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Political Economy of Malaysia: An Investigation of a Post Colonial and Multi-ethnic State

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Abstract

This article offers an analysis of contemporary economic development in Malaysia, focusing especially on the causes and consequences of the 1997 Asian Financial Crisis. Malaysia offers an excellent case study in international development due to its role as an export-dependent developing country with a high degree of integration in the global economy. In attempting to determine why Malaysia was enveloped by a financial crisis in July of 1997, a two-level political economy approach is used to separate international policy influences from domestic influences. My findings suggest that a combination of ill-advised, full capital account liberalization combined with imprudent handling of massive short-term capital inflows (domestic) in the late 1980s and 1990s led to a currency devaluation that resulted in a financial crisis and, consequently, a crisis of Malaysia's real economy. This study identifies three specific policy choices made by the Malaysian government as instrumental in creating crisis-prone conditions: a fixed exchange rate, an open capital account, and monetary policy autonomy. Among foreign and domestic investors, this policy regime created a false sense of confidence in the stability of Malaysia's economy. Since the crisis, Malaysian policymakers have come to recognize that a developing country's vulnerability in the sometimes-volatile global economy cannot be completely eliminated.

Introduction

By separating international-level influences from those on the domestic level, the effects of trade and financial liberalization on Malaysia's political economy become clearer. And by disentangling the political and economic elements of Malaysia's development path, the justification for specific policy decisions can be more thoroughly understood. Malaysia is a newly industrialised country that experienced an economic boom and underwent rapid development during the late 20th century. Prior to this rapid of rapid industrialisation, Malaysia was the world's largest producer of tin, rubber and palm oil. (http://www.economywatch.com/world_economy/malaysia/industry-sector-industries.html)

Malaysia's economic strategy to become a high-income economy by the year 2020 is strongly supported by the Economic Transformation Program, Strategic Reform Initiatives, and Government Transformation Program. Public investments through the Economic Transformation Program are expected to accelerate in the future, as the implementation of large infrastructure and investment projects gather momentum and are funded by government-linked companies. Furthermore, these investments have also bolstered private manufacturing, services, and mining sectors in targeted growth corridors. The Economic Transformation Program has made great strides in liberalizing crucial manufacturing and services activities to pull in a skilled labour pool and relax restrictions on capital mobility. Highly skilled workers and professionals are an indispensable ingredient of high,

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valued-added, modern services and manufacturing. The "skills crisis" is a well-known shortcoming of the Malaysian economy. Apart from the direct benefits of high wages, imported capital equipment, and substantial tax revenues, the spill-over between these firms and the broader economy are well documented. More can be done, including allowing foreign-owned firms – particularly in the services sector – to gain from network externalities and collateral benefits of foreign direct investment to stimulate further growth, and promoting venture capital investments for small domestic start-up firms seeking to scale to global markets. Malaysia and other countries facing the middle-income conundrum will need to expand their 'modern' sectors. In particular, providing access to learning and training opportunities to build social entrepreneurs and product innovations will be crucial. The promise of the globalisation of services means that Malaysia should utilise the market space provided by internet and communication technologies to foster business innovations for the global economy. In this respect, the interaction of spatial transformations linked to such structural changes will be paramount. The range of modern services that can be digitised and traded globally is constantly expanding. This paper will critically examine the current situation of Malaysian economy /middle income trap and will also search the new alternatives to overcome this situation.

Methodology

I have followed two methodologies in this paper, such as---- **Content analysis method** and **Observation method**. I have taken help from both primary and secondary sources.

Hypotheses

There are four hypotheses of this paper, which are as follows----

1. Liberalization, Privatization and Globalization are three indispensible elements in 21st century's economy.

2. Balance between internal and external economy are required for a stabilized economy

3. Peaceful socio-political scenario of a country is precondition for enhancing a country's economy.

4. A country's domestic policy should be flexible for adjustment with international Economic milieu.

Problems under Investigation

There are few problems under the investigation. The collection of adequate data is one of the barriers to work on this topic .The rapid growth of economy and randomly changing nature of the economy is another problem. The continuous change of foreign policy and economic policy are also vital problems.

A Theoretical Framework of the Study

Before discussing the Malaysian economic growth in 21st century, I will try to make a theoretical framework of the present study. Traditionally, economies and states have been thought of as closely coinciding .There are three broad approaches to international political economy—1. Liberal approach, 2. Nationalist approach and 3. Dependency approach. The liberal approach is based on the notion of free markets. It is usually assumed that productive capita is primary. The nationalist approach is the parallel of the realist approach in security affairs and can be seen as its economic corollary. On this view, a state's economic policy should be to maximize the benefit to the citizens of the state. Dependency approach poses a framework

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of less developed countries dependency on developed countries for their economic growth. The Dependency approach can explain the experience of parts of the Third quite convincingly but there are some difficulties with other parts. The three approaches can thus be distinguished by the roe of the state in the economy. Many of Malaysia's problems are believed to stem from the multi-ethnic nature of its population, largely of British colonialism from the late eighteenth century to 1957, when independence was generated to British Malaysia, now known as Peninsula Malaysia. Invoking different values for Malaysians in particular and Asians more generally, Prime Minister Mahathir has dismissed the assumption that the Malaysian political system should aspire to and evolve in the direction of a Western model of liberal democracy (Gomez and K.S, 1999:1-4). Malaysian polity subscribes to four elements necessary in a consociational democracy –grand coalition, proportionally, cultural autonomy, minority veto.[1] Malaysian political economy largely involves attempts at understanding and finding and finding explanations to the states political and economic character brought about by the plural nature of its society. In seeking answers to the Malaysian polity, various theoretical frameworks have been applied (Noh, 2010:2). Lucien Pye has argued that since ' Asian political culture' emphasises loyalty to the collectively over individual freedom and needs , shuns adversarial reactions and favours order over conflict, the Western understanding and practice of liberal democracy is inappropriate in the Asian context.

During 1970s, as their development models sank into crisis, the ruling classes were interested for borrowing from developed capitalist countries. At the other end, capitalist countries were also willing to approve loan as liquid money. For a time being the ruling elites of third world countries have had received a huge amount of money from the new colonial powers. In the name of loans and foreign aid most of the third world countries were fall in 'debt-trap'. There was no way of emancipation. Day to day the loan amount has increased. But economically crippled less developed countries were unable to repay the loans. Due to this they have been decolonized. Actually, less developed countries, which have lowest levels of infrastructures and productive system, for those globalization is nothing but 'decolonization' in a new grab. This is a harsh reality that, the less developed and developing countries are being gradually transforming into economic colonies of developed countries. In the name of globalization, the Western forces are collectively trying to reinforce their policies over crisis-prone states of third world countries. The economically vulnerable post-colonial states are suffering from severe multi-dimensional financial crises. This re-colonialism or globalization has had catastrophic consequences on the livelihood of billions of people throughout the third world. Over the decades, first world countries are imposing their rules and policies on third world countries. The economic order being imposed on them is killing hunger and preventable or curable diseases more men, women and children in every three years than all those killed by World War II in six years (Castro, 2000:30). Likewise, Malaysia has adopted the policy of economic liberalization; but there was a difference between the Malaysian case and rest the third world countries. Since the early 1990s it was alert about the danger of overdependence on capitalist countries. It has tried to maintain a balance between internal economy and external economic milieu. It has been a open secret that in the name of globalization, open market, foreign direct investment (FDI) and free trade capitalist powers and MNCs are re-entering in the third world countries. Several Banks of capitalist countries have been the determinants of third world countries economy. Economic globalization is the integration of national economy with the global economy. Indeed, it is the natural outcome and the end result of economic development processes in any nation.

The more country becomes a trading economy, the more the economy is influenced by what goes on outside (Nicholson, 2008: 178). If a developing country adopts the policy of economic globalization, then few thinks are to be keeping in mind, like **1**. There is a general control of the economy. **2.** States need to increase taxes in order to provide all services such as education, defence, health and so on. There is a million dollar question that how far the state should be involved in such activities and how active it should be in providing *collective goods*. **3**. One of the ways of doing this by *offshore* activities. One form is widely familiar, namely, duty-free sales at air ports and on ships. Through tax avoidance, developing countries can set up banking systems involving very light taxation. Financial system of a country is detrimental to the economic sovereignty of states. In most of the cases a country's financial system and monitory policy are too changed for attracting the MNCs. Often third world countries are failed to protect their economic sovereignty. According to a noted International Relations expert, Professor Jayantanuja Bandyopadhyaya, 'the contemporary process of economic globalization has been initiated and thrust upon the rest of the world, particularly the Third World states (Bandyopadhyaya, 2002**:** 36).

Challenges of Economic Development in a Multi-Ethnic Society

The Harvard Institute for International Development (HIID) and Institute of Strategic International Studies in Kuala Lumpur (ISIS, Malaysia) have jointly studied on Malaysian economic growth since 1970s. Donald R. Snodgrass in his research paper entitled, 'Economic *Development in a Multi-Ethnic Society***:** *The Malaysian Case*' has rightly observed that, Malaysia is the veritable model of a heterogeneous multi-ethnic or plural society. Its population, which comprises Malays and other groups regarded as indigenous (62%), it resembles its South-Asian neighbour. In this paper, I would search the reasons, how Malaysia could have grown so fast since 1970s-1990s? Through affirmative action in economic sector how Malaysia has done economic miracle? What will it take to sustain this kind of performance into early 21st century? In 1969 there were racial riots in Kuala-Lumpur, in which a number of people were killed. Most of the people were Chinese. It has been mentioned by Karl Von that Chinese people were killed by **son of soil** 'Malaya's' (Karl Von, 1975). In a multi-cultured country communal or ethnic conflicts are common phenomenon. Most of the post-colonial countries have had experiences of ethnic violence. Through the policy of development for all and equal distributive policy are two easy ways to escape these crisis. In most of the cases, majority community led government linger these crises for voting interest. There were economic disparities among various communities in Malaysia. Government had not ready to concentred on this problem. The deprived Mayas felt economic discontent. From the viewpoint of the largely poor and rural Malay community, this was a disaster, since control of government as the essential counterbalance to economic inferiority (Malay households earned less than half as much on average as non-Malay households). Gordon Means has observer that, since the mid-1960s, they had been contending with small but growing Malay interest groups, such as businessman who wanted government contracts and students who wanted university places and eventually good jobs. Malay 'special rights' had been written into the 1957 constitution but were seen by many Malays as an adequate response to the weakness of their economic position (Gordon, P, 1972:29-61). Same was happened in Pakistan just after independence in 1947. During the partition a large number of Urdu-speaking people had settled in Pakistan. They were treated as refugees or in Urdu *Muhajir.* This community got priority in governmental services due to knowing national language Urdu. That is why; number conflicts took place in several cities in Pakistan. In Pakistan, ethnic conflicts between predominant Punjabi community and rest of the communities, like Baluch, Pustun are remaining a serious crisis, which resulted economic under development. The federal government of Pakistan did not any kind of steps to accommodate all by implementing equal distributive policy to all. Pakistan got its independence 10 years ago of Malaysia. Both countries are Islamic, multi-ethnic and post-colonial in nature. But Malaysia has taken lesson from its bitter experience, but Pakistan couldn't. However, new policy and was lacked by growing oil and gas reserves in the 1970s. The recession of the early to mid-1980s compelled reconsideration of

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this policy. Comparable 1991 figures are 15 percent and 31 per cent respectively. However, government of Malaysia took some time to formulate its response, which ultimately announced as New Economic Policy or NEP in 1971. The NEP was formulated wisely by the government. Primarily, government aimed to achieve few goals---

1. To reduce poverty and elimination of illiteracy.

2.To restructured the employment sector. The elimination of previous ethnic division based Job policy was another challenge to the government. Government of Malaysia carefully and boldly implemented both of the aims. Actually, ethnic based division of labour was introduced in colonial times. In many colonies, this rule was introduced intentionally in order to implement dive and rule policy. In Sri Lanka, during the British rule ethnic division based division of labour was introduced by the British. After the independence, this legacy was continued by the post-colonial rulers, which resulted four decades long bloody ethnic conflicts.

3. The ownership and control of wealth restructuring was another challenge to government. It is true that after the implementation of NEP Malay community was happy.

New Economic Policy

There are many ways of measuring the achievements of the new Economic Policy (NEP). A relatively narrow focus on specific quantitative goals indicates very substantial progress, although NEP targets were exceeded in some areas and only partially achieved in others. Poverty eradication was a clear-cut, impressive success. According to official definitions, nearly half (49.3 percent) of all households in Peninsular Malaysia lived in poverty in 1970. Official estimates for 1990 record a decline to 15.0 percent in Peninsular Malaysia, bettering the first Outline Perspective Plan's original target of 16.7 percent. The official figure for Malaysia as a whole in 1990 is 17.1 percent. One does not have to take the official measures complied by the Economic Planning Unit, which register sharp declines in poverty, on faith. Independent calculations by Ishak Shari confirm that a very substantial decline took place over last the 20 years. Urban poverty has been virtually eliminated and rural poverty is shrinking rapidly in Peninsular Malaysia, mainly because of growing opportunities for non-agricultural work. Most of these new jobs require migration to the towns, but many others are consistent with continued rural residence. Employment restructuring basically succeeded. The number of *Bumiputera* (Malays and other indigenous people) working in the industrial sector (mining, manufacturing, construction, utilities and transport) in Peninsular Malaysia soared from 173,000 in 1970 to 918,000 in 1990. Similarly, *Bumiputera* employment in the service sector went from 213,000 to 1.2 million. These totals substantially exceeded Outline Perspective Plan (OPP) targets. 29 Achievements in occupational group terms, which for some reason were not published in the Second Outline Perspective Plan (OPP2) document, are also impressive. *Bumiputera* are now slightly over-represented in professional and technical and in service occupations (thanks to government employment, no doubt) and almost proportionately represented in clerical work. They are coming up fast in production jobs and remain seriously underrepresented only in administrative and managerial positions and in sales work. These broad occupational groups do not fully reflect the breakdown into high, middle- and low-level employment. *Bumiputera* are still significantly under-represented at the higher levels of the private sector. For example, they still made up only 29 percent of the membership of the eight registered professions in 1990 (but this leaves out government lawyers, who would 30 undoubtedly boost the *Bumiputera* share). Casual empiricism confirms that major changes in employment structure have taken place; by 1992 one saw Malays in many places where one would never have seen them in 1972. Clearly Malays have had considerable success in entering the private sector, although still predominantly at the lower levels. The public sector,

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formerly the one area in which substantial numbers of Malays held high-level jobs, has become even more Malay-dominated; since it has been called on to make a major contribution to *Bumiputera* entry to high-level jobs. This has had the unfortunate effect of strengthening ethnic compartmentalization, when the overall thrust is to reduce it. Restructuring of corporate ownership and wealth, with its famous 30 percent target, was the most ambitious of the NEP targets as well as the most controversial, and as expected proved to be the hardest to reach. Among other things, it noted that the infant mortality rate in rural areas in 1987 was 16 per thousand. 11 compared to the starting point of 2.4 percent in 1970, but it is still well short of the 30 percent target. Even getting to 20 percent involved the creation of a massive network of trustee agencies, whose operations have often been controversial. A lot more needs to be said about ownership and control. In a sense, the critics are right that the 20 percent *Bumiputera* share greatly understates the degree of *Bumiputera* (government) influence in corporate affairs. A 1991 review by Fujio Hara of the business empire of the ten supposedly richest Malaysian Chinese shows that all of their companies now have significant Malay involvement. He concludes that although "large Chinese corporations have been growing at amazing speed...to sum up the situation in one phrase, the purely Chinese-owned and managed enterprise has become a thing of the past in Malaysia (Hara, 1991:369).

The Impact of Globalization on Malaysian Economy

The impact of globalization has greatly influenced on Malaysian economy. The policy of economic liberalization has really boosted up the entire economic structure. There was a balance between internal economy and international economic order. Gale Raj, Yanice Colón, Silvana Kostembaum and Robert Cordov have stated in their research paper entitled 'Malaysia: An Economic analysis' that 'as an emerging market, Malaysia is a clear success story. In the past three decades, Malaysia implemented many development plans to increase Malaysian quality of life and to modernize its agrarian economy towards manufacturing. In particular, state policy encouraged investment in export industries such as electronics and

Non-tradable sectors, real estate sector and capital-intensive infrastructure'. Since 1970 to 1995 Malaysian economy has witnessed a rapid growth in comparison with other East-Asian Nations. Previously Malaysian economy had to face several problems. Through economic reformation economic problems were solved. In early 1990's government had financed external and internal investment that is why a huge fiscal deficit was found in Malaysian economy. At the beginning, Policy makers couldn't realise the actual problems. Later, it was decided by economist and policy makers that through financial standardization, economic diversification, deregulation and financial liberalization the economic scenario of the country can be changed. To enhance a country's economic growth it is very essential in presence of a vibrant democratic structure and a sizable middle income group. In case of Malaysia, of the above mentioned measures could able to resolve this problem. The economic reforms have transformed the economy from uncertainty and instability to a promising and stable market. Actually, due to economic reform into a middle-income emerging market. In late 1990's entire world economy had gone through severe economic problems. Additional hazard was inflation. The countries of East Asia, on an average had passed through economic crises, unemployment and stagnancy in economic growth. But Malaysia was an exceptional. In 1997, most the East and South East Asian states have had the low growth of GDP, whereas, then on an average Malaysian GDP growth was 8.5%. It was a miracle, because the rate of unemployment was only 3%, which was as good as most advanced European countries. In spite of few problems, the government of Malaysia was able to rightly handle the country's economy with a new international economic outlook. Due to high offshore interest rates, foreigners had large ringgit holdings, establishing liabilities for the Malaysian banking system.

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The financial liberalization measures were manifested in several policies to attract FDI. Government had decided to opened-up its market and encouraged private initiatives to contribute its market. For Malaysia, the potential volatility of this regime was realized in 1995when U.S. and Japanese policymakers agreed to initiate a controlled appreciation of the dollar — to which the Malaysian ringgit (MR) was pegged —relative to the yen. The indirect effect of the initiative was an appreciation of the MR, which then had a number of damaging spills over effects on Malaysia's economy, including a decline in export competitiveness, an expanding current account deficit, and an increasingly unsteady exchange rate regime. In this connection, it might be relevant to understand the financial crisis of late 1990s in South-East Asian nations, especially, the financial crisis of 1997.

The entire region had gone through severe financial crisis, and most of the countries were failed to manage the crisis. Malaysia was an exceptional. The deep-rooted financial crisis created several problems, like unemployment, social insecurity, misbalanced market, fiscal deficit etc. With the introduction of President Reagan in the United States and Prime Minister Thatcher in the United Kingdom in the 1980s, globalization process was started. It was happened by implementation of deregulation, liberalization, privatization, open door economic policy. Later on the policy of globalization was accepted by rest of the world. Malaysia has been able to implement with an international outlook. Although the Washington Consensus carried with it deep implications for reform in the U.S. and U.K., it was revolutionary when adopted by the newly named "emerging markets" of the developing world. The international trade of goods and services in Southeast Asia had been well established for decades, but the unfettered flow of bank loans and portfolio capital was a large-scale, first-trial experiment.

Instead of banking the massive influx of foreign capital that came into Malaysia during the late 1980s and early 1990s, Malaysian bankers and investors reacted by pouring the money into real estate and equity shares, eventually resulting in an asset price bubble and an over-inflated stock market. It was only a matter of time before investors sensed an untenable exchange rate and asset market. Malaysia's subsequent economic collapse began with massive capital disinvestment, progressed to a forced currency devaluation and financial crisis, and ended with a crisis of the real economy (goods and services) marked by severe unemployment and a deep recession. Considering the devastating impact that the 1997 Asian Financial Crisis had on Malaysia's real economy, it is important to ask why the crisis occurred and how/if such an event can be avoided in the future.

Gradually, in Malaysia the rate of unemployment has been reducing. It has happened due to adaption of NEP. Through a statistical data we can realised how globalization helped in creation of new jobs in Malaysia. Where as in 1970 the rate of average unemployment was 8%, in 1995 it was 2.8% , in 1996 it was 2.5%, in 1997 it was 2.5%,in 2005 it was 3.6%, in 2006 it was 3% , in 2008 it was 3.1%. The descending curb of unemployment manifested thegradual economic growth. Even in 1997 it rate of unemployment was surprisingly better than other developed countries in the world (Mundi, 2009).

The elimination of poverty was a great challenge to Malaysia. In a multi-ethnic and post-colonial country it is very difficult to arrange all kinds of developmental activities to all. In Malaysian case we have found that gradually the graph of poverty has been undergone. We can give a short statistical data of poverty rate of Malaysia since 1970. In 1970 the rate of poverty was 52.4%, in 1980 it was 37.4%, in 1985 it was 20.7% ,in 1990 it was 16.5%, in 1995 it was 8.9% , in 2007 it was 3.6% , in 2010 it was 2.8%. In this connection, it is necessary to distinguish the rate of urban poverty and rural poverty. In 1970, the rate urban poverty was 22.3%, in 2007 it was 2%; whereas the rate of rural poverty in 970 was 60% and in 2007 it was 7.1%.

Due to the implementation of NEP, Malaysia has witnessed the rapid economic growth within very short pan. It has been able to compete with giant economic powers. If we compare the Malaysian economy with others, than we would be surprised how it ranked with other first world countries .In 1980 the US ranked-13, Singapore-2, Japan-5, UK-12, South Korea-23, Malayasia-40, Indonesia-75, Philipnes-42 and Thailand-47. In 2008, the US has ranked-1, Singapore-2, Japan-8, UK-9, South Korea-11, Malayasia-21, Indonesia-54, Philipines-71 and Thailand-28. This statistics has been collected from United Nations Industrial Development Organization (2004) and World Economic Forum 2008. It is true that globalization has created an attractive and efficient industrial environment and .caused transfer of technology in management, process, and products to increase economy's competitiveness and performance level .Income convergence with industrialized partner countries.

The Several Aspects of Economic Growth

The success history of has witnessed the fastest implementations of economic reforms and bold policy making. Malaysia is currently the world's largest producer and exporter of palm oil. Malaysia produces about 47% of the world's supply of palm oil. Malaysia also accounts the highest percentage of global vegetable oils and fats trade in year 2005. Besides producing oils and fats, at present there is a continuous increasing interest concerning oil palm renewable energy. One of the major attentions is bio-diesel from palm oil. Bio-diesel implementation in Malaysia is important because of environmental protection and energy supply security reasons. This palm oil bio-diesel is biodegradable, non-toxic, and has significantly fewer emissions than petroleum-based diesel (petro-diesel) when burned. In addition to this oil, palm is also a well-known plant for its other sources of renewable energy, for example huge quantities of biomass by-products are developed to produce verity ofproducts such as methane gas, bio-plastic, organic acids, bio-compost, ply-wood, activated carbon, and animal feedstock. Even waste effluent; palm oil mill effluent (POME) has been converted to produce energy.

Service Sector

In the era of globalization Malaysia has witnessed economic miracle. Presently Malaysia has reached into the third stage of economic development, with growing emphasis on services. The Industrial Master Plan (IMP3) was created to develop the country into a major trading nation by focusing on services and human capital. IMP3 is expected to cover the period from 2006 to 2020.Services in Malaysia have been growing in importance for the economy in the past few years. In 2010, Services was responsible for 49.3 percent of the GDP. The concerted development of the service industry is part of the national development strategy to venture into new growth areas and broaden the economic base for exports. It is also expected to provide the basis for sustained growth in the economy in order to achieve the vision of becoming a developed nation by 2020. According to the 10th Malaysia Plan (RMK 10), the goal for the service industry is to achieve 61 percent of GDP share by 2015 – with an annual growth of 7.2 percent. Under the IMP3, non-government services are targeted to grow at an average annual rate of 7.5 percent. Construction services are also expected to increase annually by 5.7 percent. The Malaysia government is also expected to invest nearly RM687.7 billion or US$228.384 billion dollars over the next fifteen years into services alone.

Banking Sector

Presently, Malaysia has a thriving finance industry, particularly in Islamic banking. To date, it is the largest Islamic banking service provider in Asia Pacific. Malaysia is also competing with Bahrain to be the world leader in Islamic banking. In April 2009, the Malaysian government introduced new licences for investment banking, Islamic banking, *takaful* (Islamic insurance) and insurance business. The threshold for foreign equity ownership was also raised from 49 percent to 70 percent,

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thus allowing foreign banks to open new branches and micro-credit facilities in the country.

Natural Resources

Malaysia also has a vibrant oil and gas industry. In 2010, Malaysia was the 28^{th}largest oil producer and the 17^{th} largest natural gas producer in the world**.** Currently, Malaysia has 2.9 billion barrels worth of proven oil reserves and 2.35 trillion cu m of proven natural gas reserves. This makes them the 32^{nd} and 17^{th} ranked country in the world respectively. Oil and natural gas reserves in Malaysia are managed by Petro-gas – a Fortune 500 company wholly owned by the Malaysian government. In order to boost development of its oil fields, Petro-gas maintains sharing contracts with companies such as Exxon-Mobil and Royal Dutch Shell for oil exploration. Malaysia has also partnered with Thailand to share the Malaysia-Thailand Development Area, which has 4.5 trillion cubic feet of proven natural gas reserves (economy watch). Oil palm has created many opportunities and social benefits for the locals. In the above perspective, the objective of the present work is to give a concise and up-to-date picture of the present status of oil palm industry enhancing sustainable and renewable energy. This work also aims to identify the prospects of Malaysian oil palm industry towards utilization of oil palm as a source of renewable energy.

Information Technology

In present world economy, Information Technology (IT) has been indispensable. It sector is one of the core sector through which a country can earn lot of foreign currency. With a limited capacity Malaysia has started to accelerate the growth of IT with a fine balance. Presently, Information Technology (IT) market has strong growth fundamentals, including low PC penetration, rising incomes and a high-tech-focused national development plan. Key sectors include government, telecoms, finance, health and education. The market is somewhat fragmented – there is a sophisticated metropolitan market in and around Kuala Lumpur, but still very much a developing market in other regions. The Malaysian IT market is import-oriented and relies on foreign technologies, with international software, hardware, and service providers already active in the market. There are promising opportunities in the IT services area, as the government is implementing measures to nurture Malaysia into a regional service hub. Outsourcing in key verticals such as banking and financial services is attracting investment in data centres and other infrastructures. The government has a number of long-term initiatives with favourable implications for demand for IT product and service, including investment in high speed broadband infrastructure. Internet penetration is at 56.4 per cent and the broadband penetration rate is expected to increase to 22.9 per cent in 2016, from 20.9 per cent in 2012. The total broadband market is forecast to achieve a $1.2 billion in annual revenue by 2015, with Fibber to the Home (FTTH), Fixed Wireless Access (FWA) and metro Ethernet. (*Source: Business Monitor International, Malaysia Information Technology Report Q1 2013*) MSC Malaysia (formerly known as the Multimedia Super Corridor) was set up in 1996 with the aim of building a competitive cluster of local ICT companies and a sustainable ICT industry. It is a national initiative to promote the transformation of the Malaysian ICT industry into world-class companies and to provide a test bed for the global ICT industry. The MSC provides state-of-the-art ICT and multimedia facilities in 'Cybernetics' to various businesses, including major global ICT companies. The Multimedia Super Corridor (MSC) gives MSC-status companies incentives and benefits from the Malaysian Government that are backed by 10 'Bills of Guarantees' (www.austrade.gov.au).

Contribution of Agriculture and Farming in Malaysian Economy

Malaysia's agriculture industry was responsible for 9.1 percent of its GDP in 2010. Rubber and palm oil are Malaysia's key agricultural products. Malaysia is the second largest producer of palm oil

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in the world, producing more than 17.7 million tonnes of palm oil in 2008. The majority of Malaysia's palm oil produce are exported to China, the EU, Pakistan, US and India. Malaysia is also responsible for one third of the world's rubber exports. Rubber production has gradually decreased over the years as producers are gradually switching over to palm oil. In 2009, production plummeted by nearly six percent. However, Malaysia still retains a good reputation for its high quality and well-priced rubber products. Rubber products made in Malaysia have been exported to countries such as the US and Japan to become components for automobiles, belts, and hoses.

Tourism

In Malaysia, today tourism contributes 13.l% in country's GDP. Malaysia is in an excellent position to further improve its standing as one of the world's top global destinations, given its abundant tourist destinations. Already we are the ninth most visited country in the world .Our receipts of RM1 billion per week from tourists ranks us 13th globally in terms of tourist's receipts. The tourism industry is the seventh largest contributor to the Malaysian economy with a GNI total of RM37.4 billion in 2011 and is poised to enjoy consistent growth. Recognizing that we have a strong global competitive position, the Tourism NKEA intends to enhance the sector's contribution to the national economy. By 2020, Malaysia's tourism industry is projected to provide an incremental contribution of RM66.7 billion to the national GNI(annualreport2011/12_National). To achieve this target, the Tourism NKEA has identified 12 Entry Point Projects (EPPs) across five themes as demonstrated in Exhibit 6.1. These will generate an increment of RM28.4 billion in GNI. With an additional RM39 billion in GNI expected from Business Opportunities (BOs), baseline growth and multipliers, the total GNI contribution in 2020 will be RM103.6 billion with a projection of 36 million tourist arrivals. Since January 2011, the Prime Minister Dato' Sri Najib Tun Razak has announced nine initiatives under six EPPs. These initiatives have a cumulative private investment of RM16 billion, providing a GNI contribution of RM6.5 billion and creating 37,900 jobs by the year 2020(Annual Report, 2011). Today, Malaysia has become one of the most attractive destinations for world tourists. Through development of infrastructures, establishment of number of good quality hotels, introduction of cheapest air lines Malaysia has been able toboot-up its tourism sector. Per year Malaysia earns huge amount of money from this sectors.

Many international conferences, meetings, seminars are held in Malaysia.

Some Essential Factors for Balancing of Exports and Imports

In case of import-export, normally, the emerging countries have to face the problems of conversion of indigenous currency with the rate of US dollars. Malaysian currency has smoothly adjusted with US dollar. Some essential techniques are required for strengthening of export-import volume. In era of globalization each and every country tries to do so. The main component is **structural adjustment programme** (SAP). However, the following aspects and elements are required for the open market economy---

1. Liberalising imports and instituting incentives to produce for export market. Malaysia has successfully implemented this.

2. Devaluing of local currency is one of the preconditions for foreign trade. The problems of exchange rate were resolved very fast by the Malaysian government. Therefore, it is necessary to revise the pros and cons of implementing either system. First, the openness to trade of an economy is an important factor to decide what kind of exchange rate system is desirable. If the country relies heavily on trade a fixed exchange rate may be better because it provides stability.

3. The flexibility labour market is also relevant to decide which exchange rate systemic better in a

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given period. Malaysia has become a good labour market. It has been able to attract a large number of labour forces from South Asia and African region. The easy excess of labour force has made a favourable situation for productions. MNCs are getting the easy and cheapest labour which is beneficial for random production. Actually, cutting wages, reducing government spending, increasing excise duties and other such measures to reduce domestic consumption, thereby forcing domestic production to be oriented towards exports markets.

4. Removing restrictions on foreign investment in industry and financial services

5. Privatizing state enterprises and withdrawal of the government from interfering with operation of free markets is one of the essential elements for the global trade.

6. Another factor is the degree of financial development of the country. If the country tends to be underdeveloped financially, a fixed exchange rate may be better to avoid large effects of foreign speculation.

7. The political culture is a significant determinant of FDI of a country. If a state is failed to ensure political stability, then it is very difficult to attract the MNCs to invest. In most of the post-colonial countries, political instability has been a common

feature. The climate of investment is not favourable. In case of Malaysia political violence and atrocities are almost absent. In some cases, due to ideological point of view, any particular lobby can oppose the FDI. In case of India, when the unimpeded force of globalization entered, then the leftist political parties have had vehemently opposed the so called 'economic globalization and economic liberalization'. Strong anti-globalization slogans were raised by the protesters. Actually, left political parties viewed it as an 'economic aggression'. They had a fear to lose the control over country's economy. Some protest movements were took place in metropolitan cities by the members of civil society against the WTO. However, government of India was successful to convince the people about the globalization through few immediately taken measures. Malaysian government did not face any kind of strong opposition from the people and civil society. Nature of political culture, nature of society and moreover, the structure of bureaucracy are pivots for introducing a new economic arena.

8. The credibility of policymakers is one of the most important required factors for fostering the exports and imports.

Conclusion

The political economy of Malaysia is a combination of three approaches. Malaysia has an economic indignity with an indifferent political outlook. Without political and social stability and mobility a country can't be growing economically Malaysia is quite successful in this regard. In their paper, Professor Mollah, Murad and nAlam stated that 'Malaysia's economy is considered as one of the most globalized and successful among the developing countries. Its economic globalization is a kind of guided globalization, Malaysia centric and look east Strategies are its unique features. Its success in respect of achieving the national macroeconomic goals is found commendable.' But it has clearly failed in respect of the international political economy objective it has failed to reduce Malaysia's income gaps with its industrialized economic partners like USA and Japan. This tends to suggest that even a guided and regulated globalization like that in Malaysia will have the tendency to yield relatively more benefits to the developed industrialized economic partners. It, therefore, confirms the fact that the developing countries must pursue globalization only selectively rationally and prudently without joining the bandwagon of the industrialized countries.

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Notes

1. Consociationalism refers to the presence of multiple ethnic groups of equal proportion of political power that are prepared to come together in a political arrangement despite retaining their ethnic identities through arrangements reached between leaders of these groups who have support of their ethnic communities .

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