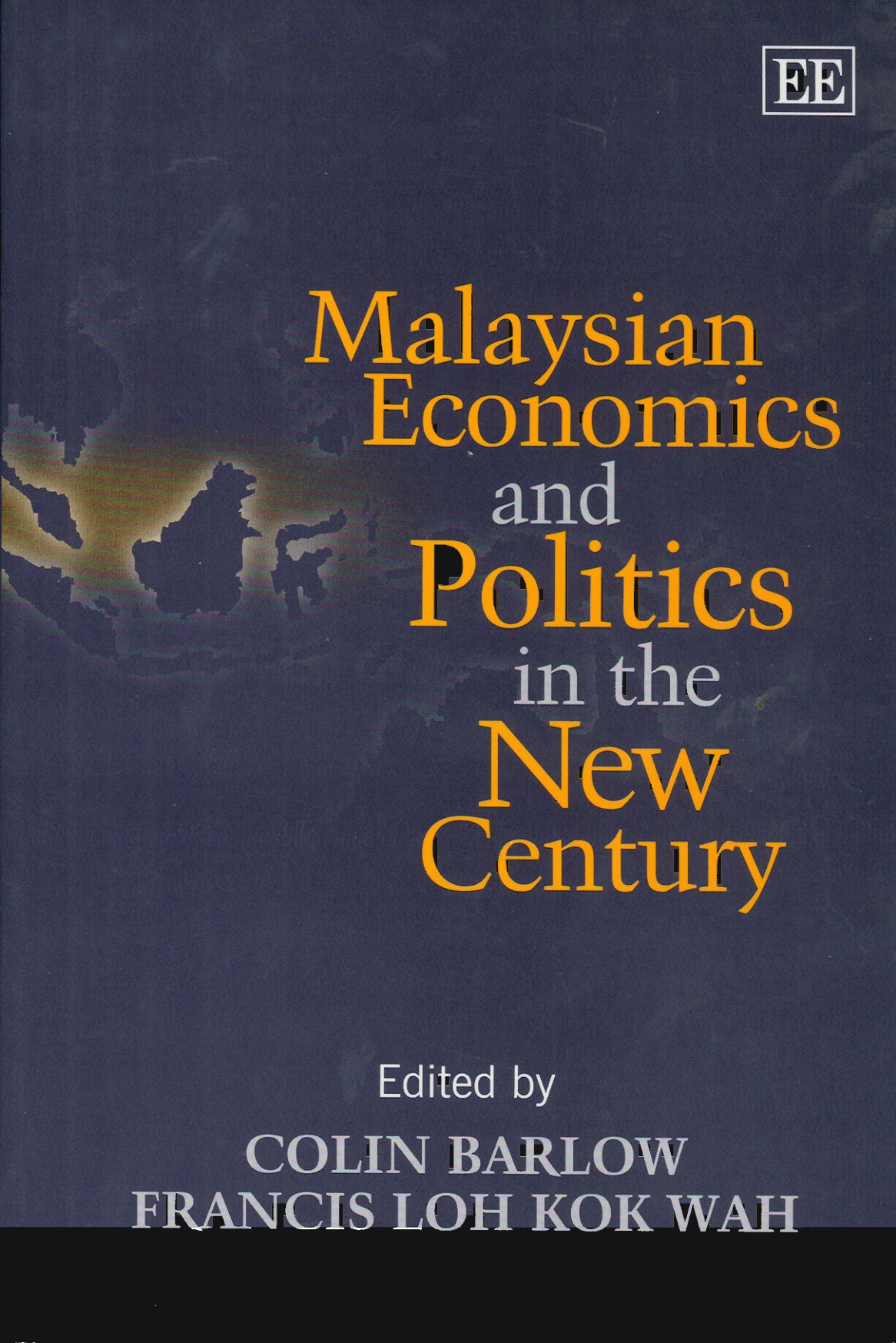


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Malaysian  
Economics  
and  
Politics  
in the  
New  
Century

Edited by

COLIN BARLOW  
FRANCIS LOH KOK WAH

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# 1. Introduction

Colin Barlow and Francis Loh Kok Wah

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Malaysia at the start of the new century seemed poised to continue the economic development which had seen such heady advances in the years before the 1997 financial crisis. But the grave setbacks of that crisis had raised vital questions for Malaysians, including those about how the economy and society were organized, about how the benefits from economic development were distributed, about the relations of government to major national institutions, and about the nature of the political process. Manifestly the country was again progressing well in broad economic terms, but the underlying questions remained prominent and answers were being actively sought by people at large.

The first book in this series<sup>1</sup> set out the remarkable transition in Malaysia from the early 1960s to the late 1990s, as it moved from a predominantly rural to a largely industrial society. That book outlined and analysed the economic, social and political background to the huge changes over those three decades, examining the economic and political initiatives and underlying policies, the trends in income and income distribution, the special problems of East Malaysia, and the role in the changing society of different ethnic groups and of women. The book looked too at the impact of the major structural alterations to society effected from the early 1970s under the New Economic Policy (NEP), the implications of the significant emergence of non-government organizations, and the development of Malaysian foreign policy in an era of rapid national and international change.

The present book builds to some extent on the earlier work, and readers unfamiliar with the Malaysian story are advised to check that work as one source of their insights. This book essentially hinges on a watershed in the late 1990s attributed to the interrelated effects of the financial crisis, the arrest of Anwar Ibrahim, and the subsequent 1999 general election. Thus the financial crisis exposed serious weaknesses in the banking system, financial markets, and the behaviour of many corporate entities, while Anwar's arrest and its outcomes brought to public view deficiencies in the administration of justice and public order. The 1999 election results reflected public dissatisfaction with the ruling *Barisan Nasional* (BN), illustrated especially by the partial swing of Malay votes from the United Malays National Organization (UMNO) to the opposition *Parti Islam SeMalaysia* (PAS). But while the strength of UMNO was reduced at the election, it and the associated parties of the BN remained in power and appear indeed to have subsequently regained some popular support.

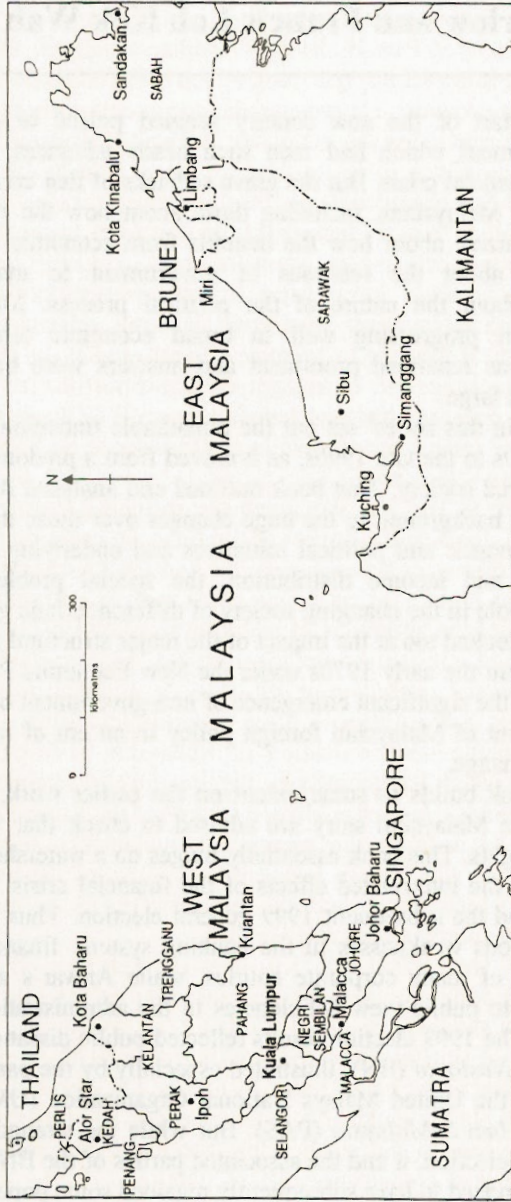


Figure 1.1 Malaysia in 2002