

DYNAMICS OF POLICY-MAKING IN MALAYSIA: THE FORMULATION OF THE NEW ECONOMIC POLICY AND THE NATIONAL DEVELOPMENT POLICY

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Introduction

Policy formulation in Malaysia, like in many Third World countries, is essentially a centrally directed exercise.¹ While the formulation process is somewhat open to public opinion and interest group influence, it is nonetheless a relatively autonomous administrative act.² The comment by a long-time observer of Malaysian politics on the policy-making process is indicative: "Increasingly, the processes of public policy-making and evaluation have been centralized and cloaked in secrecy."³ Such an attribute is prevalent in the formulation of most policies in Malaysia. It suggests that most policy inputs and outputs are systematically determined by the government bureaucracy before proposals are made available to the public for debate and discussion.

While the general bearings of policy outcome are relatively predictable, the political process of input and interest articulation is not. The relationship between public policy input and social variables such as ethnic and class interests are important in the Malaysian context. Both factors have exerted pressures on the building process of political agenda inside as well as outside the government. On the whole, ethnicity and class as the determining motifs of major policy issues have made the Malaysian political process both volatile and impetuous. This is especially the case in the late 1980s and early 1990s when the Malaysian polity seems to be more fragmented than before.

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This article contends that policy formulation in Malaysia is a highly bureaucratic act emanating primarily from the Prime Minister's Department, although efforts from various interest groups for consensual building in the process can also be identified. The argument is presented through the mapping out of the general features of the policy process in Malaysia by comparing two cases of policy formulation: the New Economic Policy (NEP) and National Development Policy (NDP). The objectives are to define broadly the character of these two cases of policy formulation and to analyze the major tenets contained in the process of arriving at policy decisions. This analysis will pave the way for an appraisal of both the general profile of policy formulation and the politics of interest intermediation in Malaysia.

The Malaysian Political System and Governmental Structure

The present political system in Malaysia has been the product of three factors: its colonial experience under the British, its economic conditions, and its soci-cultural conditions. The combination of these factors has an important influence over ethnic relations in the country.⁴ Indeed, the central alignment of the Malaysian society is its diverse ethnic structure. In 1990, Peninsular Malaysia's ethnic balance is roughly 58 per cent Malay, 31.4 per cent Chinese, 9.9 per cent Indian, and a remaining 1 per cent comprising other small ethnic groups.⁵ It is fundamentally a "plural society" in the Furnivallian sense - that ethnic boundaries coincide with economic and social spheres and institutions.⁶

Ethnic relations have always been the leitmotif of Malaysian politics since the Country's independence in 1957. The government has been a coalition of ethnic-based political parties. The Alliance, which ruled the country from 1957 to 1972, was a coalition of political parties composed of the United Malays National Organization (UMNO), the Malaysian Chinese Association (MCA), and the Malaysian Indian Congress (MIC). After 1972, the Alliance was broadened to include several more smaller parties and was renamed the National Front (*Barisan Nasional*). The dominant political party in the coalition is undoubtedly the UMNO.

As a parliamentary democracy patterned after the British system, the chief executive officer in Malaysia is the Prime Minister, who is in charge of the day-to-day process of policy-making and policy supervision. His office is supported by the bureaucracy, which is dominated by the Malays. By practice, the Prime Minister is also the President of UMNO. He is also the Chairman of the Barisan Supreme Council, which oversees major decisions arrived at in close-door bargaining sessions among leaders of the various ethnic communities. Malaysia has had four prime ministers since independence. The Tunku Abdul Rahman administration (1957-1970) was succeeded by Tun Abdul Razak. Tun Hussein Onn took over the premiership upon the death of Razak in 1976. In 1981, Hussein Onn announced his intention to step down from office. He also indicated that he would not stand for re-election as President of the UMNO, citing ill health as the main reason. Datuk Seri D. Mahathir was sworn in as Malaysia's fourth Prime Minister on 1 July 1981.

Policy Born in Crisis: The New Economic Policy

Formulated after the racial riots in 1969, the NEP is a set of grand policies designed by those in the Malay ruling stratum to address what were perceived to be the basic economic problems in the country. It has the benevolent "over-riding objective of national unity," with a two-pronged strategy - "to reduce and eventually eradicate poverty, by raising income levels and increasing employment opportunities for all Malaysians, irrespective of race," and "to correct economic imbalance, so as to reduce and eventually eliminate the identification of race with economic functions."⁷ In accordance with the second strategy, the NEP has set a target whereby 30 per cent of the nation's wealth should be transferred to the Malays by 1990, its termination date. In many respects, the NEP was an important break from past policies. It is therefore important to understand the circumstances that had led to its emergence.

Albert Hirschman, in his seminal study of policy-making in Latin American countries, has postulated that one of the major determinants of policy is the occurrence of a crisis. A crisis - defined as a traumatic event that shakes the basic fabric of the country - could act as a policy-window which

policy-makers can open to formulate new policies.⁸ In other words, policy initiatives will come to the fore under the right political conditions when the problem is highlighted and proposals put on the agenda. Thus, political receptivity plays the central role in getting policies formulated. In this context, the formulation of the NEP in Malaysia certainly developed within the context of a crisis - the racial riots of May 1969.⁹ In retrospect, one could even argue that its formulation could not have been possible without the occurrence of the event.

During the first two decades of independence, the Malaysian Alliance government was primarily concerned with the immediate agenda as outlined in the First Five-Year Plan (1956-60) and Second Five-Year Plan (1961-65), and the First Malaysia Plan (1966-70). Economic policies, in general, were dominated by the central Keynesian idea that the task of governmental economic managers was to ensure full employment, price stability, economic growth and a reasonable balance in international payments. Although these plans made reference to the need to ensure the economic development and advancement of the Malays (referred to as rural residents rather than Bumiputeras), they represented symbolic rather than precise commitments by the Alliance government. Until the late 1960s, only some of the more radical Malay political interest groups such as the UMNO Youth endeavoured to put flesh onto the bones of this loose commitment by making more demands on behalf of the Malays, but their efforts found little resonance elsewhere in the political system. Instead the weight of argument within the Alliance government was to emphasize growth and industrialization, to consolidate the internal market, to promote external trade, and to develop key sectoral policies.¹⁰ Some policy instruments and financial resources were available for "societal restructuring" which provided for some modest efforts at redistribution, but they were limited in scope and scale.

Towards the end of the 1960s the debate over developmental policies began to shift. There was a series of proposals for more pro-Bumiputera policies. The government-sponsored First and Second Bumiputeras Economic Congresses were held in 1965 and 1968. In a number of areas of activity the government began to press more insistently for moves beyond measures of rural development towards actual assistance and then eventually

to Bumiputera assistance.¹¹ For example, Bank Bumiputera and PERNAS were set up, and RIDA was reconstituted and renamed MARA, with the principal aim of assisting Bumiputeras in commerce and industry.¹²

Such political demands by grassroots Malays took Malay policy-makers straight towards awkward choices about resource allocation and priorities. Indeed, the demands reflected in part an uneasy tension between the camps. The Malay political elites were thrust into the politics of distribution. Questions like who benefits from what and to what extent were beginning to give rise to political dilemmas and conflicts within the Alliance coalition government. Not surprisingly the government's effort to move along this road met an ambivalent and cautious response from the non-Bumiputeras. But again, the government's effort was only half-hearted.

The scene changed dramatically with the occurrence of the racial riots of 1969. The racial riots could be viewed as one of "the ripe moments that produce innovation."¹³ The "innovation" which emerged from this crisis was an economic policy that would assist the Malay community. One of the causes of the riots, seen from the perspective of the government, was economic in nature - that the Malay poor felt increasingly dissatisfied with government programmes that did not benefit them.¹⁴ The non-Malays were conscious that they had to foster some kind of economic cooperation with the Malays. So immediately after the riots, there were efforts by the Chinese business community to assist the Malays in business ventures. For example, the Associated Chinese Chamber of Commerce and Associated Malay Chambers of Commerce jointly set up the Sino-Malay Economic Co-operation Advisory Board in September 1969. These efforts, while welcomed by the Alliance government, were still limited in scope and scale.¹⁵ The Alliance government therefore saw that the time was ripe for a new economic policy which would appease the most powerful constituents, the Malays.

The formulation of the NEP started immediately after the riots when the country was ruled by decree.¹⁶ During the months that followed, various documents were drawn up by the Prime Minister's Department (PMD) and the Department of National Unity (DNU), with the patronage and support of the Chief Secretary of the Federal Government, Tan Sri Abdul Kadir Shamsuddin. These documents

came to be part of the foundation for the search by Tun Abdul Razak, as Director of Operations and then as Prime Minister, and by the Department of National Unity (DNU) for an alternative development strategy which could provide the basic thrust of the NEP and of the Second Malaysia Plan (SMP) ...¹⁷

Although the initial formulation of the NEP had its origin in the DNU, it was the Economic Planning Unit (EPU) in the Prime Minister's Department that finally put together the plan.¹⁸ The broad functions of the EPU enabled it to formulate broad objectives as well as detailed proposals in development planning.

While interest groups and political parties in general were excluded in the formulation of the plan, there were indications that the UMNO had access to the plan before it became public. The UMNO economic bureau, headed by the Minister of National and Rural Development, Abdul Ghafar Baba, examined the plans and made proposals.¹⁹ While details are not known, this nonetheless shows the privilege of accessibility to information enjoyed by the UMNO politicians in the decision-making process.

The conception, legislation and promulgation of the NEP - dubbed a "silent revolution" by the Prime Minister at the time, Tun Abdul Razak²⁰ - took only fourteen months. It was approved in Parliament on July 20, 1971.²¹ From the very beginning, the NEP was clearly conceived as a set of national policy that was desirable, so that neither Bumiputera rights nor non-Bumiputera aspirations would ever be infringed upon.²² The member parties within the Alliance agreed that the NEP was an appropriate step. In addition there was never really any basic disagreement among the ministers on the desirability of the plan. To be sure, the Malaysian Chinese Association (MCA) - a partner in the coalition government - was obstinate during the pre-decisional phase. However, the MCA's stand was by no means crucial, especially since its position had been weakened in the 1969 elections. Its bargaining position was made even worse when its President, Tun Tan Siew Sin, threatened to quit the coalition because of its bad performance in the elections. Moreover, it seems that the MCA was more concerned with the general strategy of growth and industrialization than the distributional aspect of the NEP.²³

In sum, the formulation of the NEP was essentially clothed in secrecy. While there were internal squabbles within the bureaucracy, they were carried out in a depoliticized manner. Decisions were made by an exclusive number of elites who had little choice under the circumstances but to agree with the general policy proposals made by Razak and his allies.

Policy Formulation as Political Intermediation? The National Development Policy (NDP)

Much has been written about how the implementation of the NEP transformed and reshaped the political system and process in Malaysia.²⁴ It is therefore useful to think of Malaysian politics in the late 1980s as being determined by the policies of the past two decades. But here we encounter the difficulty of explaining the seemingly more consultative process of policy-making that exists in the case of the formulation of the NDP. If the political system of Malaysia has been transformed by the NEP, it would be logical to assume that the decision-making process should have become more closed. In this case, however, this has not happened. Unlike the NEP, the agenda-building process and formulation of the NDP was a much slower business. Debate on the policy began to emerge in the mid-1980s when the question of whether the NEP should continue or not was raised. The actual plan was fully promulgated in 1990. It therefore took approximately five years for the NDP to be transformed from public issue to concrete plan.

Many observers have argued that despite a few changes and modifications, the NDP is a continuation of the NEP, both in terms of content and in terms of spirit. While the over-riding objectives of "political stability and national unity" are still in place, the NDP retains "the ongoing thrust of NEP in eradicating poverty and restructuring society."²⁵ In the NDP, the government also noted that the NEP fell short of its 30 per cent target and that only 20.3 per cent of the country's corporate assets had been transferred to the Malays (see Table 1). In view of this, the new plan would continue to create conditions conducive to the creation of a Malay commercial and industrial community. It has stressed that while the 30 per cent quota would definitely be realized in the future, a specific date should not be given for its attainment.

The new plan also endeavours to continue to boast the relative positions of Malays in managerial and technical professions, whose quota, like the 30 per cent quota of the corporate asset, has not been achieved. The central contention of the new plan, however, is the government's rejection of the idea proposed by various groups that an independent institution - a monitoring commission to supervise the governmental machinery in the implementation and achievements of the objectives of the NDP - should be set up. The government has argued that such a commission is not needed as there are already adequate institutional mechanisms checking and supervising policy implementation. Moreover, as the members of the commission would be directly responsible to the Yang Di-Pertuan Agong (the King), bypassing the cabinet and the parliament, the establishment of such a body would constitute "a government within a government."

TABLE 1

**Malaysia: Ownership of Corporate Asset by Ethnic Groups
in 1970 and 1990 (in Percentage Terms)**

	<u>1970</u>	<u>1990 Target</u>	<u>1990 Actual Percentage Achieved</u>
Malays (Bumiputeras)	2.4	30	20.3
Other Malaysians	32.3	40	46.2
Foreigners	63.3	30	25.1
Nominee companies	2.0	-	8.4

Source: Compiled from *Third Malaysia Plan, 1976-1980*, p. 86; and *Sixth Malaysia Plan, 1991-1995*, p. 13.

The Three Phases of NDP Formulation

In general, the formulation of the NDP can be divided into three phases - the public rhetoric phase, the organized forum phase, and the decision phase.

1. First Phase: Public Rhetoric

The first phase, which began sometime in the mid-1980s, was characterized by public pronouncements by interest groups and political parties on the weaknesses or strengths and negative or positive impacts of the NEP. It was heavily politicized in the 1986 election.²⁶ At that point, almost all the influence and participation in the policy were at the rhetorical level. Political parties and interest groups - pro- and anti-government alike - attempted to direct and shape public opinion, and went to extreme length to obtain political support for their positions. In general, government officials were playing the expectation game and giving out conflicting signals, claiming that the NEP had not achieved its objective and therefore it would be continued in one form or another. Those who opposed the NEP, including all Chinese-based political parties and interest groups, saw the NEP as the most divisive policy ever devised. While the October swoop of 1987 - when 106 active politicians and leaders from opposition and interest groups were detained under the Internal Security Act (ISA) - was the result of intense racial manoeuvring, it also marked the end of public debate on the NEP.²⁷

2. Second Phase: The Setting Up of the National Economic Consultative Council

The second phase began with the setting up of the National Economic Consultative Council (NECC). This is the most interesting phase of the whole policy formulating process as far as interest intermediation is concerned. Given the history and context of policy-making in Malaysia, the NECC was a rather unusual forum for problem-solving for the development of a common economic policy. Prime Minister Datuk Seri Dr. Mahathir Mohamad made it a point to raise the public profile of the NECC and stressed that its

establishment was “a sincere effort to get as many people as possible to be involved in determining the destiny” of Malaysia.²⁸

From the outset, the NECC was criticized by some groups for its lack of status. The complaint was that the Council did not have the necessary base of legitimacy and authority on which a national policy process could generally rely. First of all, it had no independent power in policy-making, and secondly, it would merely be used as a political forum and a public relations tool. There was also a provision in the Council that generated some controversies. The provision was that proposals put forward by the Council must be reached by a consensus among all its members. Critics charged that this would severely retard the Council’s progress and deliberations. In order to allay the suspicions of the skeptics, the Deputy Prime Minister Ghafar Baba repeatedly gave the assurance that decisions reached by consensus by the Council would be implemented by the government, and that the various interest groups should not doubt the sincerity of the government.²⁹

The Council was finally launched on January 19, 1989 by the Deputy Prime Minister, Ghafar Baba. It was an almost all-inclusive body, with a membership of 150, headed by Ghazali Shafie, who was reputed for having an influential role in the formulation of the NEP.³⁰ A very large number of officials, politicians, experts and interest group representatives participated in the many and highly-differentiated sectors of this policy-making body. Its membership was drawn from various quarters - political parties including opposition groups, chambers of commerce, government officials, corporate leaders, economists, professionals, individuals and minority groups. The Council’s secretariat was the Economic Planning Unit of the Prime Minister’s Department. It held its first closed-door meeting on January 19, 1989.

In terms of numeric representation, opposition parties were allotted 12 seats and National Front members had 40 seats. Altogether 12 parties were represented. The dominant opposition party, the Democratic Action Party (DAP) was represented by six leaders.³¹ When their names were submitted, three of these leaders were still detained under the Internal Security Act after they were arrested in October 1987. The DAP boycotted the earlier meetings because their leaders were still in jail, and it was not until the fourth meeting, in April 1989, that they decided to participate in the proceedings.

Policy proposals in the NECC proceeded in two stages - the review stage and the formulation stage. During the review stage (from January to May 1989), two issues were frequently brought up. First, members questioned the accuracy of government data presented in the Malaysian plans. Some felt that the government was trying to withhold vital information, and to disseminate false and misleading information. This was a topic of concern for most members since one question that was raised related to whether the 30 percent share of the corporate wealth held by Bumiputeras had in fact been attained. Non-Malay parties and interest groups insisted that the target had been reached, while Malays, quoting from the Malaysian plans, argued otherwise. Despite the fact that representatives from the Prime Minister's Department and the twelve ministries were present at the Council's meeting to answer queries on facts and figures, the controversy was not resolved. In the end, the Deputy Prime Minister, Ghafar Baba, had to come forward to announce that the figures of the NEP were indeed genuine and authentic.³² At one point, Council Chairman Ghazali Shafie admitted that there was indeed a lack of information and data, but he also said that the members of the Council should not question the validity of the official data. Prime Minister Datuk Seri Dr. Mahathir also suggested that members of the Council should present their own data if they were not satisfied with those provided by the government.³³

The second stage was the formulation of the proposals. During the fifth meeting in May 1989, five working groups were set up to deal with data standardization, poverty elimination, restructuring of society, the national economy in the context of the international environment, and the development of human resources.³⁴ It was up to each sub-committee to debate, structure, and hammer out the details of the proposals.

There was a strong feeling among some who attended the NECC's deliberations that the Council was not fair in its procedure.³⁵ These groups registered their protest by withdrawing from the NECC. The United Chinese Schools Teachers' Association (UCSTAM) and the United Chinese Schools Committees' Association (UCSCAM) - each having one representative in the Council - withdrew from the Council on August 25, 1989. Their representatives claimed that their suggestions, opinions and objections were

not included in the committee's meeting notes, reports and observations.³⁶ The Selangor Chinese Assembly Hall withdrew the following day. The DAP suspended its participation on August 27, 1989, but rejoined on September 11, in the same year.³⁷ The Inter-Religious Council also withdrew. Throughout the two-year life span of the Council, nineteen members from various organizations withdrew for a variety of reasons.

Obviously government officials in the various ministries were somewhat disturbed by the withdrawal of the DAP and special interest groups. They warned that since these groups were not participating in the bargaining process, the Barisan Nasional government might not implement some of the suggestions of the Council because the proposals were not reached by consensus.³⁸ Such a warning unfortunately turned out to be an accurate prediction of subsequent events.

From the outset the Council was an arena for negotiations over the definition of common interests in relation to substantive issues in the NEP. Most organized groups - Bumiputera and non-Bumiputera - were there to represent communal interests rather than to promote overall economic development on a national basis. Indeed, many of them regarded this particular process of policy decision as a direct threat to their interests. Those who bargained on behalf of member groups were always most immediately concerned with the tangible output of their collaboration, while those who worked in the government institutions for the collective interest were continually preoccupied with extending the policy scope and authority of the Council as a means of achieving the further extension of the NEP.

The actions taken by the Chinese guilds and associations and the opposition party demonstrate the fragility of the rules of the game and the real problems in determining what constitutes political bargaining. Racial bargaining on economic issues was markedly adversarial in character. While this was not a new phenomenon, the opposing positions of the different parties had become extremely polarized. In any case they were outside the process of policy consultation, and their arguments carried less weight in the policy decision process even though they got the attention of the Chinese press.³⁹

The NECC finally submitted its report to the government on February 9, 1990. The plan, called *Dasar Ekonomi Untuk Pembangunan Negara* (DEPAN), was, according to one participant, a “paradigmatic break” with the NEP as it proposed for an independent, non-partisan commission to monitor the implementation of the new policy,⁴⁰ an idea which was eventually rejected by the government.

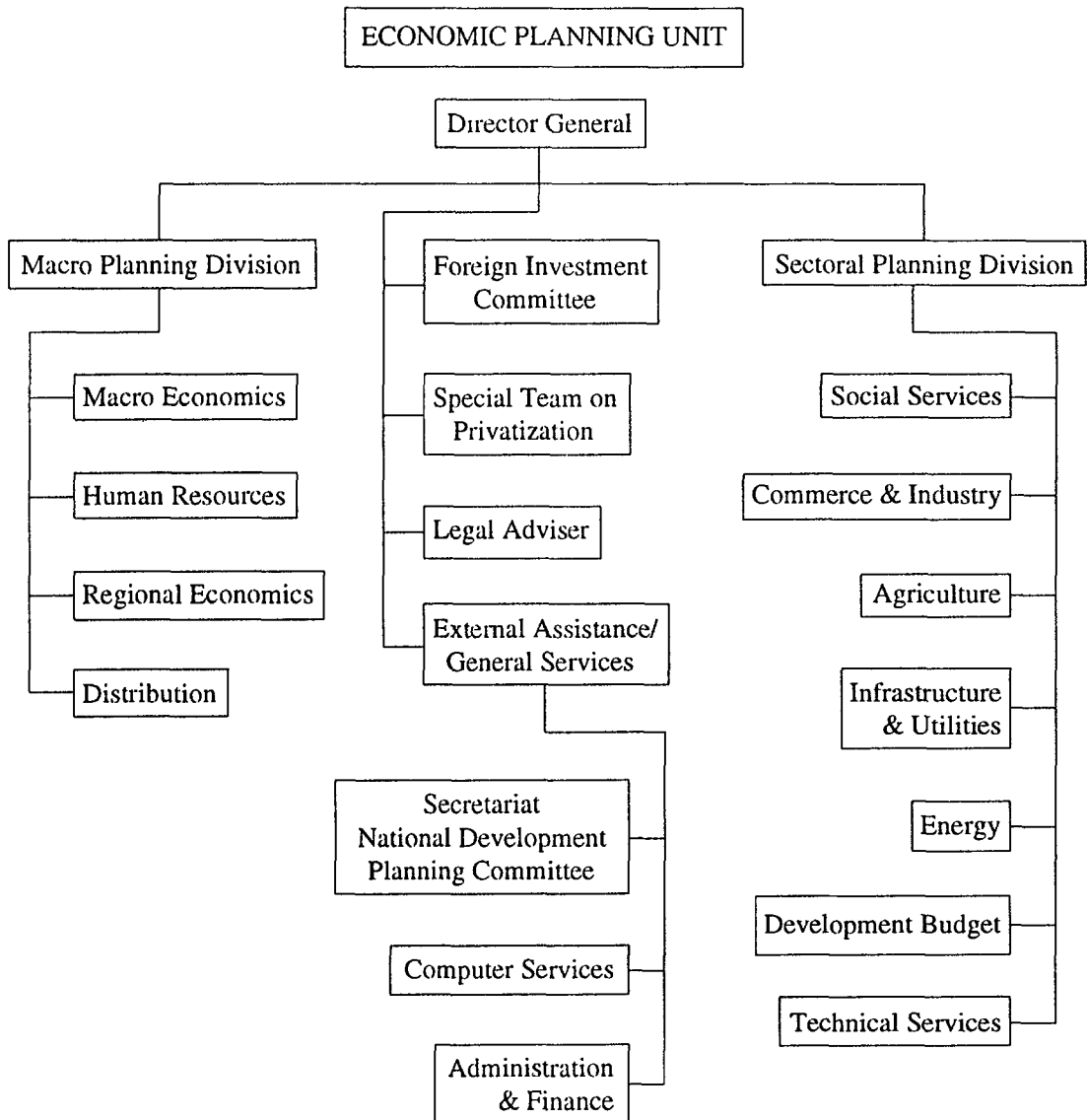
3. Third Phase: Drafting the Plan in the Economic Planning Unit (EPU)

The third phase was the final, perhaps the most important, stage of the policy-making process when the Cabinet Economic Committee was given the task of formulating policy proposals in June 1990. On June 11, 1991, the MCA President, Lim Liong Sik, announced that the Cabinet had formed a committee to deal with the formulation of the new economic policy. He said that the proposals of the NECC would be consulted but not necessarily taken into account. The Cabinet met to discuss, for the first time, the Second Outline Perspective Plan (OPP2) on May 17, 1991. In that meeting, the Prime Minister, Datuk Seri Dr. Mahathir, said that the Cabinet had agreed in principle not to take the NECC proposals “word for word” but only to accept its “line of thought.”⁴¹ On May 22, the Cabinet, at its meeting in Kuching, Sarawak, approved the draft of the OPP2.⁴² The plan, together with the Sixth Malaysian Plan, was tabled in Parliament on July 24, and passed on July 30, after four days of debate.⁴³ This was also the time when a change in name of the new policy to the National Development Policy was formally endorsed.

The formulation of economic policies and the generation of policy alternatives are often perceived as the prerogatives of the EPU in the Prime Minister’s Department. The EPU, which is divided into the Macro Planning Division and the Sectoral Planning Division, is the central staff agency of the government for planning national economic development (see Fig.1). It functions as the secretariat to the National Planning Council (NPC), the National Development Committee (NDPC), the Foreign Investment Committee, and an Inter-Departmental Committee on Privatization. All these committees and organizations consist of senior ministers and senior members of the civil service who are given the power to formulate, review, and

FIGURE 1

**ORGANIZATIONAL CHART OF THE ECONOMIC PLANNING UNIT (EPU) OF THE
PRIME MINISTER'S DEPARTMENT, MALAYSIA**



recommend policy proposals to the cabinet. Given the resources - information, expertise, and power of decision - vested in the agency, the EPU is certainly in a situation to act authoritatively on the formulation of the NDP, as was the case in the formulation of the NEP.

There are at least three indications that the bureaucrats at the EPU at the Prime Minister's Department were working independently of the NECC in drafting the OPP2. First, the time that elapsed between the submission of the NECC report and the approval of the OPP2 by the Cabinet indicates that the EPU was drafting the plan on its own, although the Prime Minister made the comment that the OPP2 was late because of the late submission of the former piece of document. Secondly, after the submission of the NECC report, public announcements made by government officials carried no reference to the NECC report. Finally, the OPP2 did not incorporate some of the major recommendations of the NECC, the most important of which was the setting up of an independent monitoring commission. The whole process of formulating the National Development Policy is shown in Figure 2.

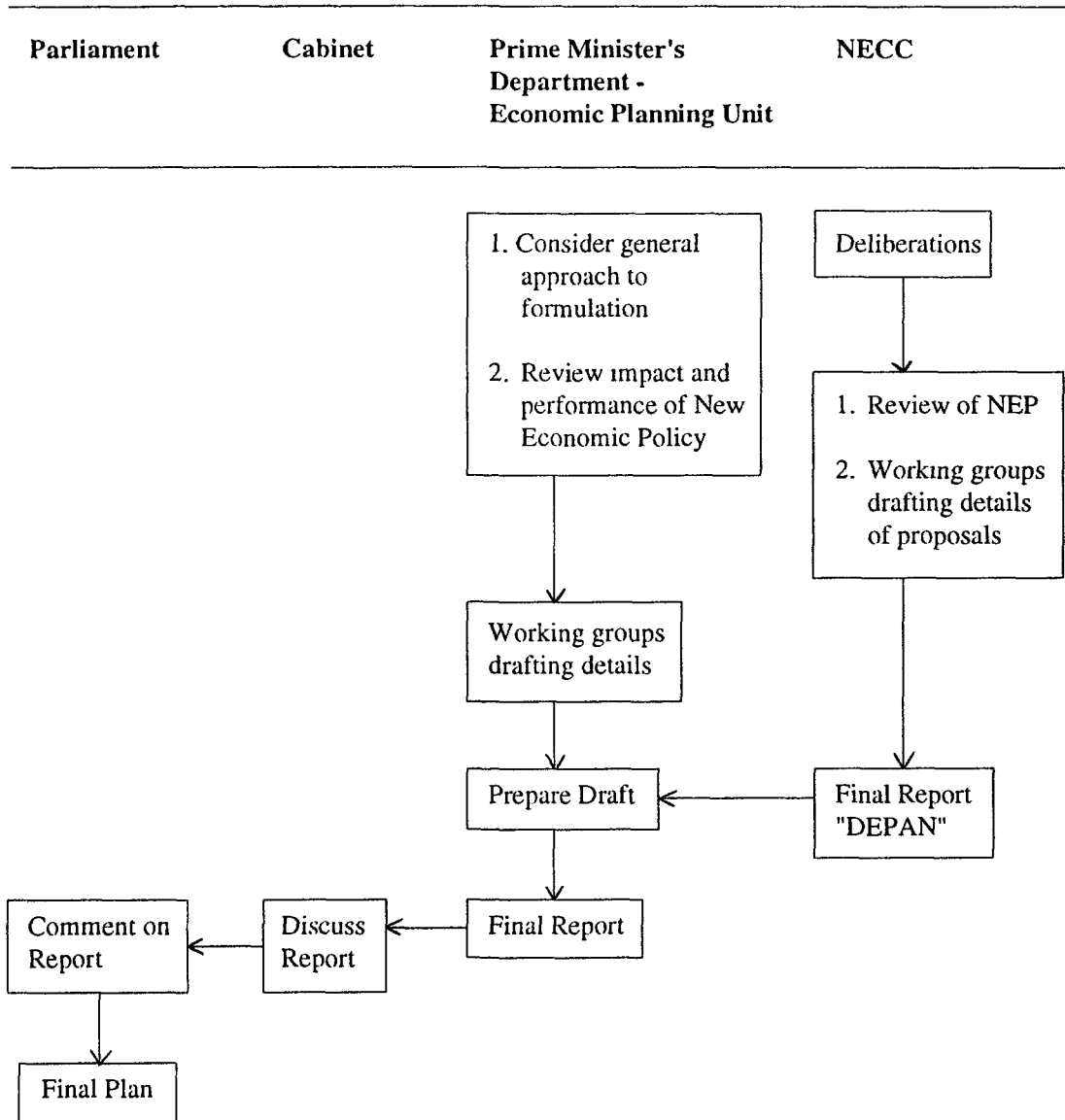
The Policy Formulation Process Analyzed

Policy analysis literature makes a distinction between public (systemic) agenda and formal (institutional or governmental or official) agenda. Public agenda contains issues on which a majority of citizens are sufficiently concerned about to make representations, whereas governmental agenda contains only those items on which the government wants to act.⁴⁴ This distinction is helpful in our analysis of the differences between the second and third phases of the formulation of the NDP.

It was a basic tenet of the initial thinking of the Prime Minister that the NECC should become the chief policy-formulating body, leaving the Cabinet as legislators to accept or reject the proposals of the Council. The intention was that the NECC and its services should consult widely, consider objectives and finally draft detailed proposals which would form the basic structure of common policies, with the Federal Government playing the limited role of providing information and expert advice.

FIGURE 2

MALAYSIA: FORMULATION OF THE NATIONAL DEVELOPMENT POLICY



In practice, however, the policy formulation process has evolved very differently, with the decreased responsibility blurring the role of the NECC, and an apparent shift in the importance away from the Council towards the Cabinet and the Prime Minister's Department which constitute the heart of the executive-bureaucratic arena of the Malaysian political system.⁴⁵ There is little doubt that national policy-makers have arrogated policy powers from the council and sought to maintain as much influence as possible on policy output.

Indeed, the policy process cannot be understood without an appreciation of the role of the Prime Minister's Department. While the position of the Prime Minister is obviously preeminent, there are strong norms of collective responsibility and hence of the importance of some rough formal equality of all members in the Cabinet. The norms and traditions of Cabinet collectivity and responsibility influence policy-making through the strong strictures regarding secrecy and confidentiality in intra-Cabinet and intra-bureaucratic decision-making processes.

The coordinating committees possess what amounts to *de facto* decision-making power, although this is always subject to possible alteration or defeat when presented to the full Cabinet. For example, the EPU is involved in periodic reviews and evaluation of the current economic situation to ensure that the short-term economic goals of the government and economic policies designed to attain these goals are compatible.

Through this process a national policy would both replace and extend other policies to the point where separate ethnic groups would be bound together within a broader political framework which is increasingly endowed with its own political legitimacy and authority. The EPU has come to predominate as the instinctive recourse of national policy-makers in their efforts to respond to their domestic agendas.

As far as one can tell, almost all of the key moves during the final decision phase were made by the Prime Minister's Department. This is not to play down the importance of the NECC, but rather to place it in proper perspective. The NECC performed some important tasks: it mapped the technical terrain, injected ideas, socialized and mobilized experts, orchestrated positions, and intermittently pushed and prodded interest groups. But

policy decisions were clearly the prerogative of the Prime Minister's Department. In the development of the national economic policy, the Department has been the major policy-making body by virtue of the power given to it by the Prime Minister himself.

In sum, the distinction between the second phase and the third phase (public agenda versus official agenda) is clear: during the second phase when the NECC was seemingly in charge, the government "let it happen" - without any apparent interference or impediment. In the third phase when the executive came into the picture and the bureaucracy began to exhibit its role in policy formulation, the government "made it happen" - setting goals and defining problems.⁴⁶ It is clear that policy initiatives were seriously considered only in the third phase where proposals were set on the decision agenda.

The Formulation of the NEP and NDP Compared

Comparing the formulation of the NEP and the NDP, we find one distinct difference in the processes. The formulation of the NEP in 1970 was clothed in great secrecy and urgency, with limited direct participation by non-governmental actors. However, during the formulation of the NDP in 1990-91, the process appears to be more open - the National Economic Consultative Council (NECC) was formed to initiate and mediate policy proposals and alternatives before the actual policy was tabled in Parliament. The NEP was formulated in 1971 without much controversy for two reasons. First, the regime was ruled by decree by the National Operations Council (NOC), thus prohibiting open discussions of sensitive issues. Second, the NEP at an embryonic stage was not fully appreciated as a radical approach to the economic development of Malaysia. In the beginning phase of the NEP, it was possible to view the plan as a positive-sum game. The size of the economic cake and thus of individual slices was growing. Much progress was made in establishing many areas of development. However, since the early 1980s both the rules and habits of cooperation were subjected to continual strain: the economic cake had stopped to grow and interest was focused on the relative size of individual slices, both in relation to one another and by reference to the criterion of fairness.

Without a traumatic event similar in scope to that of the 1969 crisis, which acted as a policy-window for the NEP, the formulation of NDP in the 1990s required a more subtle approach. One notable feature of domestic politics during the 1980s was the degree of instability that was injected into the policy process. The assumptions upon which policy-makers had based their decisions for as long as two decades came to be challenged, as new actors and new concerns made their presence felt. There was, in particular, a recognition of the importance of resource constraint, actual or potential, with its implications for the distribution of those scarce resources. Racial bargaining had become more often a zero-sum game than an exercise in upgrading the common interest. In short, Malaysian policy-making in the late 1980s and early 1990s had to operate within a more open and difficult environment than in the early 1970s. The governing elites realized that a legitimate policy could not emerge without consent. It was harder to gain and retain that consent in the polarized and defensive environment of recent years as such an environment rendered more explicitly political the bargaining system from which compromise policies would flow. Thus the integration of interest groups into the decision-making process was viewed as a necessary step to ease the tensions that had been developing in the past two decades.

However, not all of the politically relevant and influential groups and factions within the Malay community were agreed that the shortcomings of the NEP were in fact shortcomings, or that the policy had created sufficient problems to warrant its reversal. For one thing, a large vertically-integrated Bumiputera class had benefitted under the policy.⁴⁷ In addition, over the years the Barisan Nasional government had been manipulating the NEP for purposes of social welfare and, in some instance, simply for distributing political rewards. The result was a patchwork of special privileges and rewards, as well as clusters of vested interests, both inside and outside the government, ready to fight doggedly to maintain their privileged positions.

In many ways, the government, predisposed to marginal adjustment rather than radical change, had become a prisoner of its own policy. It had set the boundaries of discretion within which officials operated, yet it had to establish some processes of legitimation that were consistent with the symbols of democracy. Its own vested interest in maintaining the NEP led the

NECC to play only a symbolic role in the policy-making process. The public visibility of the NECC emphasized the apparent importance of overall national interests and presented an illusory image of interest groups bargaining with each other, giving special importance to the non-Bumiputera interest groups. It allowed some, albeit limited, scope for the systematic mobilization of interests.

It should be borne in mind that in Malaysia major changes in policy at the national level depend on the firm support of at least one powerful advocate and other allies. In the national policy-making process it is unusual for any new policy to emerge without the commitment of the Prime Minister. In the Cabinet, unless a proposal is backed by the UMNO, it has little chance of success when it comes to the negotiation table. The proposals of minor parties such as the MCA and the Gerakan (Malaysian People's Solidarity Movement) are usually taken quite lightly, although it appears that the deliberations of ministers in the Cabinet are a major part of the bargaining process. Before a final deal can be struck, limited consultation takes place among the key groups that the government tries to accommodate. This phase is the most highly charged and most political in the policy process. It is the political consequences of such consensual building processes that are of decisive importance in the formulation of policies in Malaysia.

NOTES

1. See Donald L. Horowitz, "Is There a Third-World Policy Process?" *Policy Sciences* 22 (1989): 197-212.
2. See, for example, Elyas Omar, "Policy Analysis and Development in Malaysia," in *Policy Analysis and Development: Papers presented at the Colloquium on "Policy Analysis and Development"* (Kuala Lumpur: Asian Centre for Development Administration, 1974), pp.195-264.
3. Gordon Means, "The Politics of Ethnicity in Malaysia," *Current History* 86 (519, April 1987), p.168.
4. See Diane Mauzy, *Barisan Nasional: Coalition Government in Malaysia* (Kuala Lumpur: Marican & Sons, 1983), p.1.

5. *Fifth Malaysia Plan, 1986-1990* (Kuala Lumpur: Government Printer, 1986), p.129. The Figure is for 1990, and for Peninsular Malaysia only.
6. A plural society, defined by J.S. Furnivall, comprises a diversity of groups within a political unity: "They mix but do not combine. Each group holds by its own religions, its own culture and language, its own ideas and ways. As individuals they meet, but only in the market place, in buying and selling. There is a plural society, with different sections of the community living side by side, but separating within the same political unit. Even in the economic sphere there is division of labour along ethnic line." See J.S. Furnivall, *Colonial Policy and Practice: A Comparative Study of Netherlands East Indies* (New York: New York University Press, 1956), p.304.
7. *Second Malaysia Plan, 1971-1975* (Kuala Lumpur: Government Press, 1971), p.1.
8. Albert Hirschman, *Journeys Toward Progress: Studies of Economic Policy-making in Latin America* (New York: W.W. Norton & Co., 1973).
9. There has been a substantial amount of literature on the May 13 crisis of 1969. Among them are Anthony Reid, "The Kuala Lumpur Riots and the Malaysian Political System," *Australian Outlook* 23 (December 1969): 258-78; Felix V. Gagliano, *Communal Violence in Malaysia 1969: The Political Aftermath* (Athens: Ohio University Center for International Studies, 1970); idem, "Rats, Flies and Broken Beads: The Malaysian Political System's reaction to the May Riots," *Asia* 17 (1969): 60-75; John Slimming, *Malaysia: Death of a Democracy* (London, 1969); Ozay Mehmet, "Racial Riots in Malaysia," *Queen's Quarterly* 78 (2, Summer 1971): 210-18; National Operations Council, *The May 13 Tragedy: A Report* (Kuala Lumpur, 1969); Tunku Abdul Rahman, *May 13: Before and After* (Kuala Lumpur, 1969); and Leon Comber, *May 13 1969: A Historical Survey of Sino-Malay Relations* (Kuala Lumpur: Heinemann Asia, 1983).
10. Martin Rudner, *Nationalism, Planning, and Economic Modernization in Malaya: The Politics of Beginning Development* (Beverly Hills, California: Sage Publication, 1975).
11. See *Konggres Ekonomi Bumiputra Pertama* (Kuala Lumpur: Jabatan Chetak Kerajaan [The Government Press], 1966); and *Konggres Ekonomi Bumiputra Kedua* (Kuala Lumpur: Jabatan Chetak Kerajaan [The Government Press], 1969).

12. PERNAS stands for Perbadanan Nasional (National Corporation), RIDA for Rural and Industrial Development Authority, and MARA, Majlis Amanah Rakyat (Council of Trust for the Indigenous People).
13. Horowitz, "Is There a Third-World Policy Process?" p.197.
14. See the National Operations Council, *The May 13 Tragedy*, p.ix.
15. *The Straits Times*, July 8, 1970.
16. Just Faaland, J.R. Parkinson, Rais Saniman, *Growth and Ethnic Inequality: Malaysia's New Economic Policy* (Kuala Lumpur: Dewan Bahasa dan Pustaka, 1990), pp.25-37.
17. Faaland, Parkinson, and Saniman, *Growth and Ethnic Inequality*, p.26.
18. Dr. Agoes Salim, a top bureaucrat, chaired the working groups which helped formulate the Rukunegara and was deeply involved in the discussions leading to its direct outgrowth, the NEP. In an interview, Dr. Agoes was quoted as saying, "If you ask me, however, who really pushed it through, it was Tan Sri Ghazali Shafie. He was behind it all the way and ensured that the NEP was incorporated into the development plans." *The Star*, 4 October 1986.
19. *Straits Times*, April 23, 1970.
20. *Straits Times*, December 10, 1969.
21. *Straits Times*, July 20, 1971.
22. "The New Economic Policy is based upon a rapidly expanding economy which offers increasing opportunities for all Malaysians as well as additional resources for development. Thus in the implementation of this Policy, the Government will ensure that no particular group will experience any loss or feel any sense of deprivation." *Second Malaysia Plan, 1971-1975* (Kuala Lumpur: Government Press, 1971), p.1.
23. Finance Minister and MCA President Tun Tan Siew Sin, during the debate on the Second Malaysia Plan in the Parliament, stressed the issues of industrialization and credit worthiness for the plan to succeed. *Straits Times*, July 13, 1971.
24. See Ho Khai Leong, "Indigenizing the State: The New Economic Policy and the Bumiputera State in Malaysia," Ph.D. dissertation, Ohio State University, 1988; and Donald L. Horowitz, "Cause and Consequence in Public Policy Theory: Ethnic Policy and System Transformation in Malaysia," *Policy Sciences* 22 (1989): 249-87.

25. *Sixth Malaysia Plan, 1991-1995* (Kuala Lumpur: National Printing Department, 1991), p.4.
26. Ho Khai Leong, "The 1986 Malaysian Elections: Analysis and Results," *Asian Profile* 16 (3, 1988): 239-56.
27. Gordon Means predicted in 1987 that the debate of the NEP would reach a "crises proportion." See Gordon Means, "The Politics of Ethnicity in Malaysia," p.168.
28. *Straits Times*, April 2, 1989.
29. *Straits Times*, March 8, 1989.
30. Datuk Tan Peng Khoon of the MCA was elected as the deputy chairman. *Straits Times*, August 2, 1989.
31. They were Lim Kit Siang, Ahmad Noor, Tan Seng Giaw, Karpal Singh, P. Patto, and Lee Lam Thye. *Straits Times*, January 10, 1989.
32. *Straits Times*, August 2, 1989.
33. *Straits Times*, June 21, 1989.
34. *Straits Times*, February 16, 1989.
35. This was widely reported in the English and Chinese press. Such an impression was confirmed by various interviews which the author had with members from the Selangor Chinese Assembly Hall, the UCSCAM and the UCSTAM who participated in the deliberations.
36. *Straits Times*, August 25, 1989.
37. *Straits Times*, September 12, 1989.
38. *Straits Times*, January 8, 1990.
39. For a discussion of the role of Chinese interest groups in the Malaysian policy process, see Ho Khai Leong, "The Malaysian Chinese Guilds and Associations as Organized Interests in Malaysian Politics," working paper No.4, Department of Political Science, National University of Singapore, 1992.
40. See Richard Dorall, "DEPAN: An evaluation of, and the proposed successor to the New Economic Policy as Malaysia's development paradigm for national unity and economic advancement after 1990," paper presented at the First Malaysia-Singapore Forum, Faculty of Arts and Social Science, National University of Singapore, April 23-27, 1991.
41. *Straits Times*, March 18, 1991.

42. *Straits Times*, May 23, 1991.
43. *Straits Times*, July 30, 1991.
44. Randall Ripley, *Policy Analysis in Political Science* (Chicago: Nelson-Hall, 1985), p.103.
45. Ho Khai Leong, "Aggrandizement of Prime Minister's Power: The Transformation of the Office of the Prime Minister in Malaysia," *International Quarterly for Asian Studies* (Forthcoming).
46. Charles O. Jones, *An Introduction of the Study of Public Policy*, 3rd ed. (Monterey, California: Brooks/Cole, 1984), chapter 4.
47. This issue of Bumiputera class interest has attracted considerable attention. See K.S. Jomo, "The Ascendance of Bureaucrat Capitalist in Malaysia," *Alternatives* [Delhi] 7 (4, September 1982): 467-90; and Edmund T. Gomez, *Politics in Business: UMNO's Corporate Investments* (Kuala Lumpur: FORUM, 1990).