Vol. 7 No. 2 May 2016

# The Politics of Technocracy in Malaysia (1957-2012)

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Received 5 march 2016 Revised 30 March 2016 Accepted 6 April 2016 http://dx.doi.org/10.18196/ jgp.2016.0028 / 208 - 239

### **ABSTRACT**

Malaysia's technocracy (administrative elite) and the government of the day (political elite) have had and continue to enjoy a harmonious and symbiotic relationship. Such synergy had its origins and background in British colonial rule when promising Malays were groomed for administrative positions. The dawn of merdeka (national independence) allowed for the transition from administrative positions to political leadership. The first three prime ministers, namely Tunku Abdul Rahman, Abdul Razak and Hussein Onn were drawn from these ranks. There was an organic development in the relationship between the 'old' technocrats and politicians expressed in shared strategic outlook and direction. As such, national development was characterised not by intermittent periods of political disruption but a sustained period of continuity in the pre-conditions for economic growth which extended and heightened throughout the premiership of Mahathir Mohamad. His successor, Abdullah Badawi, started to install corporate figures as technocrats to professionalise the governance of the administrative system. Under Najib Razak the role of these 'new' technocrats was further entrenched and enhanced.

Keywords: Technocracy; economic management; developmental politics; Najibnomics

#### INTRODUCTION

The term, 'technocracy', is normally employed to refer to the concept of 'expert knowledge' that is the provenance of a 'select' few in the administrative system of a country (e.g. Amir, 2008). Admittedly, and this is especially true of developing countries particularly in the context of the Asia Pacific generally, it is difficult to distinguish by way of introduction between the administrative and political sys-

tems (Ahmed, 2014). Both are not only inter-related by virtue of similar and overlapping functions working towards a common agenda, but that in some cases, the politician is also a technocrat and vice-versa in that there had been a transition from the administrative to the political roles - seamlessly. Intriguingly, such a trend is also reflected in the PI(I)GS member states of the European Union (EU) recently where technocrats have been appointed to not only handle economic management but also oversee the broader national crisis. That is, the recent debt crisis (whether precipitated by the public or private sector) in Southern Europe which was then followed by the economic crisis of rising unemployment, deflationary price levels, wage cuts, and sustained recession had led in turn to a crisis of political leadership. Politicians were not 'trusted' by the Brussels elite to be able to turn the economy around by way of achieving a primary budget surplus and austerity policies. Technocrats such as Mario Monti and Lucas Papademos in the Mediterrannean member states of Italy and Greece, respectively, had to be 'appointed' as prime ministers at least as a 'contingency' arrangement to halt the debt spiral as indicated by the spikes in the bond yields.

Now, the terms 'technocracy' and 'technocrat' are normally used in general or abstraction to denote high-ranking or top level bureaucrats with qualified expertise and accumulated experience and knowledge with oversight of the administrative system and management of policy-making and implementation. Technocrats therefore are bureaucrats who have risen through the ranks within the bureaucratic structures as part of the wider administrative system. Thus, the technocracy refers to a small group of elites that can be regarded as the *crème de la crème* (cream of the crop).

However, the terms might well be also employed to connote certain context-specific or concrete situations whereby captains of industry, corporate figures, politically exposed or connected persons, military leaders (retired or serving), *etc.* are appointed to assume technocratic roles. Thus, in terms of *terminology*, the boundaries between the traditional and new technocrats are

blurred. Both conceptual frameworks, however, would fit into the 'Elite Theory' – in that technocratic elites are essential, critical and instrumental to perpetuating the position of the political elites. That is to say, the technocratic (organisational) elite play the role of maintaining and strengthening the position of the political (power) elite in society (Farazmand, 1999).

Therefore, whilst not intending to oversimplify the phenomenon and overlook important nuances within the same context, it could be argued that there is a lack of rivalry between the political and administrative (otherwise known as the technocratic) elites in many Asian countries (Rashid, 2014). Such a relationship is often underpinned by dominance or hegemony over the electoral system (processes and outcome). Thus, democratic legitimisation is derived from long-standing or established presence as the ruling party (as in the case of Malaysia, that of coalition of parties with one dominant or leading component member). [Exception would be in countries such as Thailand with its 'intermittent' coups and constitutional changes or upheavals just falling short of the abolition of the monarchy and the concomitance of a prime ministerial form of government].

Hence, the subordinated role of the technocracy in many Asia-Pacific countries is not just relative but *absolute*. That is to say, the subordination is total and complete for it involves the technocracy not only beholden in terms of role or function (*i.e.* that of the enforcer or implementing agency of the executive will embodied by the political or ruling elite), but also in terms of hierarchy and organisationally. In other words, the *independence* of the non-elected part of the 'executive branch' of government is weak and nominal. One example is the security of tenure – whereby top officials can be transferred – for the purpose of 'cold storage' – at ease or sacked without question.

### THEORETICAL FRAMEWORK

This paper proposes to look at one feature of the technocracy in the Asia-Pacific – specifically in the Malaysian context – which

is the relationship between the technocracy and the political elite. This in turn entails concretising the *boundary* between the technocratic and political elite whilst maintaining the subordinated status of the former. Furthermore, even though technocrats have yet to assume the dominant role as seen recently in Southern Europe, there has been the emergence of a 'special group' of appointees that *neither* belongs to the bureaucratic class or order (*i.e.* the administrative elite) *nor* are elected politicians or even card-carrying members of the ruling party in Malaysia (*i.e.* the political elite). It will be seen that these new technocrats could actually supplant and not only complement and supplement the position of the traditional bureaucrats.

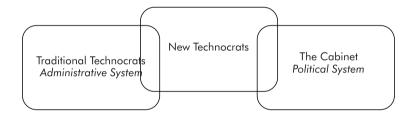


FIGURE 1. THE PLACE OF THE 'NEW TECHNOCRATS' IN THE POLITICAL AND ADMINISTRATIVE SYSTEMS OF MALAYSIA

Figure 1 illustrates the 'complex' relationship between the new technocrats with the traditional administrative class on the one hand; and with the political or ruling class on the other. As appointees from *outside* the structures and organisational ranks of the bureaucracy, the new technocrats are deemed as belonging to the political system (as politically connected or exposed persons). Nonetheless, although they are political appointees, the new technocrats lack the power base and political connection with the grassroots. Thus, as *non*-political political appointees in interface with the political system, the new technocrats can be construed as a hybrid – that is a combination of technocratic expertise and political linkages. Hence, the new technocrats stand between the traditional or old technocrats and the executive.

Vol. 7 No. 2 May 2016 The hybrid nature of the new technocrats can be formulated thus:

$$NT = P_b + t\{Q1, Q2, ....\}$$

where NT stands for 'new technocracy'/ 'technocrat' and P stands political connections with p as the intensity of exposure combine with t signifying the assumed technocratic skills multiply by the nature and extent of background qualifications.

Looking at the new technocrats in the wider context (e.g. the political economy of an Asian country particularly in the case of Malaysia of which this paper concerns), these could be categorised as 'crony technocrats or policymakers' in that their relationship with the executive is closer rather than at an 'equidistant' as is supposedly the case with the old technocrats whose appointments are based on conventional practices and customary processes of rising through the ranks and promotions based on merit and seniority. An interesting feature in Malaysia is that unlike in e.g. the Philippines (Crouch, 1984), there is also a lack of rivalry or struggle for access or influence between the crony technocrats and the crony capitalists.

### **RESEARCH METHOD**

In seeking to highlight and explicate the (inter)relationship between the technocracy and the political elite in Malaysia, a broad survey or overview will be conducted. The contents are structured according to the historical developments and therefore necessarily follow a period-specific progression comparable to a time-series analysis. The 'base point' is independence in 1957 (terminus a quo) with the 2015 as the 'end point' (terminus ad quem).

### **FINDINGS**

### BACKGROUND - THE PRE-NEP PERIOD (1957-1970)

In 1957, the then Malaya inherited a well managed and highly motivated bureaucracy from the British colonial administration. The soaring morale stemmed from the nascent nationalistic spirit

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of many of the civil servants who were teeming with a sense of hope, optimism and new found pride and freedom to shape the destiny of the country. Furthermore, many of the bureaucrats, particularly the more senior ones shared a common vision, outlook and values with the new political elite. This could be attributed to the same educational background which has played an important role in fostering and forging mutual affinity. Arguably, the bureaucracy then was more respected or honoured by the political elite, and the appropriate boundaries/limits between the two forces in the system of government were observed and maintained.

The stature of the policy-making bureaucrats or technocrats was generally unimpeachable and they included Ismail Mohd Ali who was Bank Negara's second governor. It was he who has been reputed to have set the tone for the institution's core values and instilled a culture of professionalism, integrity, competency and accountability. People who knew and worked with him would describe Ismail Mohd Ali as a stickler for punctuality and discipline. Under his tenure, Bank Negara helped to introduce probusiness measures which promoted the intermediation process (of depositing and lending).

This complemented the legislative dimension of fiscal incentives promulgated by Tan Siew Sin (as Finance Minister) designed to facilitate import-substitution industrialisation (ISI) such as the Pioneer Industries Ordinance (1958), Investment Guarantee Act (1959) and the Investment Incentives Act (1968). Thus, economic policies were geared towards protection of the local manufacturing industry where exports were still largely dependent on the primary resources or the commodities (rubber, tin, palm oil, timber).

Such was the extent of the nationalist attitude towards the developmental agenda of the time. The bureaucracy did not question but acquiesced in the industrial policy of the day which more or less continued to reflect the pre-independence economic structure where foreign (mainly British) and ethnic Chinese domi-

nated the economy and thus capital was mainly concentrated in their hands. However, it would be a gross inaccuracy to infer that the bureaucracy, particularly the technocrats, were detached or self-insulated from socio-economic concerns.

On the contrary, there was indeed selective intervention by the government focussing on the rural areas, particularly in relation to rice farmers. At the same time, assistance was also extended to smallholders and settlers through land redistribution schemes under the Federal Land Development Authority (FELDA). FELDA was helmed by technocrats such as Taib Andak, a close friend and peer of Tunku Abdul Rahman's successor, Abdul Razak Hussein (1970-1976), worked hard for thirteen years (1958-1971) to uplift the socio-economic status of the rural populace.

Here the shared vision and outlook of the technocrats with the political elite or the Executive comes into prominent display. Thus, it was no surprise that Taib Andak was selected to be the Chairman of Maybank by Razak in 1969 even though he had no prior banking experience. Razak's relationship with Andak also epitomises the high level of trust and confidence in the capabilities of the technocrats and a close working relationship.

It could be reasonably surmised that the background of Razak as the state secretary for Pahang – which in effect constitutes the highest ranking civil servant in the state bureaucracy – meant that there was a degree of mutual affinity and empathy between the prime minister and the technocrats prior to the Mahathir era. The common educational and professional background of the political elite and the technocrats – which were a "logical" extension or *continuation* of one from the other set within the same (colonial) system – served to reinforce their affinity and outlook. Under the British, the educational establishment particularly the colleges were preparatory grounds for promising or aristocratic students to enter the civil service.

Dissatisfaction with the progress and extent of the developmental agenda and the policy fundamentals was to emanate from within the ranks of the ruling party, United Malays National Organisation (UMNO). One of the leading proponents of a "leftwing" commitment was Aziz Ishak whose brother was a minister of state across the Causeway in Singapore. Incidentally Rahim Ishak was a member of the democratic socialist People's Action Party (PAP) government under Lee Kuan Yew whose vision of a more egalitarian society was considered to be at odds with UMNO's conservatism.

# 1. THE NEP (1971-1990) AND THE MAHATHIR ADMINISTRATION (1981-2003)

The ugly racial clashes of 13 May 1969 had left a scar in the nation's psyche. The event was to lay the political foundation for the government to promulgate the New Economic Policy (NEP) in 1971 to "eradicate poverty irrespective of race" and "eliminate ethnic identification with economic function." This included setting a thirty per cent (30%) target in equity ownership by 1990, and accelerating Malay and *bumiputera* participation in the economy.

The NEP, true to its name, marked a new period in economic decision-making, amongst other outcomes. Governmental intervention had become more expanded in scope and its nature more politicised than before, where the identity and role of the bureaucracy became increasingly dependent on the patronage and the political hegemony of the ruling coalition headed by UMNO. This is because the NEP had at the same time enabled a more systematic distribution of economic largesse and favours by the government to consolidate its political legitimacy and promote regime stability. Whilst there were approximately only 110 public enterprises under the Razak administration in 1970, a decade later the number has grown – as overseen by Tengku Razaleigh – to more than 650. Since 1970 also, public sector spending was estimated at RM3.3 billion. This figure had ballooned by tenfold to RM35 billion in 1982.

As such, the augmentation of rent-seeking opportunities un-

der the NEP was to lead to the massive erosion of bureaucratic integrity and accountability. However, it could be argued that during the first decade of the NEP, the Executive - under Abdul Razak and Hussein Onn (1976-1081), successively - still treated the bureaucracy with institutional esteem, and relied heavily on the advice and expertise of the technocrats as primary inputs for the economic decision-making processes. Also the role of the technocrats in the early years could be used to "justify" and therefore shape the decisions of the political elite but as NEP matured in its implementation, business interests have become almost synonymous with economic policies and this was to result in the "marginalisation" of technocratic decision-making. In fact, Hussein Onn had made it a top priority for his administration to combat corruption and weed out enervating influences that would hinder the effective working of the government machinerv.

Under Mahathir who inherited the mantle of prime minister from Hussein Onn, the effective role and traditional prestige of the Malaysian technocracy was to suffer ignominy and its "visibility" even more depressed. This is due to Mahathir's personal preference and his illiberal style of governance which detractors say is authoritarian. Firstly, Mahathir's penchant for unofficial advisers who at the same time acted as proxies for the corporate interests of the party (UMNO) epitomised the new nexus between politics and business. This meant that industrial policy and the political economy of the country were largely dictated by corporate interests. Hence, the economic outlook was characteristically expressed not only by statist intervention but also active and extensive participation in the market.

Secondly, Mahathir's political authoritarianism – which served an overriding purpose to provide a stable and cohesive environment for his market liberalism/liberalisation – inevitably sidelined technocratic decision-making. His distrust and low estimation of the bureaucracy were also contributing factor(s). This was acutely and painfully illustrated when the Points of Agreement

(POA), 1990 – which was supposed to come under the purview of the Ministry of Foreign Affairs (MOFA) – was signed by Daim Zainuddin (the Finance Minister) on Mahathir's behalf (and not the Malaysian government since the conventional and official formalities and procedures – such as seals and letter-heads – were strikingly absent).

And ironically it also further insulated the technocracy from political exposure and entrenched bureaucratic docility. In a reversal of scenario, now the technocracy and by extension the bureaucracy can claim justification for its compliance to the Executive as personified by Mahathir on grounds that the developmental agenda, particularly with respect to the uplifting of the socio-economic status, and the preservation and promotion of the constitutional rights/position of the Malays were yet an unfinished business. Thus, it could be said that the increasing marginalisation of the bureaucracy went in tandem with its increasing politicisation as the institutional vehicle to ensure ethnic dominance in the form of "Malay supremacy."

In summary, the relationship between the technocracy and the Executive under Mahathir could be described as one of subservience and even of covert rivalry. Whether that has been influenced by Mahathir's so-called "plebeian" background in contrast to the elitist education received by many of the technocrats, particularly of the pre-NEP era remains debatable and subject to further research. However, it cannot be denied that the technocrats who had "earned" Mahathir's confidence and trust remarkably hailed from similar background as his. One of them was the former chairman of PETRONAS, Malaysian Airlines (MAS) and Putrajaya Holdings, Azizan Zainul Abidin. Prior to serving under Mahathir, Azizan distinguished himself as the Secretary of the National Operations Council (NOC) which was the interregnum between the 13 May riots and restoration of parliamentary democracy. A man of integrity and probity - the quintessential conscientious civil servant - Azizan was perhaps one of the very few technocrats - which Mahathir had a high degree of "tolVol. 7 No. 2 May 2016 erance" or gave allowance for dissenting views which in a sense served to "check and balance" the excesses and accountability deficit of the Executive.

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# 2. THE END OF MAHATHIRISM AND THE ABDULLAH ADMINISTRATION (2003-2009)

Malaysia's notable economic growth rates since 1986 had positioned it amongst the 'tiger economies' of Asia and of the world and enhanced its international image as a business-friendly, progressive and modern nation. The prospering nation was buoyant with high expectations of continued development in the quest to attain the status of a developed nation by 2020. Mahathir's popularity was also at an all time high, not least due also to his populist steps in the direction of cultural liberalisation vis-àvis the non-Malay communities, particularly with respect to the ethnic Chinese. As such, the 'feel good' atmosphere amongst the general population was then prevalent.

But the unforeseen arrival of the Asian Financial Crisis (1997), the downfall of former Deputy Prime Minister, Anwar Ibrahim, coupled with the dire economic downturn came to generate a massive sense of pessimism and gloom. Interestingly, Anwar's ouster did not result from any forced showdown by him with Mahathir, but was symptomatically expressed in sharp policy disagreements by certain key technocrats in Bank Negara over the monetary aspect of the macro-economic management of the country. Particularly, the contested policy approach was over the trade off between exchange and interest rate.

Here too, the crisis abruptly put to a stop the years of economic buoyancy under the Suharto regime. The lack of support and stamina by the technocracy and the established institutional actors in policy-making for Suharto in the hey-days of the crisis eroded his legitimacy and hastened his departure from the levers of power. Likewise, it was hoped that the general sense of discontent and backlash provoked by Anwar's mistreatment would precipitate in Mahathir's removal from office. Nonethe-

less, the traditional linkages and reciprocal relations between the political elite/establishment and bureaucracy in Malaysia remained intact, despite some internal rumblings.

The non-partisan role of the head of state, the Supreme Ruler (Yang Di-Pertuan Agong) meant that the neutrality of the bureaucracy, especially that of the defence and security forces could be guaranteed and relied upon to safeguard the interests of the status quo. Indeed, the response by the state to the anti-establishment momentum was swift and decisive. As such, save for the exception of some key technocrats, e.g. Ahmad Don, Fong Weng Phak, the bureaucracy remained loyal and committed to the government of the day.

Arguably, the management of the financial and economic crisis in the country involved as much preventing political uncertainty and social unrest. That the country did not slide into a situation warranting a proclamation of 'emergency' reminiscent of the infamous 13 May incident(s) is to be attributed to firm and rapid response in crisis management by the government through the National Economic Action Council (NEAC) – a semi-executive body tasked with steering the country out of the Crisis and restoring financial and economic stability and normalcy.

The formation of the NEAC in January 1998 under the chairmanship of Mahathir with his key aide and principal economic adviser, Daim Zainuddin as the Executive Director had been instrumental in cushioning the external shocks of the crisis and guiding the country back to recovery. This helped to maintain legitimacy and regime stability and restore some confidence in the country's economic fundamentals, although the Kuala Lumpur Composite Index (KLCI), an indicator of market confidence was not to revert to its high level until another decade.

Daim Zainuddin was one of the most influential cabinet members of the Mahathir administration and also known to be a close confidante of the prime minister. A lawyer by training, he later ventured into business after a stint with the civil service. He was to become successful in property development. His experience in banking (as a shareholder) and technocratic role as Chairman of the Urban Development Authority (UDA) would prove useful for his major political appointment and for which he would be most associated with, *i.e.* as the Finance Minister and Special Economic Adviser of the Mahathir administration. He was appointed as Finance Minister by Mahathir in 1984, two years after winning the parliamentary seat of Kuala Muda (Kedah). He served for seven years, and ironically was to reassume the post in the aftermath of Anwar's sacking in 1999.

According to Mahani (2002), the 'modus operandi' of the NEAC was guided by three principles: a) formulation of measures that could effectively pull Malaysia out of the Crisis and minimise the adverse impact on the economy; b) changing policies and measures quickly to respond to the changing situation; and c) fine-tuning measures and removing any implementation obstacles. The NEAC was soon to 'take over' and expand on the scope of jurisdiction and authority normally residing with the Ministry of Finance as the key institutional actor in economic management to deal effectively with the Crisis. Thus, the decisions of the NEAC was said to 'override' the Ministry of Finance and by extension of the other ministries in government to ensure minimal conflict of vested power and interests, and intragovernmental friction which could delay or jeopardise rapid policy implementation.

The actual committee responsible for working on the details of critical issues within the NEAC, *i.e.* the Working Group, included technocrats such as Thong Yaw Hong, Zainal Aznam Yusof, Mahani Zainal Abidin, and Siti Hajar Ismail. Their prudent and pragmatic measures – counter-cyclical – eased the pressure on the economy (*e.g.* pegging the ringgit to the US dollar at 3.80, imposition of selective capital exchange controls, lowering the statutory reserve requirement, *etc.*).

This time they had the unflinching cooperation of the new governor of the Bank Negara in the person of Ali Abul Hassan

Sulaiman who was brought in by Mahathir in September 1998. Undoubtedly, he proved to be the right choice for the prime minister as Bank Negara immediately lowered interest rates to spur lending so as to revive the economy. In his speech at the National Congress on Economic Recovery – "The Way Forward," Ali Abul Hassan made a thinly-veiled criticism of his predecessor for "blindly [believing] in the IMF (International Monetary Fund) mantra that a high interest rate regime was good for Malaysia."

Ali Abul Hassan also faithfully carried out the decision to disallow the transfer of funds between external accounts by non-residents – onshore (i.e. local) banks and countries of origin – which at the time could have been interpreted as a defiance of the IMF's insistence of the free flow or movement of funds. This effectively stopped overseas currency trading in the ringgit and nipped the speculative activities in the bud. Hence, through the instrumentality of Ali Abul Hassan, Malaysia maintained independence in monetary policy and was placed on a more sustainable path towards recovery.

Even though he retired in 2000, Ali Abul Hassan was honoured with the position of special economic adviser to Mahathir in recognition of his valuable service. By default, the appointment meant that Ali Abul Hassan was now a "confirmed member" of Mahathir's inner circle. In other words, Mahathir's confidence in Ali Abul Hassan was secure because of the latter's devoted service and performance at Bank Negara. And therefore, rather than demonstrating that the Malaysian political elite is reliant or dependent upon technocrats, the case of Ali Abul Hassan amply indicate the reverse, *i.e.* the over-reliance of technocrats on politicians as the pre-eminent policy-makers of the country.

The Crisis exposed the latent fault-line within the policy-making institutions and processes – that is, between the political elite and technocrats. In the case of Malaysia, the conflict was resolved in favour of the political establishment which was able to justify

its handling of the situation by recourse to existing economic policies which had contributed to the country's impressive growth record.

This was, of course, coupled with the unyielding conviction and personality of Mahathir who did not brook any alternative view, much less from the non-political technocrats. Mahathir had, prior to the Crisis, also enjoyed a strong mandate from the 1995 general elections which saw the ruling coalition he headed triumphed with a landslide victory – the best since he came into power in 1981. The counter-cyclical approach was vindicated when Malaysia quickly bounced back from the doldrums from the Crisis and made positive strides towards steady recovery. By 1999, the economy grew by 5.4 per cent which was actually the highest in the region (alongside Singapore).

Industrial production grew by 4 per cent in Q1 (first quarter) of 1999 which more slightly more than doubled by Q2. In what must be an indicator of the extent of confidence in the economic recovery ("feel good" atmosphere), the KLCI rebounded strongly from a low of 262 to range bound at 700-800. And this was also matched by a marginal increase of FDI inflow, thus adding to the capital stock of the country and further boosting economic outlook and prospects.

As the new prime minister, Abdullah had wanted to introduce a new style of governance which was supposed to be different from the Mahathir era. As part of his inclusiveness, he urged the people to 'work with me, and not for me.' Greater participation, accommodation and consensus have been attributed to Abdullah's style of leadership. Thus, Abdullah wanted to impress the people with a consultative and liberal spirit which would relax the political inhibitions and constraints that existed previously. His people-friendly measures were comprehensive and systematic and extended beyond merely the public service delivery system vis-à-vis the general public but also to the private sector.

On 11 January 2007, Abdullah set up a high-powered task force called PEMUDAH to reduce bureaucratic processes ('red-

tape') and facilitate the public-private sector partnership in line with the transformation of the former from a regulator to an enabler. When the economics-trained Nor Mohamed Yakcop – who has a long and distinguished career in Bank Negara – was retained by Abdullah for appointment as the Second Finance Minister, detractors were cynical and sceptical about his ability.

There have been rumours that he was responsible for the controversial nature of Bank Negara's decision to trade in the international currencies (forex) market from 1992-1994 which ostensibly resulted in huge losses. Nonetheless, the impressive economic record of 2004 was due to the macro-economic policy decisions undertaken by Nor Mohamed which saw a high GDP growth combined with lower structural deficit, and an increase in market confidence.

The appointment of technocrats as ministers and advisers in the Abdullah administration also seemed to epitomise a reinvigorated bureaucracy which had been marginalised and sidelined in key decision-making processes under Mahathir. As one who was a technocrat for many years, Abdullah was thought to be able to unite all the elements of government which had suffered a blow of credibility and reputation with the sacking of Anwar. It was argued that Abdullah's son-in-law, Khairy Jamaluddin also acted as an adviser to Abdullah. Together with Khairy were his peers from university days and other associates nicknamed the, "The 'Fourth Floor Boys." Unfortunately, the impression conveyed to the popular imagination was that Khairy through the "Fourth Floor Boys" was the "real power behind the throne."

Nonetheless, the 2008 general elections did not see the Abdullah administration signalling a retreat or a backpedalling on its avowed dependency on the renewed role of the technocrats in formulating and steering the economic direction and orientation of the country. On the contrary, there were efforts to heighten the role of technocracy by co-opting the participation of the corporate sector. These private sector but government-

linked actors then assumed the role as *semi-*technocrats with the stamp of prime ministerial authority to promote efficiency and effectiveness and professionalism of the government machinery.

These new breed of governmental actors were different from the career bureaucrats such as the late Raja Tun Mohar Raja Badiozaman, Thong Yaw Hong, GK Rama Iyer, Arshad Ayub, and Ramon Navaratnam. Many of these illustrious personalities had started their service during the nascent throes of the nation. Some such as Raja Tun Mohar were appointed to lead the Malaysian Airlines (the country's national carrier) mid-way during their career, whilst others like Thong Yaw Hong are now active in the private sector in their capacity as board chairpersons and advisers.

The Abdullah administration pressed ahead with the reform agenda which included what can be described as the increasing 'privatisation' of the technocracy (as distinguished from the bureaucracy as a whole), *i.e.* as the decision-making and policy-making institution. Hence, the lines between a technocrat and a 'corporatocrat' have become for all intents and purposes blurred. As such, actors who were not previously technocrats have now assumed the role.

These new "semi-technocrats" increasingly functioned as "mediating actors" between the Cabinet as the highest decision-making body in the country and the bureaucracy as represented at ministry-level. This is discerned most clearly in the measuring of the performance of ministries under the Ministry Key Result Areas (MKRAs) which was later introduced by the Najib administration.

The MKRAs are overseen by these semi-technocrats. Nor Mohamed Yakcop and Amirsham Aziz epitomise the technocrat and semi-technocrat who – under the Abdullah administration – have been invested with the responsibility of both representing the executive in the government (bureaucracy) and legislature (Senate/Dewan Negara). Nor Mohamed was the Finance Minister II under the Abdullah administration. Thus, he was tasked

with the macro-economic management of the country.

Abdullah Badawi appointed Amirsham Aziz as a Minister overseeing the Economic Planning Unit (EPU), Prime Minister's Department on 18 March 2008. This was just days after the results of the 12<sup>th</sup> general elections. The existence of GLCs strengthens the need and rationale for corporate governance culture and practices in the bureaucracy. More so, the conceptual framework envisaged in the continuous modernisation programme(s) of the government is that the public and private sectors are *partners* and thus engaged in a synergy.

The irony (paradox?) or arguably unintended consequence is that the enhancement of the performance standards in the bureaucracy under the helm of the technocrats and semi-technocrats tend to provide justification for the continuing direct and particularly indirect involvement of the government in the economy and the market. Thus, this situation would run counter to or seemed to contradict the avowed pledge of the Najib administration to depart from the era of 'government knows best,' and so create an 'ecosystem' whereby the private sector can flourish. The aim to prevent a crowding out of private sector or domestic direct investment (DDI) which has been drastically in decline since the East Asian Financial Crisis when it had stood at 35 per cent.

By extension, it could be immediately discerned that the semitechnocrats pooled from the GLCs also play an important role in promoting private sector expectations of the bureaucracy. Hence, they bridge the performance link between the two sectors in the synergistic partnership where one is the pacesetter and enabler and the other has been accorded the salvaged role or 'honour' of being the driver of economic growth.

However, implicit in the role of the semi-technocrats as policy principal *and* agent is the government's commitment towards the maintenance and promotion of a stable macro-economic environment. Thus, it is important to note that the complementary and indispensable role of the semi-technocrats is vital for a

smooth and undisrupted transition to a more level-playing field for the private sector in the economy. Hence, the role of the semi-technocrats can well be situated in the need to manage the bureaucratic institutions as well as managing the economic transition to steer the nation towards a developed status by 2020.

Indeed the bureaucracy and by extension the government has benefitted from the enlistment of young, dynamic and promising professional who are drawn from the ranks of renowned conglomerates and firms – both national and international into the top management of GLCs during Abdullah's tenure, particularly beginning in the second quarter of 2004. The elite appointments include Azman Mokhtar to head Khazanah Nasional (the government's premier investment arm), Wahid Omar (touted as trouble-shooter) as the CEO of Telekom Malaysia (the nation's leading telecommunications entity), and Che Khalib Mohamed Nor who was roped in to helm Tenaga Nasional (electricity). Abdullah had also expressed the government's desire to hire non-Malays for top management posts. These corporate figures comprise some of the government's potential pool of semi-technocrats and future policy makers.

### 3. THE POLITICS OF TECHNOCRACY AND NAJIBNOMICS

The role of technocrats and semi-technocrats is set to be more prominent under the Najib administration. Amirsham Aziz is seen as a rising star in public life having been propelled to greater prominence under the Najib administration as the Chairman of the National Economic Advisory Council (NEAC) in June 2009. Council members from the NEAC under Mahathir (which was charged with formulation *and* implementation of economic recovery policies, and hence warranting the word, 'Action' in its name), *i.e.* Dr Mahani Zainal Abidin and Zainal Aznam Yusof were brought back into service. The rest of the council members under the new economic council are Andrew Sheng, Dzulkifli Abdul Razak, Hamzah Kassim, Yukon Huang, Homi J. Kharas, Danny Quah, and Nicholas S Zefferys.

The mandate of the NEAC was to advise the Najib administration on how best to place Malaysia on a sustainable path towards a high-growth and high-income nation by 2020. Despite the rapid and impressive recovery from the Crisis, Malaysia has not been able to breach the moderate growth rate of 5-6 per cent. Although not absolute or definitive by itself, it impacts on the amount of gross national income (GNI) or the total revenue which a country is supposed to earn per year. By extension, a stagnant GNI hampers the income per capita which is a crucial barometer of economic status. Other corporate figures enlisted into public service under the Najib administration include Dato' Sri Idris Jala, formerly CEO of MAS. He now serves as a Minister in the Prime Minister's Department and the CEO of PEMANDU (Performance Management and Delivery Unit). PEMANDU was formed on 16 September 2009 under the Najib administration. Its role is to catalyse changes in the performance of the delivery system as part of the Government Transformation Programme (GTP).

Indeed, it is interesting that although Mahathir himself never went that far in the 'hybridisation' of the bureaucracy with the appointment of "outsiders" into technocratic roles and positions, it was precisely in line with his agenda of continuously modernising the public service that his successor Abdullah and the current prime minister Najib completed the 'cross-over' circle of corporate figures (albeit from government-linked companies -GLCs) joining the public sector and not just vice-versa as hitherto, i.e. former technocrats/bureaucrats taking up posts in the private sector. Hence, under Najib the trend - as begun by his predecessor, Abdullah Badawi - is increasing reliance on the participation of the semi-technocrats in driving his reform agenda - New Economic Model (NEM), Economic Transformation Programme (ETP) and the Government Transformation Programme (GTP). 'Lurking' in the background is also the political or expert advisers in Najib's inner circle which of course also a practice inherited from the previous administration made infamous by the so-called, 'Fourth Floor Boys' in the Prime Minister's office in Putrajaya. It has been said that the concept of economic growth corridors on a regional basis was actually incubated by non-governmental individual(s) close to Abdullah Badawi, *i.e.* certain obscure personalities officially in the private sector that formed part of his inner circle.

The emergence of new actors in policy-making, particularly economic policies complicates the so-called *relationship* dichotomy between the public and private sectors - how both sectors view each other is being significantly altered by the continuous modernisation of the bureaucracy, although to be sure prejudices and conventional perceptions remain (entrenched) especially with regards the execution and implementation of polices at the micro-level and the public delivery system. A prominent case (and even could be considered a 'test case') would the Iskandar Regional Development Authority (IRDA) which manages the Iskandar Malaysia economic region, including processing investor applications - functions like a one-stop centre which seeks to avoid problems emanating from multiple or overlapping jurisdictions, thus saving business time and costs. In other words, IRDA combines the administrative capacity of the bureaucracy with the corporate efficiency of the private sector.

The enlistment of the private sector in governmental committees such as PEMUDAH (which as mentioned was set under the Abdullah administration) and of corporate figures in the decision-making processes signifies that the government is moving from formulation of pro-market or market-oriented *policies* towards their *institutionalisation*, at least at the *macro*-level of the bureaucracy. Dato' Seri Ahmad Husni Mohamad Hanadzlah represents a technocrat groomed for political role – appointed to full ministerial position on 10 April 2009 six days after Najib became prime minister. His economics background and professional career with big foreign financial firms plus experience in the civil service puts him out as an ideal person for party political service, especially in the context of Malaysia where the rela-

tionship between the ruling coalition as epitomised by the dominant component party (UMNO) and the bureaucracy is very strong.

Najib had once described himself as a "technocratic politician" in an interview with the Malaysian Business magazine (1993). This was based on his early experience as a public affairs manager with PETRONAS from 1974-1976. He also served briefly with Bank Negara. Najib had studied industrial economics at the University of Nottingham and the exposure there was to provide him with solid grounding in economic and financial policy.

Najib has brought in outsiders, including most controversially an Omar Mustapha Ong into the Board of Directors of PETRONAS. This was reluctantly accepted by the top management and ensued in the "premature" retirement of Tan Sri Hassan Marican as the CEO and Chairman. Interestingly, he was subsequently given an 'offer' by Najib to continue serving the country although the terms were not spelt out publicly. Although strictly speaking not a technocrat, Hassan Marican is a high calibre CEO of the country's most famous government-linked company (GLC) and could have joined in the ranks of Amirsham Aziz and others.

Under Najib, the role of the new technocracy could be clearly seen in two respects, reflecting both continuity and change, namely in the Government Transformation Programme (GTP) and the Economic Transformation Programme (ETP). Hence, technocracy under Abdullah and Najib are intimately and indispensably linked with their respective *reform* agendas – which are to promote political legitimacy and regime stability. The professional background of the prime ministers, it would seem, are also influential in their *attitude* towards technocrats. Abdullah was a technocrat before joining politics. (As mentioned, Najib considers himself a technocrat).

Abdullah was the Principal Assistant Secretary of the National Operations Council (NOC)/MAGERAN (Majlis Gerakan Negara), Director of Youth at the Ministry of Culture, Youth

and Sports after that, and later on as Deputy Director-General of the same ministry. However, there is a characteristic trait amongst all three prime ministers – Mahathir, Abdullah and Najib in their decision-making and management styles, *i.e.* micro-management of the economy. In other words, post-Crisis economic management remains essentially the same – 'central planning' where power is concentrated in the federal government, most notably in the Prime Minister's Department.

It could well be argued that technocrats and semi-technocrats (together with his special advisers) rather than fellow ministers and politicians are the ones responsible for formulating and implementing 'Najibnomics,' a term coined to describe Najib's policy responses to the global financial crisis and domestic economic reforms. Detractors, on the other hand, like to compare the parallel between Najibnomics and Mahathir's pump priming approach to stimulating the economy as infrastructure-driven. The issue came into the fore of public attention when it was announced that the government is planning to construct the 100-storey Warisan Merdeka tower in heart of the capital city.

Najib has claimed that the controversial idea originated not from him but from Permodalan Nasional Berhad (PNB), the GLC mandated to promote the equity ownership of the Malays and indigenous peoples of the country. That it did not precipitate objections from technocrats is highly suggestive of the strong support Najib currently enjoys from them, as well as renewed confidence in his *economic* policies, not least as exemplified in the NEM. Thus, there is a consensus in the policy-thinking amongst the political elite and technocrats – both can be relied upon to be rational actors who can agree on major economic issues, particularly in the face of continuing global uncertainties.

However, a broader perspective would acknowledge the measured and significant steps undertaken to continue to liberalise the financial markets to position the nation as an attractive investment hub. In his speech at the "Investment Malaysia Confer-

ence," organised by *Invest Malaysia*, Najib reiterated his commitment to sustaining nation's reputation as a 'diversified and broadbased' capital market in Asia, and the world's largest *syariah*-compliant bond market.

The Capital Market Master Plan of the government entails "greater internationalisation." The Master Plan seeks to (re)position Malaysia's capital market to enable "wider participation by foreign investors." Thus, the Master Plan envisages for Malaysia to increase its attraction as an investment destination. Najib's foreign policy is, therefore, attuned towards portraying Malaysia's business-friendly credentials, especially in trying to tap into sovereign wealth funds from China and East Asia - trading surplus nations. This was precisely alluded to by Najib in his banquet speech in Beijing to the Chinese business community.

The established or official technocracy under the helm of the Chief Secretary to the Government, Sidek Hassan, remained true to the maxim of "loyalty to the government of the day." Incidentally, he is also an economist by training and having served with the Ministry of International Trade and Industry (MITI) and rising to the rank of Secretary-General. The prime concern of the bureaucracy since the Mahathir era has ever been its modernisation and transformation process, and entrenched interests and furtive resistance is limited to procedural issues such as performance measurement schemes.

### 4. THE POLITICS OF THE NAJIB ADMINISTRATION

Najib was unable to outperform his predecessor (Abdullah) and secure a strong mandate at the 13<sup>th</sup> general elections in 2013. Since then, he has more or less balanced the advice and counsel of the older technocrats and the semi-technocrats sourced from the private sector as well as the unofficial members belonging to his inner circle. Although there is much unanimity on economic policy and strategy, there may still be a lack of political will to carry his reforms through, either because of resentment from the implementing bureaucrats or even opposition from his own

party, UMNO. The 1MDB issue has eroded and weakened Najib's authority and standing in his own party. 1MDB – a GLC focusing on strategic investments – was a personal 'pet project' of Najib; and currently embroiled in a controversy over its accounts with allegations that these were not properly audited.

On the ground, there is also the challenge to carry the people together to support the implementation of the Good & Services Tax (GST) which is ostensibly aimed at broadening the tax base but which operates on the 'consumer pay principle' where the fiscal burden is shifted towards the end of the supply chain. Heavy reliance on consulting firms such as McKinsey and Boston (economics) and APCO (politics) would always be subject to stringent criticism by the opposition which claim that the policies reflect a neo-liberal agenda detrimental to the interests of ordinary citizens, particularly those on low income. Thus, although both the Najib administration and the opposition which considers itself as a government-in-waiting have their own respective reform agendas and objectives, the style and ideology are contentious points. That is, although the diagnosis is more or less similar, the prognosis greatly differs.

As such, inadvertently, all of these factors allow the opposition to politicise the issue of the role of technocrats, semi-technocrats ('new' technocrats) and other advisers as contributing to flawed economic policies which are inimical to the well-being of the country in the long-run. The increasing role of semi-technocrats in blurring the lines within the policy formulation and decision-making processes will also increase the technocracy's *exposure* (instead of insulation) to political pressures. It is expected that with the reconfiguration of the technocracy in Malaysia, not only is Najib's economic fortunes but his *political* legitimacy is also intimately tied to how effective he manages and balances conflicting views both from within and outside.

### **DISCUSSION**

Two years after the 13th general election, viz. in the second

half of 2015, Najib's political legitimacy within the administrative system seemed to be effectively undermined and undercut by forces who perceive him to be a political and economic liability to the ruling party and country, respectively. On 28 July, Najib suddenly reshuffled his Cabinet. Amongst the casualties were the Deputy Prime Minister and the Attorney General. In the following days and weeks, certain ranking officials associated with the 'anti-Najib forces' were transferred to the Prime Minister's Department (although some eventually reverted to their original posts and institutions). What has happened could well be tantamount to a 'coup d'état' by some within both the political and administrative elites. The scenario - of him in danger of being ousted as Prime Minister - has its roots and revolved the thorny issue of 1MDB which is a sovereign wealth fund and national investment arm of the government of Malaysia. Najib had been accused of siphoning funds belonging to 1MDB since the Wall Street Journal published a report providing a 'money-trail' detailing graphically how RM2.6 billion (USD700 million) ended in the Prime Minister's personal accounts.

Whilst the 'new' technocrats remained loyal to Najib, the rumour mill and conspiracy theories spinned about how certain top figures of the administrative establishment (the 'old' technocrats) have been up in arms – plotting to force the Prime Minister to 'go on (permanent) leave' (euphemism for resignation). As virtually all of the new technocrats are installed within a single institution, namely the Prime Minister's Department, mainly as Ministers without Portfolio, this meant that Najib's base of loyalty and support was highly concentrated. In contrast, the 'old technocrats' were widely dispersed throughout the administrative system – as would be normally expected. On hindsight, such an arrangement (vis-à-vis the placements of the new technocrats who owe their appointments solely to the Prime Minister of the day) placed Najib in a vulnerable position that would easily expose him to marginalisation and isolation by the plotters.

In military parlance, the concentrated locus of Najib's most

reliable technocrats in terms of loyalty and support makes him – as the centre of gravity – highly susceptible to encirclement or convergence of attacks (wherein the attackers are able to reinforce each other) by the old technocrats. Rumours swirling in cyberspace talked about a high-level conspiracy in the form of a 'task force' to investigate and probe the alleged illicit funnelling of funds into Najib's personal account are said to have possibly comprised the following (old technocrats and the traditional bureaucrats):

- a) The Governor of Central Bank Bank Negara (perhaps blaming Najib for the twin negative fundamentals of the continued slide of the ringgit visàvis the US dollar which inevitably eats into the foreign reserves as long as that is used to prop up the currency alongside capital flight prompted by declining foreign investor confidence in the debt repayment capacity of the government even as the country is experiencing diminishing earnings from the commodities as major export revenues of oil and crude palm oil);
- Attorney-General (perhaps under some intense pressure himself to collaborate with the conspirators – as he is said to have a chequered past aka skeletons in the cupboard);
- c) The Inspector General of Police (?);
- d) Certain directors from the Malaysian Anti-Corruption Commission (MACC).

Analogous to Carl Becker's ephemeral versus affirmed events, the events surrounding the so-called plot to overthrow Najib have been subject to the 'rumoured' versus 'official' versions. The lines between the two are porous and malleable to 'cross- or layered interpretations,' *i.e.* the one represents the factual explanation what is accessible and known to the public by direct 'perception' (the 'crust'); and the other factual explanation which can only be inferred or deduced (the 'mantle').

It has to be noted that these old technocrats were said to have also colluded with key political leaders from the main opposition parties (Democratic Action Party/ DAP and *Parti Keadilan Rakyat* [People's Justice Party]/ PKR). That old technocrats – who are known to be committed and dedicated allies and cobelligerents of the executive – should derogate from norms and convention of the bureaucratic tradition perhaps signify a willingness to 'change players' (in the form of replacing the Prime Minister) for the sake of maintaining the status quo *i.e.*, the established order is akin to changing the practices but preserving or conserving the structures.

It can be reasonably surmised that such a notion could have been motivated by two factors, namely: a) the changing political landscape or milieu where there is now a real prospect (and not just a theoretical one) of a) change of government at the state level which signals or serves as a harbinger of change of government at the federal level; and the related and derivative of b) the combined parliamentary opposition strength inching its way towards a simple majority by way of the next general election (the 14th). The opposition, by *contrast*, seek in general to do away with the structures but perhaps maintain some of the practices – so as to ensure that their power base and authority is secured and secure.

The power struggle – if one may call it such – is still on-going and the administrative interference in politics marked an (intriguing) reversal of the historical situation in Malaysia. On 25 September 2015, Najib set up the Special Economic Committee (SEC) comprising of figures from the public as well as private sectors and headed by the 'new' technocrat, Abdul Wahid Omar, whose appointment was owed solely to prime ministerial prerogative. The role and terms of reference of the SEC is to formulate immediate and medium-term plans to strengthen Malaysia's fundamentals, including finding measures to halt the continuous decline of the *ringgit*. This could also be considered an astute move by Najib to consolidate and reinforce his position – by shifting the burden of economic crisis management to the SEC, thus creating an (added) layer of 'protection around' him and

enhancing the stature and position of the new technocracy within the administrative system of the executive branch of government.

Ironically, the entrenching of the new technocracy serves only the partisan interests and objectives of Najib – as embodying the epitome of the Malaysian political elite. Abstractly considered, the new technocracy could arguably be conceived as the 'missing link' (analogous to a missing 'dynamic link library' file that is used to join two sub-systems or applications within the operating system together – an interface) in the relationship between the political and the administrative systems. That is, the new technocracy in Malaysia as standing half-way between the non-political actors (administrative elite) on the one hand and the political actors (political elite) on the other hand is able to bridge the 'political interests' gap.

Thus far, the administrative elite do not officially serve party political interests (but the government of the day). It requires overt politicisation to ensure official subservience to party political interests. The new technocracy avoids that *need* for overt politicisation and yet at the same time because of the 'chain of command' and thus organisational proximity with the political elite *i.e.*, under the direct supervision of the Prime Minister is well-poised to execute party political interests in a much more subtle and nuanced manner and style – behind the veneer of *outside* technical expertise and knowledge.

### **IMPLICATION**

Such a scenario or phenomenon turns on its head the customary way of conceptualising the relationship between the political and administrative elites in the Asian, particularly Malaysian context under discussion. Both are policymakers, and historically it has been the role of the technocracy in the administrative system to implement and enforce the policies that for the most part originated from the political elite in the form of *e.g.*, party manifestos. To be sure, the traditional top level bureaucrats did advise on the viability and feasibility of proposed poli-

cies. This meant that whilst officially neutral and non-partisan, the traditional technocrats were the administrators and executors of politically-inspired policies.

But in the case of the new technocrats, it could be highlighted here that the policies originate from them rather than the political elite. In fact, that is one of the motivations and reasons for the inclusion of these new technocrats in the first place. The new technocrats function as dynamic (i.e. not absolute) equivalent of 'special advisers' (Spads) found in countries such as the UK. Spads play a useful role in a 'two-party' political system where there is a change of government and hence the changing nature of policies. Here the new technocrats are supposed to be makers of policies which are not political or politicised in nature (given the nature of the policymaking process) whilst closely or intimately aligned to the political fortunes and career of the Prime Minister. In the final analysis, the presence new technocrats could only serve to marginalise and erode the decision-making authority and prestige of the traditional technocrats (in Malaysia). The policies of the new technocracy will reflect a corporatist bend of making savings and withdrawing or rationalising the subsidy schemes, and reducing the fiscal deficit and debt burden as what has been happening in Malaysia under the Najib administration. Whilst it remains to be seen whether the entrenching of the new technocracy will result in a 'revolt' by the traditional technocrats, it is highly plausible that policymaking would be increasingly 'outsourced' to the new technocrats which may result in a revolt by the political grassroots.

That is, the changing relationship between the political and administrative elites could have – as an unintended consequence of course – profound impact on the relationship between the former and their party grassroots. Concretely, this means the rank-and-file members of the ruling party in which case is UMNO. In fact, this is already seen in the internal turmoil and discord within UMNO over the 1MDB issue. The idea for the formation of 1MDB as a sovereign wealth fund did not originate from

UMNO or the civil service but was the brainchild of personal adviser of Najib who behaved in many ways not too dissimilar to that of the new technocrat. This thesis also confirms the view or perspective that, ultimately, in the Asian context, only the traditional (non-corporatist/non-'privatised') technocracy could claim to be the 'defender' of the status quo in a meaningful and sustainable sense.

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