

MALAYSIA'S SOCIO-ECONOMIC TRANSFORMATION IN HISTORICAL PERSPECTIVE

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ABSTRACT

This study attempts to explain the pattern and evolution of economic development in Malaysia since independence. It focuses on the impact of growth and analyses how the government policy of positive discrimination (also known as Bumiputeras) has helped to address historical backwardness and thus reduce ethnic tensions in the country. The state also launched the policy of diversification, which involved various combinations of policy initiatives; for instance, the expansion of new industries was encouraged, especially if they focused on production for foreign markets. As a result, job opportunities increased. The government also undertook measures to tackle rural poverty, modest land reforms, protection of tenant rights, and other rural development measures to protect the rural poor. All these measures to a certain extent helped to reduce rural poverty.

This paper offers an explanation as to how the net implications for employment and growth have been achieved. I think this study is important because a review of Malaysia's economic strategies and development could be a very useful example for other developing countries. The key finding of the study is that the state has to a great extent been successful in its role and objective of promoting economic and social development in Malaysia. However, the economic strategy that is based on export markets and credits to provide the stimulus for growth may likely encounter difficulties due to increased competition unleashed by the forces of globalisation. These difficulties could arise despite evidence on trends in economic growth and employment creation which suggest that Malaysia's recent transition to a high-growth trajectory has been accompanied by low inflation and decreased levels of unemployment and poverty.

KEYWORDS: Malaysia, Export-Led Growth, Diversification, Islam, State Intervention, FDI, and Ethnic Relations