
The Politics of Planning: The Third Malaysia Plan

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"Malaysian plans are always political as much as economic documents, but never more so than this latest one."¹

This statement in the widely read *Far Eastern Economic Review*, reflects a factor in planning that is often ignored or only dealt with in passing. Between the statistics and tables of the Third Malaysia Plan (TMP) lurks a whole number of political statements on the development of the Malaysian polity. The aim of this article is to set the TMP in its political context and to highlight trends of thinking within the Malaysian political and bureaucratic leadership as they grapple with the complex problems of a multi-racial society, still deeply divided on many issues. The subject of race is never far from the surface of Malaysian politics, and it permeates the 430 pages of the TMP. Only recently the Minister of Home Affairs and Internal Security, Tan Sri Ghazali Shafie, castigated foreign journals for continually dwelling on Malaysia's racial problems. Yet a plan prepared by his own government admits that national unity is still far from a reality (paras. 2 & 3)² and that the race riots of 1969 are still a horrifying reminder of the knife-edge situation with which Malaysians must contend.

The publication of the TMP had been anticipated in 1975 but did not appear until July, 1976, well into the 1976-1980 plan period. The significance of this delay was the subject of rumour in the bars and night spots of Kuala Lumpur, and a number of ingenious explanations were offered.

Government control of the press through the issue of renewable licences ensures compliance with directives on what can and what cannot appear.³ The significant event was the death in January, 1976, in London of the Prime Minister, Tun Razak, and the appointment of Datuk Hussein Onn as his successor. Razak's death was a blow to the senior partner in the Barisan

Nasional (National Front) the United Malays National Organisation (UMNO). Hussein Onn's predecessors, Tunku Abdul Rahman and Tun Razak, dominated the Malaysian political scene and were both popular within UMNO. Hussein Onn's reputation among many Malays is that of a renegade—a man who with his father had left UMNO because of the failure of the party to open its ranks to non-Malay citizens, and had only returned to UMNO after a number of years in the political wilderness. This very idea is anathema to many Malays, who regard UMNO as the ultimate in Malay political aspirations, and to allow other races into its ranks would constitute a betrayal of the Malay political heritage. Thus whilst Rahman and Razak occupied an unassailable position within UMNO, Hussein Onn had to overcome the suspicion and opposition of many people within the party. The delay in publishing the plan may well have been due to the illness of Razak in the final months of 1975,⁴ and the desire of Hussein Onn to examine the plan afresh after his assumption to office. A number of points of emphasis in the TMP could conceivably have resulted from the new Prime Minister's revisions and these will be examined in more detail later in this article.

As Prime Minister and Acting President of UMNO, Hussein Onn also heads the Barisan Nasional (BN). This organisation is the main bargaining ground for the various political parties making up the governing coalition, and is an ingenious Malaysian compromise with communally-based political parties giving each a place in government. This is an extension of the old coalition of the United Malays National Organisation (UMNO), the Malaysian Chinese Association (MCA) and the Malaysian Indian Congress (MIC) that has dominated Malaysian politics since independence. Razak extended this to form the Barisan by inviting a number of other parties to join the governing coalition. UMNO was particularly interested in incorporating the Pan-Malayan Islamic Party (PAS) which had made considerable inroads into Malay support for UMNO particularly in the east coast states.⁵ The

1 *Far Eastern Economic Review*, August 27 1976, p. 42

2 Paragraph numbers in the text refer to the English Language Edition of the *Third Malaysia Plan*, Government Press, Kuala Lumpur, 1976

3 The English language press in Malaysia seems more amenable to Government pressure with the exception of regular contributions in the 'Star' by the former Prime Minister, Tunku Abdul Rahman, some of which are more critical of Government policy than is acceptable from any other writer. A number of Malay language papers are also more critical than the tame English language papers.

4 It is fairly clear that delegation was not one of Razak's administrative skills, and his severe illness may well have delayed important sections of the Plan.

5 A number of smaller parties are also members of the BN such as the People's Progressive Party (PPP) and the Gerakin Ra'ayat Malaysia (Malaysian Peoples Movement).

BN has clearly strengthened the government in electoral terms, but the coalition is not without tensions, particularly PAS demands for the expansion of privileges to Malays. PAS continues to pose a threat to UMNO and competition for Malay loyalties has not ended with the formation of the Barisan Nasional.⁶

The plan itself is revealing in that it highlights many of the debates within the governing coalition and the strength of the various trends particularly within the senior partner UMNO. I will analyse these factors by examining the plan under the following general headings: the New Economic Policy; poverty eradication; racial economic balance in employment and ownership; and education.

The New Economic Policy

The race riots of May, 1969, continue to cast a dark shadow over Malaysia. It is not the intention here to attribute blame, as the most terrible acts of violence were perpetrated by both sides, although the majority of those who lost their lives were Chinese. The government officially blamed Communists and the Opposition for creating the atmosphere which resulted in the violence, but few people take that as a serious explanation. Considerable official effort went into the task of avoiding a repeat of May, 1969, and the Second Malaysia Plan (SMP) 1971-75, was built around what was termed the New Economic Policy. The policies incorporated into the SMP had as their two main objectives the eradication of poverty among all Malaysians irrespective of race, and the restructuring of society so that identification of race with economic function and geographical location could be reduced and eventually eliminated. The political significance of such objectives needs careful attention because of the policy questions raised by these aims: how can such objectives be translated into hard policies? This problem has remained for Malaysian policy-makers and dominates planning within the TMP period 1976-80.

Malaysian society is characterised by great poverty and great affluence, with the rural sector containing the bulk of the country's poor. This is further complicated by the fact that it is the Malays who form the vast majority of rural dwellers. Despite the fact that UMNO has dominated the governments of the post-independence period, rural poverty remains, and according to some economists is getting worse. Increasingly UMNO is facing pressure from within the Malay

community to attack the problems of rural poverty. The success of the 'fundamentalist' PAS in the rural east coast states has shaken UMNO control over the Malay rural voter, and Malays are examining the position of their community *vis-à-vis* the whole society, particularly their position as the indigenous people. (Malays, along with the small groups of aboriginal peoples, regard themselves as the indigenous population, with the Chinese and Indians as immigrants now enjoying citizenship.) Malays have what are called 'special rights', that is certain privileges such as preference in recruitment to the civil service where a quota of four Malays to one non-Malay operates, quotas in scholarships to educational institutions, the preservation of the rights of the Malay traditional rulers (Sultans), Islam as the national religion, Bahasa Malaysia as the national language and a favourable system of granting licences in road transport, government contracts, etc. Political parties representing the other racial groups have accepted that Malays should predominate in the distribution of political posts within government, and the rural areas are given special weighting in Parliamentary constituency boundaries to ensure 'over-representation' of rural members in Parliament. The major policy-making posts in the civil service are dominated by Malays, suggesting that the quota system may also be applied to promotion as well as recruitment. The government has then come to be regarded by Malays as a protector of their privileges, and pressure is constantly applied for the extension of government efforts on behalf of the Malays.

The question of Malay 'special rights' is one of the most sensitive issues in Malaysian politics. Although certain of these rights are now entrenched in the Constitution and discussion of them can lead to arrest, the government has been unable to take the question out of politics. Within UMNO there is constant debate between those who wish to see the extension of special rights and those who feel that whatever national unity has been achieved since 1969 may be destroyed by excessive Malay demands. The TMP is clearly another major restatement of the objectives of the NEP (paras 1 to 38), but with some changes of emphasis.

Poverty eradication

The government sees the problem of poverty as essentially a rural problem, although the plan indicates that urban problems are also being given attention. *Per capita* income by race testifies to the position of the Malays, who receive an average \$34 per month, compared with \$68 per

⁶ Opposition to BN has been reduced to the small and predominantly Chinese Democratic Action Party (DAP).

month for the Chinese and \$57 per month for the Indians (para 20).

Figures such as these are the 'stuff' of political debate among Malays. Failure to make serious inroads into Malay poverty, and the contrast with the Chinese and Indians, provided political capital for the PAS. However, the plan admits that the above figures, whilst revealing, tell only part of the story. There are poor of all races and if national unity is to grow, then poverty amongst the Chinese and Indians must be given attention. It may well be this desire to meet the needs of the poor of all communities that the present Prime Minister, Hussein Onn, sought to emphasise after Razak's death. This would certainly fit with Hussein Onn's known political views and his actions since January, 1976. He is known to dislike the more extreme expressions of Malay chauvinism and has not been afraid to move against corruption within the UMNO leadership. The arrest and trial of the former Chief Minister of Selangor, Datuk Harun, who has a massive following within UMNO, shows a side of the Prime Minister's character not previously appreciated. Hussein Onn is widely believed to have warned other Chief Ministers of the states within the Federation that present levels of corruption are not acceptable.

The TMP states that the largest poverty groups are the rubber, padi and coconut small-holders (predominantly Malay), the estate workers (Indians and some Chinese), agricultural labourers (all races) and the inhabitants of the New Villages⁷ (paras. 494-6). The Leader of the Opposition, Lim Kit Siang, stated in Parliament that Malaysian policy-makers had at last recognised the plight of the inhabitants of the New Villages and the estate workers who constitute the hard core of the non-Malay poor.

This significant change of emphasis from Malay poverty to poverty in general has considerable political importance. It is not by general statement of objectives but by translation into policies that the plan must be judged. Development expenditure is expected to double during the plan period, with agriculture taking 25.5 per cent of the total. The ability of the bureaucracy and the various statutory bodies to increase production and productivity in the small-holder sector is probably the key to the bulk of Malay rural poverty. Malaysia also has a reservoir of virgin land for development and the Federal Land Development Authority (FELDA) opened up

412,000 acres (para. 900) in the period of the SMP, although this is calculated to fall to 350,000 acres for the TMP period (para. 976). The opening up of virgin land is expensive but it does have the advantage of minimising conflicts with entrenched rural power groups. The vast majority of the settlers in FELDA schemes are Malays, although there are Chinese to be found in, for example, the schemes in the state of Malacca. Land is not a Federal matter, but a jealously guarded prerogative of the individual states. There have been criticisms voiced that state governments will not surrender land to New Village Chinese, and FELDA must go to the individual state governments when it wants to open new schemes. The TMP admits that there is a lack of land for the residents of the New Villages, but there is an ominous silence on how land is to be made available (paras. 542-4).

The plan admits that poverty has grown among estate workers, many of whom are Indians, but the proposals for dealing with this are conservative to say the least. The government appears to be unwilling to compel the estates to improve conditions (paras. 539-41). Even a recently signed wages agreement between the National Union of Plantation Workers and the Malayan Agricultural Producers Association has not pleased many estate workers.⁸

The plan indicates a willingness on the part of Federal decision-makers to recognise the existence of poverty in all communities. The emphasis on this point is clearly a victory for the new Prime Minister's view, but considerable problems remain in the area of policy. Movement of rural dwellers into new land development schemes would certainly assist, but land schemes, particularly those operated by FELDA, are extremely expensive. Land needs to be made available to the Chinese and Indians in greater quantities than in the past, and the development of rural-based industries can assist all races to move from low to high productivity sectors.

Urban problems are also given attention in the plan, and urban unemployment remains a feature of the economy. The plan places great faith in the private sector and manufacturing is expected to produce 22.9 per cent of the 742,800 new jobs needed over the next five years, thus reducing unemployment from its present 7.1 per cent to 6 per cent.

Racial economic balance

The second objective of the NEP is the restructuring of society so as to eliminate the identification of race with economic functions. This

⁷ The New Villages were created by the British during the Emergency which lasted until 1960, in order to cut off supplies of food, manpower and information from the Communist forces. Some thousands of rural Chinese were settled in these villages.

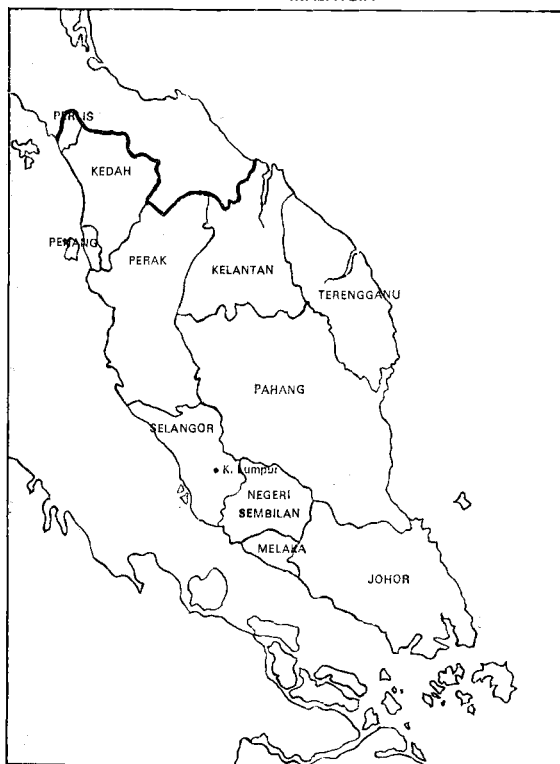
⁸ See *Far Eastern Economic Review*, July 16, 1976.

poses a delicate political problem for the planners and policy-makers. A restructuring would involve the employment of far more Malays in industry and commerce at all levels, and a growth in Malay participation in the private sector through ownership of share capital, business firms, etc. Chinese control over the indigenous private sector and their overwhelming hold over managerial and technical positions within this sector raises the question of the restructuring strategy. The 'second' partner in the coalition, the Malaysian Chinese Association (MCA) is only too aware that if a strategy of redistribution were adopted then it would clearly mean an attack on the economically

and demands were voiced for his resignation after the 1969 riots (Slimming, 1969: 66-73).

There can be little doubt that the MCA leverage within the coalition continues to concentrate on ensuring that redistribution is kept to a minimum —this is the price of the preservation of the coalition in its present form. The section of the TMP dealing with racial economic balance reflects the ability of the MCA to covenant their continued support for the coalition in return for the preservation of the position and interests of Chinese entrepreneurs and managers. The 'ultras' and the PAS have failed to carry the debate within the coalition. Hussein Onn has identified himself with the 'moderates' in UMNO who argue that upsetting the rich Chinese would be a mistake in the long run, because it would frighten investors, both indigenous and foreign, on whom so much of the planned expansion of the private sector depends (paras. 841-85), and strain the loyalty of many Chinese to the concept of a unified Malaysian nation. The security dimension was probably imported into the debate, particularly by one of Hussein Onn's supporters, Tan Sri Ghazali Shafie, the Minister of Home Affairs and Internal Security, who no doubt reminded the ultras of the dangers of alienating the rich Chinese at a time when Communist activity is growing in the urban areas.

WESTERN MALAYSIA



The East Malaysian states of Sabah and Sarawak have been excluded from this map.

powerful sections of the Chinese community. Malay critics of UMNO have constantly attacked the Malay political leadership for subscribing to continued Chinese control in the industrial and commercial sectors. Tunku Abdul Rahman, Malaysia's first Prime Minister, was attacked by Malay 'ultras'⁹ for being 'soft' with the Chinese

The strategy adopted by the planners is to place the restructuring objectives within a context of economic expansion, coupled with the formation of various financial institutions to buy share capital and hold it in trust for the Bumiputras,¹⁰ who are urged to save and so purchase the shares. There is also to be an increase in technical and managerial training for Malays to increase their job competitiveness. The government has created a vast array of statutory bodies to participate in the programme of restructuring ownership and to date they hold \$541m of corporate stock (paras. 583-610). There are preferences given to Malays in the areas of government contracts, supplies and the award of transport licences. This institutional tinkering is hardly likely to change the balance seriously in the short term, and the long-term prospects depend on growth within the economy, over which the government has only part control. The strategy is best summed up in paragraph 569 of the plan: "Thus it is important that in the implementation of the specific measures for employment and ownership restructuring, the investment climate and the prospects for overall economic growth

⁹ The English term to describe Malays who subscribe to the view that Malays ought to occupy the major positions in all aspects of Malaysian society.

¹⁰ Literally 'sons of the soil' i.e., Malays.

should be strengthened, for the underlying objective remains that of fair distribution through rapid economic growth so that no one will be deprived of his rights, privileges, income, job or opportunities." That could well have been written by the MCA leaders.

Education

Educational advance in Malaysia in terms of investment continues to be a feature of total government spending, and the proportion of development spending devoted to education for the plan period is 9.0 per cent as opposed to actual expenditure of 6.9 per cent during the Second Malaysia Plan. Two contentious issues require examination in the context of educational planning, namely, the language issue and racial balance of scholarships in tertiary educational institutions in Malaysia and overseas. These issues are directly linked, and provide an interesting insight into the power configurations within the coalition.

In furthering national unity, Bahasa Malaysia will increasingly become the language of instruction at all levels. The SMP period saw the extension of Bahasa Malaysia at primary level and it is claimed that this is the language of instruction in all English medium schools. However, the status of English raises many issues for Malaysian development. The plan states that English will be extended as a "strong second language" (para. 1310). The present Minister of Education, Dr. Mahathir Mohammed, who happens also to be the Deputy Prime Minister, has in the past leaned to the 'ultra' position on some issues (although office and his proximity to the Prime Ministership has probably moderated his views) and he is a keen proponent of the continued progress of Bahasa Malaysia. The policy is not without its problems: for example, English is essential for managerial, technical and administrative positions within the economy. Poor Malays are at a disadvantage as English teaching in many rural schools is poor and popularly believed to be declining in quality. This is not assisted by the habit of the elite of all communities of sending their children abroad, particularly to Britain, for their education. The Opposition leader, Lim Kit Siang, constantly reminds Malay proponents of Bahasa of the numbers of Ministerial children at present at educational establishments in the English speaking world. As one Malay critic of the language policy remarked, "I wonder how much Bahasa Ministers' children learn in London." Entry into whole areas of the modern sector of the economy requires English, and many Malays recognise that the actions of

the Malay political leadership are not without a tinge of hypocrisy.

The second educational issue is the award of scholarships to various higher education institutions in Malaysia and abroad. Special rights for Malays extend to the award of scholarships and places in such institutions as the Universities. This has the effect of making competition for non-Malay places extremely keen and resulting in higher entry requirements for non-Malays. Sons and daughters of the rich are able to purchase higher education by going abroad and at present there are 31,500¹¹ Malaysians studying in overseas countries (paras. 1372 and 1382). Statistics on the racial balance are not readily available, but 4,005 Malaysians were in tertiary institutions in Britain, Australia and New Zealand in 1975. Of this figure, 20 per cent were Malays and other 'indigenous' people, 69 per cent Chinese and 9.2 per cent Indian. The figure for Chinese probably represents a considerable investment by individual Chinese families and organisations in response to the quota system in operation for indigenous tertiary institutions.

Poor non-Malays have to contend with the dual disadvantage of poverty and the quota system, and there is little evidence that the educational authorities discriminate in their favour. One of the most depressing aspects of Malaysia is the difficulty of convincing many Malays that poverty exists within the Chinese community,¹² and policies that discriminate against the community as a whole on the basis of a myth that all Chinese are affluent is hardly likely to build national unity.

The two aspects of educational policy examined here reveal a political naivety among Malaysian policy-makers, at least in their statements for public consumption. There is excessive reliance on language as a means of building national unity. The determination of the elite to ensure education in English for their children raises smiles on the faces of all informed Malaysians irrespective of community, but the language question requires a set of policies more subtle and at the same time politically more astute. Chinese educationalists emphasise the importance of English as a means of entering the modern sector and this factor is recognised by the rich in all communities, which partly explains the demand for overseas education.

¹¹ The figure includes students at secondary schools abroad.

¹² It seemed to me that there was greater appreciation of poverty within the Indian community, but Indians have very little 'political muscle' and therefore pose little threat to the Malays.

Space does not permit mention of a number of other issues in educational development that require examination, for example, the relationship between the restructuring aspects of NEP and the racial balance within subject areas. The section of the TMP on education (Chapter xxii) does not indicate an awareness among planners and policy-makers of the consequences of present policies. The emphasis on Bahasa Malaysia has become a 'sacred cow' of the Malay political leadership, but the creation of a national language has costs. It is difficult not to conclude that these costs are being borne by the less affluent sections of all communities because they rely on the educational system within Malaysia. It is clear that within the coalition the MCA has not been able (on the present evidence) to point to the dangers in educational policies. This may well reflect the fact that the MCA is much more interested in Chinese industrial and commercial interests and the demands of the Chinese poor are not of vital concern to the party.

Conclusion

The Third Malaysia Plan is a substantial document in length and scope. The targets for growth in the economy are considerable but provided there is no massive world recession, then the targets will probably be achieved. Important as these targets are, it is in many ways the political aspects of the plan that are of interest. The TMP is obviously directly descended from the SMP but with certain changes of emphasis, particularly in the thinking on poverty and this reflects a fear that haunts the Malay political leadership—a divided Malay race. The major gains for Malays from the NEP have been excessively concentrated in the more affluent sections of the community. The life-style of the political and administrative elite in Kuala Lumpur contrasts with the lot of the urban and rural poor. This stratification could, in the future, be 'politicised', either by the Party Islam (PAS) into a chauvinistic demand for a Malay polity, thus taking the country towards a racial war or to the Left and the development of a nascent class consciousness cutting across the racial divide. Were either of these situations to develop UMNO would fall apart. UMNO must therefore play the difficult game of beating the racial drum loud enough to deflect the attacks from the PAS at the same time not too loud so as to destroy the coalition particularly with the MCA.

In UMNO's favour is the fact that the Malays are the least class conscious of the three communities. Malay response to their position is to

demand more privileges, which means more government assistance. UMNO being the major political force is able to provide at least some of this and therefore obtains credit (and votes) from the Malay community. However, can the Malay political leadership rely on this situation lasting?

Finally, one issue that is now once again at the forefront of Malaysian politics is the internal security and the activities of the Communist Party of Malaya (CPM). After their defeat during the 1948-60 Emergency the remnants of the party continued to operate, but infiltration and splits weakened their mobilising and guerrilla operations. However events in the east of South East Asia and a resurgence of activity poses problems for the government. UMNO has seized the issue to emphasise the need for the unity of the Malay people, and Hussein Onn has gained politically as the Prime Minister facing the threat. Actual hard information is difficult to come by, but defence and internal security expenditure is to double during the plan period (Table 12-3, pp. 240-41). If volume of newspaper articles and speeches by politicians is anything to go by then CPM activity must have grown in the last year. An examination of these articles and speeches exposes concern over the political work among the civilian population. Could it be that the CPM is recruiting from the Malay community as well as their known support from some Chinese?

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