only be maintained if it can protect Islamic interests. This is as well as the Bumiputera interests. National Front Government will stay in power as long as they can manipulate communal and Islamic issues. Thus, these will impede the implementation of national development policies and programmes. Thus, the challenges ahead are to create a liberal democratic society as enshrined in the Rukunegara. This has remained the aspiration of the Malaysian society ever since the 1969 Racial Riots.

## CHAPTER SEVEN

### CONCLUSION

From an examination of the various problems in both Sabah and Malaysia, it has been shown that the implementation of planning has similar encountered difficulties to those faced by other nations. In Malaysia, as elsewhere, the objectives of national planning are subjected to various social, economic and political constraints. Giving priority to economic planning over social planning will affect the social welfare of the people. The promotion of a particular ideology will not only conflict with the objectives of planning, but will also affect the beliefs of other interest groups. Thus planning will always come into conflict with some interest groups. This situation needs to be resolved before any national plan can get off the ground. The various cultures and beliefs of the people involved need to be taken into account. Thus it takes years before the plans can actually achieve any results. If the views of the relevant interest groups are neglected then this will condemn the plan to failure.

For instance, after more than thirty years of national planning, the sanctity of Islam as an official religion in Malaysia is being affected. Malaysia is being invaded by various deviationist teachings of Islam. Thus, this creates a crisis in the Islamic values themselves which form the basis of the Malaysian National Planning objectives.

Globally, planning to allocate scarce resources with the aim of improving the people's standard of living has been hampered by poor economic growth. This has either produced an equal but poor society or, alternatively, unbalanced development. However, planning *is* useful during time of scarcity though there is little need for planning in an era of mass production. Any form of national planning will always



be supplanted by individuals trying to pursue their own interests. Thus, the success of planning depends on the capability of managers to co-ordinate supply and demand in a global economy. In the case of the multi-ethnic Malaysian society, planners should be able to consider the needs and problems of the various communities. Again, in practice, this requires the co-operation of the decision-makers in ensuring that the various communities benefit from the development programmes.

The structural problems faced by Malaysian society are a by product of colonialism and capitalist exploitation. After independence, Malaysia's economy continued to be dependent on agriculture and raw materials. Thus its national income is dependent on its agricultural exports which are subjected to falling prices due to economic recessions. This is exacerbated by its dependency on MNCs for its manufactured exports. Although foreign capital has created employment, the wages are not sufficiently high to overcome problems of income differences. This exploitation is worsened by the presence of foreign workers. It was economic differences such as these which led to the 1969 Racial Riots as well as to state intervention with the adoption of the NEP. Due to the need to promote Bumiputera interests, it led to a situation where ethnic and Islamic politics take precedence over economic matters (Hua, 1983). The form of income redistribution which was adopted by the NEP necessitated a high degree of state intervention. As a result, the policy led to another cycle of dependency and exploitation. In terms of this general form of exploitation, Sabah can be seen an enclave as it was it less developed than most of West Malaysian states and hence not worth investing in. This situation has been overlooked in the process of implementation of national planning. ...Thus, it makes it difficult to implement the plan. Furthermore, Malaysian society is characterised by the dominance of the Chinese community in the economic sector and the Bumiputeras in administration and politics. Hence, capital and political powers are in a potential conflict. To remain in power, the UMNO dominated Government has to exploit the communal and ideological issues despite attempts to liberalise in the 1990s.

Since Mahathir took power in 1981, he has been introducing various reforms in order to effectively implement the NEP's objectives. He has attempted to modernize Islam, started the privatization of public agencies and introduced the Malaysia Incorporated policies. However, these reforms have been impeded by the need to protect the Bumiputera's interests. Thus many of the public enterprises established in the name of Bumiputera advancement are not competitive or efficient. Malaysia is still not able to overcome its dependency problems, as evident in its reliance on the MNCs for its exports. The local industries are still not able to produce goods of sufficient quality which can be competitive in the international market. Bumiputera entrepreneurs still lack the capital, skills and motivation necessary for catching up with more advanced entrepreneurs. Furthermore, the decentralization of industries into the rural areas in order to overcome urban-rural imbalance in development is being jeopardised by a lack of genuine Bumiputera entrepreneurs and capital. Economic liberalization measures must take these problems into account.

In Sabah, Bumiputera entrepreneurs and Vision Village development programmes have met with various structural weaknesses, particularly in terms of capital. Capital is an important factor in starting up new private enterprises and Vision Villages. Due to these problems, Bumiputeras are still reliant on the government for concessions and contracts favouring their businesses. This situation is unlikely to change unless the objective of achieving 30% Bumiputera ownership of capital is reached. Thus, these programmes have yet to achieve the objective of making Bumiputeras self-reliant like the Chinese. The examination of Vision Villages implementation in Sabah also brought to light the limitations of state intervention as far as its goals of social restructuring and reducing social inequality are concerned. Despite the distortions caused by market efficiency, unbalanced development between rural and urban areas and income inequality among the various ethnic groups have persisted.

However, compared to West Malaysia where there has been consistent government intervention, the problem of poverty is especially pressing in Sabah. The



high prices of consumer goods in Sabah compared to West Malaysia indicate that there has been a lower level of intervention in the peripheral State. Stimulating the growth of incomes in Sabah is important in order to encourage people to save and invest. However, the region has been relying on timber and a few natural resources for its export earnings. Thus, Vision Village development and diversification in Bumiputera enterprises and the economy as a whole are necessary in dealing with the current problems of structural unemployment and poverty. The study also indicates that the mismanagement of public enterprises has persisted even after the end of the NEP. A profit-oriented privatization strategy must be adopted in all the public enterprises in Sabah. In addition, government loan schemes for Bumiputera entrepreneurs need to be reviewed so that only genuine entrepreneurs are given loans. For the time being, it is unlikely that the Vision Villages will be substantially developed. The government should be satisfied if living conditions in the rural areas are improved through the development programmes. However, various studies on development have shown that the democratization of management can help to improve socio-economic development in developing countries. Yet, this is also impeded by the need to preserve Bumiputera legitimacy in government.

This thesis has also revealed structural weaknesses in national education in comparison to the challenges of Vision 2020. The National Education Development has been under way since the National Education Ordinance was adopted in 1957. The structure of education after independence up to the Mahathir era indicates a development of education for nation building as well as an attempt to meet the needs of an industrial society. At the same time, education has been used as a tool for socio-economic restructuring. As regards the nation-building aspect, the Education Act requires that government schools, mission schools, Chinese and Indian vernacular schools be classified as national schools so that these schools have one national goal. However, the National Education Policy is proving impractical in a multi-ethnic society. The Federal regulation on education since independence has restricted some freedom in education development. For instance, the quality of English instruction in schools has declined although English is becoming increasingly important with the globalization of the economy. At the same time, Islamization of schools will also

prevent the development of arts and science, and it may restrict human rights in education. Furthermore, the poor quality of education in the rural areas is a testimony to the failure of the Government to help Bumiputeras out of poverty. In fact, the recent attempt to computerize and modernize schools is poised to exacerbate the urban-rural imbalance in educational provision. In addition, the economically divided society has also created an employment structure where the Bumiputeras seek employment in the public sector while the Chinese dominate the private sector. The lack of vocational and technical schools has indirectly encouraged school leavers to seek white collar works. At the same time, in Sabah the economic structure is still largely based on agriculture and exploitation of raw materials. The Vision 2020 development of education in Sabah will not be feasible until more jobs in industries can be created.

This thesis has revealed various conflicts in Mahathir's Policies. For instance, the Islamization and National Unity policies are hampering national development. The aim of the Islamization policy was originally to instil universal Islamic values among the people of various ethnic groups in Malaysia. The policy led to the rise of Islamic social, political and economic institutions. Like the NEP, the Islamization policy is controversial because Malaysia is a heterogenous society. It contradicts the National Unity Policy, capitalist ideology, the National Cultural Policy, the Malaysian Constitution, Rukunegara, National Front Politics, the Federal and State Powers, and the secular laws, policies, systems and institutions. Politically, the policy divides the United Malay Nationalist Organization from within. The policy is misunderstood by non-Muslims as an attempt to Islamize them, which in itself creates further communal and political differences. In the Islamic administration, the policy is encroaching on state power which can cause a duplication of responsibilities and financing. In addition, the policy can cause role conflicts within the administration as religion is mixed with administrative duties. However, what is evident in the Islamization policy is that it builds a stronger, modern Islamic institution and preserves the legitimacy of the Malays in power. Thus, this has strengthen the structure for an Islamic state. Nevertheless, the policy has not attracted non-Muslims



to convert to Islam; in Sabah they appear to cling only the more strongly to their own religions.

On the whole, it is indistinct national values, due to the multi-ethnic nature of society, which are the serious weak point in Malaysian aspirations to become an industrialized nation by the year 2020. The conflict of values in the National Development Plan has created a crisis situation; both in government and in public enterprises. It is the Islamic values that have been the iron cage of the decision-makers. In addition, the need to preserve Bumiputera interests will also be an obstacle in meeting the challenges of the Vision 2020 Development Plan. In effect, the Bumiputera-dominated government is taking one step forward and one step backward. This ambivalence in decision-making has delayed implementation of the programmes or even led to their abolition.

#### *1. SABAH'S DILEMMA AND THE ROLE OF DECISION-MAKER IN NATIONAL DEVELOPMENT*

Due to the various problems of implementation in Malaysia National Development Plan, it is hard to create any effective strategy which can overcome the nine challenges of Vision 2020. The overall strategy for Malaysia National Development is to find a consensus in formulating and implementing its National development Plan (Richardson, 1970/71). Thus, an effective mechanism is needed by which the people can reach a consensus in developing their country, such as through further democratization. This may help to avoid the problem where the planning objectives and targets are in conflict with one another and unachievable. However, one should not blame planners and decision-makers for failure of planning since social, political and economic conditions are too complex and pervasive for their effects to be anticipated clearly and in the necessary detail. Planning should be used as an aid in decision-making rather than as a directive (Rutland, 1985: 28). However, even in indicative planning, decision-makers do not always base their decisions on the planners' information (Estrin and Paul, 1983: 195-197).

With the expansion of the roles of planners and decision-makers under Vision 2020, it will be harder for both of these to determine the needs and demands of the multi-ethnic society. The usual practice in formulating the Five-Year Plan is that each state sends its own proposal to the Federal Government.<sup>1</sup> However, the plans were mainly concerned with financial allocations for the next five years. Under this practice, it is unlikely that the demands and needs of communities will be met. Thus, democratization of the planning process could help to determine the needs and demands in the next five years. To reduce the severity of implementation problems, a broad ranging consensus must be reached in planning and implementation, especially on the social aspects of the plan. However, it is very difficult to achieve this under the semi-democratic Government in Malaysia. In fact, the implementation problems have led to more authoritarian Government despite the liberalization envisaged by Mahathir under Vision 2020. The dilemma brought about by Mahathir's new policies is conducive to a greater centralization of power than is usual in a federal system of Government.<sup>2</sup> For instance, in Sabah ethnic differences and planning crises have resulted in Mahathir instituting a rotation system for the post of Chief Minister in 1994 among three ethnic parties, Muslims, non-Muslims and Chinese.

## *2. PROSPECTS*

Theoretically, the failure of the various development plans implies that there needs to be less state intervention in the functioning of the economy and society. However, Malaysia is still not prepared for such changes, due to structural conflicts as well as cultural and religious differences. Reformation of the implementation machineries and the adoption of new policies to solve the problems have brought various unintended outcomes. Even Mahathir's reformation of the implementation machineries and liberal policies since he took power in 1981 are being challenged from within his party as well as by the opposition. Thus, in the process of trying to convince the people of the needs for change, various development programmes and projects have been implemented in a haste and wastefully. However, income inequality still persists between the Chinese and the Bumiputeras. The racial



conflicts that broke out in Kuala Lumpur in 1969 are being used to justify the Government's present policies on income redistribution, National Education, Islamization, national unity and integration.<sup>2</sup>

Despite the nine challenges which Mahathir has outlined for Malaysia to be an industrialized and developed nation by the year 2020, what is being achieved is the institutionalization of government policies, in a manner that was prevalent under the NEP (1971-1990).

### *3. THE SIGNIFICANCE OF SABAH'S IMPLEMENTATION PROBLEMS FOR MAHATHIR'S VISION 2020*

From the economic, political and social points of view the findings regarding the problems of implementation in Sabah are relevant to other countries in which state intervention is practised.<sup>3</sup> However, my main focus has been on national development in Sabah and its relevance to Mahathir's Vision 2020.

It would not be too extreme to interpret Malaysian planning as a mixture of Islamic and Bumiputera socialism, state capitalism, and Chinese capitalism. This fragmentation is the result of the government's policies concerning Islamization and the preservation of Bumiputera privileges as well as its existing social, political and economic structure.<sup>4</sup> Occasionally, when the economic and social problems have reached a critical stage, the government has invoked the concept of a free market. On the whole, decision-makers are indecisive when facing reality. The turn of events indicates that there is a strong conviction to maintain the status quo on Islamic and Bumiputera interests. As long as there are the same people and the same ideological principles in the bureaucracy, there will not be much change in Malaysian society and economy. Thus, Bumiputera and Islamic survival will become the main thrust of the future socio-economic development in Malaysia. This will also make it difficult to create a society based on merit and democracy. Furthermore, if Islamic fanaticism is allowed to grow in Malaysia then it would affect national development and economic growth as evident in Iran and other Islamic countries.

Since the findings of this thesis have raised various problems of national development planning and studies, let us compare the present results with some related studies of national development planning. Both liberalism and dependency are sources of national conflict in developing countries.<sup>5</sup> Most studies on national development planning in general, and on development in Malaysia and Sabah in particular, have suggested that problems of development occur in terms of economics, demography, statistical analysis and material development. Due to the need to achieve set objectives, development planning has led to the rise of authoritarian government. However, in some countries, innovation in planning have been successful. Despite that, these approaches become a problem in explaining the conditions of the rural poor who are still dependent on subsistence farming for their living. Since the basis of the market principle is efficiency and competition, it cannot be applied to a subsistence economy. In addition, these traditional communities are still ignorant of their rights and civil liberties. Thus, their needs are determined from the top and consequently sometimes neglected. Despite two decades of restructuring through economic growth, Malaysian National Development planning is not able to overcome the inequality gap in Malaysia which is elusive and changeable. Furthermore, statistical data used in the analysis of the development problems will soon become invalid due to rapid social, political and economic changes. Thus many of the objectives of planning as evident in Malaysia are not being achieved (see Population Studies Unit, 1994; Silvalingam, 1993; Hj. Ahmad, 1993; Kahn and Loh, 1992; IDS, 1989; Gomez, 1994; von Der Mehden, 1980; Johari, IDS 1989 and 1991). As a result, the NEP was not able to reduce Chinese domination in business and industries. The Chinese entrepreneurs did not pay much attention to the NEP but carried on with their capitalist pursuits. In fact, they might have benefited from the NEP development programmes as they operated most of the supply stores. Economically, therefore, the Bumiputeras are losing the competition with the Chinese, which is pushing the Bumiputeras further towards the margins of capitalism (Hashim, 1988; and Guinness, 1992). This will also lead to a more authoritarian government in the Bumiputera dominated administration. Theoretically, the "development from below approach" is appropriate for the national development plan, but - practically - it is difficult to implement within the present structure of



administration in Malaysia. According to King (1988), the problems of development in Sabah, Sarawak and the Indonesian region in Borneo are the same due to their peripheral location in relation to the centre of development. Thus, the development programmes benefit the well off rather than the poor and needy (Hua, 1983).

Even in a more advanced state in Malaysia such as Selangor, unbalanced development is inevitable. And in Peninsular Malaysia, its western part is more developed than the eastern regions.<sup>6</sup> The point which the author is making is that even in more developed regions of Malaysia compared to Sabah, national planning is not able to overcome unequal regional development without a full and fair democratic government. Decentralization of administration alone is insufficient without democratic participation at all levels.<sup>7</sup>

From the various problems identified in this thesis, the democratic approach to development could prove helpful in tackling the implementation problems in the national development plan. By "democratizing," the author means not only political but social and economic participation as well. This will enable the problems of ethnic difference, income inequality, religious differences as well as the contradicting and conflicting policies to be solved by consensus. Domination of one ethnic group over another in government could cause unbalanced national development as was evident during the NEP in Malaysia. In addition, studies of other developing countries indicate that democratization can overcome the implementation problems of national development programmes. In Malaysian development planning, income redistribution has been the main theme since the beginning of NEP. This has been pursued through the provision of free education for all and a quota for Bumiputeras in education. The Government is also serious about achieving 30% Bumiputera ownership of capital. To achieve this goal, it has been giving loans to Bumiputeras to start their enterprises. In addition, infrastructure and agricultural development are being carried out in the rural areas especially for Bumiputeras. Although these programmes have been mismanaged and are inefficient, they have achieved some income redistribution in an economy dominated by the minority Chinese.

However, the redistribution objective has not been fully achieved. Some Bumiputeras have benefited more than the others under the NEP. The NEP also led to the growth of many Bumiputera public institutions to channel the various development programmes (MacAndrews, 1977). Income redistribution, however, cannot be efficient without an efficient democratic Government. Democratization remains the strongest challenge for Malaysians and the Vision 2020 development plan. It is the only means by which various differences and interests can be reconciled and their needs identified. For instance, although Islamization Policy is of central importance to Muslims in Malaysia, to the non-Muslims it is a challenge to their religious beliefs (Ingham, 1993). The emphasis on democratization is vital in Malaysia, although it is difficult to sustain in the face of the prevalent ethnic politics.

The multi-ethnic Malaysian society needs strong opposition parties to ensure that one group does not dominate the others. This means that the opposition has a responsibility to educate society about the true state of affairs rather than representing only their ethnically based views. This will also help to educate the traditional communities in Sabah about their democratic rights and eradicate the tradition of vote buying in Malaysian elections. The above alternative is the only means to avoid social, political and economic crises due to faulty planning systems (Sklar, 1987). Democratic changes in place of ethnic politics will help to provide better and effective representation for these people in the planning process.

The structural problems brought about by ethnic divisions coupled with the peripheral location of Sabah, have also made the implementation of development plans under the present system of government and planning particularly difficult (King, 1988). Furthermore, the structure of politics as orchestrated by the National Front Government has always been to maintain the Malay power to balance the Chinese economic domination in Malaysia. Thus, the problems of domination of one group in ethnic politics is inevitable in Malaysia unless some democratic steps are taken to overcome them. Furthermore, as the Government policies have led to the



rise of middle class Bumiputeras, class conflicts in the already divided society are inevitable.<sup>8</sup>

From all this evidence, the author hopes that this thesis will be able to contribute further to the areas of development planning. The failure and collapse of socialist countries provide ample evidence in favour of this thesis. State intervention has failed to prevent inflation and economic recessions, as well as bringing about balanced development and social equality. The failure of national planning in Sabah has led to conflict between the State and the Federal Government. This conflict is being exploited by politicians to fuel the indigenous and Sabahan chauvinism. Thus, this defeats the aims and purpose of the Principle of Rukunegara as well as the National Unity and Integration Programmes. This phenomenon has also occurred in other countries that have practised planning.

Furthermore, this thesis provides some evidence that using the capitalist form of state intervention to overcome social inequality has led to further inequality and other unintended outcomes. Its alternative, the Islamic Economic System, means state ownership. For instance, the State has to maintain the Islamic Banking System, although at a loss, to preserve the image of Islam as an official religion. This has not solved the problems of income inequality as the Bank itself is being subsidized by the Government. In addition, evidence also shows that a majority of the Muslims do not pay Zakat (Islamic tithes) although, in principle, it is useful to finance the poverty eradication programmes particularly in the rural areas. This had created problems under the NEP as well.

On the whole, the social, economic and political structures added to the uniqueness of the Malaysian cultures and religions, have made Mahathir's policies difficult to implement. Malay supremacy, as enshrined in the Constitution and Government policies, is not compatible with building a fair and united Malaysian society.

# APPENDICES

## Appendix A:

### TWO VERSIONS OF THE SULU TREATY OF 1878

*From a British North Borneo Company 'Treaties and Engagements' Volume in the Central Archives, Secretariat, Kota Kinabalu*

'Grant from the Sultan of Sulu to Baron de Overbeck and Alfred Dent Esquire of certain Territories and Lands on the Mainland of the Island of Borneo. Dated 22nd January 1878.

We Sri Paduka Maulana Al Sultan Mohamet Jamal Al Alam Bin Sri Paduka Al Marhum Al Sultan Mohamet Fathlon Sultan of Sulu and the dependencies thereof on behalf of our selves our heirs and successors and with the consent and advice of the Datoos in Council assembled hereby grant and cede of our own free and sovereign will to Gustavus Baron de Overbeck of Hong Kong and Alfred Dent Esquire of London as representatives of a British Company co-jointly their heirs associates successors and assigns for ever and in perpetuity all the rights and powers belonging to me over all the territories and lands being tributary to us on the mainland of the island of Borneo commencing from the Pandassan River on the north-west coast and extending along the whole east coast as far as the Sibuco River in the south and comprising amongst others the States of Paitan, Sugut, Bangaya, Labuk, Sandakan, Kina Batangan, Muniang, and all the other territories and States to the southwards thereof bordering on Darvel Bay and as far as the Sibuco River with all the islands within three marine leagues of the coast.

In consideration of this grant the said Baron de Overbeck and Alfred Dent promise to pay as compensation to His Highness and Sultan Sri Paduka Maulana Al Sultan Mohamet Jamal Al Alam his heirs or successors the sum of five thousand dollars per annum.

The said territories are hereby declared vested in the said Baron de Overbeck and Alfred Dent Esquire co-jointly their heirs associates successors or assigns for as long as they choose or desire to hold them. Provided however that the rights and privileges conferred by this grant shall never be transferred to any other nation or company of Borneo, commencing from the Pandassan River on the east, and thence along the whole east coast as far as the Sibuku River on the south, and including all territories, on the Pandassan River and in the coastal area, known as Paitan, Sugut, Banggai, Labuk, Sandakan, Chinabatangan, Muniang, and all other territories and coastal lands to the south, bordering on Darvel Bay, and as far as the Sibuku River, together with all the islands which lie within nine miles from the coast.

In consideration of this (territorial) lease, the honourable Gustavus Baron de Overbeck and Alfred Dent, Esquire, promise to pay His Highness Maulana Sultan Mohammed Jamalul Alam and to his heirs and successors, the sum of five thousand dollars annually, to be paid each and every year.

The above mentioned territories are from today truly leased to Mr. Gustavus Baron de Overbeck and to Alfred Dent, Esquire, as already said, together with their heirs, their associates (company) and to their successors and assigns

foreign nationality without the sanction of Her Britannic Majesty's Government first being obtained.

In case any dispute shall arise between His Highness the Sultan his heirs or successors and the said Gustavus Baron de Overbeck or his Company it is hereby agreed that the matter shall be submitted to Her Britannic Majesty's Consul General for Borneo.

The said Gustavus Baron de Overbeck on behalf of himself and his Company further promises to assist His Highness the Sultan his heirs or successors with his best counsel and advice whenever His Highness may stand in need of the same.

Written in Lipuk in Sulu at the Palace of His Highness Mohammed Jamal Al Alam on the 19th Moharam A.H. 1295 answering to the 22nd January A.D. 1878.

*From Government of the Philippines, Philippine Claim to North Borneo, Volume 1, a Translation by Professor Conklin of the same deed of 1878 in Arabic Characters found in Washington*

'GRANT BY THE SULTAN OF SULU OF A PERMANENT LEASE COVERING THE ISLANDS AND TERRITORIES ON THE ISLAND OF BORNEO. Dated January 22, 1878

We, Sri Paduka Maulana Al Sultan MOHAMMED JAMALUL ALAM, Son of Sari Paduka Marhum Al Sultan MOHAMMAD PULAUPI, Sultan of Sulu and of all dependencies thereof, on behalf of ourselves and for our heirs and successors, and with the expressed desire of all Datoos in common agreement, do hereby desire to lease, of our own free will and satisfaction, to Gustavus Baron de Overbeck of Hong Kong, and to Alfred Dent, Esquire, of London, who act as representatives of a British Company, together with their heirs, associates, successors, and assigns forever and until the end of time, all rights and powers which we possess over all territories and lands tributary to us on the mainland of the Island of Borneo as long as they choose or desire to use them but the rights and powers hereby leased shall not be transferred to another nation, or a company of other nationality, without the consent of Their Majesties' Government.

Should there be any dispute, or reviving of old grievances of any kind, between us, and our heirs and successors, with Mr. Gustavus Baron de Overbeck or his Company, then the matter will be brought for consideration or judgment to Their Majesties' Consul General in Brunei.

Moreover, if His Highness Maulana Al Sultan Mohammed Jamalul Alam, and his heirs and successors, become involved in any trouble or difficulties hereafter, the said honourable Mr. Gustavus Baron de Overbeck and his Company promise to give aid and advice to us within the extent of their ability.

This treaty is written in Sulu, at the Palace of the Sultan Mohammed Jamalul Alam on the 19th day of the month of Moharam, A.H. 1295; that is on the 22nd day of the month of January, 1878.

Source: Ongkili, James P. *Modernization In east Malaysia (1960-1970)*. Oxford University Press, 1972.



Appendix B:

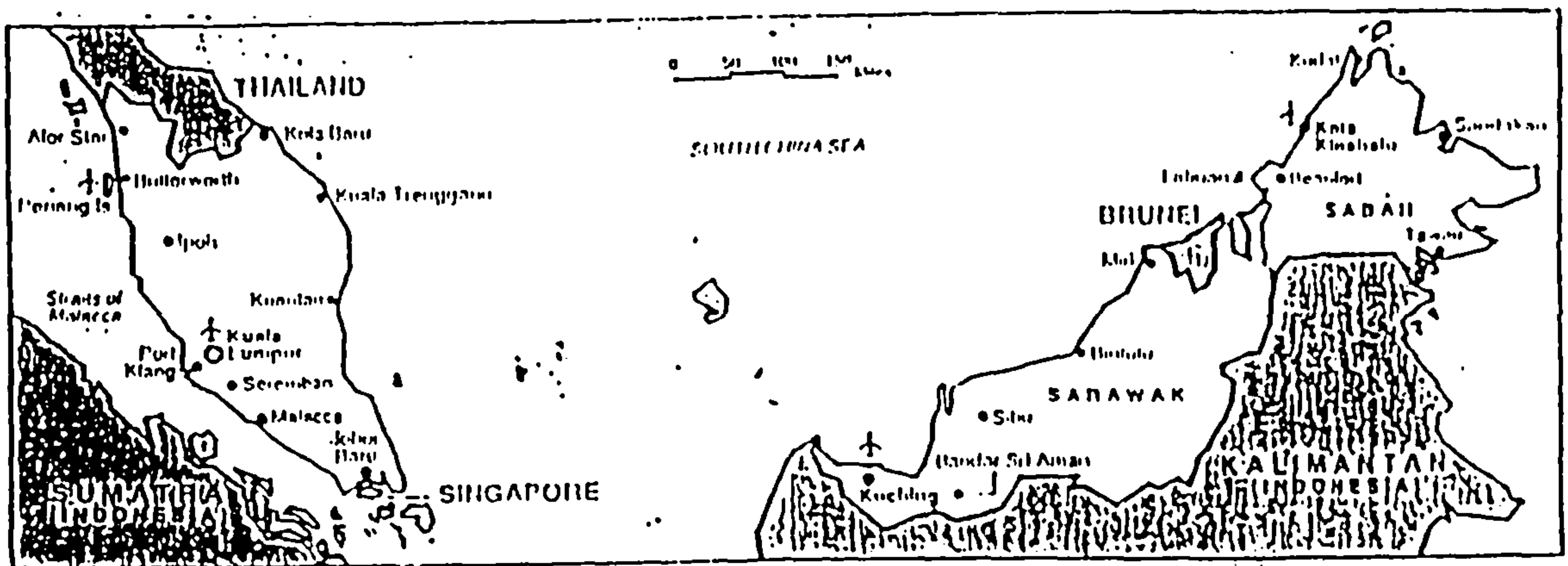
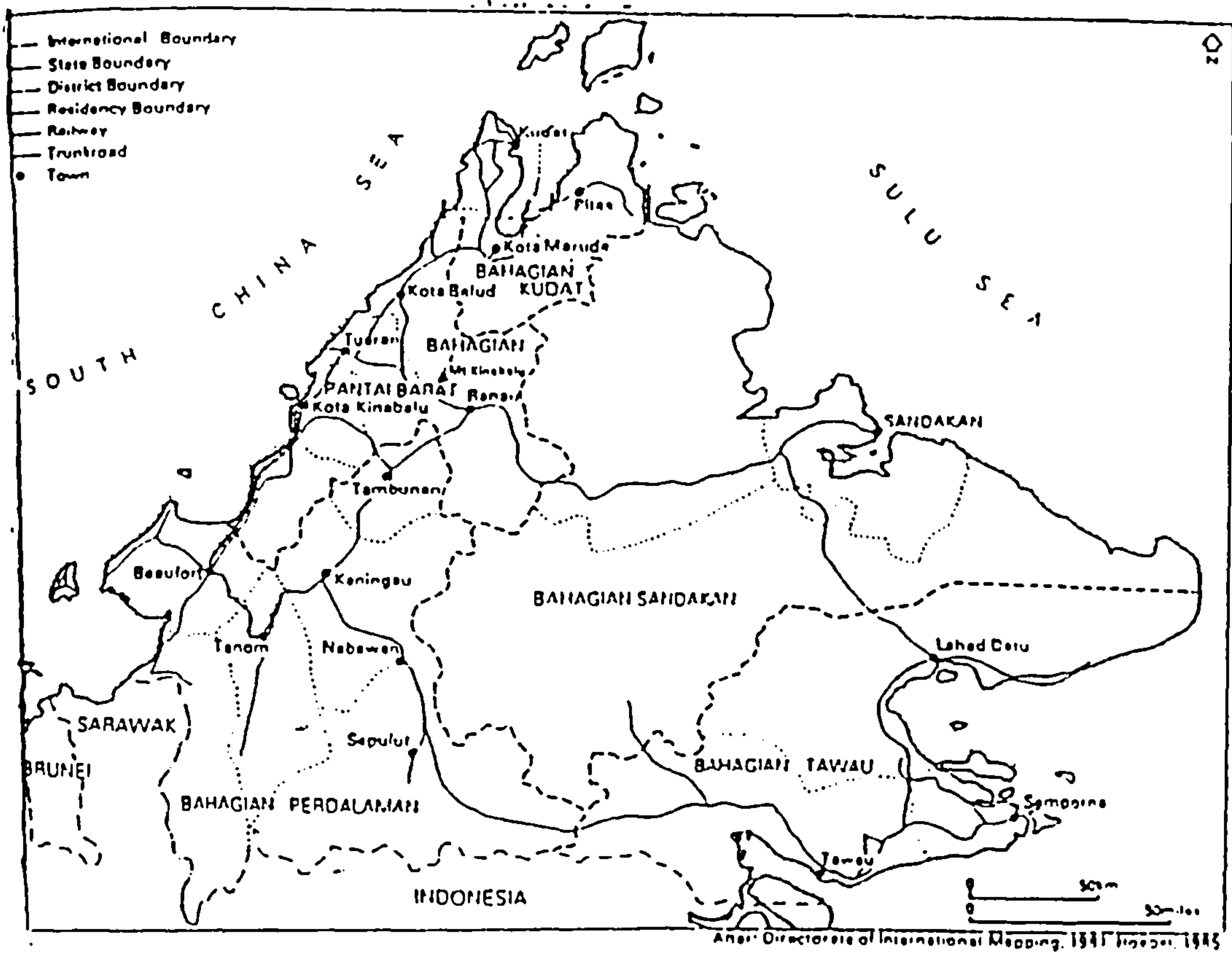


Figure 1 Map Of Sabah

Source: Far Eastern Economic Review; And Directorate Of International Mapping, 1981, Hoebel, 1985.

Table 2.

MALAYSIA: RATE OF POVERTY AND AVERAGE MONTHLY HOUSEHOLD  
INCOME ACCORDING TO STRATA AND TARGET GROUP 1987

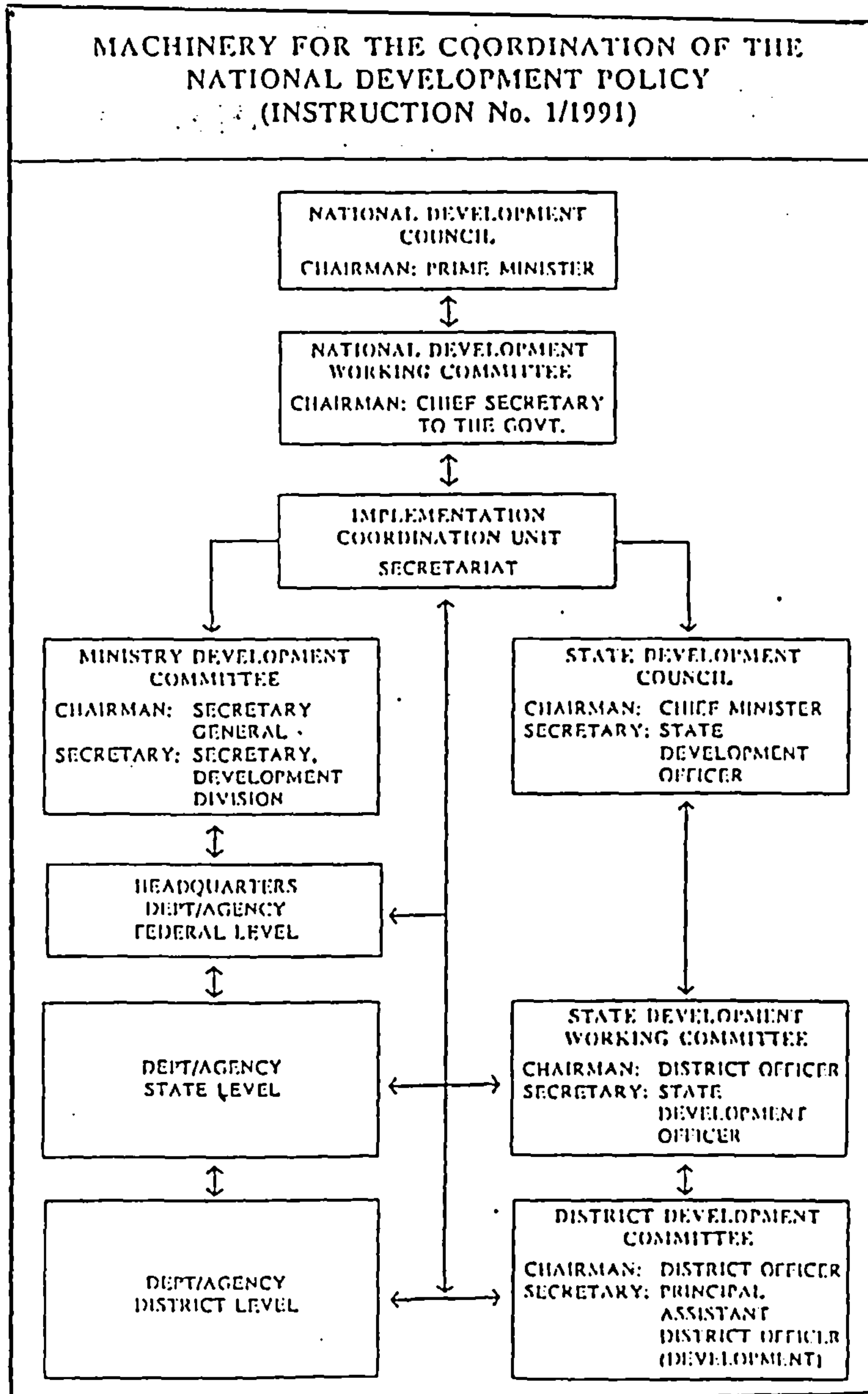
Social Strata & Target Group	Rate of Poverty	No. of Poor Households	Average Income of poor Households	Total Av. Income
<b>W. MALAYSIA</b>	17.3	485,800	225	1,074
Urban	8.1	82,600	228	1,467
Rural	22.4	403,200	224	853
<b>Target Groups:</b>				
Rubber Small- holders	40.0	83,100	238	353
Paddy Farmers	50.2	54,400	222	462
Coconut Small- holders	39.2	4,900	225	492
Fisherman	24.5	10,700	251	633
Estate Workers	15.0	11,700	275	670
<b>SABAH</b>	35.3	89,000	344	1,166
Urban	16.4	8,100	398	1,164
Rural	39.9	80,900	339	994
<b>Target Groups:</b>				
Rubber Small- holders	68.3	4,200	384	506
Paddy Farmers	79.4	28,700	282	416
Coconut Farmers	73.3	1,400	309	677
Fishermen	44.2	4,000	388	714
Estate Workers	53.4	3,100	387	531
<b>SARAWAK</b>	24.7	74,300	299	1,141
Urban	7.5	4,500	306	1,749
Rural	29.0	69,800	298	988
<b>Target Groups:</b>				
Rubber Small- holders	62.5	3,300	306	408
Paddy Farmers	56.2	42,000	291	481
Coconut Small- holders	44.4	700	254	554
Fishermen	27.5	2,200	353	755
Pekerja Estate	7.7	100	202	1,142

Source: Household Income Survey 1987. Department of  
Statistics, Kuala Lumpur.



Appendix D:

FIGURE 2



Source: Prime Minister's Department. Development Administration Circular No. 2 of 1992: Guidelines For Development Project Planning And Preparation. Prime Minister's Department, Kuala Lumpur, (30.7.1992):719.

Appendix E:

Figure 3 .

The IS-EO MODEL: A SIMPLE REPRESENTATION

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Import Substitution Stage One (ISI)

- paint, food, clothing

Export Orientation Stage One (E01)

- texriles, electronics components, gloves

Import Substitution Stage Two (IS2)

- metal product, machinery, motor vehicle

Export Orientation Stage Two (E02)

- metal product, machinery, motor vehicle

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Source: Chee, Peng Lim. Industrial Development:  
An Introduction To The Industrial Master Plan,  
Pelanduk Publication, Petaling Jaya, 1987:12



# Worrisome lag

## THE SMI SCENE

By ANNA TAIING

A WORRISOME aspect of the country's march towards industrialisation is that it is not accompanied by a parallel growth in the local small- and medium-scale industries (SMIs) sector.

SMIs are crucial to the country's industrialisation. This has been borne out in Japan, Taiwan and South Korea. In Malaysia, they account for 69 per cent of establishments in the manufacturing sector, contribute 36 per cent to value added and provide 41 per cent of total employment.

The lethargy displayed by the local SMIs is a cause for concern, more so when the basic infrastructure (financial assistance, fiscal incentives, local content policy, advisory services and training) for their development has been put in place.

The ultimate aim is to create an "integrated industrial structure", where SMIs and large-scale industries (LSIs) are interdependent.

As Malaysia moves into the next phase of industrialisation, SMIs will become even more important, providing the feeder and technological linkages to ensure the development of the larger enterprises.

Although Malaysia is ranked among the top 25 exporters in the world, its imports are growing faster. And imports are made up of not only capital goods but also of intermediary products.

Measures to correct this imbalance have been taken by the Government. In all,

they are able to produce the needed intermediary products.

In 1990, for example, the Industrial Technical Assistance Fund (ITAF) was set up to help finance SMI projects.

Apart from these various incentives and funds, the Government recently announced the streamlining of 13 government ministries and their 30 agencies, to just five leading agencies to better coordinate the development of SMIs.

To date, many SMIs have been slow in taking up the challenge, and in some cases, have to be coaxed into developing a culture of quality and productivity. In contrast, the number of SMIs which have succeeded in reaching the forefront of their business is relatively small.

If local SMIs are not productive enough, foreign investments in major auxiliary and supporting industries, which are growing at a rapid pace, may well force them out of competition.

A number of multinationals, for example, are already sourcing their components and parts from their own subsidiaries, or at other foreign subsidiaries in Malaysia.

According to Ms Lim Fan Li from the Penang Development Corp (PDC), of the 62 new Taiwanese investors

it is clear that measures need to be taken to arrest this trend and promote more local private initiatives and investments to foster greater intra-industry linkages.

The urgency is for SMIs to assume a pro-active role. Besides the substantial government support, SMIs themselves must work very hard to achieve the competitive edge in the international marketplace.

Malaysia will soon be part of the Asian Free Trade Area and the key word here is obvious — competition. Local manufacturers will have to compete even in the domestic market. They can only do so if they are cost-efficient and highly productive. In this regard, sourcing their intermediary products from local SMIs will contribute to cost efficiency.

Furthermore, the private sector has been forewarned that the local content policy, which is being discussed under trade-related investment measures in the Uruguay Round of trade talks, may not be forever. Local producers of component parts must be able to compete without the policy.

As International Trade and Industry Minister Datuk Seri Ralifah Aziz pointed out recently, the policy will not be needed if local SMIs can produce quality components. As she put it, why should Japanese MNCs in Malaysia, for example, want to import components when they can get them cheaper and of better quality locally?

But the crux of the problem is, local SMIs are not dynamic, compared with their counterparts in the newly industrialised countries. In Japan, some 60 per cent of the SMIs are involved in subcontracting but in Malaysia, only a very small number of SMIs produce intermediate goods for the bigger industries.

What are the problems facing SMIs?

First, there is lack of intra-industry linkages between SMIs and large-scale industries. A chicken and egg situation exists. On the one hand, SMIs, at the lower end of technology, cannot upgrade and expand if there is no support from the LSIs.

On the other hand, LSIs do not source their components from local SMIs because the products do not meet the required quality. Unless SMIs get support from LSIs, they cannot upgrade and when they cannot do this, LSIs will continue to look elsewhere for components.

Hence, one of the reasons for the umbrella concept. Under this concept, LSIs take under their wings SMIs producing inputs for their production. In Japan, South Korea and Taiwan, for example, the large downstream firms provide financing, quality control, and technical assistance to upstream SMIs.

In Malaysia, very few multinationals are doing this. Intel, it initiated a staff cooperative about four years ago to invest in a company, Shinca, to provide subcontracting services to the consumer electronics LSIs. Shinca's customers now include Bosch, Sony, Sanjo and Acer.

Perhaps, more LSIs should emulate what Intel is doing and help create a more vibrant SMI sector.

An alternative is for local SMIs to enter into joint ventures with foreign manufacturers to acquire technology. The opportunities exist if SMIs are energetic enough to look for them. There are now many Japanese, Taiwanese and South Korean manufacturers seeking Malaysian joint venture partners to make their products here at a lower cost.

LSIs should emulate what Intel is doing and help create a more vibrant SMI sector.

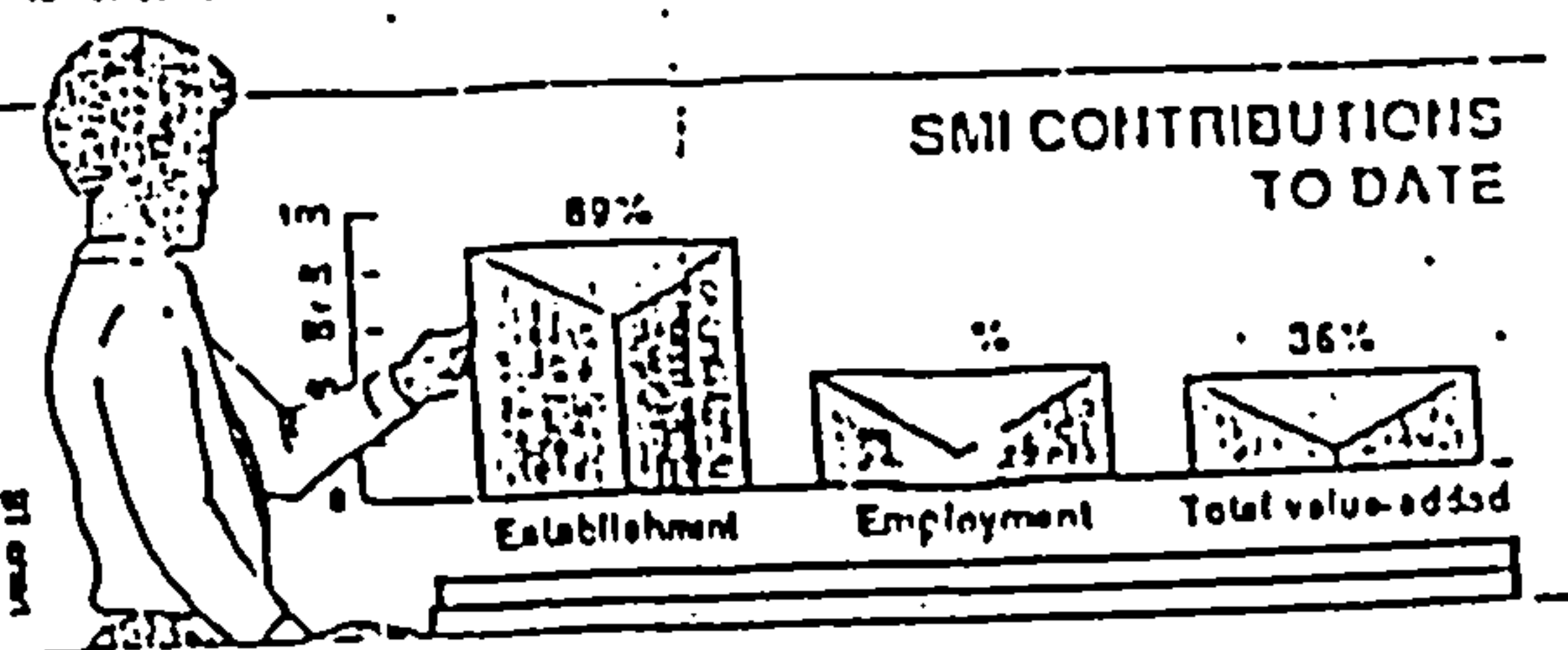
An alternative is for local SMIs to enter into joint ventures with foreign manufacturers to acquire technology. The opportunities exist if SMIs are energetic enough to look for them. There are now many Japanese, Taiwanese and South Korean manufacturers seeking Malaysian joint venture partners to make their products here at a lower cost.

Lack of information is also another factor for the lethargic development of SMIs. There are many government facilities and incentives which are not well known and therefore under-utilised. These include the research and development institutions, training institutions and the Iraf.

Greater interaction between the SMIs and industrial research institutions such as Sirel, Hirdi and Himas should be promoted to improve the effectiveness of SMIs. They also lack effective marketing strategies, which is linked in their lack of knowledge on international standards on quality, overseas market opportunities and export procedures.

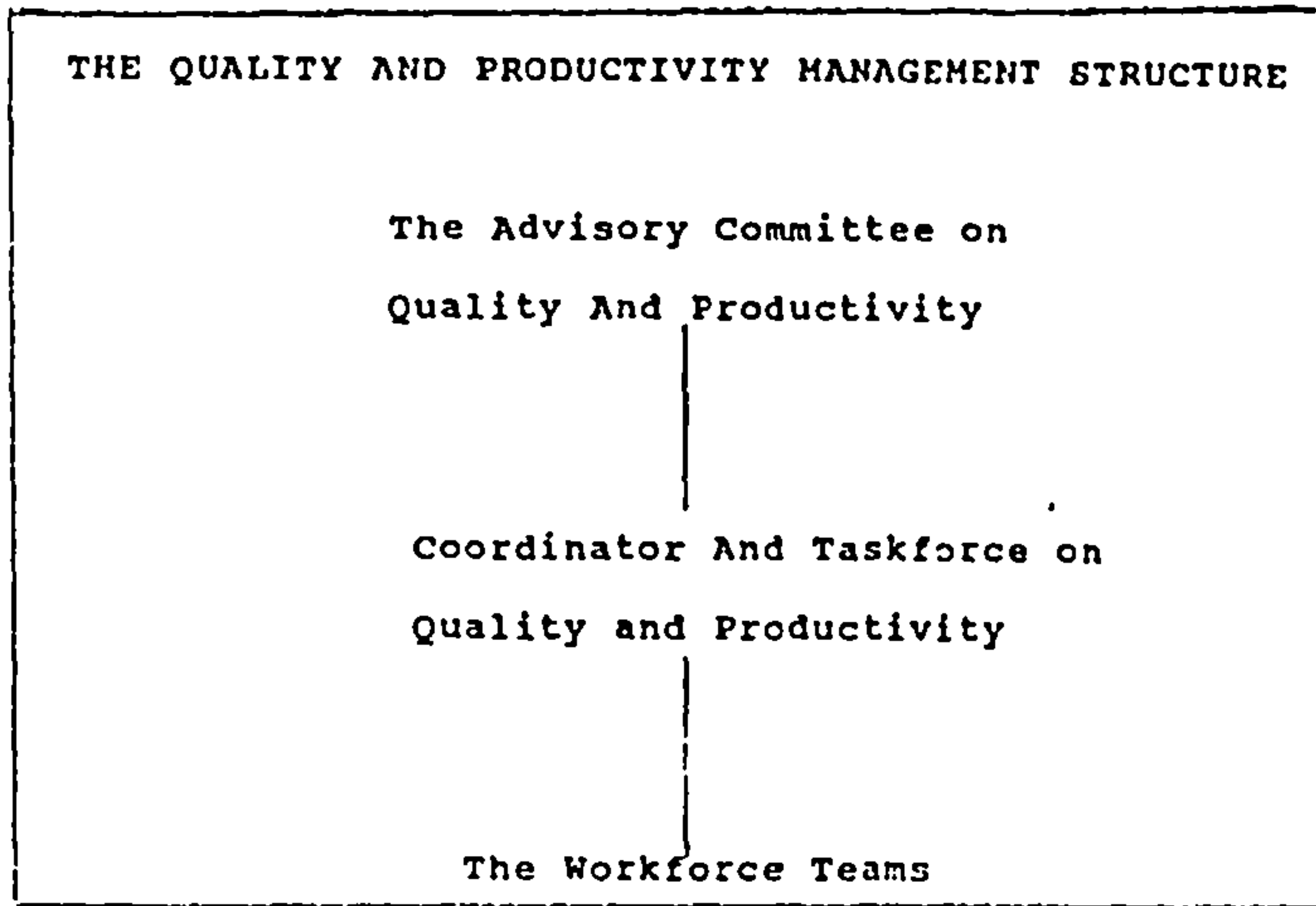
Trade associations and chambers of commerce can chip in to create greater awareness by conducting awareness campaigns for their members through frequent talks, seminars and workshops.

It will take time for local SMIs to become as dynamic as their counterparts in the newly industrialised countries. There is, however, no room for complacency. In view of developments in the global economy such as the emergence of trade blocs and rising protectionism.



SOURCE: BUSINESS TIMES (6.5.92)

## Appendix G



**THE PROCESS OF QUALITY IMPROVEMENT MODEL**

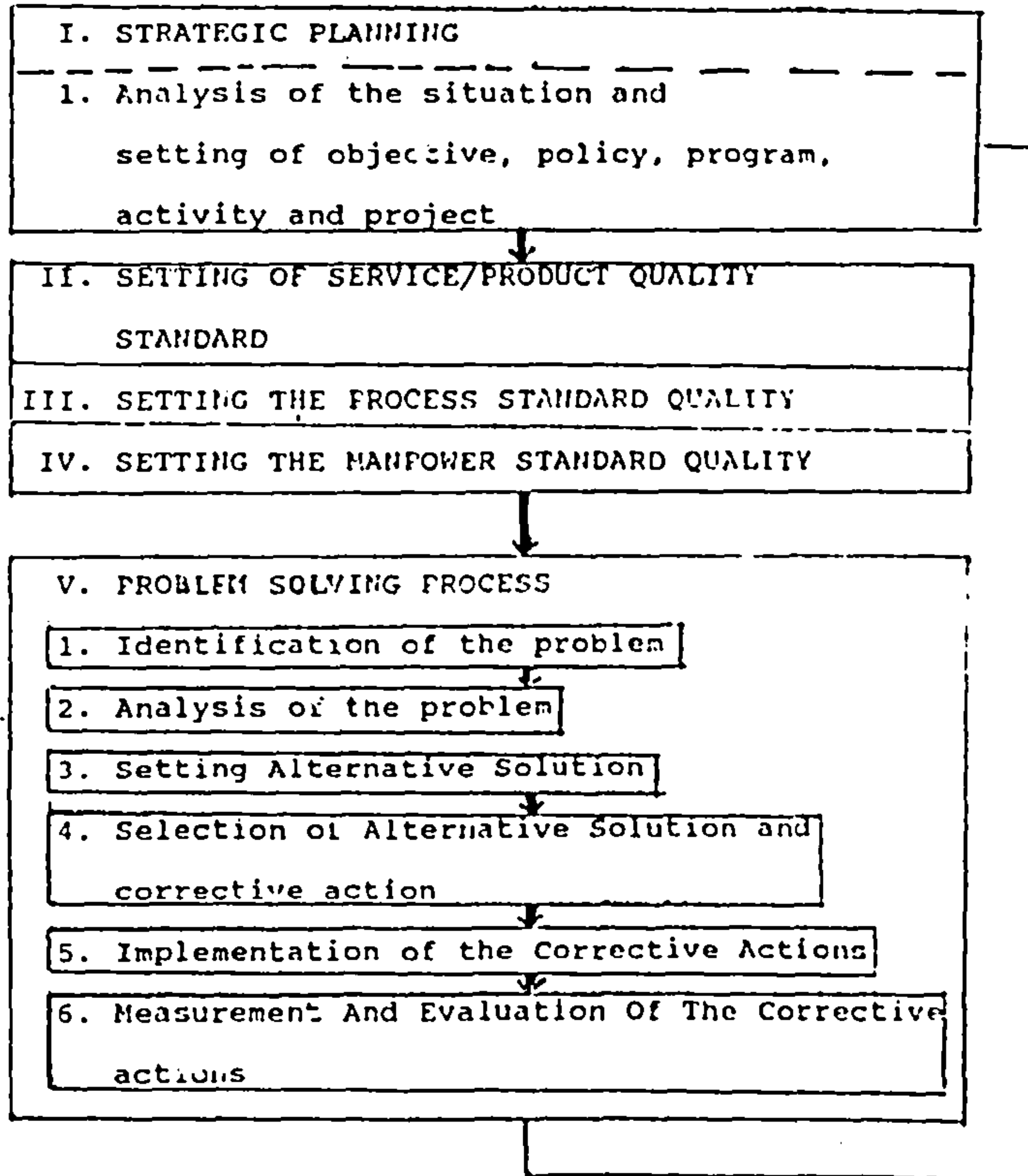


Figure 4. The Quality And Productivity Management Structure, And The Process Of Quality Improvement Model

SOURCE: Prime Minister's Department 1 April, 1991



Appendix H:

Table 3.  
MEAN MONTHLY GROSS HOUSEHOLD  
INCOME BY ETHNIC GROUP,  
1990<sup>1</sup> AND 1995<sup>2</sup>

Ethnic Group	In Current Prices (RM)		Average Annual Growth Rate, (%) 1990-95	In Constant 1990 Prices (RM)		Average Annual Growth Rate, (%) 1990-95
	1990	1995		1990	1995	
Malaysia	1,167	2,007	9.5	1,167	1,617	5.6
Citizens	1,169	2,020	9.5	1,169	1,628	5.7
Bumiputera	910	1,600	9.3	910	1,289	5.4
Chinese	1,631	2,895	10.0	1,631	2,333	6.1
Indians	1,209	2,153	10.1	1,209	1,735	6.2
Others	955	1,274	4.9	955	1,027	1.2
Non-citizens	1,105	1,719	7.6	1,105	1,385	3.8
Urban <sup>3</sup>	1,617	2,596	8.2	1,617	2,092	4.4
Citizens	1,606	2,593	8.3	1,606	2,090	4.5
Bumiputera	1,332	2,162	8.4	1,332	1,730	4.5
Chinese	1,864	3,152	9.1	1,864	2,522	5.2
Indians	1,518	2,438	8.2	1,518	1,951	4.3
Others	1,375	1,592	2.5	1,375	1,271	-1.3
Non-citizens	2,006	2,686	5.0	2,006	2,149	1.2
Rural	951	1,300	5.3	951	1,040	1.5
Citizens	957	1,319	5.5	957	1,055	1.6
Bumiputera	828	1,180	6.1	828	914	2.2
Chinese	1,377	2,019	6.6	1,377	1,616	2.7
Indians	990	1,497	7.1	990	1,198	3.2
Others	843	1,064	4.0	843	851	0.2
Non-citizens	783	985	3.9	783	788	0.1

Notes:

<sup>1</sup> Refers to 1989

<sup>2</sup> Figures for 1995 are based on the preliminary data of the Household Income Survey, 1995.

<sup>3</sup> Except for 1990, urban areas are defined as gazetted areas and adjacent built up areas with a combined population of 10,000 persons or more as in the 1991 Population and Housing Census. For 1990, built up areas are classified as rural.

SOURCE: 7TH MALAYSIA PLAN

## Appendix H

Table 4a. Incidence Of Poverty According To The Urban And the Rural Areas.

### INCIDENCE OF POVERTY AND NUMBER OF POOR HOUSEHOLDS, 1990, 1995 AND 2000

		1990 <sup>1</sup>			1995 <sup>2</sup>			2000		
		Total	Urban <sup>3</sup>	Rural	Total	Urban <sup>3</sup>	Rural	Total	Urban <sup>3</sup>	Rural
<b>Malaysian Citizens Only</b>										
Incidence of Poverty	(%)	16.3	7.1	21.1	8.9	3.7	13.3	3.3	2.2	10.1
Number of Poor Households	('000)	574.5	82.0	492.5	370.2	84.6	285.6	253.4	57.9	195.5
Incidence of Hardcore Poverty <sup>4</sup>	(%)	3.9	1.1	5.2	2.1	0.8	3.7	0.3	0.1	1.0
Number of Hardcore-Poor Households	('000)	137.1	15.5	121.6	88.4	19.2	69.2	23.0	3.2	19.8
Total Households	('000)	3,486.6	1,109.3	2,377.3	4,140.6	2,270.3	1,870.3	4,607.2	2,732.6	1,874.6
<b>Overall<sup>5</sup></b>										
Incidence of Poverty	(%)	12.1	7.5	21.8	9.6	4.1	16.1	6.0	2.4	11.0
Number of Poor Households	('000)	619.4	89.1	530.3	417.2	95.9	321.3	294.4	69.6	224.8
Incidence of Hardcore Poverty <sup>4</sup>	(%)	3.0	1.2	5.2	2.2	0.9	3.7	0.3	0.1	1.0
Number of Hardcore-Poor Households	('000)	143.1	16.3	126.8	93.5	20.5	73.0	24.5	3.4	21.1
Total Households	('000)	3,614.6	1,182.7	2,431.9	4,312.8	2,357.0	1,955.8	4,906.3	2,863.1	2,043.2

**Notes:**

<sup>1</sup> Refers to 1989

<sup>2</sup> Poverty estimation for 1995 is based on the following poverty line incomes: RM125 per month for a household size of 4.6 in Peninsular Malaysia, RM60 per month for a household size of 4.9 in Sabah and RM156 per month for a household size of 4.8 in Sarawak.

<sup>3</sup> Figures for 1995 are based on the preliminary data of the Household Income Survey, 1995.

<sup>4</sup> Except for 1990, when areas are defined as gazetted areas and adjacent bush up areas with a condensed population of 10,000 persons or more as in the 1991 Population and Housing Census. For 1990, bush up areas are classified as rural.

<sup>5</sup> Hardcore poverty is estimated using half the poverty line income.

<sup>6</sup> Includes non-citizens.

Table 4b. SELECTED SOCIO-ECONOMIC INDICATORS BY STATE, 1990-95

State	Registered Cars and Motor-cycles per 1,000 Population		Telephones per 1,000 Population		Television Licences per 1,000 Population		Literacy Rate <sup>1</sup> (%)		Population Provided with Piped Water (%)		Population Provided with Electricity (%)		Infant Mortality Rate per 1,000 Live Births		Number of Doctors per 10,000 Population		Length of Paved Roads per 10 sq km (km)	
	1990	1995	1990	1995	1990	1995	1990	1995	1990	1995	1990	1995	1990	1995	1990	1995	1990	1995
Johor	351.8	432.9	91.1	184.3	116.3	134.3	88.1	92.6	79.9	91.2	85.5	100.0	13.8	7.6	4.0	4.1	2.1	2.9
Kedah	212.0	269.7	42.1	118.0	81.2	96.1	84.1	88.3	72.4	85.4	88.5	100.0	14.8	10.0	2.9	3.4	3.1	3.6
Kelantan	162.0	180.5	29.6	68.0	43.2	56.6	79.5	84.0	50.3	65.7	78.5	100.0	13.5	9.3	3.1	4.0	1.3	1.7
Melaka	316.7	458.8	79.3	200.9	120.1	138.3	88.0	91.2	92.9	98.9	100.0	100.0	11.2	10.9	4.5	5.4	5.5	8.6
Negeri Sembilan	321.1	398.4	82.7	174.2	126.9	164.9	89.8	93.4	87.8	96.9	98.5	100.0	12.8	5.3	4.8	4.8	4.1	5.5
Palang	230.7	260.8	48.3	112.8	103.3	118.6	88.0	90.7	79.2	85.1	91.5	100.0	16.0	10.1	3.4	3.4	1.1	1.2
Perak	260.3	375.3	73.2	164.4	118.3	135.0	87.3	89.8	86.5	92.9	85.5	100.0	13.3	11.5	4.2	4.7	2.0	2.8
Perlis	248.3	276.4	56.7	121.4	81.2	96.1	86.0	90.6	65.6	87.6	98.5	100.0	16.9	6.7	3.8	3.7	6.0	7.1
Pulau Pinang	448.7	651.8	130.0	232.0	130.6	141.9	89.6	93.1	97.8	99.6	98.5	100.0	10.2	8.8	6.5	7.4	29.7	30.2
Sabah <sup>2</sup>	109.4	101.0	62.9	81.7	65.0	50.5	71.5	78.4	64.3	77.3	48.0	78.0	31.6	37.8	2.4	2.2	0.4	0.5
Sarawak	176.6	215.0	68.0	116.8	56.3	67.2	76.0	80.6	70.1	85.1	52.0	80.0	22.3	19.2	2.5	2.9	0.1	0.2
Selangor	406.7	339.4	154.9	229.1	115.5	94.6	91.3	96.8	90.6	99.0	100.0	100.0	11.9	8.0	5.5	5.3	8.1	9.5
Terengganu	155.0	181.4	40.1	89.1	76.0	87.9	81.0	89.7	71.7	80.2	90.5	100.0	15.3	12.7	3.0	3.0	1.6	2.4
Wilayah Persekutuan Kuala Lumpur	350.9	616.3	224.3	369.5	146.8	201.4	92.7	94.0	100.0	100.0	100.0	100.0	9.7	9.7	16.7	22.6	41.4	71.1
Malaysia	272.9	339.2	89.3	164.3	99.5	108.5	85.1	89.3	80.1	89.1	83.8	95.5 <sup>6</sup>	13.1	9.9	4.8	5.3	1.2	1.5

**Notes:**

<sup>1</sup> Refers to percentage of population aged 10 and above who ever attended school.

<sup>2</sup> Includes Wilayah Persekutuan Labuan.

Source: Seventh Malaysia Plan (1996-2000)



ORGANISATION CHART  
MINISTRY OF INDUSTRIAL DEVELOPMENT

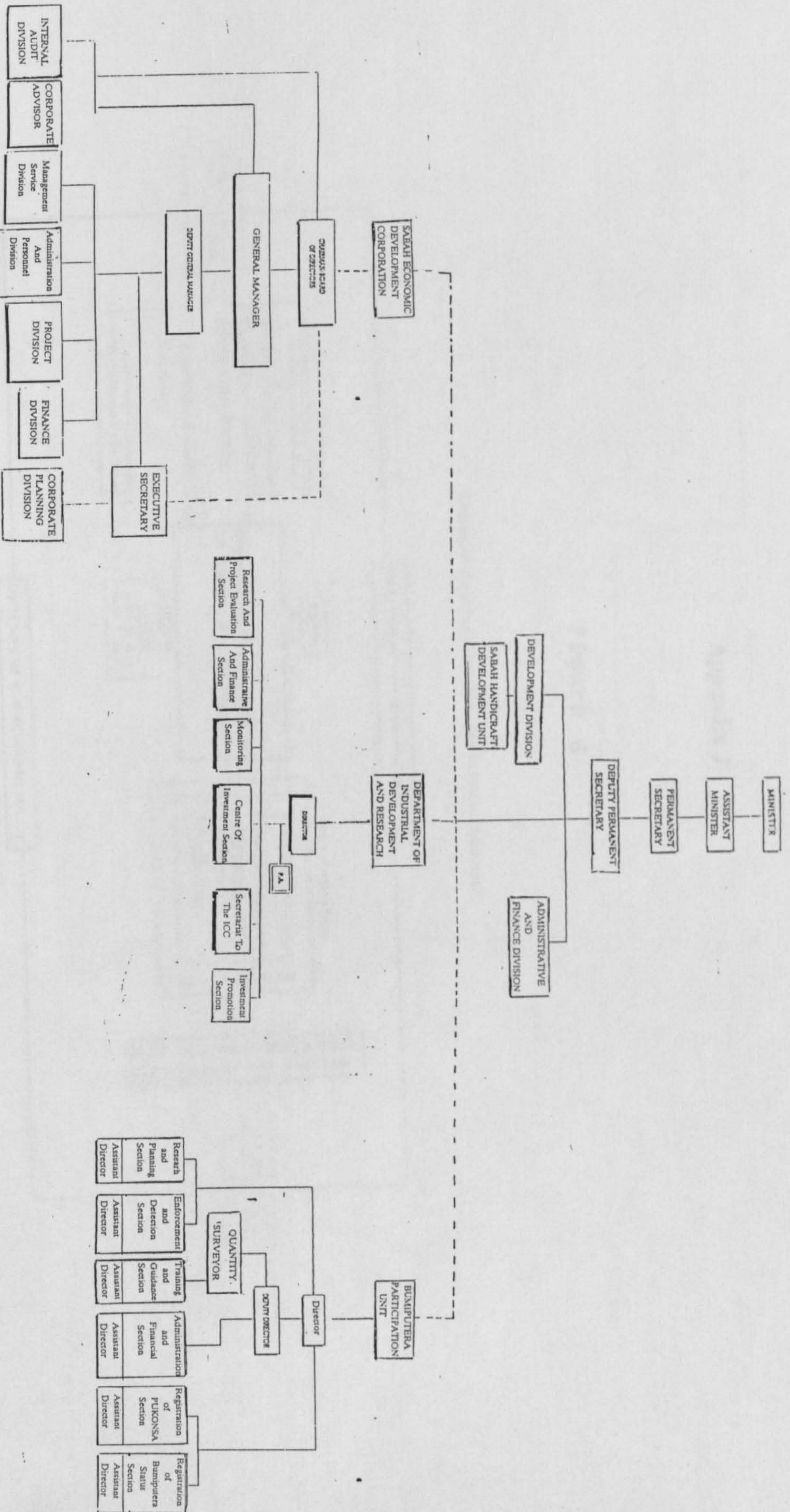


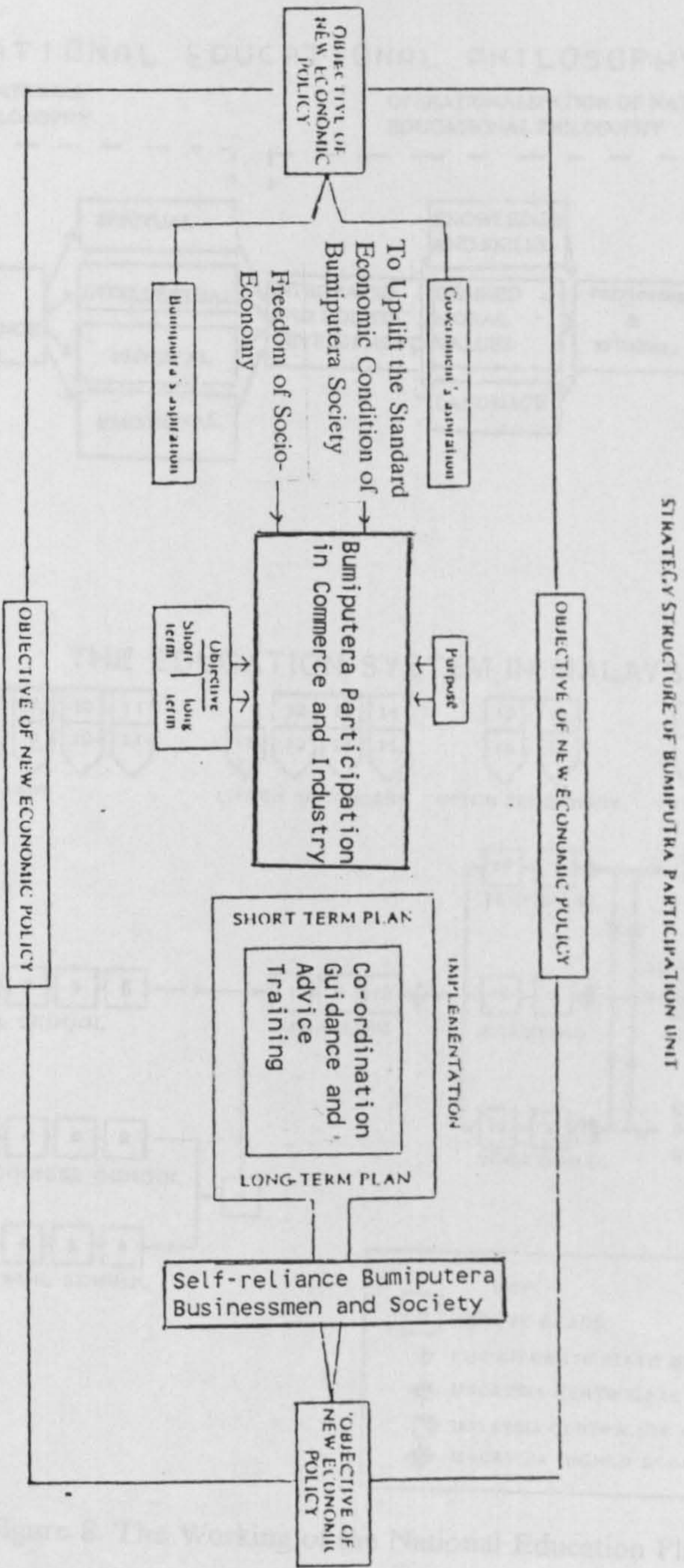
Figure 5 :

Organization Chart of the Ministry of Industrial Development  
Source: Ministry of Industrial Development Sabah, (Year Book, 1993)



Appendix J:

Figure 6



Strategy Structure of Bumiputera Participation Unit  
 Source: Bumiputera Participation Unit Sabah



## Appendix K

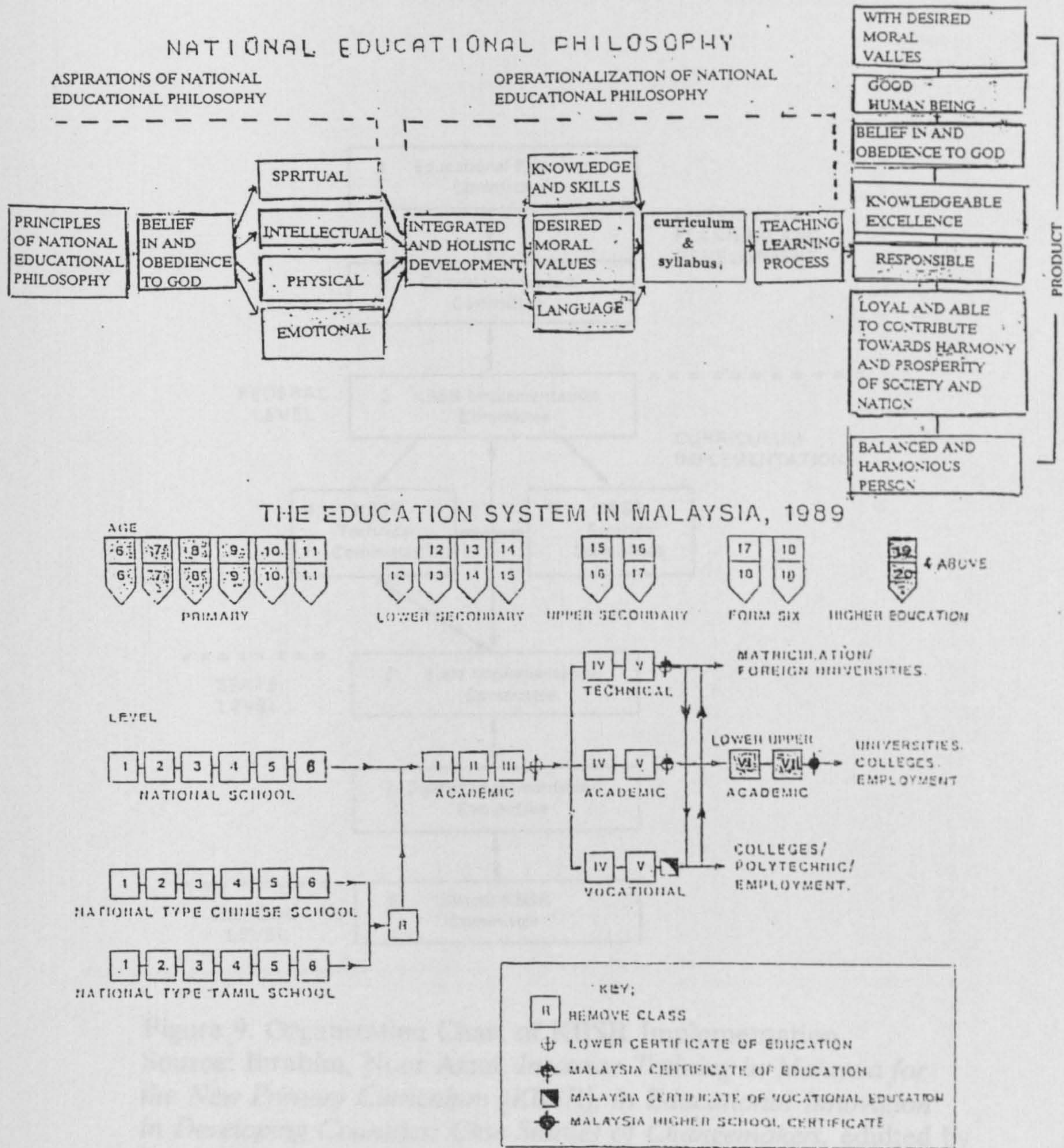


Figure 8. The Working of the National Education Philosophy and System of Education in Malaysia  
 Source: Ministry of Education, 1990



Appendix L:

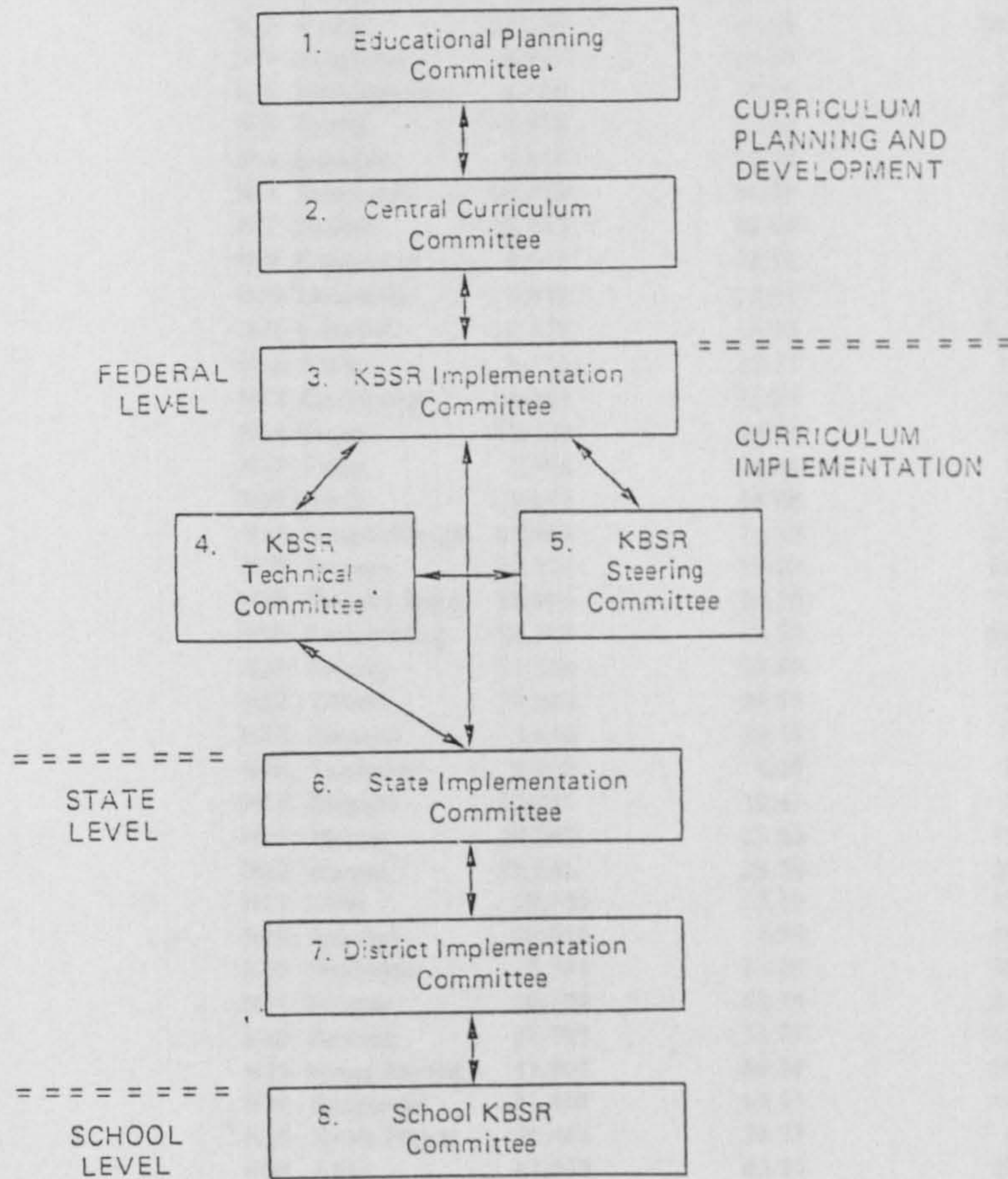


Figure 9. Organization Chart of KBSR Implementation  
 Source: Ibrahim, Noor Azmi. *Inservice Training in Malaysia for the New Primary Curriculum (KBSR), in Educational Innovation in Developing Countries: Case Studies of Changemakers*, edited by Lewin, K.M. Macmillan, London, 1991.



## Appendix M.

### Table 7 Ethnic Composition of Each Constituency

Constituencies	No. of Voters	Muslim %	Non-Muslim	
			Chinese %	Bumiputra %
N 1 Banggi	6,555	80.68	0.18	19.14
N 2 Kudat	15,298	45.28	36.06	18.66
N 3 Bengkoka	9,003	50.20	1.02	48.78
N 4 Matunggong	8,350	14.29	2.89	82.82
N 5 Tandek	6,938	52.39	2.19	45.42
N 6 Langkon	7,677	30.38	2.15	67.47
N 7 Tempasuk	10,858	64.39	0.32	35.29
N 8 Usukan	12,452	82.98	6.67	10.35
N 9 Kadamaian	8,945	18.52	0.72	80.76
N10 Tamparuli	9,658	20.60	13.98	65.42
N11 Sulaman	11,771	63.33	12.59	24.08
N12 Kiulu	8,156	33.37	4.51	62.12
N13 Kundasang	11,061	33.97	0.61	65.42
N14 Ranau	10,329	20.88	6.82	72.30
N15 Sugut	7,386	54.41	1.45	44.14
N16 Labuk	8,847	46.66	3.02	50.32
N17 Sungai Sibuga	19,960	71.25	25.49	3.26
N18 Elopura	14,311	30.19	68.40	1.41
N19 Tanjung Papat	12,605	26.35	72.75	0.90
N20 Karamunting	12,218	13.50	84.24	2.26
N21 Sekong	13,764	79.40	18.34	2.26
N22 Sukau	10,187	94.24	2.29	3.47
N23 Kuamut	5,452	39.16	0.75	60.09
N24 Tambunan	8,153	4.60	3.34	92.06
N25 Bingkor	12,061	32.47	0.90	66.63
N26 Moyog	14,242	21.80	13.30	64.90
N27 Inanam	15,566	29.76	28.39	41.85
N28 Likas	19,756	37.10	52.70	10.20
N29 Api-Api	20,016	4.04	88.68	7.28
N30 Sembulan	13,504	33.36	50.53	16.11
N31 Petagas	20,350	52.34	22.87	24.79
N32 Kawang	11,787	51.07	10.64	38.29
N33 Buang Sayang	13,802	69.39	10.13	20.48
N34 Bongawan	11,868	63.43	12.73	23.84
N35 Kuala Penyu	10,486	56.77	6.41	36.82
N36 Klias	12,033	65.55	18.54	15.91
N37 Lumadan	9,065	89.99	5.79	4.22
N38 Sipitang	9,702	65.36	6.62	28.02
N39 Tenom	8,841	19.81	27.00	53.19
N40 Kemabong	7,366	19.10	10.79	70.11
N41 Sook	14,724	18.68	16.06	65.26
N42 Nabawan	5,209	19.04	1.06	79.90
N43 Merotai	18,662	81.19	11.64	7.17
N44 Sri Tanjung	24,720	40.92	57.31	1.77
N45 Lahad Datu	23,055	67.02	24.27	8.71
N46 Kunak	14,858	93.90	3.86	2.24
N47 Balung	19,079	70.02	28.08	1.90
N48 Sulahayan	17,626	96.80	3.12	0.08



Table 8

ANALYSIS OF CONSTITUENCIES WON BY  
BN AND PBS IN THE 1994  
SABAH GENERAL ELECTIONS

Malay/Muslim Bumiputra Majority Constituencies

Constituency		Malay / Muslim	Number Of Chinese	Kadazan/ Dusun	Won By Party
Banggi	( 6,555)	5,289	12	1,254	PBS
Bengkoka	( 9,003)	4,519	92	4,392	UMNO
Tempasuk	(10,858)	6,991	35	3,832	AKAR
Usukan	(12,452)	10,333	83	1,289	UMNO
Sulaman	(11,771)	7,454	1,482	2,835	UMNO
Sugut	( 7,386)	4,019	107	3,260	UMNO
Sungai Sibuga	(19,960)	14,222	5,088	650	UMNO
Sekong	(13,764)	10,929	2,525	310	UMNO
Sukau	(10,197)	9,610	233	354	UMNO
Petagas	(20,350)	10,651	4,654	5,045	UMNO
Kawang	(11,787)	6,020	1,254	4,513	UMNO
Buang Sayang	(13,802)	9,577	1,398	2,827	UMNO
Bongawan	(11,868)	7,528	1,511	2,829	UMNO
Kuala Penyu	(10,486)	5,953	672	3,861	PBS
Klias	(12,033)	7,888	2,231	1,914	PBS
Lumadan	( 9,065)	8,157	525	383	UMNO
Merotai	(18,662)	15,152	2,172	1,338	UMNO
Lahad Datu	(23,055)	15,452	5,595	2,008	UMNO
Kunak	(14,858)	13,951	574	333	UMNO
Balung	(19,079)	13,360	5,357	362	UMNO
Sulabayan	(17,626)	17,062	550	14	UMNO
Tandek	( 6,938)	3,673	152	3,113	PBS
Kudat	(15,298)	6,928	5,517	2,853	LDP

\* Chinese Areas

Constituency		Malay / Muslim	Number Of Chinese	Kadazan/ Dusun	Won By Party
Likas	(19,756)	7,329	10,411	2,016	SAPP
Api Api	(20,016)	809	17,749	1,458	PBS
Sembulan	(13,504)	4,505	6,823	2,176	PBS
Elopura	(14,311)	4,320	9,789	202	SAPP
Tanjung Papat	(12,605)	3,322	9,170	113	SAPP
Karamunting	(12,218)	1,650	10,292	276	PBS
Sri Tanjung	(24,720)	10,115	14,166	439	PBS

Mixed areas

Constituency		Malay / Muslim	Number Of Chinese	Kadazan/ Dusun	Won By Party
Inanam	(15,566)	4,633	4,419	6,514	PBS
Tenom	( 8,841)	1,751	2,387	4,703	PBS

Kadazan/Non-Muslim Bumiputera areas

Constituency		Malay / Muslim	Number Of Chinese	Kadazan/ Dusun	Won By Party
Matunggong	( 8,350)	1,193	241	6,916	PBS
Langkon	( 7,677)	2,332	165	5,180	PBS
Kadamaian	( 8,945)	1,657	64	7,224	PBS
Tamparuli	( 9,658)	1,990	1,350	6,318	PBS
Kiulu	( 8,156)	2,722	368	5,066	PBS
Tambunan	( 8,153)	375	272	7,506	PBS
Bingkor	(12,061)	3,916	109	8,036	PBS
Moyog	(14,242)	3,105	1,895	9,242	PBS
Kernabong	( 7,366)	1,407	795	5,164	PBS
Sook	(14,724)	2,751	2,364	9,609	PBS
Nabawan	( 5,209)	992	55	4,162	PBS
Kuanit	( 5,452)	2,135	41	3,276	PBS
Labuk	( 8,847)	4,128	267	4,452	PBS
Ranau	(10,329)	2,157	704	7,468	PBS
Kundasang	(11,061)	3,757	68	7,236	PBS

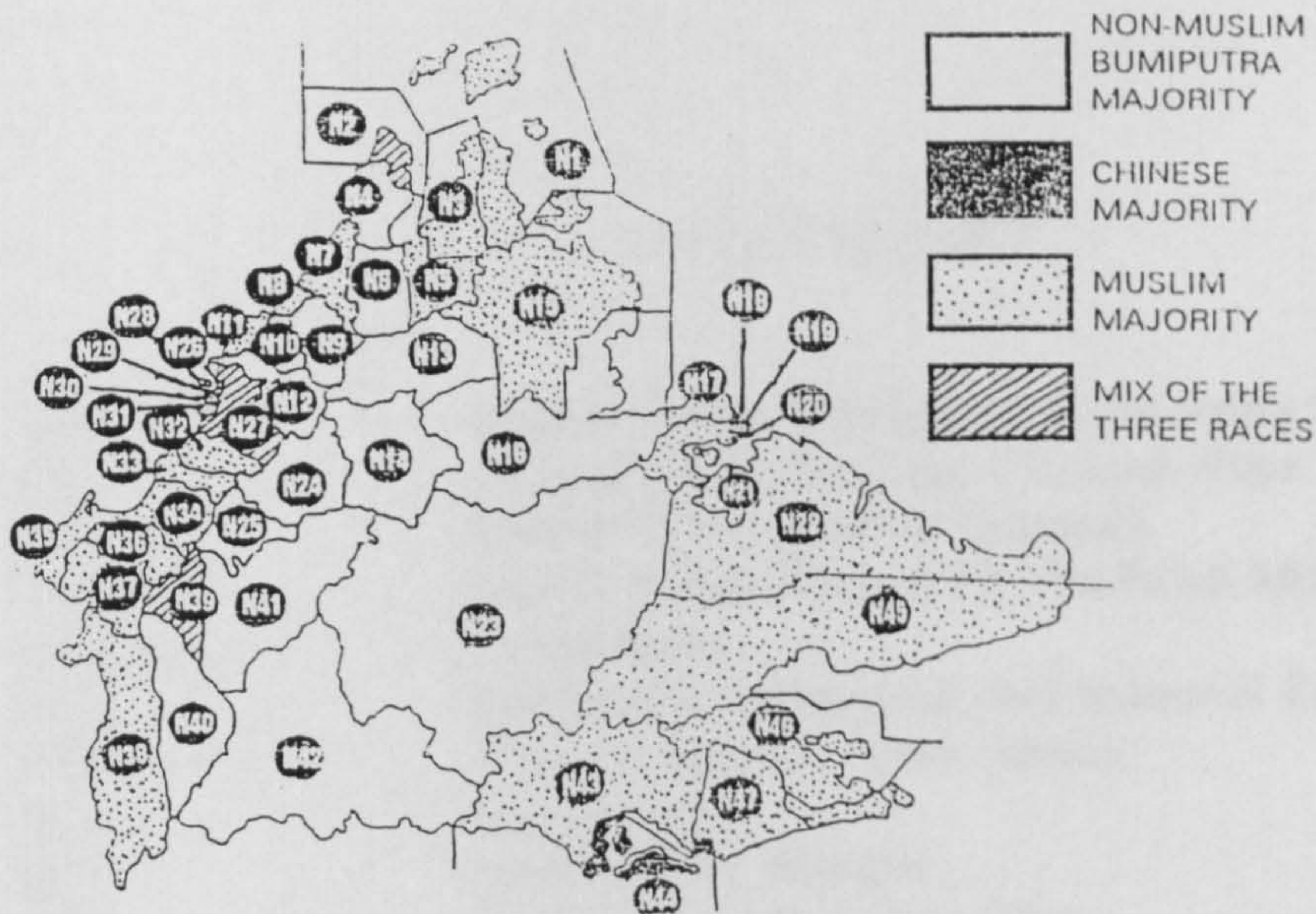
Table 7 and 8

The Ethnic Composition of the People of Sabah which are Politically Divided According to Ethnicity, Religion and Political Alignment

Source: Luping, Herman. *Sabah's Dilemma*. Magnus Books, Kuala Lumpur, 1994.



# Appendix N



SABAH'S DILEMMA

RACIAL CLASSIFICATION OF 48 SEATS

## LANGUAGES OF SABAH

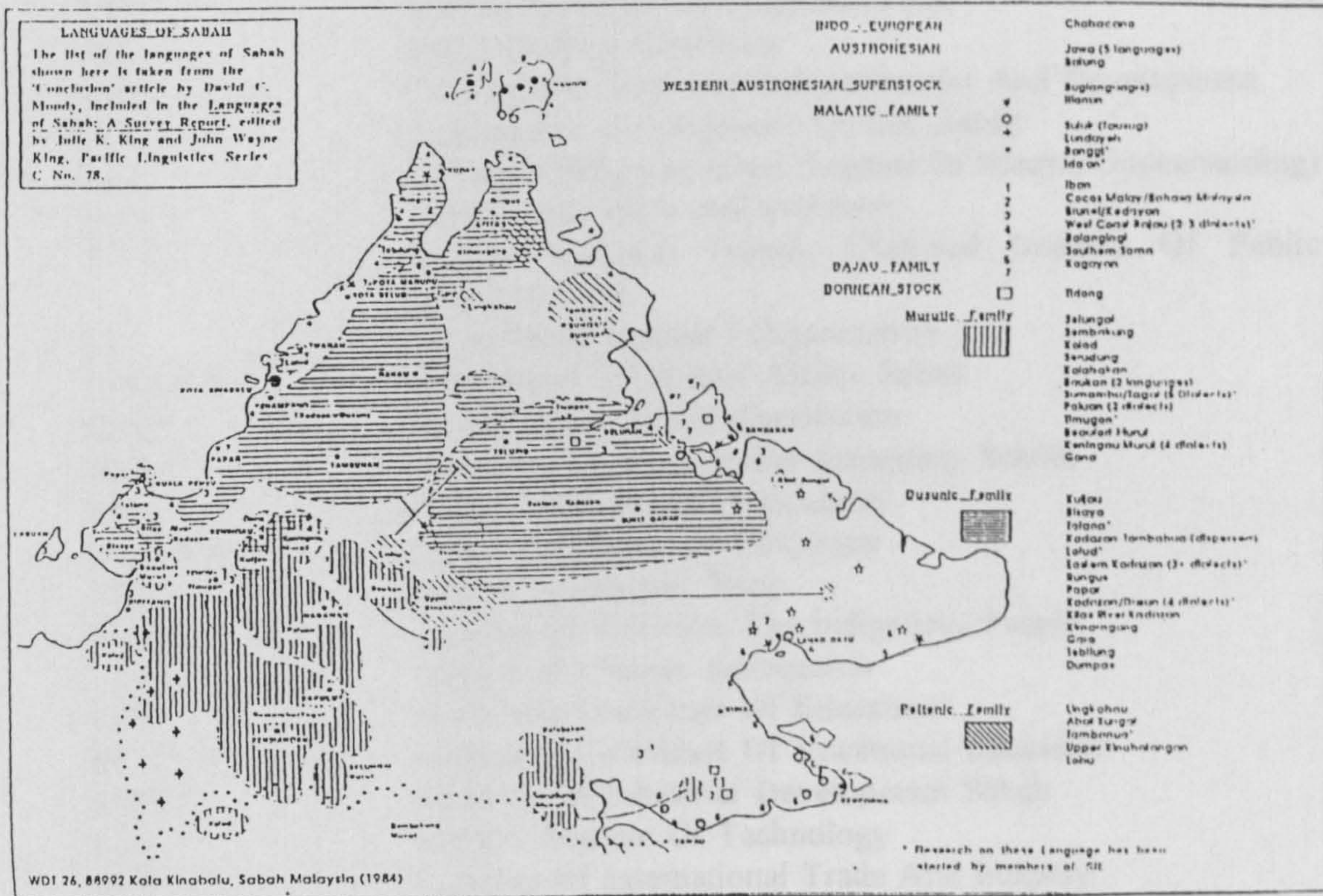


Figure 10. Maps Showing the Distribution Of The Non-Muslim Bumiputera, Muslim, And Chinese Populations In Sabah Constituencies, Districts And Divisions. The Maps Also Indicate The Variety Of Languages and Cultures Of The Sparsely Populated Region And The need For Effective Mechanisms To Unite Them As Malaysians.

Source 1. Luping Herman. *Sabah's Dilemma*. Magnus Books, Kuala Lumpur, 1994.

Source 2: Regis, Patricia. *Demography, in Sabah 25 Years Later*, edited by Jeffrey Kitingan and Maximus Ongkili. IDS (Sabah), 1989.



## *GLOSSARY*

ASB -	Amanah Saham Bumiputera (Bumiputera Share Trust)
ASN -	Amanah Saham Nasional (National Share Trust)
BN-	National Front (Barisan Nasional)
BAHEIS -	Islamic Affairs Divison Of The Prime Minister's Department
Bank Negara -	Central Bank
BCIC -	Bumiputera Commercial And Industrial Community
BERNAMA -	Malaysia National News Agency
BO -	Build Operate
BOT -	Build Operate Transfer
BPU -	Bumiputera Participation Unit
FAMA -	Federal Marketing Authority
FELDA -	Federal Land Development Authority
HRDC -	Human Resource Development Council
HRDF -	Human Resource Development Fund
HSC -	Higher School Certificate
IBRD -	International Bank For Reconstruction And Development
IDS -	Institute For Development Studies, Sabah
IKIM -	Institiut Kefahaman Islam (Insitute Of Islamic Understanding)
INFRA -	Institute For Rural Advancement
INTAN -	Institiut Tadbiran Negara (National Institute Of Public Administration)
ISO -	International Standard Organization
JAHEINS -	Department Of Islamic Affairs Sabah
KBSR -	New Primary School Curriculum
KBSM -	Integrated Curriculum For Secondary School
KPD -	Rural Development Corporation
LCE/SRP -	Lower Certificate Of Education
LDP -	Liberal Democratic Party
MARA -	Council Of Trust For The Indigenous People
MCA -	Malaysian Chinese Association
MCE -	Malaysian Certificate Of Education
MCVE -	Malaysian Certificate Of Vocational Education
MIDS -	Ministry Of Industrial Development Sabah
MIT -	MARA Institute Of Technology
MITI -	Ministry Of International Trade And Industry
MNC -	Multi National Corporation
MUIS -	Sabah Islamic Council
NAC -	National Action Council
NDC -	National Development Copuncil
NDP -	National Development Policy



NEP -	New Economic Policy
NCTC -	National Vocational Training Council
PAS -	Pan-Islamic Party Malaysia
PBRS -	Sabah People United Party
PBS -	Parti Bersatu Sabah (Sabah United Party)
PDS -	Sabah Democratic Party
PKR -	People's Development Leader (Pemimpin Kemajuan Rakyat)
PERKIM -	Islamic Welfare Association Of Malaysia
PNB -	Permodalan Nasional Berhad (National Equity Corporation)
PPRT -	Programmes Of The Hard Core Poor
PUKONSA -	Contractors Service Centre
RIDA -	Rural Industrial Development Authority
RTM -	Radio And Television Malaysia
SAB -	Sabah Action Blueprint
SAPP -	Sabah Progressive Party
SEDCO -	Sabah Economic Development Corporation
SFI -	Sabah Forest Industry
SIMP -	Sabah Industrial Masterplan
SMI -	Small And Medium Industry
SUPP -	Sabah United People Party
SOPP -	Second Outline Perspective Plan
TQM -	Total Quality Management
UMNO -	United Malay National Organization
UNESCO -	United Nations Education And Scientific Co-operation
USNO -	United Sabah National Organization

## REFERENCES

### Chapter One

1. When Mahathir was expelled from UMNO for criticizing the Tengku Abdul Rahman Administration, he wrote his famous book, *The Malay Dilemma*. The book was one of the first which brought to light the problems of the poor Malay society in a Chinese dominated economy. He criticised Malay culture for its backwardness and the Government for not doing enough to improve the Bumiputeras' conditions. See Mahathir Mohamad, *The Malay Dilemma* (The Asia Pacific Press, 1970).
2. Schedule 3 of the Malaysian Constitution provided that Islam should be the official religion, while schedule 152 of the Constitution provided that Malay Language should be the official religion. However, both schedules allow others to practice their own religions and teach their own languages.
3. See Means, (1991: 1-18) *Malaysian Politics: The Second Generation*. Oxford University Press and Slimming (1969) *Malaysia: Death of Democracy*. John Murray, London.
4. In trying to understand capitalist development in Malaysia in general and for the Bumiputera in particular, the author has researched the literature on capitalist theory and capitalist development as listed in the bibliography. This included theoretical works on dependency and Marxism. It is a long list but most are in economic journals such as *History Of Political Economy*, *Capital And Class*, *Journal Of Development Studies*, and *Review Of Radical Political Economics*.
5. Regarding the formation of Asia Free Trade Zone and East Asian Economic Caucus, see GOM. *Malaysia Official Year Book 1995*. Department Of Information Malaysia (1995: 234-237).
6. See Sicular (1988: 96:) Plan And Market In China's Agricultural Commerce. *Journal Of Political Economy* and Richardson (1970/71) "Planning Versus Competition." *Soviet Studies*, 22 .
7. See Arcibugi and Holland (1978: 165-168) in Holland, Stuart. *Beyond Capitalist Planning*. Basil Blackwell. They argue that the problem of implementation could lead to a more authoritarian Government.



8. See Means (1991) *Malaysian Politics: The Second Generation*. Oxford University Press and Jomo (1989) *Mahathir's Economic Policies*. Insan, Petaling Jaya. These two writings brought to light various social, economic and political crises in Malaysia.

## *Chapter Two*

1. See Ryan (1967: 15-96) *The Making of Modern Malaysia*. Oxford University Press.
2. See Ryan, *op cit.* (1967: 43-160).
3. The Chinese tin miners were divided into two clans, the Ghee Hin and Hai San. Until the British intervened in 1862, they frequently fought among themselves over who would control the tin mines. The Malay chiefs responsible for granting tin mining rights were abusing their power and becoming rich, see (Parkinson [1960: 120-124] *British Intervention In Malaya 1867-1877*, University of Malaya Press, Singapore,).
4. See Ryan, *op cit.* (1967: 133-140).
5. See Ryan, *op cit.* (1967: 119-140).
6. The transfer of Trengganu, Kelantan, Kedah, Perlis was desirable for the British because, at that time, France, Germany and the USA were looking for colonies. The presence of these three foreign powers might have undermined British influence in the peninsular. The British managed the transfer diplomatically so as not to disappoint the Siamese King who could turn to France in Indo-China for help (see Ryan [1967] regarding the British intervention and also [Parkinson, 1960]).
7. See Ryan, *op cit.* (1967: 172) and Ongkili, (1974: 88).
8. See Ryan, *op cit.* (1967: 172) and Ongkili (1974 :88).
9. See Ryan *op cit.* (1967: 143-161 and 173-199) as well as Turnbull (1974/75) "British Planning For Post War Malaya" in *Journal Of Southeast Asian Studies*.
10. The Japanese landed in Kelantan on 8th December, 1941 and marched south forcing the British to surrender on 15th February, 1942 in Singapore. Kuching, the capital town of Sarawak, fell to the Japanese on 25th December, 1941. In Sabah, the town of Jesselton which after the war became the capital fell to the Japanese on 6th January, 1942. Sandakan which was the capital town at that time fell on 16th

january, 1942. During the three and a half years of Japanese regime, the economy was destroyed and the people suffered (Ryan, 1967).

11. The Malay King in Malacca was dethroned when the region was invaded by the Portuguese during the early 16th. century. Malacca later fell to the Dutch before it was transferred to the British in 1824 (see Ryan, 1967).

12. After the war, the communists also infiltrated Singaporean society through social associations such as trade unions with the hope that they would gain control by persuading people to their cause. As the predominantly Chinese population in Singapore was businessmen and traders, they opposed any law which would affect their business interest. They refused to be ruled by Malays. For instance rioting broke out over the problem of Chinese education after the April 1955 elections. The new elections were won by People Action Party under the leadership of lee Kuan Yew with 43 out of 51 seats. The elections led to self-government in the state of Singapore in 1959. But the communists won some seats in the elections. (Ryan, 1967).

13. Singapore was separated from Malaysia due to fear that the communal unrest - which coincided with 1964 elections - might spread to Malaysia. The unrest was allegedly incited by Indonesia, for details see (Means, 1991: 3-4 and Luping, 1994: 144-151).

14. The allocation of expenditure for the First Five-Year Malaya Plan (1956-1960) was \$1,138.5 million. The economic committee divided the fund for the planned public investment into 60 per cent for economic development, 30 per cent to social development and 10 per cent to improving the administration. The state fixed no specific target for the free enterprise. But, gave priorities to projects that could stimulate private enterprises. The allocations of expenditure for the planned programs were: transportation 19.3 %, communication 5.9 %, electric power 7.9 %, improvement of amenities in towns 15.8 %, subsistence agriculture sector 7 %, and the balance was for investment on economic development. See Second Malaya Plan; and Rudner (1975). *Nationalism, Planning and Economic Modernization*, SEGE.

15. See Rudner *op cit.* (1975: 44-45).

16. See Ferguson (1965: 149-167) "The Story Of Development In Malaya (Now Malaysia) - Some Aspect." *Journal Of Local Administration Overseas*, IV:3.

17. The proclamation of national ideology, Rukunegara reads as follows: Our nation, Malaysia, being dedicated to achieve a greater unity of all her peoples; to maintaining a democratic way of life; to creating a just society in which the wealth of the nation shall be equitably shared; to ensuring a liberal approach to her rich and diverse cultural traditions; to building a progressive society which shall be oriented to modern science and technology;



We, her peoples, pledge our united efforts to attain these ends guided by these principles-  
Belief in God; Loyalty to King and country; Upholding the constitution, Rule of Law; Good behaviour and Morality.

See Means (1991: 12-13) *Malaysian Politics*, Oxford University Press.

18. Tun Razak had the support of people like Mahathir Mohamad (now prime Minister), Musa Hitam and Tengku Razaleigh Hamzah, see Means *op cit.* (1991: 1-51).

19. Other than his Sabahan wife, Tun Mustapha had a wife in London and was alleged to have a mistress in Australia, see Means *op cit.* (1991 :42).

20. See Campbell (1986: 58-59, 326) *Sabah Under Harris*. Nan Yang K.L..

21. Mahathir is the author of *Malay Dilemma* (1969). He had been dismissed as a UMNO member for allegedly criticizing the first Malaysian Prime Minister, Tengku Abdul Rahman. In an interview with Altaf Gauhar in 1986, he defended his book saying, "I was for sharing provided it was equitable sharing. So we evolved the New Economic Policy, the thrust of which was to eradicate poverty regardless of race and to redistribute wealth on a more equitable basis between the different races," see (*TWQ*, 8 (1) January, 1986: 1-15). On the other hand, he supports Tengku for preserving the Malay privileges in the constitution (see Means [1991: 83-84]).

22. The BMF scandal was caused by failing investments in Hong Kong which was financed by Bank Bumiputera Malaysia. The buying and reselling of property was performed dishonestly by deceiving the Bank Bumiputera on the actual price of the properties. Malaysian ministers were allegedly involved in covering-up the scandal. It became public when a Bank Bumiputera official Jalil Ibrahim was murdered in Hong Kong in mid-1983 (Jomo, 1989: 95-122).

23. Allegations of abuses and conflict of interests in the way privatised projects were awarded were made in the case of North-South Highway to United Engineers Malaysia and UMNO in 1987 and in the Kuching Road Tolls to Seri Angkasa Ltd. in 1985 where the Finance Minister, Daim Zainuddin has an interest (Jomo, 1989: 7). The most recent case of conflict of interest was the award of shares to the son-in-law of Datuk Seri Rafidah Aziz, Minister of Trade and Industry (*FEEER*, 6th July, 1995: 14-15).

24. Datuk Pairin became the Chief Minister of Sabah after ousting the Party BERJAYA under Datuk Harris in the state elections in mid-1985. Pairin's Christian dominated Party PBS formed a pact with Sabah's oldest Malay party USNO to remove Harris. After gaining a majority he formed a state government without USNO which remained the National Front's only rival in Sabah. Pairin's campaign was based on anti-Federal government and raised many issues such as turning Labuan into Federal Territory without a referendum, larger shares from the oil

royalty, better social development such as university and state control television station. Later, issues of separation from Malaysia were raised by the PBS leading to the arrest of those involved; including Pairin's younger brother, Dr. Jeffrey Kitingan. Due to PBS anti-Federal sentiments, UMNO entered Sabah after USNO was dissolved in 1991 and its members joined UMNO to lead the onslaught against the PBS (see Luping [1994: 438-451] *Sabah's Dilemma*. Magnus Books, K.L).

25. Anwar Ibrahim took over as Deputy Prime Minister in 1993 after he won the number two party post uncontested as the incumbent Ghafar Baba withdrew from the party elections. Before joining politics he was involved in student movements in his university years and was arrested under the Internal Security Act. Later he headed Angkatan Belia Islam Malaysia (an Islamic youth movement) before Mahathir invited him to join UMNO in the early 1980s to counter PAS that has regained support from the Malays. Due to his charisma Anwar enjoyed strong support from the Malays, see Means, *op cit.* (1991: 87-91).

26. In Malaysia the birth rate was 30.0 % and death rate was 5.8% out of population 12.95 million in 1977. Sabah alone has a birth rate of 36.7% and death rate of 4.3% out of population of 90 million in 1977. Sarawak has a birth rate of 29.0% and death rate of 4.8% out of population of 1.16 million in 1977. Malaya has birth rate of 29.7% and death rate of 6.1% out of 10.8 million. So, through-out the three regions Sabah has the highest birth rate. Further, this rate is increasing from the 1970 figure of 31.5%. This might be due to the increasing number of immigrants from Indonesia and Philippines, see Johari and Amirdad (1992:14, Table 3; 21, Table 6, and 128-129, Table 11) *Population and Health Issues in Sabah*. IDS.

27. See *FEER*, 18 June 1992: 28.

### *Chapter Three*

1. Regarding evaluation of the NEP's performance see GOM. *Malaysian Economic Consultative Council Report 1990*. Prime Minister's Department, 1990 (Chapter Two).

2. Regarding the manpower needs, see *Sixth Malaysia Plan (1991-1995) & Seventh Malaysia Plan (1996-2000) Reports* (National Printing Co. Ltd for Economic Planning Unit).

3. For details on the Bank Bumiputera scandal see Jomo (1989) *Mahathir's Economic Policies* (Insan, Petaling Jaya); for the Bank Negara's losses see Othman (1994). *Bank Negara Bankrap: Siapa Mangsakan Siapa?* (Penerbitan Pemuda, Selayang Baru); see also Tsuruoka (1994: 70) "Early Withdrawal: Malaysia Looks For New Central-Bank Governor" (*FEER*, April 14); Tsuruoka and Burton (1993: 50)



"Owing Up: Malaysia's Bank Negara Suffers Currency Losses" (*FEER*, 15 April); for losses in heavy industries see Jomo (1989) *Mahathir's Economic Policies* (Insan, Petaling Jaya); and Bowie (1991) *Crossing the Industrial Divide: State, Society, and the Politics of Economic Transformation in Malaysia*. (Columbia University Press, New York).

4. See Means (1991: 223-212) *Malaysian Politics: The Second Generation* (Oxford University Press).

5. See PBS Manifesto for the 1990 elections pp 18-27.

6. For quality improvement in the Civil Service see Abdul Hamid, Ahmad Sarji (1996) *The Civil Service of Malaysia, Towards Efficiency and Effectiveness: Improvements and Development in the Civil Service of Malaysia, 1995* (GOM, Kuala Lumpur).

7. See Malaysia Year Book 1995 on the latest Government Organization in Malaysia.

8. For some assessment of the role of these agencies, see Siwar (1988: 225-243) *Agriculture and Rural Development Policies in ASEAN: A Comparative Assessment of Malaysian Agricultural Policy: Issues and Directions* (Serdang); also see Siwar and Nik (1988) *Integrated Rural Development in Malaysia: An Assessment* (National University of Malaysia Press, K.L.).

9. A feature in the *Berita Harian* was made in conjunction with the launching the Vision Village Programmes (*Berita Harian*: 4th July, 1996); and see also *Seventh Malaysia Plan (1996-2000)*, EPU (1996: 156-157).

10. (a) On 21st August, 1991, the chief secretary of the MITI, Datuk Hj. Shaharudin said that the Industrial Technical Assistance Fund was still unpopular. He also said on that date that only 70 applications worth 3.5 million had been approved; which was only 7% of the RM50 million fund; see also *Seventh Malaysia Plan (1996-2000)*, (EPU 1996: 279).

(b) On 15th January, 1992, MITI drew up a new strategy to develop the SMIs, see (*Daily Express*, 15.1.1992).

(c) On 3rd March, 1992, MITI initiated a long-term national programme to inculcate quality systems within the small-and-medium enterprises. MITI will need a plan of action to work relevant programmes on quality education and quality implementation. So far, SIRIM had issued 63 certificates to 50 organizations for having met the criteria for certification. Another 160 applications are being processed (Report by Taing Anna, *B.H.*: 3.3.1992).

(d) On 17th March, 1992 Ken Peplow - Principal of Peplow Waren and Associates a UK-based quality consultancy firm - said: "Malaysian SMIs can no longer afford to ignore the ISO 9000, especially if they still want to continue supplying to multinationals, see (Report by Bahaman K'Zaman, *Business Times*, 17.3.1992).

(e) On 1st. April, 1992, OSM Rede Group Sdn. Bhd. - a quality control firm - said that SMIs can achieve the ISO 9000 quality if they pooled their resources (see report by *BERNAMA*, *Borneo Mail*, 1.4.92).

(f) On 24th January, 1995, the Deputy Minister of Finance, Mustapa Mophamed warned that SMIs should train workers and should have a human resource development program (see *Borneo Mail*, 24.1.1995).

(g) On 25th February, 1995, = MITI's Minister, Rafidah revealed that the Ministry census that only 18% of SMIs were involved in the fabricated metal products, machinery and equipment industries which provide important inputs for bigger industries. The findings also indicate that "only 18% of SMIs are aware of the credit facilities provided by government, while only 8% use advanced technology, indicative of the lag in quality control and technological sophistication." While the manufacturing sector grew by 13.3% for 1990-1994 period, and merchandise trade by 18.7%, the service sector only grew at an average of 10% over the same period, (see the report by Hafidz, Sharifah and John Talla, *STAR*, 25.2.1995).

(h) On 5th September, 1995, = MITI's Minister, Rafidah announced that it had spend RM168.5 million on SMIs. The funds were disbursed to five implementing agencies. These were Besta Distributors Sdn. Bhd. (RM957,000) for the implementation of an integrated marketing programme, Guthire Furniture Sdn. Bhd. (RM1.0 million) for developing the furniture industry; Malaysian Industrial Estates Sdn. Bhd. (RM3.4 million) for developing industrial sites, MIDF (RM14.4 million), and Bank Pembangunan Malaysia Bhd (RM15 million). On 5th September, 1995 a proposal was made to established the Small and Medium Development Corporation so that development of SMIs will be more focused and centralized (*NST*, 5.9.1995).

11. On 26th November, 1993 Mahathir reported that Malaysia is the leading exporter of high technology goods among developing countries in the region. He reported this when opening two plants producing industrial chemicals at Gebeng Industrial Zone, Kuantan, Pahang - the Methyl Tertiary Butyl (propylene) and Polypropylene plants (see *Daily Express*, 26th November, 1993).

On 13th June 1995, MITI's Minister, Rafidah said that there was a lack of researchers in 1992. In that year, there were only two full-time researchers for every 10,000 workers in Malaysia compared to 40 in Singapore and 50 in Australia; see also *Seventh Malaysia Plan Report (1996-2000)* (EPU, 1996:115).



On 6th October, 1996, Malaysia announced that it had made its first light aeroplane: the Eagle X-TS. Mahathir, acknowledged that this was the only way for Malaysia to acquire high-technology although it was an expensive undertaking (see *Berita Harian*, 6.10.93).

12. For details on the privatization development programmes, see GOM. *Development Administration Circulars 1991 and 1992: Towards Quality, Productivity, and Accountable Civil Service in Malaysia*. GOM, Kuala Lumpur, 1992; and GOM. *Privatization Masterplan* (National Printing Department, Kuala Lumpur, 1991).

13 See Guidelines on the Strategies to Improve Quality In The Public Service. The seven additional strategies are: (1) The Q Proposal System - This system will provide input in the form of new ideas on how to improve quality. (2) The Q Process System - Every department must display a flow chart concerning their work process. This includes the times taken to finish the client's work. (3) The Q Inspection System - Through this system, an agency will be able to determine all the output which is produced to meet the quality standard. This system enables immediate action to be taken when problems arise in producing an output. Thus, it enables certain problems to be controlled at an early stage before they affect the other stages. (4) The Q Slogan - This slogan will be able to create strong awareness among the workers. This awareness will motivate them to practice the quality values fixed by their respective agencies. The slogan will also give them a focus on the vision to be achieved; and an understanding of their role and objectives. e.g Quality Is Our Tradition. (5) The Q Day - This will be able to provide some publicity on the quality of their services. (6) The Quality Feedback System - This will enable the agency concerned to get feedback from their clients. This will build a positive image of the agency, creates the excellence culture, testing new services, and improve the image of the government. (7) The Q Information System - Every agency must provide brochures of their services, see also guidelines to Quality Improvement issued by Prime Minister's Department through Circular dated 1.4.91. In 1992, among other circulars issued to improve quality was *Guidelines on Development of Project Planning and Preparation*; see various writings by the former Chief Secretary to the Government, Abdul Hamid, Sarji: *Vision of Malaysia's Public Administration* (INTAN, 1994); *The Changing Civil Service: Malaysia's Competitive Edge*. Pelanduk Publication, Petaling Jaya, 1993; *Malaysia's Vision 2020: Understanding the Concept, Implications and Challenges* (Pelanduk Publication, Selangor, 1993); And see INTAN. *Wawasan 2020 dan Perkhidmatan Awam Malaysia* (INTAN, K.L, 1994).

14. Regarding Vision Village Movement, see the feature in *Berita Harian*, 4th July, 1996.

15. See GOM (1995:186-195) *Malaysia Year Book 1995*, Department of Information Malaysia.

16. In regards to poultry farmers, protests in which they threatened to dump the chickens in the Ministry of Agriculture were due to poor pricing see *NST*, 3.4.96. Regarding the producers of cement exporting their cement for higher prices see *Berita Harian*, 28.8.91.

17. See New Straits Time article by Ramlan Said on 9.4.96 for the coverage of the Perwaja losses of about 2.5 billion.

18. Shaikh, in his evaluation of Malaysian public enterprise, outlined several reasons for the inferior performance. These were: "(1) Lack of adequate evaluation and oversight, (2) Pursuit of socio-economic objectives, (3) Flawed Investment Decisions (4) Role of Permodalan Nasional Berhad Takeovers ( A government agency responsible for investment of the Bumiputera Share Trust Scheme and National Share Trust Scheme). Profitable Public enterprises pretending not to perform well to avoid being taken over by PNB. (5) The performance of Malaysian PE during the period also suffered from: (a) Pricing Policies -In many industries (eg. sugar, cement, steel), prices were set at the government prices on the basis of mark-up of costs. Most types of mark-up pricing dampens the pressure for cost efficiency and allows the firm to pass on this inefficiency in the form of higher prices to consumers. (b) Absence of Incentives - Few PEs had incentives systems for management that linked performance with rewards and penalties. The result was a focus upon processes rather than performance, especially in statutory bodies (c) Barriers to exit - Malaysian PEs were cushioned from closures and liquidation when things went wrong. For many large firms, the treasury acted as a guarantor for loans. For social and employment-related reasons, the government was reluctant to shut down chronically loss making firms, thus insulating PEs from the ultimate penalty for non-performance," see Shaikh, Abdul Hafeez. "Malaysia's Public Enterprise: A Performance Evaluation" (*ASEAN Economic Bulletin* Vol.9, No.2, 1992).

19. Anwar's strong support from younger Muslims in UMNO was demonstrated when he challenged Ghafar Baba for the post of Deputy President of UMNO during the Party elections in November 1993 (see *FEER* 28th October, 1993:18).

20. See Tsuruoka, Doug. "Malaysia's Leading Party Fills Its Election Cooffers: UMNO Money Machine" (*FEER*, 5th July, 1990: 48-50); also by the same author, "Privatized Patronage" (*FEER*, 20th December, 1990: 42-44). For detailed discussions on the problems see Gomez (1994) *Political Business: Corporate Involvement Of Malaysian Political Parties*, Centre For Southe-east Asian Studies, Townsville.

21. See Taing, Anna. "Worrisome Lag:The SMI Scene" (*Business Times*, 6.6.92).



## Chapter Four

1. For details on the geographical background of Sabah see British Overseas Development Administration (1980:3-6) *Executive Summary of the Sabah Regional Planning Study-Final Report*, Huntington Technical Service.
2. See Ongkili and Leong (1989) *Problems Encountered in Bumiputera Participation in Commerce and Industry*, in "Socio-Cultural Dimension of Development Planning." By Mohd. Yaakub Hj. Johari. IDS (Sabah), K.K.; King (1988: 263-298) "Models And Realities: Malaysian National Planning And East Malaysian Development Problems." *Modern Asian Studies*, 22 (2); and, Sabah Department Of Development. Sabah Facts And Figures. SDD, Kota Kinabalu, (Oct. 1992).
3. See the coverage of events leading to UMNO 1996 party elections campaigns: Jayasankaran, S. *Dirty Linen: High-Profile Criticism from a Mahathir Insider* (FEER, March 28th, 1996: 21); Jayasankaran article "Show Your Faces: Anxious Mahathir Calls for Party-Campaign Openness" (FEER, 25th April, 1996); and Spaeth's article, "Growing Impatient: Malaysia's Prime Minister Faces the Tricky Matter of When to Yield to his Chosen Heir" (*Times* June 19th, 1996: 14-16).
4. On the enlarged structure of SEDCO compared to during the NEP, see SEDCO's 1996 Annual Book.
5. See GOM. (1995: 281-290) *Malaysia Yearbook*, Department of Information Malaysia, K.L..
6. See Ministry of Industrial Development and its Agencies Year Book 1993 on the organization structure (see also the previous year books).
7. See Sabah Government. *SEDCO's Corporate Profile, 1996*.
8. See *Ministry of Industrial Development and its Agencies Yearbook 1993* (Printing Department Sabah, 1994:37-53).
9. See Chief Minister's Department report on, *Commercial Loans and Rural Credit Scheme for Pribumis*. The report revealed that RM104,494,621.13 was released through KPD and BPU between February 1978 and September 1983. However, the repayment to both agencies was only RM16,569,777 by 31th August, 1983 UPB, Kota Kinabalu, (September, 1983).
10. See Bumiputera Participation Unit Reports on the Bumiputera loan scheme problem (issued during the Harris Salleh Administration, 1976-1985).

11. See Sweezy, Maurice, Kohachiro, Hilton, Hill, Lefebvre, Procacci, Hobsbawn, and Merinton (1976) *The Transition from Feudal to Capitalism*, NLB, and Manjun, Masidi. Report on Present and Future of Sabahan Bumiputeras in Trade and Commerce, presented at Bumiputera Economic Congress 1995 (Organized by Sabah Government and Bumiputera Chamber of Commerce).
12. See Malaysian Economic Consultative Council (1990) Report, pp 98-107 regarding evaluation of the NEP (pp.17-120); Onkili, and Leong, in Johari (1989:141-166) *Socio-Cultural Dimension of Development Planning*, IDS.
13. Regarding procedures and list of public agencies to be privatized see GOM. *Privatization Master Plan* (National Printing Department, Kuala Lumpur, 1991); and Buang, Ambrin. *The Major Policies of Malaysia (Dasar-Dasar Utama Kerajaan)* (INTAN, K.L, 1990).
14. See Estimates of Revenue and Expenditure for the Year 1996, page 593, expenditure heading D.44.
15. See SEDCO's Corporate Profile, 1996, page 34.
16. See GOM. *Malaysia Year Book 1995* (Department of Information, 1995: 281-290); *Seventh Malaysia Plan (1996-2000)*: pages 60, 282 and 289 on the vendor development programme; "1995 Dialogue with the Minister of International Trade and Industry" on topic of "SMI" (*Star*, 25.2.95).
17. Regarding unit trusts and property trusts see *Bank Negara. Money and Banking in Malaysia* (Bank Negara Malaysia, Kuala Lumpur, 1994: 307-323).
18. See Means (1991: 92-94) *Malaysian Politics: The Second Generation* (Oxford University Press).
19. For instance attempts to debate matters in Parliament and give voice to Society's problems are being prevented by arresting or suspending the parliamentary member concerned, see the case of Lim Guan Eng an MP for Democratic Action party charged with sedition (report by Hiebert, FEER, 1995: 31); and Vatikiotis, Michael. "Conduct Unbecoming" (*FEER*, 18th June, 1992: 30).
20. On being privatized, SFI debts owing to the Sabah State Government will be turned into shares (*Business Times*: 4.8.94). After the privatization of SFI, the State Privatization Committee formed in December 1991 has identified 20 more Sabah State agencies for privatization, (*D.E.*: 14.10.95).
21. For instance the Deputy Prime Minister stated that the Government has issued a circular to all Government and private companies not to award contracts to foreign companies. This measure is taken foreign companies transfer their technology, train local manpower or use local components (Abdullah, A. & N. Gunalan, *NST*, January 20, 1996). Prior to this Mahathir's Look East Policy, has witnessed many contracts given to South Korean and Japanese contractors (See Means, *op cit.* 1991: 92-94).



22. See Nik and Ibrahim in INTAN. *Malaysian Development Experience* (INTAN, 1994: 281).
23. See Nik and Ibrahim in INTAN. *Malaysian Development Experience* (INTAN, 1994: 281).
24. On the role of PKR , see IDS. *Rationalization of Fund Allocation for Minor Rural Projects* (IDS, K.K, January, 1993).
25. For details on the latest agricultural programmes and planning, see Ministry Of Agriculture. *Department of Agriculture, Sabah Seventh Malaysia Plan 1996-2000: Phase Two (New Programmes and Projects)* (Department of Agriculture, February, 1995); and Ministry of Agriculture. *Department of Agriculture Sabah Seventh Malaysia Plan, 1996-2000: Phase One of Programmes and Projects Under Sixth Malaysia Plan and Extension to Seventh Malaysia Plan.* (Department of Agriculture, December, 1994).
26. Historically, Sabah has given priority to agricultural development as a majority of the people are primarily farmers. If seen from Sabah's budgets since 1991 more has been spent on agriculture than industry:

	Millions of RM spent on agricultural development	Millions of RM spent on industrial development
1991	124	9
1992	111	5
1993	97	12
1994	113	46
1995	93	38

It seems that as more funds are needed for industrial development and comparatively less should be allocated for agricultural development, (extracts from Sabah State Annual Development Budget, Ministry of Finance, 1991-1995).

27. See working paper on "Rural Development Co-ordination: An Experience" presented at the District Officer Seminar Organised by Ministry of Rural Development, Sabah, Kota Kinabalu, 8-11 August, 1996 at Tuaran.

28. See working papers presented by Institute for Rural Advancement (INFRA) on Vision 2020 Village Programme in Sabah (Presented at District Officer Seminar, organized by Ministry of Rural Development, Sabah, 8-11 August, 1996 at Tuaran).

29. For instance see the report on Rural Development in the District Of Kudat for two electoral constituencies. Although the financial allocation for the two constituencies in 1992 was around RM659,000.00, due to the large number of villages, every village will receive only a small amount of this funding annually. In N.2 constituency (Kudat), the largest amount a village can receive for road repair was RM10,000 and the smallest was RM4,000 (District Office, Kudat, 15th January, 1993).
30. See working paper on Rural development Co-ordination: An Experience (presented during the D.O's Seminar organized by Ministry of Rural Development Sabah, 8-11 August, 1996).
31. During Datuk Harris' Administration in Sabah, he introduced measures to curb problems of mismanagement in public enterprise, see Campbell (1986: 326-327) *Sabah Under Harris* (Warisan, 1986: 326-327) and Jamalul (1992) "Government Linked Agencies and Corporations - Issues, Challenges and Strategies for 1990s" in *Borneo Review* 3 (2), December, 1992.
32. Some authors indicate that the adoption of the Vision 2020 represents the Government's attempt to survive political challenges after the NEP, see Nathan (1989) "Politics of Survival" *Asian Survey*, Vol.XXIX, No.2, February.
33. See Ongkili, and Leong in Johari and Yaakub (1989:141-166) *Socio-Cultural Dimension of Development Planning*, IDS, K.K.
34. For instance Sabah OPP (1995-2000) stated, "The OPPS is conceived upon the strategic framework to steer Sabah onto a new development trajectory and an era of rapid economic expansion. ...direction and guidelines to turn Sabah into an industrialized and prosperous State." (Sabah Government, 1995); Regarding implementation problems of SAB see Pang. "The Making of a Development Plan for Sabah: Issues, Problems, Solutions." (Paper presented at the Borneo Research Council Seminar on Change and Development, Kuching, 4-9 August 1990 (revised version Jan, 1991); Also King (1988: 263-298). "Models And Realities: Malaysian National Planning and East Malaysian Development Problems" (*Modern Asian Studies*, 22 (2).
35. For information on the latest development on KKIP see pamphlet on KKIP: New Growth Centre In Sabah (KKIP undated).
36. See Yong Teck Lee's statement in a news report by Sham Singh (*Daily Express*: 16.6.1996).
37. See Golingi, and Hung. *Socio-Cultural Issues Encountered in the Implementation of In-Situ Rural Development Programmes*; and Zainal and Hoh (1989:93-128) *Socio-Cultural Issues Encountered in the Implementation of Land Resettlement Scheme*, both in Johari, Mohd. Yaakub. *Socio-Cultural Dimension of Development Planning*. IDS, K.K. See also King, and. Jali (1992: 29-30) *Issues in Rural Development in Malaysia*, DBP.



38. The increasing import of food indicates that Malaysia's agricultural policy is not able to provide food self-sufficiency. This problem is raised by Jomo (1989:71-74) *Mahathir's Economic Policies*, INSAN, P.J. Sabah also indicates an increasing amount of food imports. In 1990 its import of RM716,935,000 compared to RM904,942 four years later, see GOM. *Sabah Year Book Of Statistics* (Department Of Statistics Sabah, October 1995: 127, Table 7.2).

## Chapter Five

1. For problems concerning the shortage of science teachers and mathematics teachers, see Ahmad (1993) *Reformasi Dan Wawasan* DBP, K.L.; and Department Of Education Sabah working paper 1995 regarding education development in Sabah, page 41. In addition, the Seventh Malaysia Plan report indicates that there was a shortage of 4,600 teachers mainly in Mathematics, English Language and science subjects (Seventh Malaysia Plan (1996-2000) (EPU, 1996: 311).

2. In its 1995 working paper, The Department of Education Sabah indicates that overall Sabah's performance in the Lower Secondary School Evaluation (PMR) was the poorest in Malaysia. Further, in the Malaysian Certificate Of Education, Sabah performance was also the poorest in the 1994 examination among the 14 states in Malaysia (undated).

3. Malaysian Enrolment in Degree Level Courses According To Ethnicity:

	Bumiputeras	Chinese	Indians	Others	Total
1970	3,084	3,752	559	282	7,677
1980	19,051	16,988	3,924	316	40,279
1985	23,838	11,237	2,460	303	37,838

Source: Fourth (1980-1985) & Fifth (1986-1990) Malaysia Plan, Government Printer Malaysia.

4. The trend of school enrolments from primary to tertiary level is 2,240,064 (1970); 3,152,089 (1980); 3,756,273 (1985); and 4,118,827 (1990). The numbers of primary school are 6,454 (1981); 6,469 (1982); 6,518 (1983), 6527 (1984); 6,613 (1985); 6,643 (1986); 6,703 (1987); 6,754 (1988); and 6,795 (1989). While the number of secondary schools are 1,007 (1981); 1032 (1982); 1045 (1983); 1,145 (1984); 1,177 (1985); 1,210 (1986); 1,222 (1987); 1,252 (1988); and 1288 (1989) (Source: Ministry of Education:1990). While the increases in numbers of teacher in

primary schools are 77,700 (1981); 79,796 (1982); 81,664 (1983); 83,765 (1984); 91,098 (1985); 98,061 (1986); 105,420 (1987); 109,159 (1988); 111,729 (1989).

In secondary schools, the increases in numbers of teacher are 51,459 (1981); 53,870 (1982); 54,822 (1983); 55,782 (1984); 58,636 (1985); & 58,223 (1986), see (Fourth (1980-1985) and Fifth (1986-1990) Malaysia Plans, EPU, 1980 and EPU 1986).

5. For details of the problems in Malaysia on the aftermath of May 13th racial riots, see Means (1991: 1-53) *Malaysian Politics: The Second Generation*, Oxford University Press.

6. For a discussion of the form of democracy in Malaysia, see Case (1993). "Semi-democracy in Malaysia: Withstanding the pressures for Regime Change." *Pacific Affairs*.

7. The functions of NCHL are: (1) To plan, create, and formulate policy and national strategy for the development of higher education; (2) To co-ordinate the growth of higher education; (3) To develop and facilitate the smooth growth of the institutes of higher learning; (4) To formulate policy relating to entry of students to institutes of higher learning; (5) To formulate policy and established guidelines on all matters relating to structure of pay and system of staff management of the University and University College Act, 1971; (6) To formulate policy and establish guidelines concerning the field and course of study; (7) To formulate policy and guidelines concerning the running of any course of study or training program by the institutions of higher learning through cooperation, joint entrepreneurship or any others, with any other universities or institutions of learning or education institutions or other organizations locally or overseas; (8) To formulate policy and determine the guidelines about the involvement of universities in commercial activities according to the power given to University and University College Act, 1971, and, (9) To take any actions or do any actions deemed appropriate or needed to enable effective implementation of its functions, (Education News report by M.F. Razali, *Berita Harian*, 30.9.1996: 1).

8. Glazer's study indicated that significant quality improvements were made within the College by some of the teams. As a result of the team process, many indirect gains occurred in the areas of job satisfaction, improved co-worker relationships, and office harmony. The emphasis ought to be placed on customer and process orientation. Further, the change in effort must be built on the principles of empowerment and mutual trust because without these, the participants will maintain the status-quo (see Glazer [1995] "Implementing Total Quality Management in a College of Business." Ed.D, University of San Diego, 1994, Dissertation Abstracts International vol no.8, Feb., 1995).

Kyle's study (1996) shows that TQM is feasible in education but requires enough allocation and accuracy. There is no strong relationship between visionary leader and Total Quality Culture. This contradicts Dhiman's (1996) and Burns' (1995) studies which indicate the importance of leadership in the success of TQM. However, Lares



(1995) indicates that TQM improves students discipline, see (Kyle, L. "Visionary Leadership and Total Quality Management in Higher Education Administration," Ed.D, W. Virginia University, 1995, Dissertation Abstracts International, v.56, no.8, February 1996; Dhiman, S. K. "Leadership Implications of TQM in Higher Education." Ed.D, Pepperdine University, 1995, D.A.I, v.56, no.7, January, 1996; Burns, J.E.P. "A Cultural Case Study of the Implementation of TQM Principles at a Private Religious University." Ed.D., Texas Tech University, 1994, D.A.I, v.56, no.1, July 1995; Lares, J.S. TQM as a Means to Improve the Process of Student Discipline." Ed.D, University of Pittsburgh, 1995, D.A.I, v.56, no.5, November, 1995).

9. Hsin's study (1994) in Taiwan, found that the implementation of computerisation in school is more effectively implemented in private schools than through government support, see (Hsin, Shih-Chang. "Implementing Computers in Schools:Two Case Studies in Taiwan" [Ph.D Dissertation, Indiana University, Dissertation Abstracts International vol. 55 no. 8 February, 1995]); Tengku Shadan's (1994) study of computerization in Malaysian schools indicated that the main obstacles to implementation were: teacher's lack of knowledge and skills in the curriculum content, problems with hardware, lack of reference materials, students' weakness in English or overall academic achievement, and inadequate time allocation for teaching the subject, see (Tengku Shahdan, Tengku Shahrom. "The Implementation of a National Computer Education Project in Secondary Schools in Malaysia: Teachers Perception [Ph.D Dissertation, University Of Georgia, Dissertation Abstracts International vol. 55 no. 9 March 1995]); Another study by Al-Obiedat (1994) indicated that: "there is a lack of planning for selection and implementation of computers in the district and that no formal technology plan exists for administrators, teachers, students, and parental involvement. And school personnel did not preview or evaluate hardware or software before purchase" see (Al-Obiedat, Ahmad. "The Role of Administrators and Teachers in the Selection and Implementation of computer Technology in the "Classroom of Tomorrow" Program," (Ph.D Dissertation, Western Michigan University, 1994, Dissertation Abstracts, vol. 55 no. 4, October, 1994). Tengku Shadan (1994) and Al-Obiedat (1994) both suggest good planning is important in the success of a school computerization programme.

10. The process of National Education development in Malaysia is divided into three stages which take the form of a pyramid (Ahmad, 1993: 242):

Foundation Stage (the Razak Report 1956, and the Education Ordinance 1957):

- a. The establishment of National Education System
- b. Malaysia as the main language of instruction
- c. Curriculum which is orientated on Malaysian environment.
- d. Creating a common examination system for all.

Stabilization Period (the Rahman Talib Report 1960, and the Education Act, 1961:

- a. Implementation of Bahasa Malaysia as language of instruction
- b. The use of Bahasa Malaysia and English as official language in Examination
- c. Emphasis placed on vocational and technical education
- d. Emphasis placed on moral education and religion to meet the spiritual needs.

Reformation Period (Cabinet Report 1979):

- a. Strong emphasis on 3M - reading, writing and mathematics.
- b. Strong emphasis on moral education and the aspired discipline.
- c. Malaysian based curriculum.
- d. Division of upper secondary education into academic and vocational streams.
- e. Education opportunities raise from 9 years to 11 years.
- f. Streamlining the educational management procedure.
- g. Improving the quality of education.

11. For information regarding the Education Organization in Malaysia see Department of Education. *Malaysia National Education System* (Department Of Education, K.L, 1990; Ahmad, Hussein. *Pendidikan dan Masyarakat* (DBP, 1993: 417-451); Ibrahim, Noor Azmi in Lewin, Keith. *Education Innovation in Developing Countries* (Macmillan, London, 1991:95-126).

12. For the long standing problems of education development in Sabah, see Sabah Government. *Memorandum and Justification for the Development of Higher Education in Sabah* (Chief Minister's Department, Kota Kinabalu, December, 1973); *Sabah Government. Memorandum from the State Government of Sabah to the Federal Government of Malaysia on Education in Sabah* (Chief Minister's Department - Under Harris Administration 1976-1985); *Sabah Regional Planning Study: Service Sector* (Huntington Technical Service, for British Overseas Development Administration, Volume 3, 1980: 1-29).

13. Regarding vocational and technical education see Department of Education Sabah working papers 1995 (Department of Education, 1995: Page 35); See also the Deputy Minister of Education, Dr Fong Chan Onn's statement which admitted there were ill-equipped school laboratories (report by Lee Keng Fatt, *NST*, March, 1996); and Ahmad, Hussein. *Antara Dasar dan Reformasi Wawasan* [DBP, 1993:78 and 283]).

14. See Johari (1989: 5) *Issues on Human Resources Development in Sabah*, IDS, Kota Kinabalu.

15. See Singapore Government. *Singapore Year Book 1995*. Ministry Of Information Singapore, 1995: especially the chapter on education.



16. On the issue of English Language in school see the article by Vatikiotis, "The Language Lobby: Mahathir in Clash Over Use of Malay" (*FEER*, 8.10.1992); "Mahathir Grasp a Nettle: Decision to Promote English is an Example of his Pragmatism" (*FEER*, 31st March, 1994).

17. This is characterised by problems such as the lack of English Language teachers as indicated in the Seventh Malaysia Plan Report; Primary School Evaluation Test 1993/1994 also indicates that students in Malay medium performed badly in English compared to Chinese medium schools (Department of Education working papers 1995: 53-54).

18. Davies-Seaver (1994) found that children are thinking critically outside of school at a very young age. When critical thinking is fostered within an early childhood classroom, children will respond by becoming effective thinkers and education for them will be consistent with the thinking they are already doing outside school and thus more meaningful for them as a way of life (see Davis-Siever "Critical Thinking in Young Children." Ph.D Dissertation, The University of N. Carolina at Greensboro, 1994, Dissertation Abstract International vol.56 no. 2, August 1995).

19. See GOM. *Sabah Population Survey 1991* (Department of Statistics, March 1995: 218-360).

20. See GOM. *Malaysia Labour Force Survey Report*. (Department of Statistics Malaysia, K.L, August 1995: 156, Table C.1.22 and page 158 Table C 1.24).

21. See Hiebert's article. "Required Lessons: Islamic-Civilization Course Catches Many by Surprise" (*FEER*, 17 July, 1997).

## *Chapter Six*

1. See Lee (1976). *The Towkays of Sabah: Chinese Leadership and Indigenous Challenge in The Last Phase of British Rule*, Singapore University Press; Han Sin-Fong. "A Study of Occupational Patterns and Social Interaction of Overseas Chinese in Sabah, Malaysia" (Ph.D Thesis, University of Michigan, 1971); Means (1991: 57-61), *Malaysian Politics: The Second Generation*, Oxford University Press; and Luping (1994). *Sabah's Dilemma*, Magnus Books, Kuala Lumpur regarding the Chinese politics in Sabah since independence in 1963.

2. See data on capital ownership in Malaysia from "The Bumiputera Economic Congress Report" (Held at the Pusat Dagangan Dunia Putra, Kuala Lumpur, 10-12 January, 1992); GOM. Outline Perspective Plan 1991-2000 (Prime Minister's Department, 1991:35-38).

3. Regarding the UMNO and PAS conflicts on the implementation of Hudud and Islamic Law in Kelantan see Vatikiotis' article. "In God's Name" (*FEER*, 3 September, 1992: 13); by the same author, "Against the Odds: Kelantan's Islamic Government Faces Uphill Task" (*FEER*, 23rd January, 1992: 23 and 26).
4. Regarding the constitutional crisis due to conflict between the Administration and the Palace see Means (1991:1 13-120) *Malaysian Politics*, Oxford University Press; see also articles by Vatikiotis. "A Code for the Royals:UMNO Seeks a Deal on the Role of Hereditary Rulers" (*FEER*, 12th March, 1992: 8-9); "Bending the Rulers" (*FEER*, 24-31 December, 1992:1 2); "The Die is Cast: Constitutional Crisis Looms Over Sultan's Privileges" (*FEER*, 28th January, 1993: 12); "Tit for Tat: Mahathir Steps up Pressure on Reluctant Rulers" (*FEER*, 4th February, 1993:13).
5. See Buang (1990: 113-121) *Dasar-Dasar Utama Kerajaan Malaysia (The Malaysian Government Major Policies)*, INTAN, K.L..
6. See GOM. (1988) White Paper entitled, *Preserving National Security*. National Printer Department, K.L..
7. According to Means (1991: 71-74), there were forty deviant dakwah groups in 1981 in Malaysia with estimated 30,000 followers. These groups such as the Ahmadiyah, Jamaat Tabligh, Darul Arqam, and the Suffis such as Qadiani sect, Tarikat Mufaridiyah, Muhammadiyyah Tariqah.
8. Quoted from Datuk Dr. Syed Othman Alhabshi (Deputy Director-General, Institute of Islamic Understanding Malaysia) editorial in *New Straits Time*, titled "Why It Is Necessary To Have An Islamic Financial System." (1996 release).
9. See Buang (1990: 116) *The Malaysian Government Major Policies*, INTAN.
10. Regarding the dispute over Hudud and Islamic law between UMNO and Pas after PAS formed a Government in the 1990 Elections, see Vatikiotis' article "In God's Name" (*FEER*, 3rd September, 1992:13).
11. See von der Mehden (1992) "Economic Growth and Political Consolidation," in *Asian Survey*, No.2 February, 1992.
12. Regarding the Al Arqam movement see Abdullah, Abdul Rahman. *Gerakan Islam Tradisional di Malaysia: Sejarah dan Pemikiran Jamaat Tabligh dan Darul Arqam*. Kintan Publication, K.l, 1992; for information about PAS see Means (1991: 61-64) *Malaysian Politics: The Second Generation*, Oxford University Press; Mutalib (1993) *Islam in Malaysia: From Revivals to Islamic State*, Singapore University Press; Mutalib (1990) *Islam and Ethnicity in Malay Politics*, Oxford University Press; GOM. *The Memali Incident* (Kertas Perintah 21/1986); Milner, (1986). *Rethinking Islamic Fundamentalism in Malaysia* (paper presented at a Conference on Islam held in June 1986 sponsored by the Centre for Continuing Education of the Australian National University).



13. For instance, using mosques and Islamic platform during political campaigns, see GOM (1984: 6-20) *Ancaman Kepada Perpaduan Umat Islam dan Keselamatan Negara*, Ministry Internal Affairs, 8th November.

14. The discussions regarding the formal mechanisms of implementation are based on various Government publications, Department of National Unity, Sabah Branch pamphlets, magazines and working papers; the relevant legislations to deal with problems of national unity such as the Sedition Act 1948; Public Order (Preservation) Ordinance, 1958; and the Internal Security Act, 1960.

15. For a detailed discussion of ideology and national culture, see Yusoff and Borhan (1985: 153-175) *Ideologi dan Kebudayaan Kebangsaan*, University Of Malaya; Joel and Loh Kok Wah (1992: 1-17) *Fragmented Vision: Culture and Politics in Contemporary Malaysia*. Asian Studies Association Of Australia In association With Allen and Unwin.

16. See the order of the Fatwa Committee, Malaysian National Fatwa Council On Islamic Affairs banning all teachings of Darul Al-Arqam (From Haji Abdullah, Rahman. *Gerakan Islam Tradisional di Malaysia: Sejarah dan Pemikiran Jamaat Tabligh & Darul Arqam*. Penerbitan Kintan, 1992:120-125). (The Fatwa Committee found that, Darul Al-Arqam teachings are not in line with the teaching of Prophet Mohammad. Their book "Aurad Muhammadiyah," Syahadah, and the belief on Imam Mahadi teachings are considered deviationist).

17. On 8th November, 1984, the Ministry of Home Affairs under Dato Musa Hitam, issued a report on "The threats of Islamic Unity and National Security." Musa, in the preface of the report, acknowledged the revival of Islam throughout the world. About two years later the Memali incident broke out and Musa was responsible for handling the affair. He later resigned from his posts as Deputy Prime Minister and Minister of Home Affairs, see White Paper by Ministry of Internal Affairs entitled, *Threat to the Islamic Unity and National Security* (8 November, 1984).

18. A Committee is being set up to streamline the administration of Islam with ASEAN countries especially on fasting and Hari Raya Aidil Fitri (U.M.: 24.1.1991); Islamic Lecture by Yusuf Islam, a former western Pop Star Who Converted to Islam (B.H.: 19.8.91); Effort to Co-ordinate Muslim Marriage in Singapore, Malaysia and Indonesia (U.M. :18.9.92); New Way Of Incision (U.M.: 18.9.92); The National Fatwa Committee ruled that the Kings should not be adored as Allah (U.M.: 19.3.93); A better qualification is required for the appointment of future Imams. For instance a Village Imam must at least have a school certificate. As a first step a training centre - Darul Koran - was established to train the Imams (B.H.: 26.6.1993); 19 Private Agencies Appointed To Manage Pilgrimage To Mecca (U.M.: 6.2.94); A Strict Penalty under the Islamic Family Act (U.M.: 7.94); A ban on Darul Arqam (D.E.:6.8.94); Ashaari, leader of deviationist Darul Arqam arrested under ISA (*The Star*. 4.9.1994); The Ministry of Education also required that Ujian Fardu Ain be compulsory examination for Primary 6 evaluation, Form III and Form V evaluation (B.H.: 15.12.1994); HIV Test Required For Prospective Bridegroom and Brides



(*U.B.*: 20.12.95); Dr Siti Hasmah Saddened by Polygamy Ruling (*NST*: 28.10.96); Ruling Prohibiting Muslims From Holding Key Post in Companies Involving Gambling (*Sun*: 7.8.96).

19. At a press conference regarding the issue of "Assimilation of Islamic Values in Administration, Mahathir cautioned that other religious groups should not feel threatened by the policy. He said that various groups should be tolerant toward other religions to avoid frictions as religion is a sensitive issue, see *B. H.*: 11.4.1990).

20. On the role and functions of BAHEIS see the BAHEIS Briefing Paper presented for the Federal Heads of Departments Meetings at Sabah No.2/1996; BAHEIS Activities Reports up to 1995 (undated); and BAHEIS various papers presented as part of its preaching missions in Sabah (undated).

21. On the early development of Islam during Tun Mustapha's rule and the role of United Sabah Islamic Association in Islamic development in Sabah see Yusin, Muhiddin. *Islam di Sabah* (DBP, K.L, 1990; On the recent formation of the JAHEINS (Department of Sabah Islamic Affairs) which take over the running of the Islamic administration in Sabah see paper titled "JAHEINS" regarding administration structure and mission (undated).

Many of the statistics regarding Islamic development are not released publicly but are obtained through consultation with the officers concerned; regarding Islamic legislations in Sabah see The Administration of Islamic Law Enactment 1992; The Zakat and Fitrah Enactment 1993; Syariah Criminal Procedure Enactment 1993; Syariah Civil Procedure Enactment 1993; Syariah Criminal Offenses Enactment 1995; Islamic Family law Enactment 1992.

22. In the past, Mahathir had said that the government had no intention of applying Syariah Law on the non-Muslims. He cited several cases of sex offenses involving Muslims and non-Muslims where the non-Muslims were allowed to go free (*B.H.*: 11.4.1990).

23. For details on the various communities in Sabah please see: Sutlive, Vinson H. "Female and Male in Borneo: Contributions and Challenges to Gender Studies." *Borneo Research Council*, 1987; van Leur M, M. Nolten, O. van Renterghem, W. Roos. "Shifting Cultivation of the Rungus in Sabah, Malaysia: A Way of Life." University of Utrecht, 1987; Dahlan, H.M. *Sabah Traces of Change*. UKM, 1983; Rutter, Owen: *The Pagans of North Borneo*. Oxford University Press, 1985; Han, S: "A Study of Occupational Patterns and Social Interaction of Overseas Chinese in Sabah Malaysia." Ph.D Thesis, University of Michigan, 1971; Harrison, R.: "An Analysis of The Variation Among Ranau Dusun Communities of Sabah Malaysia." Ph.D Thesis, Columbia University, 1971; Wati, Arena. "*Pribumi Sabah*." Penerbitan Yayasan Sabah, 1974; Vaughan, J.D. *The Manners and Customs of the Chinese of the Straits Settlements*. Oxford University Press, 1971; Tan, S.G.: "Genetic Relationship Between Kadazans and Fifteen Other Southeast Asian Races." *Pertanian*, 2(1),28-33(1979); Hurlbut, Hope M. "Birth Practices an Infant Mortality Among the Labuk-Kinabatangan Kadazan of Sabah." *Sabah Society Journal* Vol.9,



No.4(1992)369-379; and Winfrey-Koepping, Elizabeth. *The Family in a Changing Agricultural Economy: A Longitudinal Study of East Sabah Village*. Monash University, Working Paper No.47.

24. See Campbell (1986) *Sabah Under Harris*. Nan Yang, K.L, p.58-59 and p.326.

25. See Johari (1989: 14-22) *Socio-Cultural Dimension Of Development Planning*, IDS; GOM. *Household Income Survey 1987, Department of Statistics, Kuala Lumpur; Seventh Malaysia Plan (1996-2000)* (EPU, 1996:72, 89-92).

26. See Luping (1994: 52-55 and 520-522) *Sabah's Dilemma*, Magnus Books, K.L..

27. See Kahn, and Loh Kok Wah (1992:79-106) *Fragmented Vision*, Allen & Unwin.

28. Regarding conflict within UMNO see Aznam and Tasker "Divided Heartland: Elections will Test Bonds of Malay Unity" (*FEER*, 27th September, 1990: 18-21); Vatikiotis, "Power Machinations: Ruling Party Rivalries Spark Fears of Split" (*FEER*, August, 1992: 13); Vatikiotis "Party Games: Mahathir Again Forced to Intervene on UMNO Polls" (*FEER*, July 1993: 27); Vatikiotis "Taking Sides" (*FEER*, 19th August, 1993: 16-17); Vatikiotis. "Young Turks on the Move" (*Feer*, 30th September, 1993: 18-20).

29. PAS, which was attempting to prove its credibility after winning the State of Kelantan in the 1990 General Elections, also challenged UMNO leaders to implement Hudud if they truly championed the cause of Islam. PAS is a more traditional Islamic association, see Vatikiotis "In God's Name" (*FEER*, 3rd Sept. 1992:13).

30. See Kahn (1992) and Loh Kok Wah. *Fragmented Vision*. Allen & Unwin, 1992; Luping (1994: 405-593) *Sabah's Dilemma*, Magnus Books, K.L.

31. See Means (1991:88-89) *Malaysian Politics*, Oxford University Press; see also Jayasankaran S. "No Means Maybe: Deputy Premier Anwar Demurs As His Star Rises" (*FEER*, 2nd November, 1995); Spaeth. "Growing Impatient: Malaysia's Prime Minister Faces the Tricky Matter of When to Yield to his Chosen Heir" (*Time*, 10th June, 1996: 14-16).

32. As part of the attempt to inculcate Islamic values among managerial level civil servants, the Government has popularised the well designed Nation Building course (Kursus Bina Negara). The course caters mainly for Muslim officers in secluded training camps for about a week. They received no outside contact during the army-like training and are given lectures and brain storming sessions mainly about Islam and how to build good spirit, values and attitudes. The lectures about Islam are mostly performed by invited lecturers specialised in Islamic fields from various institutions. For details see course papers such as, *Arahan Tetap Kursus Bina Negara* (20th July, 1993; *Program Bina Negara: Rangka Ceramah Dan Kuliah*;

(Undated) *Aktiviti Latihan Dalam Kumpulan* (22nd April, 1993); dan *Program Bina Negara* (Undated).

33. See Luping (1994:251-273) *Sabah's Dilemma*, Magnus Books, K.L..
34. See Gomez (1994:48-276) *Political Business: Corporate Involvement of Malaysian Political Parties*, Centre for South-East Asian Studies, Townsville.
35. This was referred to Najib's statement in mid-1996 during the period of UMNO party elections in the Malaysian National Television.
36. See Kahn and Loh Kok Wah (1992 :1-15) *Fragmented Vision*, Allen & Unwin; Jomo (1989:1-37) *Mahathir's Economic Policies*, Insan, P.J.; also Jomo, K.S. "Malaysia's New Economic Policy And National Unity." *TWQ* 10 (4) October 1989: 36-52.
37. See Jomo and Ismail (1992:136-153) *Alternatif Ekonomi Islam: Perspektif Kritis Dan Haluan Baru*. DBP, K.L..
38. By the end of 1991, the Islamic Affairs Division has identified 70 deviationist teachings in Malaysia compared to 40 in 1981 (*Utusan Malaysia*:28.11.91). The Darul Arqam claimed to have about 100,000 followers alone in Malaysia and many more overseas by the time it was banned on 5th August, 1994 (*Reuters, in Daily Express*: 30.7.1994). Prior to its banning the Darul Arqam Administration set up the Institute of Islamic Understanding in July 1992 (*Berita Harian*: 2.7.92 and 3.7.92).
39. On problems before, during and after the various State Elections in Sabah, see (Luping, 1994:115-500). See also Means (1991) *Malaysian Politics: The Second Generation*, Oxford University Press= regarding the same problems in Malaysia as a whole.
40. See Yong Teck Lee's case, a former PBS assemblyman and candidate charged for illegal procession during the 1990 elections.

## *Chapter Seven*

1. See Pang Teck Wai. "The making of A Development Plan for Sabah: Issues, problems, Solutions" (Paper presented at the Borneo Research Council Seminar on Change and Development, Kuching, 4-9 August, 1990 (revised version Jan. 1991).
2. See Luping (1994) *Sabah's Dilemma: The Political History of Sabah*, Magnus Books, Kuala Lumpur.
3. On socialist planning problems see Rutland (1985) *The Myth of the Plan*, Hutchinson, London; Andrle (1976) *Managerial Power in the Soviet Union*, Saxon



House, Fernborough. On capitalist planning problems see Estrin and Holmes (1983: 195-197) *French Planning in Theory and Practice*, George Allen & Unwin Ltd..

4. See Kahn and Loh (1992) *Fragmented Vision: Culture And Politics in Contemporary Malaysia*, Asian Studies Association Of Australia in Association with Allen And Unwin.

5 See Krasner (1985) *Structural Conflict: The Third World Against Global Liberalism*, University of California Press, London.

6. See Fisk and Osman-Rani (1982) *The Political Economy of Malaysia*, Oxford University Press, Oxford.

7. On decentralization effects in Yugoslavia see Flaherty (1988) "Plan, Market and Unequal Regional Development in Yugoslavia." *Soviet Studies*, XI:1 (January 1988:100-124).

8. See Jomo (1988) *A Question of Class: Capital, The State, and Uneven Development in Malaya*, Monthly Review Press, New York; Jomo, and Shari. *Development Policies and Income Inequality in Peninsular Malaysia* (Institute of Advance Studies, University of Malaya, 1986); Jeong and Armer. "State, Class, and Expansion of Education in South Korea: A general Model." *Comparative Education Review*, Nov. 1994; Gosh, B.N. "Class Relations and Economic Development in Malaysia." *Borneo Review* 6(10), June 1995. von der Mehden, Fred R. "Malaysia in 1991: Economic Growth and Political Consolidation." *Asian Survey*, Vol.XXXII, No.2, February 1992. Johari and Chang "Issues in Malaysian Development Planning: Regional Inequality and Poverty" (*Borneo Review* 1 (1), December 1990).

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