

Islamic Culture as an Essential Component of a Comprehensive Approach to Development: Some Lessons from the Malaysian 'Miracle'

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Abstract: This paper argues that many developing countries in general, and Muslim countries in particular, have failed to achieve a commendable level of development, despite their rich resource base and good economic policies. This is mainly due to the internal conflicts within their societies which have adversely affected their strength. The paper emphasizes the need for a peaceful Conflict Resolution Mechanism (CRM), and argues that the institutions and practices based on Islamic values, when used as components of CRM, can not only resolve the conflicts, but are also capable of producing an overall environment conducive to sustained growth. In support of this position, the paper presents a detailed case study of the CRM of the Malaysian society that has been built into Malay Islamic Culture and has contributed enormously to the country's remarkable development.

The political independence and sovereignty of a nation lose much of their meaning if a country is poor and economically dependent upon others. During the first two decades following World War II, a large number of countries, including Malaysia, won independence from their Western colonial occupiers. But in many of these newly-independent countries, political independence failed to fulfil the aspirations and dreams of the masses for a better and materially more comfortable life. This happened because in those countries either economic growth could not take place

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or if it did, its fruits were limited to a small minority while the majority of the population remained poor, and deprived of even the basic necessities of life.

The main problem of the developing countries is that they have a low per capita income and that a substantial proportion of their GNP comes either from the traditional agricultural sector, characterised by low productivity, or they are dependent on their natural resource base. In addition, a large proportion of their labour force is employed in the traditional sectors. Literacy percentage is low, and population growth rate high. To finance their economic development and imports, these countries are solely dependent on the exports of primary commodities whose prices face two serious problems in the world market: they are subject to frequent downward fluctuations and even when they rise, generally their rate of increase is lower than the increase in the prices of manufactured imported goods. Thus, the economies depending mainly on the export of primary commodities are caught in a chronic cycle of mass poverty which is hard to break.

The Challenge of Poverty and Responsive Economic Planning

In the early 1960s, Malaysia was a typical less developed country (LDC) with heavy dependence on agriculture and natural resources. Among its exports, primary commodities were the major items, the lion's share of which came from rubber and tin. Rubber prices were falling steadily, while the known reserves of tin were fast being depleted. Although the price of tin rose during the mid-1960s, the joint impact of decline in rubber and timber prices more than offset the increase in the price of tin. Realising that total dependence on rubber, tin, and timber will neither solve the problem of economic development, nor will it generate sufficient foreign exchange for the rising consumption imports needed to improve the quality of life of the increasing population, the government introduced development planning. The economy remained market-oriented while the planners attempted to identify the problems and recommend prescriptions for their solution.

The First Malaysian Plan (1965-1970) aimed at improving the well being of the masses by generating steady increases in the income and consumption levels.¹ The improvement was to be achieved through raising productivity, education, population control, providing more electricity, low-cost housing, better health and social welfare services.

In the first plan, Malaysia attempted to capitalize on its comparative advantage in agriculture and natural resources to achieve rapid growth.

Malaysia's two major natural resource-based industries, i.e. rubber and tin, were having their own problems. The rubber industry faced external competition from the synthetic rubber industry, while the tin industry faced the problem of reserve exhaustion. Although these two industries were still viable, the economy could not rely on them for long-term continued growth. This situation called for diversification. Thus, the first plan recommended a natural resource diversification-based growth strategy, as it was in this area that the country enjoyed comparative advantage at that time. As a result, high-yielding rubber varieties were extensively used, more production and use of mineral resources emphasised, and palm oil production expanded.

The Second Malaysian Plan (1971-1975) was influenced by the political economy of development, which had the racial riots of May 1969 at its roots. As a result, it aimed at achieving the goal of national unity through a strategy of "economic balance." This strategy was called the New Economic Policy (NEP), and was designed to restructure the Malaysian society by correcting imbalances in income distribution, employment, and ownership of wealth among various races. The plan defined economic balance as "an equitable and legitimate sharing of the rewards and responsibilities of economic development." This meant that the growing national income would be more equitably distributed, and that those members of Malaysian society who had benefitted relatively little from past development must be assured ample opportunities to gain a fair share of the goods and services that development brings. Thus the plan made a commitment that those living in poverty (whether in rural or urban sectors) would be provided with the training and resources to enhance their productivity and hence improve their economic lot.

In order to achieve these goals, the development strategy also called for bringing new land under cultivation and for the modernisation of the rural sector. This was to be done by using science and technology to increase productivity in the agricultural sector.

The subsequent four plans for 1976-80, 1981-85, 1986-90 and 1991-95 periods maintained the central theme of restructuring the Malaysian society through the NEP and strived towards industrialisation based on the country's comparative advantage. The government continued to play a crucial two-fold role in the economy. On the one hand, due to the NEP it was committed to a new and better distribution formula, while at the same time it realized that a better distribution can be carried out smoothly and peacefully only if the size of the pie continues to grow, so that the "haves" of the society continue to get their due share while the "have-nots" are able to improve their lot as well. This delicate balance

demanded not only a better distribution but also an assured reasonable rate of growth. Thus, throughout all its plans, Malaysia has followed a very delicate balance between distribution and growth. The NEP has contributed toward the reduction of poverty and inequality, while at the same time growth and the structural transformation of the economy have reached new highs.

Witnessing a 'Miracle'

The five-year development plans have achieved remarkable success in transforming the Malaysian economy. In 1994 the contribution of agriculture to GDP is expected to be 15 per cent as against 29 per cent in 1965. The contribution of manufacturing, on the other hand, is predicted to be 31 per cent in 1994 as against 9 per cent in 1965.² In 1960, two-thirds of the country's labour force were employed in the agricultural sector while in 1993 the agricultural sector employed only 21.4 per cent of the total labour force in the economy.

This structural transformation of the Malaysian economy manifests itself in the country's merchandise export structure as well. In 1965, primary commodities (including fuels, minerals and metals) accounted for 94 per cent of total merchandise exports, while in 1991 their contribution to total merchandise exports was down to 39 per cent. In contrast, the exports of machinery and transport equipment rose to 61 per cent of total merchandise exports in 1991, compared to only 6 per cent in 1965.

This rising share of manufactured and industrial goods in GDP and merchandise exports clearly signals a structural transformation of the Malaysian economy from a less developed country (LDC) to an emerging Newly Industrialising Country. It is no wonder, therefore, that in 1993 Malaysia was ranked among the top 20 trading nations of the world. This was made possible due to a clear emphasis on an export-led growth strategy which aimed at diversification of markets and penetration of new markets, with special focus on South-South trade.

Malaysia's per capita income reached US\$3275 in 1993. The fruits of this high growth were distributed in the economy on the basis of the NEP. Therefore, not only have the rich become richer but the lot of the masses has also improved substantially. This is evident from social indicators. For example, life expectancy, which was 53.9 in 1960, rose to 70.4 in 1992. Infant mortality rate (per thousand) fell from 73 to 14 during the same period. Adult literacy rose to 80 per cent in 1992 as compared to 60 per cent in 1970. Female literacy (for the age group 15-24 years) reached 83 per cent at the end of the eighties. Similarly, in the area of nutrition, the Malaysian performance is commendable. A society

aspiring for a high rate of human development should be able to supply 122 per cent of calorie requirements. By the end of the eighties, the daily calorie supply in Malaysia had reached 124 per cent.

In Search of the Formula

The high growth generated by structural transformation has placed Malaysia, with a 1993 per capita income of US\$ 3275, in the category of Middle Income Economies. In the light of these developments it is appropriate to ask: What are the major factors behind the Malaysian 'Miracle'? It seems appropriate that, for the sake of serious discussion, we defer the potential debate on the use of the expression 'miracle' at this moment and focus on a review of literature on the issue of growth. In their attempt to explain the remarkably high growth rates of East Asian economies, economists have recently taken a number of different approaches. Some of the major views, as identified by the World Bank, are as follows:³

1) *The Neoclassical view*: The advocates of this ideological view argue that the successful high performance of these economies is due to getting the basics right. By 'basics' they mean a macroeconomic management based on the greater role of a stable and market friendly macroeconomic environment, coupled with a "reliable legal framework to promote domestic and international competitions."⁴

2) *The Revisionist View*: In contrast to the neo-classical view, the revisionists argue that markets do fail to guide investment to industries that would generate the highest growth for the overall economy. They hold that the East Asian governments did influence the market in 'critical ways' to achieve their goals, by manipulating the incentive structure to boost the industries which otherwise would not have prospered. Though the revisionists provide useful insights into the government's interventionist role in East Asian economies, they by no means imply that interventions themselves accelerate growth.⁵

3) *A Functional Approach*: This approach holds that given macro-economic stability, high growth is generated within a framework that links rapid growth to the attainment of the following three functions of growth:

- a) accumulation of physical and human capital through high investment, secure financial systems, limited price distortions, openness to foreign technology and selective intervention;
- b) efficient allocation through competitive discipline and promotion of competition;

c) rapid technological catch-up.

4) *The Institutional Approach*: The institutionalists, comprising of some economists and political scientists, argue that the high performance of the East Asian economies is rooted in the 'high quality and authoritarian nature of the region's institutions.' They regard the East Asian governments as the 'Developmental States' which use powerful bureaucracies, shielded from political pressure, to develop and implement needed interventions that deliver the goods.⁶

Development Policies and Strategies Necessary but not Sufficient

In the post-WWII era, a large number of LDCs have used the above approaches and strategies (in different combinations and to varying degrees) to achieve and accelerate growth. There are hardly any countries (excluding East Asian and oil rich countries) which have sustained a rapid growth rate and distributive justice parallel to the Malaysian experience. The situation of the Muslim countries is particularly appalling in this regard.

Many LDCs that adopted the above strategies have not been able to realize their goals and dreams, not because the policies or strategies they adopted were wrong, but because their internal conflicts damaged their social fabric to the extent that it led to political instability. Once political instability sets in, it affects the expectations of economic agents adversely, ultimately making the growth efforts and strategies either less fruitful or more costly and inefficient in the existing environment. A majority of the contemporary Muslim countries portray this tragic scenario.

The Malaysian experience, especially from the point of view of the Muslim world, deserves closer scrutiny. This is important because in most of the Muslim countries the Muslims are a substantial majority of the population, whereas in Malaysia they have only a marginal advantage in terms of their numbers (as presently they are around 59% of the total population of the country).

As the Muslims in Malaysia, by virtue of a slight majority, hold political power, they control the macroeconomic management of the country. But as others (i.e. non-Muslim communities) have a very significant presence (nearly 40+ %), there is always a very real chance of conflict of interests and disagreement which, if allowed to persist, would adversely affect the outcome of even the best combination of the above listed approaches to growth. It can be argued that even the best combination of these approaches is only a necessary but not a sufficient

condition. For these approaches to really deliver the goods, a society has to possess or create a socio-political environment capable of resolving conflicts to the mutual satisfaction of the parties involved. It is in this context that this paper attempts to further investigate the role of conflict resolution mechanisms and accountability in the process of economic development in Malaysia.

Mechanisms of Conflict Resolution and Accountability: The Missing Link

In the 1993 World Bank's Annual Conference on Development Economics, Barro and Lee raised the issue of the adverse effects of political instability on growth.⁷ The paper itself is very interesting and the discussants (Hart,⁸ Husain⁹) have further underscored the relevance and importance of the issue by their valuable comments. Using her incisive insight, Gillian Hart concludes:

The key questions that need to be understood more clearly are *how* different interests use the state to acquire and allocate resources - and, conversely, *what* are the social and political mechanisms of conflict resolution and accountability that could lead to a more equitable and productive use of resources.¹⁰

It is encouraging to see that development economists in the West are finally coming to grips with reality. These economists have, for a long time, suggested neo-classical prescriptions for LDCs. Leading institutions such as the World Bank, IMF, etc., have unconditionally accepted these recommendations as a panacea for the ills of LDCs and have insisted that the LDCs implement them. Ironically, even after their implementation, LDCs have remained stuck in the quagmire of poverty and dependency. The problem is that such prescriptions unrealistically presume the existence of the same mature socio-political conditions in the LDCs as in the West. This may account for the failure of these prescriptions to deliver the goods in many developing countries.

As one attempts to search for the major factors behind the Malaysian 'Miracle,' one finds that while Malaysia, like many other developing countries, did adopt the right kind of policies at the right time, but where many failed—in our opinion, due to domestic crises and conflicts—Malaysia succeeded, because it was able to amicably resolve the domestic crises and conflicts.

Due to its geographical location Malaysia falls in Southeast Asia, which is very much a part of the East Asian region. In this region (excluding Japan) are located the four 'Tigers' (Hong Kong, the Republic

of Korea, Singapore and Taiwan) and China, and the three newly industrializing economies (NIEs) of Indonesia, Malaysia and Thailand. These eight economies have experienced a high and sustained economic growth during the last three decades (1965-1994/95) and are rightly called the 'High Performing Asian Economies' (HPAE's).

The Uniqueness of the Malaysian 'Miracle'

As one of the 'High Performing Asian Economies' of the region, it seems that there is nothing peculiar about the Malaysian economy, as it appears to be following the regional trend. But for anyone having an understanding that it is only the comprehensive approach that ensures lasting development, the Malaysian 'Miracle' is a unique case where something much more than the mere development approaches and policies listed above has been able to *ensure* and *sustain* high growth which has been attracting foreign capital as well.

The uniqueness of this 'Miracle' is that Malaysia is a multi-ethnic society where today Malays and other Bumiputeras are 59%, Chinese 32.1% and the rest are Indians and others.¹¹ Thus, the society is neither racially nor religiously homogeneous. Hence, the possibility of and potential for conflicts (especially in the political and economic arenas) is very high. This is quite in contrast to the other HPAE's (i.e., Hong Kong, the Republic of Korea, Singapore, Taiwan, China, Indonesia and Thailand) where the degree of racial homogeneity and religio-cultural harmony is much higher. If there are minorities, they do not constitute a significant part of the population. But this is not so in the Malaysian case, hence there is greater potential for serious conflicts leading to stronger reactions, which may do great harm to the efforts of economic growth, and thereby disrupt the long-term development of the economy.

In the light of Malaysia's stability, economic growth and sustained development, anyone who is not aware of this country's history may be tempted to believe that despite being a multi-ethnic society there have been no serious conflicts, hence such remarkable progress. But those aware of Malaysian history know that this is not true because in reality there have been serious conflicts, and had these conflicts not been resolved amicably and immediately, the situation could have been at the other extreme.¹² It is interesting to note that as these conflicts arose they were resolved internally without the involvement of, or intervention by, any foreign power or agency.

In the resolution of these conflicts, contrary to the assertion of western colonial occupiers who had portrayed Malays as incapable of leadership and hard work, the Malay personality and culture, with its deep roots in

Islamic tradition and civilization, have played a key role.

The Malay Sketches.

The colonial powers occupying the Malay world, were fearful of Malay reawakening. Therefore, they constructed Malay stereotypes such that on the one hand the Malays and their future generations would suffer from an inferiority complex, and on the other hand, those who have any sympathy with the Malay cause would also lose their confidence in the Malays and hence shy away from extending any cooperation to them in their attempt to regain their lost glory.

William Pickering, one of the commissioners posted in Malaya towards the end of the 20th century, considered Malays incapable of governing the Chinese. In his view, this would be, "... like the white settlers of America submitting to the rule of Indian Chiefs."¹³ Similarly, Sir Frank Swettenham, highly regarded as an authority on Malay culture and history, described a Malay as follows:

The real Malay is courageous ... but he is extravagant, fond of borrowing money and slow in repaying it ... He quotes proverbs ... never drinks intoxicants, he is rarely an opium smoker ... he is by nature a sportsman ... proud of his country and his people, venerates his ancient customs and traditions and has a proper respect for constituted authority ... He is a good imitative learner ... (but) lazy to a degree ... and considers time of no importance.¹⁴

The Core

The above is only a sample of the way the Malays and their culture were portrayed during the colonial period. There have been situations in the history of this nation when grave crises occurred, but again the Malay culture, along with the non-emotional, cool and polite nature of the Malay was able to resolve these conflicts amicably. The conflict resolution mechanism comes alive in the Malay society whenever there is a need for it. Moreover depending upon the nature of the situation, it draws upon various characteristics that are part and parcel of the Muslim Malay personality with its roots in Islamic values and culture. Both their history and the post-colonial period have shown that the Malays are not only capable of being good leaders, but also that their culture, firmly grounded in Islamic traditions, has the ingredients needed to construct and develop Conflict Resolution Mechanisms (CRM) and accountability; and it is these characteristics of the Malay culture that are at the core of the CRM that has delivered the Malaysian miracle. Some of these

characteristics are as follows:

1) *Fair Treatment of Minorities*: As in earlier Muslim history, the Caliphates of Spain and Egypt and later the Osmanlis accepted the Jews who were persecuted in Europe, the Malays both in the colonial period and in the post independence period accepted the Chinese and Indians as full members of the society. As a result, these minorities have prospered in all walks of life. The representation of ethnic minorities in the Malaysian parliament and federal cabinet is much higher than the representation of minorities in the American Congress and cabinet (e.g., the Afro-Americans, Native Americans, Hispanics, Asians, etc.). The same is true for the United Kingdom. Thus, the allegation that Malays are not capable of governing has been proven wrong. The freedom, prosperity, and representation enjoyed by these communities in Malaysia today are in line with the traditions of the Islamic civilization in its glorious period.

This healthy Islamic tradition of treating minorities well and allowing them to grow, prosper, and excel is duly acknowledged by the Jewish historian and scholar Abba Eban:

Above everything else, life under Arab rule offered wide scope for creative spiritual energies. How else can we explain the heights of creative energy, of literacy, grace and aesthetic perfection exemplified in the eleventh and twelfth centuries by Solomon ibn Gabirol, Moses ibn Ezra, and Judah Halevi, all in Spain; and in Egypt by Moses ben Maimon—Maimonides, or Ramban—who also was born in Spain. In some places in the Arab empire, the Jews reached spiritual heights they had not scaled under Christian rule in the Diaspora.¹⁵

2) *Honouring the Social Contract*: The contemporary Malaysian society and state are deeply rooted in the Social Contract that served as the foundation of the *Merdeka* (independence) constitution ratified on 15th August 1957 by the legislative council. It was agreed that all persons in the then Malaya could qualify as citizens, either by birth or by fulfilling requirements of residence, language and oath of loyalty. The United Malay National Organization (UMNO), the political party representing the Malays, accepted this in return for a guarantee of Malay privileges. This gesture is actually the spirit of the Social Contract upon which the modern Malaysian society and state are built and thrive. The new constitution gave the paramount ruler (i.e., the King, nationally addressed with the title Yang Di-Pertuan Agung) the responsibility to "safeguard the special position of Malays, as well as the legitimate interests of the other communities."¹⁶

Whenever there have been difficult moments in the history of the

nation due to a conflict of interests between different communities, this social contract has provided the basic principles and framework to determine and guide the rules of the game to develop the appropriate mechanism for conflict resolution. Another strength of this social contract is that it also lays down the basic principles for the recognition of the identity of each ethnic community and allows for its protection and development.

3) *Respect for Human Life, Dignity and Protection of Property*: It was this concern that immediately drew the attention of the leaders at the time of the May 1969 riots, and urgent action was taken. The action consisted of not only bringing the immediate law and order situation under control, but also in terms of identifying the causes of the problem, and eradicating them from the society through well thought out policies. In many other countries racial/communal killings, massacres, lootings and burnings continue for days and recur with frequent intervals, but the leaders do not take any serious action to eradicate the causes of the problem, although police, administrative and judicial machinery are used with full force to combat the symptoms. This is the norm, rather than the exception, in a large number of countries in the contemporary Muslim world.

4) *Governing by Muafakat (Consensus)*: Since its independence in 1957, Malaysia has practised Parliamentary democracy. This style of democracy led to the May 1969 riots. With the help of its police force, administrative, and judicial structures, the government was able to curb the symptoms of violence. But the leadership, guided by a sense of responsibility, was committed to eradicating the causes that had led to this situation. Thus in January 1970, the National Consultative Council (NCC) was formed for inter-racial cooperation and social integration.¹⁷ This body was made up of representatives from all races, sectors, sections, professions, communities and groups of the society, including political parties, religious groups, the press, teachers, minority groups, etc. Frank and open discussions were invited and encouraged. The hope was that in this way *muafakat* (consensus) on major national issues could be reached across the broad ethnic spectrum of the Malaysian society. This approach helped to establish a firm understanding of, and broad support for, the New Economic Policy (NEP). Thus the government used the traditional Malay practice of governing by *muafakat* as a part of Conflict Resolution Mechanism to resolve a highly explosive issue at a very critical moment in the nation's history.

5) *The Principle of Muhibbah (Cooperation and Goodwill)*: In a society where existence of different ethnic groups can lead to clashes of

interests and hence conflicts, *muhibbah* can also be used to meet a greater threat. This was demonstrated by the cooperation between UMNO and MCA (Malayan Chinese Association) during the Kuala Lumpur Municipal elections of February 1952, when the Selangor branches of UMNO and MCA formed an alliance and successfully contested the elections as a united front while maintaining their separate identities.¹⁸

This was a good omen in a country which was bleeding due to the campaign of the Malayan Communist Party (MCP). It was feared that the Chinese support of the MCP would hurt not only racial tolerance and social harmony but that the country may even fall apart, since the political parties that had emerged were also ethnically based. However, this successful alliance of UMNO and MCA turned the tide, and new goodwill was born between the political parties (and hence between the ethnic communities). This further strengthened the alliance whose advantages attracted the Malayan Indian Congress (MIC) as a partner in 1954. This sowed the seeds of the birth of a new, independent, and united country.

6) *The Practice of Wafā' bi al-ʿAhd (honouring the commitment)*: The alliance was a test of both UMNO's sincerity towards honouring its commitments, and of its ability to deliver the goods to the junior partners of the alliance. Over the years as UMNO honoured its commitments, the alliance gained strength, and other groups and schools of thought also started realizing the mutual benefits of joining the alliance.

This general goodwill, cultivated jointly by UMNO, MCA and MIC, gave credibility to the alliance across the communities and attracted other parties as well. Thus in 1971 the BN (Barisan Nasional or National Front) was formed by the then Prime Minister Tun Razak. Now the BN is itself an institution and UMNO's sincere commitment to honour the alliance, respect the junior partners, and deliver the goods to them has paid dividends in terms of the continuous trust of the masses who have consistently returned the alliance to a majority in parliament since independence. This stability and continuity, together with accountability, has allowed the leadership the opportunity to learn from their mistakes and to improve and crystallize their vision with full concentration. The huge inflow of foreign capital in Malaysia is a good measure of the world's trust in the UMNO-led BN.

But BN has earned this prestige only by UMNO's sincere practice of a fundamental Islamic principle, namely: *Wafā' bi al-ʿAhd* (commitment to fulfil the contracts one makes). The holy Qur'ān emphasizes the importance of honouring one's commitment (e.g., 2:100, 2:177). In the

majority of contemporary Muslim countries there are no traditions of democratic practices such as elections, because either they are ruled by dynasties or are under the iron grip of military dictatorships. Even in those few Muslim countries where some kind of elections are held, alliances are formed, but once the alliance gets power the bigger party does not fulfil its commitment to junior partners, fearing that such a practice would give the junior parties greater credibility, or that they will become stronger and gain a larger following, hence becoming a stronger rival to contend with in the succeeding elections. This has been the norm in the case of Pakistan, but in the end, the country suffers both economically and politically.

7) *Social Gradualism*: An important characteristic of the Malay culture, which is very much in line with the Islamic traditions, is that of 'gradualism' in introducing major changes and shifts in policies and decisions that affect the masses, especially members of other ethnic communities. A good example of this 'gradualism' is the Islamization process in the economy. Tabung Haji, Islamic insurance, collection of Zakat and its management, and Islamic banking are now functioning on a sound footing nationwide. The establishment and development of Islamic institutions dealing with these various aspects has been achieved on a gradual basis. This has been good for these institutions also, as they have learned from their experience, which has enabled them to have solid foundations and also to win the confidence of the people in the process. This gradualism has also assured non-Muslim communities to see for themselves that the efforts to Islamize the economy are in no way going to endanger their interests, freedom, or faith. This approach is similar to the one taken by Islam in its early days when the prohibition of alcohol was undertaken on a gradual basis.

8) *Accountability*: As Islam stands for justice and fairness, accountability is one of the distinguishing features of the Islamic system and its philosophy. Accountability is an indispensable ingredient for an effective, just and trust-worthy Conflict Resolution Mechanism. Lack of accountability can severely damage the effectiveness of even the best development policies and strategies.

In the Malaysian society, politics and culture, we see that the principle of accountability is not only cherished in theory alone, but is practised with great commitment. In addition, the practice of this principle is carried out within the larger framework of Malay culture which is polite, quiet, and respects human dignity. Therefore, those in positions of authority, if found responsible for something that has gone wrong, leave with face-saving grace. But they do leave—they cannot go on forever

with impunity. There is no denying the fact that in this regard, unfortunately, the situation in the third world in general, and in the contemporary Muslim world in particular is quite the opposite today.

A few examples from the Malaysian experience:

Tunku Abdul Rahman (the first Prime Minister) left the scene after the 1969 riots. Bank Negara Governor Tan Sri Jaffar bin Hussein left after the bank suffered huge losses (RM 5.7 billion) in its foreign currency operations.¹⁹ The immunity of the Royalty was withdrawn recently through a constitutional amendment, after an incident in which a hockey coach was slapped by a prince.²⁰

Conclusion

This case study of Malaysia attempts to show that the Malaysian 'Miracle' is not *réally* a miracle, but rather it is the logical outcome of well-thought-out policies, implemented at the right time, with a full sense of responsibility, and taking into account the larger interests of the society as a whole. Where conflicts arose or mistakes were made, the built-in socio-cultural mechanisms of conflict resolution and accountability played their role to correct the situation. These timely corrections not only saved the economy from disaster but actually created an environment of mutual trust and cooperation among various ethnic communities and interest groups, which further accelerated economic growth.

This is not to downplay the role and contribution of the enlightened, visionary, sincere, and responsible leadership, but if everything is put at the altar of leadership, then this raises the question as to why has only the Malay nation consistently produced such good leaders, whereas other Muslim nations have not?

It can be argued that the emergence of good leaders may be an accident or a miracle in societies which have no respect for the moral values that establish the dignity of human life, identity, and property of the people; and hold their leaders immune from accountability. However in the case of Malaysia, emergence of good leaders is no accident. Rather it is the product of the Islamic social system and values.

Therefore, the adoption of prudent and effective policies for socio-economic development, and the leadership's ability to create a vision for the nation is a product of the entire socio-cultural and civilizational package that is part and parcel of the Malay Islamic identity, personality and culture. If at any time in the future, this society ignored and overlooked these Islamic principles, the emergence of good leaders

would then become an accident. If this happened, then the high performance would deserve to be called a 'miracle.' The performance of the Malaysian economy and society up to the present day are achievements which are the logical outcome of a fine combination of well-thought-out policies and strategies, society's values, and of the efforts of its leadership.

From the point of view of the Ummah's well being, many meaningful lessons can be drawn from the Malaysian experience, which has effectively blended good policies with the strengths of Islamic values. Whoever adopts this package can repeat this performance—and may even be able to do better. The Malaysian experience underscores the basic thesis of this paper: sound growth policies and strategies alone are not enough for a developing economy to achieve high sustainable growth. In reality, these policies and strategies operate within a society's socio-cultural framework of values, institutions, and the presence of an effective and amicable CRM acceptable to the society at large. It is the interactive dynamics of all these factors combined together which, in the final analysis, determines the ultimate outcome of the economic policies, strategies, and plans.

Notes

1. This paper occasionally makes reference to various Five Year Development Plans of Malaysia. The plan documents referred to are: *First Malaysia Plan* (1965-1970) (Kuala Lumpur: National Printing Department, 1965); *Second Malaysia Plan* (1971-1975) (Kuala Lumpur: National Printing Department, 1970); *Third Malaysia Plan* (1976 - 1980) (Kuala Lumpur: National Printing Department, 1975); *Fourth Malaysia Plan* (1981-1985) (Kuala Lumpur: National Printing Department, 1980); *Fifth Malaysia Plan* (1986-1990) (Kuala Lumpur: National Printing Department, 1985); *Sixth Malaysia Plan* (1991-1995) (Kuala Lumpur: National Printing Department, 1991).
2. The data on the Malaysian economy used in this paper have been obtained from the following sources: (i) *World Development Report* (the World Bank), various years; (ii) *Economic Report*, Ministry of Finance Malaysia, various years; (iii) United Nations Development Programme, *Human Development Report* (New York: Oxford University Press, 1994).
3. The World Bank, *The East Asian Miracle: Economic Growth and Public Policy*, (Oxford: Oxford University Press, 1993).
4. *Ibid.*, 9

5. Ibid.
6. Ibid., 13
7. See Robert J. Barro and Jong-Wha Lee, "Losers and Winners in Economic Growth," in Michael Bruno & Boris Pleskovic eds., *Proceedings of the World Bank Conference on Development Economics 1993* (Washington, D.C.: World Bank, 1994), 267-303.
8. Gillian Hart, "Comment on Losers and Winners in Economic Growth," in Michael Bruno & Boris Pleskovic eds., *Proceedings of the World Bank Annual Conference on Development Economics 1993* (Washington, D.C.: World Bank, 1994), 299 -303.
9. Ishrat Husain, "Comment on Losers and Winners in Economic Growth," in Michael Bruno & Boris Pleskovic eds., *Proceedings of the World Bank Annual Conference on Development Economics 1993* (Washington, D.C.: World Bank, 1994), 305-309.
10. Hart, "Comment on Losers and Winners," 302.
11. *Information Malaysia: 1994 Year Book* (Kuala Lumpur: Berita Publishing Sdn. Bhd., 1994), 53.
12. The widening economic disparity between the rich and the poor led to the conditions that resulted in the racial riots of May 13, 1969. For a detailed study, please see Leon Comber, *13 May 1969: A Historical Survey of Sino-Malay Relations* (Kuala Lumpur: Heineman Asia, 1983).
13. Quoted in Barbara Watson Andaya and Leonard Y. Andaya, *A History of Malaysia* (London: Macmillan, 1982), 178.
14. Quoted in Andaya and Andaya, *A History of Malaysia*, 175-176.
15. Abba Eban, *Heritage: Civilization and the Jews* (New York: Summit Books, 1984), 127.
16. Andaya & Andaya, *A History of Malaysia*, 262.
17. Ibid.
18. Ibid., 261.
19. *The Star* (Kuala Lumpur) 2nd April 1994, (p.1), also see the *New Straits Times* (Kuala Lumpur) 4th April 1994,(p.1)
20. *New Straits Times* (Kuala Lumpur) 31st March 1993, (p.1)