



# Malaysia's Development Plans and Legal Policies

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**Abstract:** *The progressive, lawful, and developmental experience of Malaysia is considered a distinctive and recognizable experience. Although it shares many characteristics of importance with other third-world countries and has propelled itself along a path of rapid modernization in a successful manner. It has experienced many benefits by following a path which has led it to escape from backwardness and dependence. The development experience in Malaysia is one of the success stories in the field of human development among third world countries. The country has made significant progress in this regard and is a good example for other Islamic countries to follow. Malaysia has proved its ability among the Asian giants, as acknowledged by the region and the world. The United Nation Human Development Report (UNDP) in 2007 suggests that Malaysia has ascended to the sixty-third position among the world 's countries in terms of human development. This article proposes that the country may serve as a role model or pattern of development for other developing countries, particularly Islamic countries, with similar characteristics. The purpose of this research is to express, study, analyze and review the development experience of Malaysia at the level of various economic activities, and to express the reality of the Malaysian economy in the light of existing laws.*

**Keywords:** *Malaysia, planning, Development, Legal Policies*

## INTRODUCTION

Malaysia is located in the heart of the East Asian region near the Equatorial Line. It is a Royal Constitutional Monarchy with Kuala Lumpur as its capital. It has two parts. East Malaysia, which is on the northern part of the island of Borneo, shares borders with Indonesia and Brunei and holds two states, while West (Peninsular) Malaysia, which hosts the capital city, Kuala Lumpur, is located on the Malaysian Peninsula and is comprised of 11 states. The administrative center of government is the recently completed city of Putrajaya. The government is modeled on the Westminster system, under which the prime minister is the head of government (Noël Ivey, A Report Prepared by the Federal Research Division; Agreement with the Department of Defense, 2006). Malaysia follows a flexible Islamic model which provides for human development by promoting the use and coexistence of all religions and sects. It adheres to ethical values such as justice and economic equality, while at the same time promoting the growth and well-being of the indigenous Muslim Malawi, or Malays, largely by encouraging them to work in the manufacturing sector. Malaysia is an Islamic country with substantial resources. It has achieved major progress in human and economic development over the past four decades. It is the first country in the Islamic world to have industrialized and is also the most active exporter and importer in South East Asia. The Malaysian government has enjoyed many significant achievements during the past five decades and has succeeded in integrating into the global economy while maintaining a unified national economic approach (Khadijah, 2005). For many years, Malaysia relied on exporting raw materials, but it is now the largest exporter of industrial goods and technology in Southeast Asia. Malaysia's economic experience is an instructive developmental experience and is suitable for research and study. It can be used as a model by other developing countries,

particularly Arab countries, for escaping from backwardness, inactivity and dependency. Malaysia has succeeded in establishing an advanced infrastructure and in diversifying its income sources to industries such as agriculture, mining, oil and tourism. It has made significant progress in terms of combating poverty, unemployment, corruption and debt (Richard and Daniel, 2018). Malaysia has also benefited from its significant economic transparency. It has successfully integrated into the global economy while keeping secure its national economy. Other developing nations may clearly see replicable signs of progress during its transformation. Beginning as a country that relied fundamentally on agriculture, it has now been transformed into a country which exports industrial goods and technology, especially in the field of electrical and electronic industries (International monetary fund, 2018).

Much of the development of Malaysia is due to the work of former and current Malaysian prime minister Mahathir Mohamad, who wanted the country to become a distinguished industrial country in Asia. His ideas affected the entire experience of Malaysia, whether from the point of view of the people or the government, due to their power and enactment. He believed political and social stability are the main stimulus for economic progress. Mahathir criticized the policy of charitable contributions. He linked charity to class degradation, saying "Although charity recipients may be pleased, this method will not last, and charity recipients will not get involved in the creation of wealth, and this is in conflict with the spirit of Islam." He believed that Muslims "should be strong and should not rely on anyone other than God". In his opinion, the best investment is in industry, since that creates wealth and skill. Mahathir also commented on Islam's relation to modernization. He said: "Islam is said to prevent rehabilitation and modernization. This is absolutely wrong. When the uninformed Arabs adopted Islam, they became a great nation and built Islamic civilization, a civilization that dominated European civilization for centuries. If it seems today that Islam is a hindrance to modern development, it is because of the different interpretations that we have of Islam" (Theedgemarkets, 2018).

The diversity of Malaysian society is a source of enrichment and productivity and does not of itself hinder progress. Mechanisms to acknowledge and utilize the distinct local capacities are exemplified by organizations such as ASEAN, which helps strengthen the Malaysian economy and gives it a place in the global economy. Over the past five decades, Malaysia has rapidly expanded and developed its economy and social activities. From being one of the poorest Asian countries, it has now become one of the newly industrialized countries of the region. This success owes in large part to planning. The planning of Malaysia development relies on long-term development strategies and policies based on macroeconomic frameworks and long-term goals. The macroeconomic framework is also accompanied by policies and strategies in various sectors which address the development of the economic and social sectors, including infrastructure, industry, public services, energy and agriculture. Malaysian infrastructure is among the best developed in Asia and contributes to relatively high living standards. Malaysia's capital, Kuala Lumpur, is one of the world's cheapest capitals, while at the same time being listed among the top ten cities of the world. It has three of the highest skyscrapers in the world, including the 452-meter Petronas Twin Towers and the 420-meter Menara tower (Lee, 2004).

As a result, this article proposes that the country may serve as a role model or pattern of development for other developing countries, particularly Islamic countries, with similar characteristics. The purpose of this research is to express, study, analyze and review the development experience of Malaysia at the level of various economic activities, and to express the reality of the Malaysian economy in the light of existing laws.

### **The legal Evolution of Development Planning in Malaysia**

The planning process in Malaysia dates back to the 1950s. The Economic Planning Unit was founded in 1961 in order to bring development planning to the forefront of the national agenda. However, it can be argued that Malaysia owes much of its remarkable progress to Mahathir Mohamad, who became the prime minister of Malaysia in 1981. Under his guidance, planning became the key to the development of Malaysia. His views on economic freedom led the country from being a poor and racially divided British Colony to one with high indicators of progress and advancement. Mahathir charted a course for Malaysia's development through

comprehensive, long-term planning. Further, he insisted that the plans should be carried out exactly, rather than simply being satisfied with repeating general and inaccurate slogans. He outlined an exact plan for his country to become a fully industrialized and developed country by 2020. This outlook is long-term and supported by broad-based policies which guide its various aspects (Arby Cole, 1998).

Another key decision was the decision to increase investment in the industrial sector. This happened in the 1970s and was part of a program aimed at strengthening fundamental industries, particularly the automotive industries, in ASEAN countries. The first automotive company in Malaysia, the Proton Company, was formed with the support of the government of Malaysia. It commenced production in 1983. The Proton was named the national car by Mahathir Mohamad due to its successful production. Another important company established at this time was Peroqua (Mahathir, 2000). The computer hardware and rubber and electronic products built by this company played an important role in boosting the Malaysian economy through industry. The second key plan from the perspective of the economic development of the country is a long-term plan for the years 1991 to 2000 that is known as the National Development Policy (NDP). This policy has been and continues to be a map for a new economic policy. The main purpose of the NDP is to achieve balanced development in order to create a fully united society with 10- and 20-year programs that cover the period until 2020 and beyond. According to these plans, Malaysia can be a united, well-founded society of high ethical values. The goal is to produce a democratic, free, successful, and progressive society with economic justice and a competitive, dynamic and strong outlook by 2020 (Lee and Chew-Ging, 2017; Economic Planning Unit, 2004).

#### **Malaysia's economic development in the light of coherent laws and planning**

Malaysia's widely acknowledged and distinctive economic approach saved it from a severe economic crisis in 1997, so that it did not have to accept IMF and World Bank proposals to solve its problems. Instead, it solved its economic problems via a national economic program which started by executing severe restrictions on the country's monetary policy and progressed by maintaining a national approach to managing the economy, while giving freedom to the Central Bank for the implementation of temporary schemes for preventing the flight of capital and attracting foreign currency into Malaysian banks. Thus, it did not become prey to those who tried to exploit the economic crisis. In 2001, a report of the United Nations Development Program (UNDP) placed Malaysia in ninth place, higher than Italy and Sweden, due to its unprecedented success in dealing with the economic crisis of Southeast Asia in 1997. This is the best evidence of the success of the National Execution Plan (Ariff and Abubakar, 1999).

The first element contributing to the successful economic development of Malaysia can be described as specific political and economic factors. First, the political situation. Since political conditions were favorable for economic progress, there was never a military coup d'état. Instead, political leaders believed in solving problems through change and reform. Second, Malaysia has observed democratic norms. Political parties are based on ethnic and racial principles and decisions are made through negotiations between them. Third, Malaysia has invested in development rather than in purchasing weapons. This is because Malaysia is friendly towards all countries, and avoids creating problems in its relations, partly to avoid creating barriers to its progress. Fourth, adequate budgets are assigned to infrastructure projects and other projects which will enable the economy to grow steadily in future. Fifth, Malaysia pursues a self-reliance policy, depending largely on its native inhabitants, who constitute the majority of Malaysian people. Sixth, Malaysia demonstrates commitment to improving social indicators in human capital by improving the livelihood, education and health of the indigenous people. Seventh, Malaysia engenders trust in its domestic resources by holding the necessary funds to provide investments, as seen by the fact that domestic revenues grew by about 40% between 1970 and 1993, while domestic investment grew by about 50% over the same period. Eighth, Malaysia has interacted with foreign investors in such a way as to bring significant benefits and profits to Malaysia. This has been done by means of establishing conditions which were in the interest of the Malaysian economy. Ninth, diversity in the industrial structure of the country has been encouraged. The factors outlined

above have led to great success in the development of Malaysia. Over the past two decades, Malaysia has had the highest rate of foreign investment in the region. Foreign investors are the main factor of Malaysia's economic performance. Currently, more than 3,000 foreign companies from 43 countries are operating in Malaysia. Investors appear to be motivated by four main factors: low internal costs, the Kuala Lumpur Stock Exchange, relative political stability and a strong national currency and economy with solid foundations such as low debt, rapid growth and low to medium inflation (Zainal and Deepak, 2008).

Malaysia has grown rapidly in the last three decades. The country initially relied on the production of a wide range of mineral raw materials and industrial agricultural products such as zinc, natural rubber, tropical wood, minerals, other materials and agricultural products. However, it shifted its focus to manufacturing industries, which now play an important role in the economy. Malaysia ranked 48<sup>th</sup> in the ranking of the Economic Freedom Index in 2007 and ranked 18<sup>th</sup> in 2012. It ranked 1<sup>st</sup> in the Islamic countries in economic freedom and 17<sup>th</sup> in the world for development. Malaysia became the 20<sup>th</sup> largest exporter in the world and the 21<sup>st</sup> largest importer in the world in 2013. According to The New Strait Times in 2014, Malaysia has to date exported 17,270,000 thousand tons of palm oil valued at 12.5 billion dollars. Malaysia's economic growth has averaged 8% over the past two decades. It is currently ranked second in the world for economic growth (Zainal and Deepak, 2008).

The overall element contributing to the successful economic development of Malaysia has been long-term planning and vision. This can be seen in the use of development plans such as the Malaysian Development Plan. Development in Malaysia was initially focused on human development, largely achieved through economic development. Through development programs, Malaysia set out to give the country a very strong motivation, so that poverty and ignorance were eliminated. After that, health and education were improved and economic sectors such as agriculture, industry and services were developed. Planning is ongoing, and plans are currently in place for 2020 and beyond. This emphasis on planning can largely be attributed to the vision of Mahathir, who saw in planning a vehicle to fulfill Malaysian national aspirations via growth.

#### **Asian Financial Crisis of 1997**

The crisis that struck southeastern Asia in 1997 was a real financial test. However, although governments such as Indonesia and Thailand surrendered to the IMF and the World Bank, Malaysia refused to accept international proposals. Instead, it ignored the recommendations of the IMF and the World Bank and treated the crisis by domestic methods that imposed restrictions on monetary and liquidity policies, such as severely restricting the flow of money from the country while at the same time allowing it to enter. Thus, Malaysia escaped from the crisis in only two years and was able to continue on its path towards development by focusing mainly on internal conditions. Thus, it continued to develop by employing self-confidence, wisdom and sensible policies (Alice, 1998).

In summary, the factors leading to the development of the Malaysian economy can be viewed as falling under the following principles:

1. Privatization
2. Foreign investment
3. Management of development
4. Knowledge-based economy
5. Economic stability and export growth
6. A focus on the productivity of the economy
7. A high growth rate of investment savings
8. A commitment to National Technology Development.

#### **Poverty containment with legal and planning solutions**

Poverty and ignorance are the enemies of development. The experience of combating poverty in Malaysia is one of the most successful experiences in Islamic countries. It reduced the poverty rate from 52.4% to 5.5% in

only three decades (1970-2000). In other words, the number of poor families was reduced by 90%. This rapid reduction may have been inspired by events of 1969, when dramatic differences in income levels and wealth led to bloody clashes between Malaysians and Chinese in Mayo. Efforts to decrease poverty in Malaysia have also been effective in reducing racial conflicts and helping to institutionalize political and social stability and economic prosperity. Malaysia's philosophy of combating poverty was guided by the belief that economic growth leads to income equality. In addition, it was thought essential that economic development be reflected in improvements in people's livelihoods and the improvement of public services such as health, education and security (H Yadav, Famm, 2009).

Malaysia's response to poverty, guided by the philosophy above, was characterized by two positions. First, policies and instructions to combat poverty were issued. Following the bloody racial conflicts, the goals of reducing poverty and rebuilding community structures were established. These policies were supported by specific strategies to reduce poverty, such as increasing the ownership of land by the poor, raising the level of training of workers, increasing welfare provision and diversifying the production conditions available to the poor. Slums in the city and the countryside were regarded as evidence of poverty. National efforts to solve the poverty problem accelerated after the student protests of 1974, which were triggered by the decline in the rubber plant industry due to lower prices for products and higher production costs. Progress towards advancing society and combating poverty continued with national methods such as the definition of a poverty line. This was set in the second half of the five-year program in 1986 so that the poor could buy the essential necessities of life, like food, easily. National efforts had a direct impact on the quality of food, housing and basic services such as water, health care, education, communication, transportation and so on. Finally, the Economic Development Program provided opportunities for the effective participation of low-income individuals and families in the development and implementation of local initiatives (Haines, 2000).

A revenue distribution strategy was also included in all policies and development plans. The goal of this strategy was to combat extreme poverty and increase the development of commercial and industrial activities for the poor. This led to significant results such as reducing the average poverty rate and reducing income differences among different classes of society. At the same time, Malaysian tax policy has a social dimension which takes account of personal income. The method was to emphasize the progressive principle in income, that is, when the lowest taxable income is approximately \$658 per month, tax is calculated in relation to the number of children and the cost of education after computing and deducting health insurance installments. Thus, the Malaysian government encouraged Muslim citizens (both individuals and companies) to pay Zakat (almsgiving for the poor) to the National Zakat Fund administered by the Department of Islamic Affairs. Paying Zakat reduces income tax (Haines, 2000).

The Malaysian government adopted a number of additional policies in response to poverty. One of these is the Direct Support for the Poor Program, which involves support for entrepreneurial initiatives, provision of housing, repairing of old housing, improvements of basic services such as water electricity and health. Another is the Bumiputra Stock Loan program, which provides interest-free loans with a four-year repayment deadline for the indigenous poor. Poor people can use provided loans to buy stocks in the institution itself. Another is the Selective Loan Program, a nongovernmental program aimed at reducing extreme poverty by helping to raise the income of very poor families and offering interest-free loans to the poor. The government supports the program via loans to poor farmers small businesses owners and investing in its programs. Another is the Interest-Free Loans for Urban Housing Program, which supports poor families seeking to buy affordable housing in urban areas. Another was the East Asian Crisis Support Fund of 1997, which was funded directly by the government. There are also other financial funds that sponsor social projects to develop agricultural activities for the poor. Another program is aimed at providing facilities such as transportation, schools, health services and electricity, public spaces and other social and economic infrastructures in remote and poor areas. The 2020 strategy particularly focuses on the expansion of basic services to poorly developed regions. Another initiative involves subsidies for medicines and essential drugs used by the poor and assisting

the private sector in the reopening of health centers and specialized clinics. Another is health care in remote areas and providing care and services from pregnant women and infants. A final initiative involves supporting activities that poor people can benefit from such as religious schools, educational services and assistance for low-income students to continue their education (Zulkarnain and Isahaque, 2013).

The above initiatives show that the Malaysian government and its national leaders have continued to combat poverty in order to achieve the goals of economic and social development. As stated, poverty is the first obstacle to development that must be solved. In order to explore more fully the government's strategy in this regard, we will briefly focus on the village of Shunal, one of the villages in which the government is fighting against poverty through its rural anti-poverty initiative, the Brilliant Rural Movement. The village is located 12 miles from the city of Katabases, the capital of the Kenton province. Katabases is located in the northeast of the Malaysian Peninsula, close to the Thailand border. Shunal has a population of 2230. 70% of residents are employed in the rubber industry, 10% in the public sector, 10% in households and 2% in the private sector. The remaining 8% are unemployed. 497 residents are over 45 years old, 810 are between 17 and 44, 286 are aged 16 to 21 years and 640 people aged below 21. The average number of members per family is six. When it became clear that the younger age group outnumbered the other age groups, the Malaysian Rural Development Ministry, in cooperation with the Poverty Alleviation Organization in Kenton, began to persuade the residents to work in teams to improve their livelihoods. A local village executive committee was set up to carry out the necessary work in this regard. The Rural Development Organization taught the members of the committee with respect to the tasks assigned to them (Factfinder, 2018).

The aim of the Brilliant Rural Movement is to reduce the number of extremely poor families and the level of unemployment in these areas through creating productive employment opportunities. Traditional vegetable and fruit production fields are being commercialized and young people are being taught about the importance of education and information technology. Thus, one goal is to eliminate illiteracy by employing technological tools and computer devices. Goals are scheduled in terms of program goals and target group goals. Every member of the family is involved. Converting traditional farming plots to new and up-to-date commercial fields requires the participation of housewives, children and teenagers as well as working age men. Goals include improving individual management skills, improving educational conditions, increasing computer skills, developing thinking skills and improving the English language skills of individuals.

Establishing the program involved a number of steps which may be summarized as follows:

1. Establish a business network. This was carried out by the Poverty Reduction Foundation's provincial branch. Relationships with government news agencies related to rural development were developed. These steps provided a good way for the villagers to learn from the mistakes of others.
2. Focus on the transition from traditional activities to agricultural and commercial activities. This step related to generating demand in local markets by linking with new productive technologies and increasing the productivity of local companies and business organizations.
3. Encourage farmers to participate in the Union of Farmers in the region in order to collect, package and distribute local resources to serve the residents of the region. This also involved establishing an institutional and cooperative framework among farmers to address regional issues.
4. Establish an educational workshop for a group of very poor families, in which discussions are held on the program. This involved choosing a family which is more interested in using the program than the other families and teaching it to run the program by following carefully documented steps (Zulkarnain and Isahaque, 2013).

Once the conditions described above were in place, families willing to accept the program were divided into work groups. Each group chose a supervisor and was taught, following a carefully developed curriculum, how to work with program, the detailed plan, the tools and the methods. They were also taught how to divide roles and tasks. The government and the Malaysian investor companies working to sponsor of this program provide

finance, production technologies and marketing support, while peasants work on the land. The state government, which is responsible for combating poverty in the province, suitable land for the commercial fields.

### **The Malaysian economy industrialization with legal and planning solutions**

Malaysians looking for a model for industrialization turned to Japan, their neighbor to the north. From Japan they learnt how to design and implement plans, and to see industry as capital. Thus, technology industries are seen as having double value. Malaysia is a model for the process of industrialization for other developing countries. The first stage was that of import substitution industrialization. In the early 1960s, imports involved foodstuffs, building materials, tobacco, and plastic. In order to facilitate the development of local industry able to manufacture products able to substitute for imports, a law designed to attract foreign investment was passed in 1968.

The second stage was the encouragement of export, which began in the early 1960s. The government encouraged investments in the export sector through providing cheap labor and creating attractive tax incentives, issuing licenses for foreign export and creating free-trade zones. Investment in the electronics and textile industries was encouraged to develop the export sector. The government invited multinational corporations to launch production lines. Full ownership without the need for domestic and native participation was awarded to foreign companies which produced export goods, which allowed them to work independently. The next stage was the development of Malaysian heavy industry. This period began in the early 1980s when the government encouraged investment in this area. The first focus was on the development of a national automobile industry, followed by cement, iron and steel, then electronics and textiles. The goal was to add two-thirds of the value and utilize 40% local staff in these industries. During this period, national industries enjoyed special government support. The country entered into many projects covering all economic activities (Ohno and Fujimoto, 2006).

The final stage was the development of high-tech and advanced industries. This period began in the early 1990s when the government encouraged businesses to establish high-tech industries. These industries, of course, required significant capital and high levels of skill. The goal was to increase competition between Malaysian products and expand their domestic market. The period 1980-2000 saw the expansion of investment in this sector with more than 15,000 industrial projects and a total capital investment of 800 billion Malaysia ringgit (\$196 billion) of which foreign projects contributed 54% and local projects accounted for 46%. These projects generated 2 million jobs as well as bringing in modern technology, boosting overall development, creating job skills and establishing new marketing channels (Ohno and Fujimoto, 2006).

### **The Success Factors of Malaysia 's Industrial Experience**

The first success factor identified is the eastern orientation or attitude adopted by the country. The Eastern Orientation, or Japan-facing policy, was announced in 1981 and held sway until 1991. The aim of this policy was to encourage Malaysia to follow and learn from Japan 's experience in areas such as technological development and outstanding economic performance through a moderate and prudent financial policy. This 'oriental attitude' had two important aspects: first, consideration of the ethical values of East Asia such as discipline in work, working seriously and sincerely and systematic administrative programs, and second, modernization and industrialization, which was adopted as a goal to be pursued until 2020. This vision saw Malaysia as becoming a regional capital of information technology and a global superpower. The process of gaining experience from Japan was not intended merely as imitation. The goal was to adopt and Malaysianize the best Japanese practice. The most important aspect of utilizing Japan 's experience was to invest directly in Japan 's style, whereby Malaysia learned the scientific concepts and put them into practice. The policy of domestic saving was used to create capital to financial, economic and social projects. In addition to benefiting from the Japanese views and guidelines in this manner, the Japanese provided several training programs through the international cooperation agency of Japan. This meant that, through training programs Malaysia was allowed to take advantage of industrial training. The cultural exchange programs funded by Japanese

institutions also encourages Malaysia to study Japan 's experience from different angles and aspects (High-level Political Forum Government of Malaysia, 2017).

The second success factor identified is the cluster production focus. In its manufacturing model, Malaysia adopted a cluster-based approach due to the existence of cluster linkages. The relations between an organization 's structures, production units and related activities were depicted in three parts, importers, industries, and business services. Then, the operations of organizations were seen in the context of a regular framework of economic infrastructure and institutions including human resources, technology development, support and financing services and motivational) systems (Mohamed Ariff, 2008).

The third success factor identified is the role of institutions and organizations in economic development. Many institutions and organizations are involved in the success of the industrial development process. One of these is the Malaysian International Development institution (MIDI). This is the sole point of contact for investors who intends to invest in industrials or related industries in Malaysia, and it provides all the information required on investment opportunities in Malaysia, such as all steps, permits and approvals required for activities. It also provides investment mechanisms. Other responsibilities of the organization include assisting multinational companies to opening distribution centers in Malaysia, offering basic support services and providing access to qualified training staff. It is also involved in motivating, donating, and awarding investment privileges (John and Finn, 2017).

Another organization supporting the industrial development process is the National Productivity Corporation (NPC). This is a federal organization that focuses on increasing overall productivity in the Malaysian economy. In other words, this entity focuses on measuring the productivity of production factors including labor and capital. It was established in 1962 as a representative of the manufacturing centers in partnership between the Malaysian government and the international labor organization and the united nations special fund. In 1966, it turned into a government center that led overall productivity and monitored the quality of Malaysia 's products and improved its business to achieve balanced economic development. Its mission is to offer suggestions about policy, production, planning and productivity, as well as to advance systematic programs in term of productivity and competitiveness along with other research and training activities. The development of administrative systems focuses on the quality, efficiency and application of information technology. Another organization supporting the industrial development process in Malaysia is the Malaysian Foreign Trade Development Organization (MATRADE). This organization was established in 1993. Its mission is to promote Malaysian foreign trade. It also provides information to Malaysian exporters and importers, assists in the development and promotion of Malaysian products, overviews the development of industrial products and conducts studies and research on Malaysian products in foreign markets in order to improve the situation. It also offers training workshops in specific skills to Malaysian exporters and provides global marketing and support services for Malaysian investments abroad (NPC, 2017).

Another organization supporting the industrial development process is the Malaysian Heavy Industries Company (HICOM). This company produces iron and steel and engages in national automobile production project such as Breton. It also partners with the Mitsubishi company of Japan in the production of the second national automobile (Radovan), in addition to its work in the construction of giant iron and steel conglomerates. Taking the above into account, we can clearly see that Malaysia 's industrial experience reflects success at multiple levels. Taking a holistic perspective, it can be said that the success of individual outcomes, through partnerships and multi-level cooperative efforts such as those described above, contributes to the success of the whole economy of the country (Zakaria Abdulla, 2017).

### **Privatization**

Between 28% and 48% of tax revenues come from the private sector. Investment levels are very high, and growth is strong. Malaysia saves around \$24 billion annually due to privatization. These savings are not due to tax increases or the slowdown of the country's development, but to the privatization of government

activities (120 since 1982). Malaysia's experience has proven that privatization is effective. The Malaysia's government has saved more than \$2 billion a year on salaries and pensions.

Malaysia has privatized in three main ways. The first way has involved transfer of investment, manpower and management from the public sector to the private sector. The second way has involved the sale of assets. The third way has involved rental of government properties, whereby leaseholders are authorized to use government property for a limited period of time for specified purposes (Phua, 2001).

#### **Foreign Direct Investment in Malaysia**

Malaysia is considered to be a dynamic country the government of which has provided an appropriate business and industrial environment for attracting investment in the country. Investment has been facilitated by infrastructure, policies and Malaysia's domestic companies, as well as through foreign investment incentives to optimize economic performance and outcomes, particularly in industry. The benefits of investment are not limited to land-based industries, but also other to other investments, due to what is known as the multiplier investment effect. Investment objectives differ according to the situation in which they are invested, where the purpose of the investment is to achieve profit and is made by the private sector. The goals and reasons for investing in terms of investors and host country are multiple but may include a desire to access raw materials. Investments also seek to take advantage of investment incentives and targeted tax breaks, such that provision of the above can be seen as adding incentives to pre-existing dimensionalities in order to attract investors (Lou Pagnutti, 2012).

The use of low wages for locally-based workers and staff also make operations proportionally more profitable for investors. Easy access to and completeness of support services offered by domestic companies are also incentives. Investments make profits by leveraging reduced costs and access to advanced technology, which can lead to huge investments. Of course, the reasons and motivations of investing entities must be matched by equally attractive incentives for host countries. Host countries may, for example, be attracted by opportunities to counteract unemployment, create job opportunities, carry forward high-value or already-commenced projects, improving the balance of payments, increase local production to compensate for lack of imports, expand their markets, create new markets and improve domestic and foreign business profiles. Because of these and other significant benefits, Malaysia has continued to compete to attract foreign investment through the use of incentives. It can be said that Malaysia has been more successful than many developed countries in this field of operations. The Malaysian government is constantly looking for ways to modify the structure and nature of incentives in light of its immediate development needs (Bureau of Economic and Business Affairs, 2015).

#### **Malaysia Education development in the light of coherent laws and planning**

Education began in Malaysia with the arrival of Islam, since education was considered necessary to learn the principles of the religion. During subsequent years, education in Malaysia suffered due to the negligence of rulers. These problems continued, especially during British rule. During the time of British occupation, a large number of Hindus and Chinese were much preoccupied with questions relating to the means by which they were to transmit their culture and religion, which necessarily involved consideration of education as well. After independence arrived on the peninsula in the latter part of the twentieth century, governments grappled with issues relating to education, with an overall focus on developing policies suited to modernization (Mohamed, 2019).

A prominent politician at the time, Abdul Razak, claimed that first, the education system inherited from the British was based on colonialism; second, national schools were in need of reform and development in order to fulfill their mission; third, very few text books were written in the vernacular and fourth, that Malaysians with the ability to do so were sending their children abroad to receive education in developed countries. It was thus seen as imperative for development that the education system, not only the economy, should be considered. This required a new and more accurate approach. In order to appreciate, control and coordinate

the situation, the government prepared a long-term development plan to enable Malaysia to reach the status of a fully a modern country from an economic, social and cultural point of view (Mehmet Ozay, 2012).

For these reasons, Malaysia began trying to raise the level of education and the inclusion of international standards in its educational and scientific centers. Numerous efforts to do so have been made since the 1970s. The establishment of universities and educational and scientific centers, as well as various study and research programs, have attempted to bring education into conformity with international standards. Suitable fees for studying in comparison with other countries, a wide variety of majors to choose from, the right to choose the best universities and colleges and the presence of branches of foreign universities in Malaysia combine to bring students affordable study options and even attract students from abroad. Studying English at all levels of life in a multinational country with religious and cultural freedom is another factor for those choosing to study in this country. According to statistics, Malaysian universities now host more than 110,000 students from 100 countries. According to a recent QS World University Rankings report, University Malaya (UM) on the verge of being among the world's top 100, UKM at 230, UTM at 253, USM at 264, UPM at 229, IIUM at 450-500 and UITM at 700-651). These factors combine to lead students to choose to study in Malaysia (Thestar, 2017).

### **Educational objectives in Malaysia**

Malaysian education policy is currently targeting a number of objectives including adequate training for children, adolescents and foreign students. Because students of different ethnic groups have different needs, and because of the importance of primary education for later life, attempts are being made to generalize standards and raise its level. More and better options for parents and children in education are being considered. Attention to university education metrics and the establishment or expansion of related institutions so as to ultimately improve the level of education of universities is also being considered. Expanding teaching centers to enable them to train teachers in all branches of teaching such as skills and ethics as well as subject knowledge is another important educational goal for the betterment of society.

Current government priorities in education therefore include the following: free elementary education, attention to women's education, transparency of educational systems, special attention to pre-primary schools, focusing of basic knowledge and national science in primary education, secondary education in line with national goals, educational centers for the training of teachers, industrial schools, incorporating advances in technology and information, additional job creation in universities, prioritizing education to serve the country's economy and establishing links between education and research activities. Malaysia intends to turn the field of education into a productive and creative part for future generation in order to play its roles in the people's life and will try to complete its strategy and plan by the end of 2020 (Ghavifekr and Rosdy, 2015).

### **Funding for education in Malaysia**

The Federal government has been responsible for financing education in the country since 1957, since the Malaysian government was eager to provide basic education services in with its independence and liberation from the occupation of the Britain. Federal education departments account for approximately 20 - 22% of the national budget each year. For a brief survey of expenses, expenses in 1966 and 2000 were 2.9 billion and 3.7 billion for general expenses, \$318,000 and \$408,000 for primary schools, \$448,000 and \$597,000 for secondary schools and \$160,000 and \$216,000 for vocational schools (Lee, 2017).

These costs include costs related to the establishment of new science and technology schools, modern vocational schools, science and computer labs and higher education loans both inside and outside Malaysia. The costs of the Ministry of Education, which account for 82.5% of the total, have been included in the above items. Only 17.5 % of the total costs relate to development costs, which indicates that the quality of education is more important than the extent of educational environment. After such generosity toward education, the number of students reached 93.8% of the total population in 2000, compared to 1970, when it was 53%. The total students in education figure is comparable to global levels. Additionally, 99% of 10-year-olds were

enrolled in schools, and 92% of elementary students continued to secondary schools. This means that the rate of failure is relatively low in relation to other countries (Ministry of Education, 2013).

### **Intelligent schools**

The revolutions in communications and information have not left schools untouched, and a large number of schools have been designated 'smart schools' since they both incorporate and train students in the use of technology such as computers. Smart schools are educational institutes which are 'smart' in more than one sense since they use information technology to help students learn more about that very thing. Smart schools are characterized by modern educational and teaching environments as well as modern educational policies aiming to providing skills and modern training techniques. However, these schools are still considered to be in the testing phase as their features, design and engineering are still undergoing development and analysis to lead to more efficient schools based on modern standards (Vicziány and Puteh, 2004).

The concept of the intelligent school was first introduced in 1996 by the then Minister and Director General of Education. Smart school programs which included computer use have been in trial for some time in locations such as the USA and Australia, whose education officials were keen to bring the most up-to-date technology to schools. These schools offer practical benefits for educational projects and are based on national plans premised on the philosophy that technology should be at the service of education. However, the cost of these schools is typically over \$100 million. This issue is currently under consideration and there are plans to implement e-learning projects in curriculums. Currently there are 90 schools trialing such projects throughout Malaysia. The focus is on the development and improvement of the four main axes in the training process, which include training and developing human skills, methods and curricula, school infrastructure projects, creating content and digital learning resources. These elements are considered to be part of Malaysia's evolutionary perspective towards technology.

It is expected that 300 new smart schools will be built in Malaysia once the trial is complete, and existing schools will be renovated in line with this policy. In addition, the Malaysian Ministry of Education has a number of other projects in train, one of which relates to a Chinese smart school's project which will be done according to Chinese principles and rules. In these schools, students will have to create meaning and carry out projects via symbols. These projects will be delivered via the private sector. In most of these projects, teachers will have access to advanced training courses. In order to apply the digital approach, private sector funding will provide computer laboratories and equip classrooms with a computer and a large touch screen. It is anticipated that these augmentations will help teachers to communicate key points and issues to students more clearly. Students will also be able to use computer equipment in small in-class groups and use learning programs (straits times, 2018).

Educational and academic resources must be developed to meet the needs of the new millennium and this development must be real and not just in appearance. The teacher is the underlying foundation of the learning process, and as such training programs for teachers should be prioritized. To prepare for the future, students should be encouraged to engage in scientific studies, and research in education and science should be applied to all dimensions of the learning process. Private sector actors should be invited to help fund school and academic activities. School programs and their implementation should be reviewed using lessons from past outcomes as a guide. Learners should be prepared for life-long learning through programs which teach learners how to learn. Self-directed learning and learning through solving problems (empirical training based on experience) will be even more important in future. Talented students should be given special attention and advanced training and education.

### **Tourism**

The tourism industry in Malaysia has grown significantly in recent times because of transportation facilities such as metro, bus, train and taxi, as well as foreigners' restaurants. Other attractions include numerous diverse beaches, beautiful natural settings, the tropical climate, shopping malls, local markets and exotic food. While Malaysia's population is less than 29 million, it received more than 40 million tourists in 2017

according to the Malaysian Tourism Ministry. The statistics show that Malaysia is has a larger number of tourists than its population. This indicates that the tourism industry in Malaysia is flourishing, and millions of tourists visit Malaysia every year. Based on these statistics, revenue from tourism of \$39 billion per year is one of the six main sources of government finance. It provides 12% of gross national income and 14% of employment opportunities (Christopher and lee ong, 2016).

### **Health and hygiene in Malaysia development in the light of coherent laws and planning**

Malaysia's investment in health and hygiene is an important part of the overall development strategy of the country, especially after the country realized that health and hygiene contribute to income and their absence may obstruct economic development. The current goal of the health sector is to improve and continually maintain health services. The cost of each person in the health sector has reached \$143. As a result of expenditure, the death rate of infants has fallen from 76 infants per 1000 in 1957 to 10 infants per 1000 in 2005. Life expectancy has reached 73 years and the government has devoted 5% of the total budget to the health sector. In addition, Malaysia has begun to encourage foreign doctors to work in Malaysia. It has also embraced the concept of 'medical tourism' (Unilever, Health & Hygiene, 2018).

Malaysian plans to develop the health sector include:

1. Family health programs to improve the health of families and, consequently, their communities through appropriate management of hospitals, patients and medical care
2. Preventive health service programs aimed at reducing infectious and non-infectious diseases to reduce health care costs
3. Healthy lifestyle programs to raise community awareness of healthy living and ways of living in everyday life so as to prevent illnesses
4. Immunization programs to guarantee the availability of essential vaccines to protect children from serious and dangerous diseases
5. Nutrition programs aimed at developing healthy eating habits, especially in schools and among children and adolescents, and encouraging the purchase of healthy and nutritious food
6. Occupational health and safety programs, through the establishment of safe and hygienic work environments, as well as work to reduce occupational accidents and illnesses
7. Medical care programs which ensure the availability of advanced and up-to-date equipment, timely diagnosis and treatment, as well as better management of health centers in villages and ensuring the quality of the drugs used in the community
8. Personal health plans that provide training opportunities for staff and the development of medical institutions and clinics
9. A special medical care program to supervise hospitals medical centers
10. Compulsory state hospital experience programs which will ensure new doctors work in state hospitals for three years in order to ensure their effectiveness in the field of medicine (Hak cipta, 2015).

### **Principles for success**

Civilizational Islam is the theory of the Malaysian government for the development of the country based on divine rules and the Sunnah of the Prophet Muhammad (PBUH). Mahathir Muhammad and Ahmad Badawi (former prime ministers) dedicated much effort to planning guided by these principles. The principles may be summarized as follows.

1. Belief in Allah
2. Fair, courteous and honest government
3. Free and independent people
4. Emphasis on the wisdom and supremacy of science
5. Stable and comprehensive economic development
6. A high quality of living for every Malay family

7. Protection of the rights of women and minority groups
8. Honesty in ethics and culture
9. Environmental protection
10. Strong military and defensive forces

## **Conclusion**

Malaysia's economic development came about through detailed planning and long-term vision. Although economic and political factors also contributed to its success, what Malaysia achieved was in fact due to good governance and leadership. The crucial period leading to this great success was the period under prime Minister Mahathir Mohamad between 1981 and 2007.

Development in Malaysia was accompanied by development plans. The first plans focused on the development of human and economic resources. Subsequent plans provided strong motivation and caused the economy to leap forward in 1997. Other South-east Asian countries were in crisis, but Malaysia managed the crisis by national solutions such as restrictions on monetary policy through the vision of the Central Bank, which in practice meant the monitoring of the entry and exit of currency. In addition, it tightened currency exit regulations and simultaneously attracted currency into the country in many different ways. Crucially, Malaysia did not accept the tempting offers of the International Money Fund (IMF) and the World Bank, instead weathering two years of crisis and continuing on its own path.

Malaysia's experience in combating poverty is one of the most prominent examples of success in the Islamic World. Malaysia has been able to reduce the poverty level from 52.4% to 5.5% in just three decades, a remarkable accomplishment. It should be acknowledged that the Malaysian government's philosophy and policies for fighting poverty have proved notably successful.

Malaysia's decision to follow the model of Japan in industrialization was the next key contributor to its success in modern times. Malaysia learnt from Japan's experiences in the fields of industry, education and cultural exchange programs. Malaysian study of Japan's experiences from all aspects and angles accelerated its own progress. This effort was managed by the Malaysian Foreign Trade Development Organization and other institutions which promoted and encouraged foreign trade. Another key factor was the provision of information to Malaysian exporters and importers, and a focus on increasing the quantity and quality of products traded, with a greater focus on industrial products.

Malaysia is an active and dynamic country, largely because its government, over several decades, has provided a good environment for attracting investment through investment incentives. It has been able to revive human capital, transform it into energy and direct it towards competition with high potential. It has focused on dynamic investing and has been driven forward by faith. Acknowledging that the seeds of transformation and growth lie in the formation and knowledge of its children, who are very hardworking, great attention was paid to education. The federal government financed education and worked enthusiastically to provide free, high quality educational services. The Malaysian government's support for education accounts for 20.4% of the country's total budget. Malaysia has also paid remarkable attention to the health sector and has regarded it as a major aspect of the overall development strategy of the country. In fact, good health, along with a higher standard of living and greater overall fulfillment, is both the means and the goal of the country's economic development.

## **Recommendations**

Based on the above results, the following recommendations, which may be helpful for other developing countries, are proposed.

1. Adopt policies which supporting economic development, eliminating corruption in the areas of finance and administration and promoting good ethics.
2. Eliminate great injustice in the distribution of national wealth, especially on ethnic lines.

3. Transform local Islamic societies from weary consumer societies to vibrant and productive ones. Small projects require minimal funding but because of their plurality tend towards a far happier workforce.
4. Revise rules, policies and procedures to foster greater economic cooperation among developing countries.
5. Prioritize human development, eliminating prejudice along ethnic and racial lines.
6. Provide interest-free loans for industrial and agricultural projects. Monitor the payment of these loans.
7. Attend to rural development and empower women in the community, trusting them more.
8. Regulate the social activities of business and prioritize of the concept of balance between general public interests and the private interests of a particular section of society.
9. Use academic education to serve economic goals by linking it to scientific and research activities.
10. Increase training opportunities through financial support for students.
11. Provide adequate basic services for all, paying attention to nutrition, health, education, housing and other services needed by residents.
12. Emphasize the development of the overall economic infrastructure.

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