

DEVELOPMENT IN THE POST-COLONIAL STATE: CLASS, CAPITALISM AND THE ISLAMIST POLITICAL ALTERNATIVE IN MALAYSIA*

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This paper seeks to investigate the nature and vagaries of the developmental state within the context of the post-colonial political economy of Malaysia. The theoretical framework for this study is situated within the debates of the 1970s concerning the dynamic interactions of class, society and capital in charting the development path of newly emergent nation-states of Asia and Africa. While the preponderant role of the state is undisputed, the forces governing its behaviour are subject to varying interpretations. An overview of discourses on models of the post-colonial state is presented, followed by an exploration of their applicability to the Malaysian experience. The uniqueness of Malaysia's socio-cultural mosaic demands important adjustments to the established models. As a testament to Malaysia's uniqueness, reform of the post-colonial state is discussed in terms of an Islamist alternative, Islamic movements and initiatives being at the helm of development endeavours in Malaysia. However, such independent-based efforts have been misconstrued by the state as a threat to its legitimacy, thereby persuading influential sections of Islamists to seek reform from within the dominant system. Such a recourse presents its own set of problems, as the political-economic developments of the past two years have demonstrated. This puts to test the viability of a so-called Islamist alternative.

Makalah ini bertujuan menyelidik perihal ciri-ciri negara membangun dalam konteks ekonomi politik pasca-penjajahan di Malaysia. Latar belakang teori kepada kajian ini didapati dalam perdebatan, pada dekad 1970an, tentang dinamika hubungan kait antara kelas, masyarakat dan modal dalam pembangunan negara-bangsa yang baru muncul di Asia dan Afrika. Peranan meluas negara umumnya diterima, namun faktor yang mempengaruhinya telah diberikan pelbagai tafsiran. Perbincangan tentang model negara pasca-penjajahan dibentang, diikuti oleh aplikasinya kepada pengalaman Malaysia. Keunikan sosio-budaya Malaysia menyebabkan perlunya pengubahsuaian kepada model negara-bangsa yang lazimnya diguna. Keunikan Malaysia dipaparkan melalui perbincangan tentang pembaharuan kepada model negara

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pasca-penjajahan dalam rangka sebuah alternatif Islamis, yakni yang berhubung kait dengan inisiatif gerakan Islam selaku sebuah pendokong utama pembangunan di Malaysia. Namun begitu, inisiatif yang bebas dari cengkaman negara sering disalah tafsirkan sebagai ancaman. Lantas ramai pendokong gerakan Islam mencuba untuk mengubah sistem yang sedia ada dari dalam. Perkembangan ekonomi politik dalam dua tahun kebelakangan ini menggambarkan bahawa masalah tetap wujud, sekaligus menguji keupayaan apa yang dipanggil alternatif Islamis.

INTRODUCTION

In analyses of modern states, the post-colonial state has been treated as a special kind of state meriting a distinctive form of analysis. This is despite such states adopting a capitalistic character similar to their former colonial masters. Giddens, (1985: 269-274) in one of his classifications, divides modern states under four headings: 'classical', 'colonised', 'post-colonial' and 'modernising'. The post-colonial state differs from the others in that in most of them, 'states' precede the emergence of 'nations' instead of the other way round. Hence, post-colonial states have also been known as 'state-nations' (instead of the more prevalent notion of 'nation-states').¹

The peculiarities of post-colonial states arise from contradictions which result from the imperial legacy of such states. A casual observer of such states might feel more than justified in labelling them as 'authoritarian', 'bureaucratic', 'unstable' or even 'uncivilised'. Jackson, (1990) goes to the extent of implying

¹ While a nation can be distinguished by a common set of objective relationships, for example, cultural, historical, linguistic, geographical, economic and religious; and a subjective and collective consciousness of such matters by members of a nation (Hroch 1993: 3-20), the uniqueness of the state is perceived by Giddens in terms of three characteristics. Firstly, its special concern with territoriality; the existence of exact borders indicating a significant level of internal and external surveillance. Secondly, its ability to define boundaries between legal and illegal conduct, and to sanction and enforce them, using the apparatus at the behest of the state. Thirdly, its maintenance of a capacity to use violent sanctions. These three characteristics may intensify as a result of an increase in administrative power, defined by Giddens as "control over the timing and spacing of human activities through manipulation of the settings in which they take place," and is itself the outcome of a combination of the exercise of surveillance and sanctions. See Rosenberg (1990).

that premature decolonisation in the Third World has created a paradoxical conflict between the sovereign rights of 'quasi-states', to use his own term, and the human rights of citizens within such states. In directing the means of violence more towards their own citizens rather than against foreign enemies, quasi-states have flouted accepted standards of civilisation. Instead of being a source of security to newly liberated peoples, post-colonial governments present a threat upon them. What we notice is a continuation, if not a worsening, of a repressive colonial state apparatus. Centralisation and authoritarianism of the state administration intensified if not persisted; only now, such repression occurred at the hands of indigenous officials rather than foreign imperialists. Worse, the new repressive local controllers of the state apparatus might have been the very same liberators from colonial rule, and once hailed as national heroes.

It might be true that post-colonial states have exhibited a generally high degree of authoritarianism, but in fairness to them, this can only be traced to the political order created by and inherited from colonialism. The basis of such an order was force, and its operation relied on an administrative hierarchy that was necessarily centralised and authoritarian. This is the most significant legacy of colonial rule. Apart from this, colonial rule bequeathed on post-colonial states a peripheral character; in economic terms, the post-colonial economy was tied to a global system of production and distribution, by which it was meant to serve the dominant industrial economies with a consistent supply of primary products in return for manufactured consumer goods. Continued subordination was reflected in the dependent economy. Prolonged colonial rule also meant that alien cultural patterns were superimposed on indigenous ones, resulting in a kind of social and cultural peripherality. An instance of this is the fact that in many post-colonial nation-states, the colonial language remains the language of government. In such states, it is through the colonial language that a semblance of national unity is maintained.²

² Some analysts have treated Third World states who are peripheral in character despite never having been colonised (for example, Thailand, Iran and Turkey) as falling into the same 'post-colonial' category. However, care has to be taken in pin-pointing the time-period from which to designate such non-colonial states as post-colonial. Nikki R. Keddie, in her survey 'Ideology, Society and the State in Post-Colonial Muslim Societies' (1988), begins the post-colonial discussion in Turkey and Iran with the Ataturk and Reza Shah regimes respectively. In favouring such a categorisation, we may argue that the independence preserved by non-colonial states was only nominal, and such states took much of the colouring of post-colonial states anyway, in terms of, for instance, fixed boundaries with colonial neighbours,

THE PRIMACY OF THE STATE IN POST-COLONIAL SOCIETIES

In post-colonial societies, an authoritarian political order compensates for what may be seen as the weakness of political institutions, especially political parties and parliament. Stability is essential in order to make sure that the process of capitalist development proceeds smoothly; when stability is threatened, the state apparatus is arrested by forces able and willing to maintain the on-going capital accumulation. This is presuming that *"the fundamental and overriding function of the state is to realise and maintain the organisational prerequisites of the capitalist social order."* In his study, Alavi (1982: 292) identifies the 'military-bureaucratic oligarchy' as those who staff the state apparatus in post-colonial societies, which can be called peripheral-capitalist societies, in contrast to societies in advanced capitalist countries.

Nevertheless, singling out the military-bureaucratic oligarchy does not mean that the state apparatus operates in total exclusion of politicians and political parties. What often has happened is that, at independence, the mantle of legitimate political power is inherited by the party and the leader most closely associated with the national liberation movement. The relationship between the military-bureaucratic oligarchy and the political leadership might vary from one of tension to one of accommodation. Both sides are in need of the other; the oligarchy needs the political leadership to confer upon the state a mantle of democratic legitimacy, while the latter is in need of the former for its expertise and efficiency gained as a result of years of training in elite institutions inherited from the colonial period. But the trend in post-colonial societies has been for the formal power of political leadership to be usurped by the military-bureaucratic oligarchy. This can take place either overtly or covertly.

An overt seizure of power would be in the form of a direct military takeover, as happened in Pakistan in 1958 and 1977, and in Bangladesh in 1974 and 1982. Similar examples can be found in Africa and Latin America. An interesting phenomenon here is the tendency of the military leaders installed by the *coup* to assume a civilian character. Not only do they promise free elections and embark on a self-styled experiment of democratic government, but they also go to the extent of discarding their military appearance by donning civilian clothes. Such gestures show that a prolonged hold on the state by force may throw the government into a crisis of legitimacy; it is vital therefore for leaders who originate from the military-bureaucratic oligarchy to demonstrate a semblance of grassroots support in order to claim the mantle of legitimacy. The military-

an indigenous ruling elite and Western-style political and economic institutions. Hence, achievement of independence is second to peripherality in defining post-colonial states.

bureaucratic oligarchy can seldom operate smoothly, without dangers of a counter-coup, on the basis of its own image.

By a covert seizure of power, I mean a gradual consolidation of state power to the effect that the political leadership exists merely as a facade of legitimate government. In reality, power is exercised through state institutions, and the party is effectively transformed from an institution representing the interests of the people into an organ for the dispersal of government patronage. Party becomes synonymous to the state administration; and the single-party state degenerates into a no-party state. For example, in Tanzania, the Arusha Declaration of 1967 crystallised the primacy of the role of the state over that of the party in promoting development. In such a post-colonial state, only the source of power is shifted from the party to the state bureaucracy, whereas the political agents in power might remain in place. Rival centres of power are dismantled: for example, opposition parties may be subject to suppression, via harassment, electoral manipulation and even outright legal banning. The state would also attempt to suppress or co-opt any other potential sources of organised opposition, for instance trade unions, the mass-media, traditional rulers and the religious establishment. Despite the party's role becoming practically duplicated, the party's existence has to be maintained throughout in order to provide the regime with an outward appearance of legitimacy.

CHARACTERISING THE POST-COLONIAL STATE: ALAVI AND SAUL

We have stated earlier that political stability is crucial to assist the process of capital accumulation in the post-colonial state. An issue we wish to explore is: on whose behalf does capital accumulation take place in post-colonial societies, or in other words, who benefits most from the political stability created? According to structuralist Marxist analysis, the state acts as an instrument of capital. In the *Communist Manifesto*, Marx stresses that "*the executive of the modern state is but a committee for managing the common affairs of the whole bourgeoisie*" (quoted in Alavi 1983:146) and the state acts as an instrument of a single ruling class: the capitalist class, in oppressing other classes. It is in the anarchic character of capitalist reproduction, whereby the surplus value of the working class is appropriated in the form of capital investment by the capitalist class, that lies the basis of self-destruction in capitalist economies. Tension between the ruling capitalist class and the proletariat will erupt into periodic crises, and ultimately, revolution.

But such a scenario was conceived by Marx only in the higher stages of capitalism, and as such, is not applicable to the peripheral-capitalist situation in

post-colonial societies. Indeed, Miliband identifies two different Marxist views of the state. Calling the view outlined above the 'primary Marxist view of the state', Miliband locates a secondary view of the state, which is "*that of the state as independent from and superior to all social classes, as being the dominant force in society rather than the instrument of the dominant class*" (see discussion in Miliband, 1965 and Alavi, 1973:146). As we shall see, this secondary view is perhaps more appropriate a characterisation of the post-colonial state. The dynamics of structural alignment and realignment in the colonial era has created a more complex set of relationships between the state and social classes; the state is not simply the arm of a single ruling capitalist class. Even the nature of the bourgeoisie differs in advanced and peripheral societies, as a result of different patterns of historical development. Broadly speaking, in advanced capitalist countries, the bourgeoisie created the nation-state. But in peripheral-capitalist societies, the indigenous bourgeoisie was too weak at independence as a result of years of suppression under colonial rule. As Alavi (1983: 46-54) argues with reference to Pakistan, in post-colonial societies it was the state, through its policy of industrial development, which endeavoured to create an indigenous bourgeoisie able in time to generate its own capital accumulation. During the colonial period, the state apparatus was used to serve a foreign imperialist bourgeoisie which created the state for that very purpose. A question arises as to how far this subservient relationship of the state to metropolitan capital perseveres beyond independence. In the literature on 'neo-colonialism' and dependency theories, metropolitan capital, especially in the form of transnational corporations, is taken to hold a decisive influence upon the state. According to such views, capitalist reproduction in post-colonial societies takes place insofar as profits accrue to metropolitan capital. As Shivji concludes in the case of Tanzania, the real "*socio-economic base*" of elements who directly control the state lies "*in the international bourgeoisie*."³ Nevertheless, the dependency school has been criticised for its one-sidedness and in exaggerating the continuing impact of an imperial bourgeoisie, as if independence did not constitute any significant change in relations between the state and foreign capital. For many observers, the promulgation of a policy of state-directed capitalism was by itself an expression of an anti-imperialist strategy designed partly to compensate for the weakness of the indigenous bourgeoisie. In the words of Carolyn Baylies, "*.....the dependency school tended to emphasise and perhaps overemphasise the decisiveness of metropolitan control and thus to de-emphasise local class*

³ Quoted in Saul (1979: 173). Chapter 8 entitled 'The State in Post-Colonial Societies: Tanzania', pp. 167-199 is reprinted from Miliband, R. and Saville, J. (eds), *The Socialist Register 1974*, London: Merlin Press, pp. 349-372.

processes and their independent effects on the peripheral state" (Baylies, 1985:4).

In attempting to locate the class character of the post-colonial state, we have to recognise that the class configuration as it exists in post-colonial societies differs from that in advanced capitalist countries. There is no simple class conflict between the fundamental classes of the bourgeoisie on the one hand and the proletariat on the other. Within peripheral-capitalist societies, Alavi (1973: op.cit) identifies three fundamental classes, viz. the indigenous bourgeoisie, the neo-colonial metropolitan bourgeoisie and a non-feudal landowning class. Under colonial capitalism, the colonial state was created to serve the requisites of the metropolitan bourgeoisie in the imperial economy. While the basis of the structure of the colonial state would necessarily lie in the metropolitan structure, the colonial state was designated with the additional task of creating a state apparatus through which dominion can be exercised over all indigenous social classes. The result is a post-colonial state equipped with a powerful government and a military-bureaucratic apparatus used during the colonial period to subordinate native classes, but which has become grossly over-developed and somewhat superfluous during independence. It has outlived the function for which it was created.

In a situation of a weak indigenous bourgeoisie, the initiative is left upon the state to generate capital accumulation. Hence the advent of 'state capitalism' in post-colonial societies, acquiring for the state a prominent place in the production process of post-colonial societies. In Alavi's terminology, the state apparatus assumes "*a new and relatively autonomous economic role*," whereby the state "*directly appropriates a very large part of the economic surplus and deploys it in bureaucratically directed economic activity in the name of promoting economic development*" (Alavi, 1973:148). The state's relative autonomy means that it does not act singly on behalf of any one of the fundamental classes, but rather mediates their competing interests. In his exhaustive study of Pakistan's experience since Partition, Alavi (1983: 46-54) draws lengthy examples to show that none of the three economically dominant classes can properly be designated as the ruling class which exerts exclusive command over the state apparatus. But this does not necessarily imply that the state acts in harm against any one of them; on the contrary, the state acts to preserve the capitalist social order based on the institution of private property, and all the three fundamental classes have a common interest in this. The state in post-colonial society is bound by the 'structural imperative' of operating in a capitalist society; its actions are to an extent governed by the objective requirements of the processes of capital accumulation and capitalist development. As such, the post-colonial state is only relatively, rather than absolutely, autonomous.

Besides the over-development of the state and its relative autonomy, Saul (1979: 169-171; see also Ziemann and Lanzendorfer, 1977: 143-150) adds a third feature, which together with the two features above, help define the centrality of the state in post-colonial societies. This is the significant ideological function which the post-colonial state commands over its societies. The centrality of the state lies in its ability to create for itself a hegemonic position based upon a particular ideology which serves as a basis of unity for the different social classes. This ideological function is especially important in peripheral-capitalist societies in which embryonic social formations provide a fragile basis of unity. Peripheral capitalism needs the boost from an ideological cement capable of bestowing upon the post-colonial nation-state a semblance of legitimacy and territorial unity.

In the seemingly futile search to locate a ruling class within the class matrix of the post-colonial state, analysts have been tempted to turn to the bureaucracy. Miliband is explicit in arguing that *"those people who occupy the leading positions in the state system will use their power, inter alia, to advance their own economic interests, and the economic interests of their families, friends or followers, or clients"* (Miliband, 1977: 108). Ziemann and Lanzendorfer put forward a more general argument: that the central and virtually omnipotent role played by the state in peripheral societies becomes *"to all appearances, the role of the bureaucracy"* (Ziemann and Lanzendorfer, 1977: 165). And, as Samoff further argues, it is perfectly legitimate to treat the bureaucracy as a distinct class of its own on the conditions that *"the state is dominant in the internal political economy"* and that *"the aspiring indigenous bourgeoisie is in most places weak"* (quoted in Baylies, 1985:8). In general, the military-bureaucratic oligarchy assumes a distinctive class role whenever formal political institutions are suppressed.

So in a post-colonial society, the state, being composed of members of the military-bureaucratic oligarchy, assumes an autonomous economic role *vis-a-vis* agents of foreign and indigenous *laissez-faire* capitalism. The indigenous bourgeoisie, the metropolitan bourgeoisie and the local comprador bourgeoisie (local interests of foreign capital) exert a limited rather than pervasive influence upon the direction of capitalist development and reproduction. In post-colonial society, the capitalist class in charge of the state-directed capitalism may be more appropriately termed the 'bureaucratic bourgeoisie', a term introduced by Shivji to represent the ruling section of the petty bourgeoisie, which is noted for its *"control or proximity to the state apparatus"* (Shivji, 1976: 88). The petty bourgeoisie is supposed to include within its ranks professionals, wealthy farmers, upcoming entrepreneurs, civil servants and skilled artisans. For Sklar, (1979: 531-532) the term 'managerial bourgeoisie' is most apt to designate a new ruling class in post-colonial societies; a class which comprises bureaucrats,

businessmen, leading politicians and professionals. Membership of such a class is determined by Sklar in terms of four criteria: occupational status, income status, education and business ownership or control. Whether we use the term 'bureaucratic bourgeoisie', 'managerial bourgeoisie', or any other coined term to pin down the ruling class in post-colonial societies, two facts are clear: that the dominant bourgeoisie class is an amalgam of several occupational groups, and that its dominance is determined by its ability to maintain control over or closeness with the state apparatus, overtly or covertly.

The fact that military-bureaucratic oligarchy is relatively autonomous and constitutes a distinct class of its own does not deny that members who occupy positions of authority in the state have class origins of their own and as such their actions might seem to favour particular social classes. Alavi, (1983: 65-70, 1982: 300) draws on the example from Pakistan to show that the higher echelons in the military-bureaucratic oligarchy are usually recruits from the landowning class or the bourgeoisie capable of equipping themselves with the necessary higher education. Alavi also admits that "*neo-colonialism is probably the greatest beneficiary of the relative autonomy of the bureaucratic-military oligarchy*" (Alavi, 1973: 158). But these do not nearly mean the same as saying that the oligarchy operates under the direction or guidance of the social classes which happen to gain from policies initiated by the state. There should be no presumed causal connection between class origins of the military-bureaucratic oligarchy and state policies. The thesis put forward here is that once in the distinctive class of the military-bureaucratic oligarchy, the significance of original class affiliations of its members become minimal, and the state is operated by an oligarchy which acquires its own dynamics. As far as the apparent benefits seem to accrue to any of the fundamental classes, this may be due more to personal and family affiliations rather than due to the dictates upon the state by the social classes concerned. A new issue which arises here deals with the rampantness of unethical practises in the working of the post-colonial state, as explained in part by the terms 'neo-patrimonialism', 'corruption' and 'clientelism',⁴ all of which are often used to characterise the post-colonial state. Through time, the military-bureaucratic oligarchy operates on the motivation of self-interest, and the previous goal of state-directed capitalist development may even be transformed to one of maintaining a personalist regime in which members of the oligarchy benefit at the expense of those not involved in the mechanisms of the post-colonial state.

⁴ For a discussion of these concepts, see Clapham (1992: 44-59).

THE MALAYSIAN POST-COLONIAL EXPERIENCE

To investigate the experience of Malaysia⁵ in the light of the model of the post-colonial state outlined above, two distinct phases are recognised. Firstly, the period 1957-1969, and secondly, the period 1970-1997, which can be subdivided into the eras of state capitalism (1970-1985) and state-led economic liberalisation (1986-1997). The second sub-phase, characterised by a decade-long era of continuous growth and booming business confidence, was abruptly halted when a Southeast Asian currency crisis swiftly gave way to deflationary pressures throughout the region.⁶ The phases are separated by the May 1969

- ⁵ Formally, Malaysia came into being as an entity in 1963 with the coming together of Malaya, Singapore, and the two Borneo regions of Sabah and Sarawak. In 1965, Singapore left the federation to form an independent country. For the purpose of convenience, in this essay the term 'Malaysia' will be used throughout.
- ⁶ The post-1997 economic upheavals may spell the beginnings of yet another phase, and will not be discussed in detail. The crisis, which has brought the Malaysian currency, the *ringgit*, to a historic low in late 1997, was followed by shrinking share prices, loss of business confidence and the abrupt promulgation of austerity measures in anticipation of difficult economic times ahead. In reactive outbursts, Prime Minister Dr. Mahathir Mohamad singularly rebuked the activities of currency speculators for deliberately undermining the booming 'tiger' economies. His wanton accusation sparked off a furious row between him and George Soros, the Hungarian-American Jewish financier; an altercation which did not boost plummeting business confidence. At its peak, Dr. Mahathir blamed the currency crisis on a purported Jewish conspiracy to undermine Muslim economies. (See the reports: 'Malaysian business loses its poise', *FT*, 29.8.97; 'Soros criticises Malaysian PM', *FT*, 22.9.97; 'Mahathir-Soros row hits ringgit', *FT*, 23.9.97; 'Banking in Malaysia faces pain, not failure', *FT*, 8.10.97; 'Dr Mahathir and the markets: The prime minister of Malaysia's attempt to punish foreign speculators is both misguided and counterproductive', *The Economist*, editorial, 6.9.97; 'Asia: Mahathir's roasting', *The Economist*, 6.9.97, 27.9.97; Bill Powell, 'Mad Money Markets: If governments want to stymie speculators, they first need to find sensible policies', *Newsweek*, 6.10.97; 'Vinegar by the bucket: Mahathir's sour words leave the nation puckering', *Newsweek*, 6.10.97; 'Malaysia: The coup that never was. But the 'media' did try very hard', *Impact International*, November 1997; 'Malaysia: Budgeting for austerity', *Impact International*, December 1997; 'Saya tidak akan letak jawatan' (I will not resign), *BH*, 7.10.97; 'Mahathir jamin masalah dapat diatasi' (Mahathir assures problems will be surmounted), *BH*, 7.10.97; 'Krisis

racial riots, which led to a temporary suspension of democratic procedures and the introduction of the New Economic Policy (NEP), embodied in a series of five-year plans and set to achieve its targets by 1990.

Malaysia is unique for its societal pluralism. With an ethnic composition of 56.6 percent (7.34 million) indigenous Malays, 32.7 percent (4.24 million) ethnic Chinese and 10.1 percent (1.31 million) Indians, mostly of Tamil origin,⁷ racial harmony has figured high in the priority list of the Malaysian state. It is a compliment to the Malaysian state that it has been able to maintain impressive rates of economic growth and parliamentary democracy (apart from the temporary blip in 1969-70) while simultaneously addressing challenges posed by ethnic and political tensions, religious fundamentalism and global recession. But this needs to be qualified.

The prevailing ethnic division in Malaysia is a direct consequence of the British colonial economic policy of encouraging mass immigration from China and India prior to the Second World War. The British operated a 'divide and rule' policy through which Malays specialised in traditional landholding agriculture, and Malay aristocrats in political and administrative life. The immigrant communities involved themselves in what were to become the modern economic sectors: mining, large-scale commercial agriculture and business. Integration was never attempted at and the separate communities preserved their distinctive identities, such that, by the time of independence in 1957, ethnic polarisation coincided with polarisation along cultural, occupational, socio-economic, linguistic, religious and rural-urban lines. The 'Bargain of 1957' consisted in a compromise between the races: while citizenship, the use of English and a *laissez-faire* economy were conceded to the advantage of non-

mata wang angkara Yahudi' (Currency crisis: Jews are the culprit), *BH*, 11.10.97; 'Washington marah Mahathir sebut 'Yahudi' (Washington resents Mahathir's singling out Jews), *BH*, 17.10.97.

⁷ Mohd. Shukri Abdullah (1992:1). These are figures for Peninsular Malaysia. In Sabah and Sarawak, approximately 16 and 30 percent of the population respectively are Chinese, while the others are from several indigenous groups including, among others, Malay, Kadazan, Iban, Murut, Melanau, Bidayuh and Bajau. These indigenous groups, plus the Malays and *Orang Asli* (aborigines) of Peninsular Malaysia form the *Bumiputera* (literally: sons of the soil) category of the population. In terms of religious affiliation, all Malays are Muslims, while the Chinese and Indians are mostly Buddhists and Hindus respectively. An increasing number of the non-Malay *Bumiputera* population are converting to Islam and Christianity, although most remain animists. See Cho (1990: 15-16)

Malays, Malays gained recognition of their special position, their Islamic faith as the official state religion and the institution of Malay royalty. Political and economic power were vested in different hands (Cho, 32-34; Fisk, 1982: 1-23 and Zakaria Haji Ahmad, 1982: 88-91).

During the first phase (1957-69) of the Malaysian post-colonial experience, the state, instead of being relatively autonomous, quite clearly operated on the imperative of metropolitan capital. The Malaysian experience of 1957-69 conforms better to the model developed by the dependency school. The relatively open economic environment merely continued the pre-independence economic relationship as determined by Western capitalism. Having created the Malaysian economy and incorporated it into the world capitalist system, the foreign plantation and mining corporations, assisted by their import-export subsidiaries, continued to sustain it. The first phase of post-colonial Malaysia, under recommendations by the World Bank, saw the state, although still according first priority to agriculture, embarking on an industrialisation strategy based upon the promotion of private enterprise, product diversification and import substitution (Jomo, 1999:90-92). It was thought that the ensuing growth in output and employment was sufficient to elevate the economically disadvantaged classes. But in open competition, the Malays were sure to lose against other ethnic groups, who, through generations of exposure to the modern sector of the economy, had acquired the necessary experience, specialisation, qualification, skill and capital accumulation to excel. There existed a local Malaysian-Chinese entrepreneurial class which was unassisted by the state, and which was the major supplier of domestic capital to the emerging manufacturing, services and retail industries. (Hawes and Hong Liu, 1993: 640-641; Loong Wong, 1993: 216-220 and Cho, 1990: 48-60).

It was during the second phase of Malaysia's post-colonial experience that the state took up more properly the role as prescribed to it by Alavi. The explosion of racial tension, culminating in the bloody riots in the capital city in May 1969, was attributed to dissatisfaction at the aftermath of the 'Bargain of 1957'. The achievement of economic parity with the non-Malays did not seem forthcoming for the Malays and at the same time the Malay hold on political power seemed to be losing grip. The United Malays National Organisation (UMNO), the largest party in the multi-ethnic National Front coalition, paid a huge price for allowing the races to compete on equal footing. UMNO was seen to have given too many concessions to non-Malays while not doing enough to speed up economic improvement of the Malay masses. This was clearly indicated by the fact that, in 1971, Malays only stood to own 2.4 percent of the nation's corporate wealth, as compared with non-Malay and foreign ownership, which stood at 34.3 percent and 63.3 percent respectively (Robison, 1989: 379-380).

Actually, a small proportion of Malays did emerge better-off from the 1957-69 phase; these were the elites whose interests coincided with or who themselves held control of UMNO. Only they had the necessary resources to compete with the non-Malays. In the wider Malay community, there was a prevailing sense of frustration and anger, externalised in a considerable loss of support for the ruling coalition, forcing the resignation of the Prime Minister, Tunku Abdul Rahman, amidst extreme unpopularity.

In the aftermath of the May 1969 riots, the new Malaysian government enunciated a New Economic Policy (NEP), whose professed objectives, as stated in the Second Malaysian Plan of 1971, were "*to eradicate poverty among all Malaysians and to restructure Malaysian society so that the identification of race with economic function and geographical location is reduced and eventually eliminated...*" (quoted in Fisk, 1982: 8; see also pp. 17-23, and Cho, 1990: 34-36, 68-73).

The NEP represented a transition from 'spontaneous' to 'planned' capitalism, (Loong Wong, 1993: 218-219) it marked the beginning of a 'redistribution with growth' policy, as opposed to the virtually sole emphasis on growth in the pre-1970 period. The NEP had intended that by 1990, Malay share capital ownership would be raised to 30 percent, with non-Malay and foreign ownership to stand at 40 percent and 30 percent respectively. Malay grievances at the slow economic progress were to be redressed by a kind of affirmative action, in which active state intervention on behalf of the Malays would secure for them preference in investment holdings, access to credit and government contracts, entrance to institutions of higher learning and scholarships for further studies (Mehmet, 1988:7-9). This inaugurated the era of state capitalism in Malaysia.

How far does the post-NEP experience of the Malaysian state conform to the model of the post-colonial state as developed by Alavi? First and foremost, the assumption by the state of an active interventionist role necessitated an enormous expansion of the state apparatus, vindicating Alavi's thesis of a post-colonial state over-developed relative to its economic base. In the period 1970 to 1983, a fourfold expansion of the federal public service took place. A dramatic rise in size occurred among statutory bodies entrusted with the task of carrying out programmes designed under the NEP; for example, personnel in the National Paddy and Rice Authority (*Lembaga Padi dan Beras Negara* - LPN) expanded from 29 to 4974 within the time-period mentioned, and the Federal Land Consolidation and Rehabilitation Authority (FELCRA) similarly increased its personnel from 136 to 2900. Further, new bodies were created although overlapping areas of operation inevitably led to duplication of functions and inefficiency. Also established were public enterprises such as the

Bank Bumiputera and the national oil company, PETRONAS, which made sure that preferential recruitment policies of the NEP were implemented in the public sector. This was followed by the establishment in 1974 of a Ministry of Public Enterprise to co-ordinate, although not to control, the extensive public enterprise sector (Mehmet, 1988: 9-11). Thus under the aegis of the NEP, a huge growth of the bureaucracy was legitimised, and provided the Malays, who had traditionally made up the bulk of the civil service, with an opportunity for advancement out of rural and traditional life.⁸

The promulgation of the NEP with specific economic and social aims represented a major turning point ideology-wise. The *laissez-faire* philosophy that prevailed in the pre-NEP period had explosive consequences racially. Any development ideology embraced now would have to take seriously into account potentially destabilising effects upon ethnic relations. The second post-colonial phase (post-1970) witnessed the embrace by the Malaysian state of a specific national ideology called the *Rukunegara* (Pillars of the Nation)⁹ whose appeal was supposed to transcend across the races. The present author remembers in his childhood days when pupils were supposed to memorise the *Rukunegara* and read them out aloud during the Monday morning school assembly.¹⁰ Schoolchildren were made to actually believe that racial harmony was an accomplished fact in Malaysia; that the races mixed in schools, and students were taught about different cultures and religions. It is only during the age approaching adolescence that a sense of racial consciousness begins to develop, particularly as preferential policies operate in admission procedures to secondary boarding schools.¹¹ The significance of the state's ideological function, as featured by Saul, lies in the Malaysian case more as a basis of unity for the different races rather than for the social classes. In post-colonial

⁸ Most Malay students sent to local and overseas universities under government scholarship in the 1970s and early 1980s were guaranteed public sector employment upon graduation.

⁹ The *Rukunegara* consists of five principles: Firstly, belief in God. Secondly, loyalty to the King and country. Thirdly, respect of the noble Constitution. Fourth, the rule of law. Finally, courtesy and modesty.

¹⁰ The author had his primary education in three different Malaysian schools within the period 1976-81.

¹¹ The author himself gained admission to the Malay College Kuala Kangsar (MCKK), a residential school founded by the British in 1905 to train future Malay administrators. Recruitment was then reserved for the Malay elites. Although the elitist nature of recruitment has substantially been toned down, admission to the MCKK, considered the best among Malaysian boarding schools, is still restricted to Malays.

Malaysia, it seems that ethnicity rather than social class holds the position as the major cleavage dividing society.

The intertwining of ethnic and class factors complicates the issue as to whom the state represents. Identifying a social class while concealing its racial category is bound to present a misleading picture, for in relations with the state, people are affected as much by their ethnicity as by their class. As we have seen, the *laissez-faire* policies of the state prior to the introduction of the NEP had rendered it economically subservient to metropolitan capital. The indigenous classes that did benefit were the Malaysian-Chinese entrepreneurial class which supplied the bulk of domestic capital and by virtue of their political, administrative or family positions, a handful of Malay elites.

The NEP sought to put into practice the constitutional special rights provision for the Malays by embarking on a development strategy based on trusteeship.¹² In implementing such a strategy, two major sets of policy instruments were relied upon: subsidies and *Bumiputera* trust agencies which were in effect special-purpose financial institutions.¹³ The strategy, whose underlying philosophy was that the Malays were still ill-prepared and ill-equipped to be competing unassisted in the economy, was in essence an attempt at the creation of a Malay capitalist class based on the industrial sector. Under the trusteeship strategy, the state assumed a direct role "*in the allocation of resources and regulation of the economy,*" participating in "*the direct ownership of private enterprises.*"¹⁴ Through the trust agencies, the state involved itself heavily in a programme of capital accumulation and acquisitions in the corporate sector, supposedly acting on behalf of the Malay masses. By several spectacular raids on the stockmarket, the state and the Malaysian-Chinese business interests managed to 'Malaysianise' the previously foreign-owned plantation and mining groups.¹⁵

¹² For an evaluation of the 'development by trusteeship' strategy, see Mehmet (1988: 46-154), and Mehmet (1990: 150-167).

¹³ The most important ones are the Council of Trust for the Indigenous Peoples (*Majlis Amanah Rakyat* - MARA), the Pilgrims' Management and Fund Board (*Lembaga Urusan dan Tabung Haji* - LUTH) and the National Equity Corporation (*Permodalan Nasional Berhad* - PNB), which operates the *Amanah Saham Nasional* (ASN), a national unit trust scheme for *Bumiputeras*. The latter two are assessed in Mehmet (1990: 158-162).

¹⁴ Quoted in Loong Wong (1993: 219), from the Second Malaysian Plan, 1971.

¹⁵ For instance, previously British-owned Guthrie Corporation and Sime Darby are now controlled by the PNB and the Malaysian-Chinese business elite, respectively.

In terms of achieving stated aims, the NEP trusteeship strategy has not quite succeeded. In 1991, Malays still only held around 20 percent of corporate equity; the original aim being 30 percent by 1990 (Loong Wong, 1993: 233). The various subsidy schemes and the ensuing non-competitive delivery techniques practised have had the adverse impact of stifling initiative and leadership, whilst promoting a 'welfare-state mentality' among rural Malays.¹⁶ While there has admittedly been a significant amount of poverty reduction, intra-Malay inequality has correspondingly been on the increase (Mehmet, 1988: 11-13, 151-153). While some Malay millionaires have been created, structural poverty has persisted in the rural sector, and an inter-sectoral transfer of poverty has occurred as a result of an industrialisation process which generated a flow of rural Malay migrants, suffering from meagre wages (Mehmet, 1988: 17-45, 75-98). A Malay industrial proletariat had in effect been created.

The post-NEP Malaysian state, having discarded spontaneous capitalism, did acquire relative economic autonomy as predicted by Alavi. The 'development by trusteeship' strategy was run by two groups: politicians who made key decisions on trust agencies, and bureaucrats who carried out the decisions. In large part, the new class of the Malay bourgeoisie was composed of an elite who had managed to enrich themselves by virtue of having the right connections to the above elements of the Malaysian state, and who themselves had derived personal economic benefits in their capacity as trustees. Trust agencies, managing portfolios on behalf of the Malay community, have become heavily involved in the corporate world of rent-seeking, speculation, insider-trading and joint-ventures with transnational corporations. Corporate growth has been placed before the interests of the Malay depositors. UMNO, the political party of the ruling Malay elite, has acquired corporate interests and thus patronage funds to reward political supporters.¹⁷ The newly-emergent Malay bourgeoisie was not one created out of the spirit of enterprise, innovation and initiative, but rather upon a dangerous game of nepotism, favouritism and corruption. Those who served to gain most were those in control of bureaucratic procedures and access to privileged information. These were essentially the

¹⁶ See Rogers (1989: 764-785) for the example of how a rural Malay community has been demotivated and thrown into dependence by the development strategy of the Malaysian state.

¹⁷ The talk of 'money politics' is not unusual in Malay politics, and started becoming particularly rampant during the UMNO General Assembly in November 1993; see Case (1994). On the political mentality of the Malay elites, see Shaharuddin Maaruf (1984).

elites: royal, aristocratic, political, bureaucratic, military and religious. Robison sums up:

Drawn from the political and bureaucratic elites, the new Malay capitalists focused upon manipulation of networks of patronage rather than management, investment and production as the instruments for business success.....the Malaysian Institute of Economic Research claimed that the NEP had simply produced a rentier entrepreneurial class -- "a narrow band of tycoons living off investments who went bust when the recession hit the country in 1985" (Robison, 1989: 382. See also Mehmet, 1988: 101-154).

The political outlook of such elites is as unenterprising, and conducive to non-democratic forms of political behaviour. Characterising the Malaysian polity as a 'semi-democracy', Case offers an assessment of the NEP-created Malay bourgeoisie: "*.....the new Malay middle class understood democracy less as strengthening civil society against the state apparatus than as enabling it to regain access to state patronage*" (Case, 1993: 199).

Mehmet (1990: 152), pinpoints the lack of accountability as the major weakness in the 'development by trusteeship' strategy of the Malaysian state. Trustees are not accountable to the Malay masses whom they represent; a consequence of the tight separation between ownership and control in the operation of the trust agencies. The implementation of the strategy has been dogged by allegations of mismanagement and scandals. The Bumiputera Malaysian Finance (BMF) scandal in 1984 involved a transfer of public funds for speculative dealings in Hong Kong, done by the BMF, a subsidiary of the government-owned Bank Bumiputera (Milne, 1987). Losses had to be absorbed at public expense when PETRONAS, the national oil company, had to 'rescue' Bank Bumiputera which had incurred bad debts resulting from the misuse of funds entrusted by depositors. In 1994, the 'arms for aid' affair between the Malaysian and British governments implicated senior members and supporters of UMNO in a 'get rich quick' scheme, whereby preferential share issues were made ahead of the privatisation of the *Tenaga Nasional Berhad* (TNB), the national electricity company, immediately after an almost interest-free loan of £234 million was pledged directly to the TNB out of the British aid budget.¹⁸

¹⁸ This affair led to a six-month boycott of contracts for British firms by the Malaysian government after allegations of corruption against Malaysian ministerial figures by the British press. It was given wide coverage by the British media during the first half of March 1994; see for instance the full

The post-1970 Malaysian state may not have acted as the arm of foreign capital or the Malaysian-Chinese bourgeoisie, but the co-operation of these classes were needed to maintain sustained economic growth, on which sustained capital accumulation by the Malay capitalist class rests. A downfall of private domestic investment and foreign direct investment forced the government, in 1986, to place employment provision and regeneration of growth above the aim of achieving capital ownership targets (Robison, 1989: 383). Foreign direct investment, in the form of transnational corporations, was largely responsible in the late 1980s for turning the manufacturing sector into the fastest growing sector and the primary source of income creation and employment generation (Loong Wong, 1993: 217). The post-colonial Malaysian state has had to maintain a delicate balance between preferential treatment to Malay capitalists and appeasement of foreign and Malaysian-Chinese elements of the bourgeoisie, whose capital flight might have had disastrous consequences upon the economy (Hawes and Hong Liu, 1993: 641).

When such preferential treatment magnifies to the extent of undermining what international capital sees as the free market bases of the economy, business confidence is threatened and the feared capital outflow occurs. The scenario is aggravated by the 'herd behaviour' of international fund managers. This is exactly what happened in mid-1997, when, amidst cries of corruption, cronyism, nepotism, financial mismanagement and other forms of lack of transparency in mainly *Bumiputera* business practices, an abrupt withdrawal of capital led to a currency crisis, a plunge in share prices and a severe contraction in economic activity.

As the economic crisis entered its second year, policy disagreements between Dr. Mahathir and his Finance Minister-cum-Deputy Prime Minister, Anwar Ibrahim, were coming out in the open. To Dr. Mahathir's indignation, the international business community increasingly gave signs of preferring the latter, who was known to have attempted a 'virtual IMF regime' in trying to arrest the economic problems. Dr. Mahathir struck back by declaring his "*full control of the economy*" and appointing his trusted lieutenant, former Finance Minister Daim Zainuddin, as Minister of Special Functions responsible for economic development (AM 18(6) 1998). In late August 1998, the *Bank Negara* Governor and his deputy were forced to resign. On 1 September 1998, the Malaysian government discarded its free market orientation, instituting

four-page coverage in *The Sunday Times*, 13.3.94; 'Dam imperialists: Why Dr M turned against Britain' (*The Guardian* 2.3.94), and Malaysia's Prime Minister Dr. Mahathir Mohamad's personal letter, 'Malaysia: no contracts for Britain if the consequence is vilification', (*FT* 17.3.94).

capital controls to restore stability in the currency and share markets. On 2 September, Anwar Ibrahim was sacked from his cabinet posts, and the following day, from UMNO. Although allegedly ousted by Dr. Mahathir for his amoral behaviour - being accused of homosexuality and illicit sexual relations with several women. Anwar Ibrahim, bringing his case to the people on the streets, subsequently launched a *Reformasi* (reformation) campaign to attack widespread corruption in the ruling establishment. A series of disturbances in Kuala Lumpur were followed by Anwar's detention under the Internal Security Act (ISA), being charged in court on counts of corruption and sodomy, being found guilty and eventual imprisonment. While Anwar and his supporters blamed his downfall on a Mahathir-led conspiracy to maintain a 'corrupt, collusive and nepotistic' grip on political and economic power, Dr. Mahathir hit back by disclosing Anwar's own lack of transparency in the awarding of shares and contracts to his cronies during his tenure as Finance Minister.¹⁹ Dr. Mahathir's favourite insinuations against Anwar included associating his former deputy with a foreign conspiracy to subvert Malaysian sovereignty, considering the close relationship Anwar had inculcated with the IMF and Western governments.

Until the time of writing, full signs of economic recovery have yet to emerge, although economic indicators have shown some improvement due to the government efforts to control capital movements and raise liquidity by facilitating bank loans and deficit-financing. The urgency of such short-term measures can be understood in the need to create a semblance of recovery before general elections, eventually held late November 1999. But without the corporate restructuring needed to ensure business transparency, it remains questionable whether business confidence can be regained on a long-term basis.

A REFORMIST-ISLAMIST ALTERNATIVE FOR MALAYSIA?

For long-standing critics of Malaysia's political economy scenario, the downturn of 1997-1999 was a crisis in waiting. It was symptomatic of larger structural deficiencies in the Malaysian model of nation-building. Although both cyclical fluctuations and foreign speculators were contributory factors, to heap all blame on them would be misrepresenting the picture. State-led capitalism since 1970 had nurtured a narrow entrepreneurial class entrusted with the economic resources to lead the nation to the 'newly-industrialising country' status, but which flourished as a beneficiary of policies decided in the official corridors of power. Left to their own devices, this class struggled to survive, as we

¹⁹ See list in *MM* 20.6.99 - during the UMNO General Assembly.

witnessed under Anwar Ibrahim's 'virtual IMF' regime which refused to bail out ailing, inefficient companies. While in terms of official targets, the NEP appears to have had some measure of success,²⁰ this has been achieved at the cost of breeding a rentier rather than an enterprising class of private capitalists. Liberalisation under the National Development Policy (NDP) since mid-1991 has been too short an attempt to inculcate a competitive business culture; one must also ask whether it was half-hearted, considering the convergence of economic and political benefits that obtained within the patronage-based structure of Malaysia's political economy (See Jomo, 1989, 1990 and Milne, 1986: 1368-1373, 1381). Liberalisation will remain a rhetoric if the statist culture of the new political-economic bourgeoisie is not reformed.

On the positive side, the NEP-nurtured entrepreneurial class was multi-racial, although dominated by Malays. Indeed, Chinese capital had come to realise the contingency of forging alliance with Malay partners in order to survive in the post-NEP statist environment.²¹ Ironically, the NEP's ultimate aim of national unity has moved closer to realisation with the movement of ethnic groups between classes, while the controlled pattern of growth-oriented development has restrained class conflict to the minimum by benefiting all classes, however disproportionately (Ghosh, 1999: 78-84). The state's relative autonomy has been bolstered by the NEP and maintained by its hybrid successor, the NDP, which aspires to economic liberalisation but without the necessary 'enterprise culture'.

In post-colonial societies, where dominant political institutions are heavily characterised by 'neo-patrimonialism' which results in a state exerting a pervasive influence upon ordinary people's lives,²² seeking reform of the dominant political-economic structure by posing a challenge from outside the monolithic state is set to encounter manifold problems. The experience of Islamists in Malaysia shows that as soon as the state begins to pin-point an Islamic reformist movement as a rival, the movement finds itself under tremendous pressure from all angles to succumb to a *modus vivendi* as dictated

²⁰ As Jomo testifies, "*The ambitious NEP targets had been largely achieved by 1990, with most progress made before the mid-eighties..... reduction in poverty incidence has been impressive, declining to 17 percent in 1990 from 49 percent in 1970*" (1999: 98).

²¹ See 'Isu Sebenar Pengarah Syarikat' (The Real Issue of Company Directors), *Massa*, bil. 169, 19-25.12.98.

²² Neo-patrimonialism' is properly defined as "*a form of organisation in which relationships of a broadly patrimonial type pervade a political and administrative system which is formally constructed on rational-legal lines*" (Clapham 1992: 48).

by the political-economic establishment. Adept use of the methods of coercion, cooptation and Islamisation has been successful in neutralising Islamist-based challenges, (S.A. Hussein, 1998: 20ff) such that Islamists have had to surrender, sometimes meekly, their most cherished reformist ideals.

For example, the Islamic Party of Malaysia (PAS), despite a record of unwavering pro-Islamic state rhetoric, has still failed to overcome constitutional obstacles hindering its ambition of fully implementing Islamic laws in Kelantan, a state which it has ruled continuously for nearly ten years. The realities of federal-state relations in Malaysia have greatly circumscribed PAS' Kelantan government's capacity to manoeuvre. On PAS' own admission, its rule in Kelantan had been grossly undermined by undue interference from the federal authorities and the Kelantan royal family, while continually being in a state of dependence on federal funds for development projects.²³ The creation of a Federal Development Department, especially to monitor federal projects in Kelantan and responsible to the federal government, compounds the problems of the state government, already beset with difficulties arising from technical incompetence in the art of modern state administration and in reorienting development in an Islamic direction (Muhammad Syukri Salleh, 1999b). No better fortune has befallen Terengganu, which PAS captured in the 1999 general elections; the federal government has toyed with the idea of revising the amount of oil royalties, suddenly considered too massive, conceded to the Terengganu state government since 1975 (UM 30.6.00).

At the opposite end of the reformist-Islamist spectrum was Darul Arqam, which operated a distinctive approach to development based upon disassociation from the Malaysian state, as reflected in its method of opening self-sustaining villages throughout the country as nuclei for its activities (Muhammad Syukri Salleh, 1992). The official government policy towards Darul Arqam had been a case of gross misjudgement; it mistook Darul Arqam's non-participation in the electoral system for political apathy and allowed it to expand almost without interference for two decades (1968-1988). By the 1990s, when Darul Arqam was seen as rivalling the political-economic influence of the ruling elites, it had burgeoned into a business empire with extensive political clout and social influence.²⁴ By uniquely combining the aspects of sufi-revivalism, messianism and economic activism, Darul Arqam's astounding success flouted the conventional formula towards modernisation and threatened the legitimacy of the state's liberal-capitalist paradigm (Ahmad Fauzi Abdul Hamid, 1999: 27ff). In responding to

²³ BH 14.6.96, *The Star* 14.6.96, BH 22.10.96.

²⁴ Darul Arqam (1993). See also the report by Michael Vatikiotis, 'Radical chic: Islamic fringe groups gain influence among the elite', (*FEER* 26.5.94).

Darul Arqam, the state shifted its perception of the movement from an innocuous anti-development rustic romanticist group, to a theologically deviant group, and eventually to a political-economic competitor.²⁵ Pressures on Darul Arqam were initially exerted through the media and state religious departments. The state coercive apparatus was finally applied full length to Darul Arqam in 1994, leading to a wholesale proscription of the movement and the detention of its leaders under the Internal Security Act (ISA) (Ahmad Fauzi Abdul Hamid, 1999: 8-18). Until today, Darul Arqam has not recovered from the said repression. Its brief attempt at revival in 1996 was swiftly circumvented by another round of ISA arrests (Ahmad Fauzi Abdul Hamid, 1999: 24-27). Although reports have recently emerged of former Darul Arqam members remobilising activities around successful business and educational enterprises in Rawang, Selangor, their organisation is materially a mere shadow of Darul Arqam, besides lacking political content.²⁶

There is thus a persuasive argument for Islamists to seek a reform of the political economy structure from within the establishment. This entails ostensible participation in the established political order as associates of the ruling establishment, whose thinking and political priorities the Islamists seek to mould covertly or overtly in a direction conducive to the eventual establishment of an Islamic political-economic order. If the nature of the state is to be transformed peacefully, its *raison d'être* must be changed to serve the purposes of a new Islamic order. To achieve this, the elite holding to the levers of power must either voluntarily embrace the Islamist ideology or offer to hand over authority to an Islamist elite who have been sufficiently equipped with practical knowledge on the operation of the modern state and the bases of grassroots support. Both necessarily gradual processes complement each other, and both necessitate the Islamists' temporary toleration of the political system they seek to overhaul. Piscatori (1986: 130-133) has discussed the partial success of this approach of becoming 'fifth columnists' to help infiltrate the establishment from within in Indonesia. In Malaysia, its tentative success is apparent from the generally more Islamic direction the state has taken since the *entree* of Islamist figures into the ruling elite in the 1980s. But Islamists who join the

²⁵ Muhammad Syukri Salleh (1993). Although the government maintained that the Darul Arqam controversy was essentially a religious and not a political conflict, the turning point in convincing the state to act to eliminate Darul Arqam was undoubtedly conditioned by political rather than theological dimensions. See Ahmad Fauzi Abdul Hamid (2000).

²⁶ See the reports: 'Rufaga terkenal di seberang laut' (*Rufaga* is famous overseas), *UM*, 8.2.00; 'Former Al-Arqam redefines itself: The movement now concentrates on its business enterprises', *New Sunday Times*, 30.4.00.

establishment in order to beat the ruling elite at its own game inevitably embroil themselves in a true moral dilemma. As determined agents of change, their toleration of the prevailing socio-political system entails active participation at the highest level. In this, they expose themselves to a double risk.

On the one hand, as new entrants to the dominant order, the Islamists risk being suspected by diehard secularists of harbouring opportunistic designs to revamp the secular-nationalist paradigm on which the Malaysian state was built. Islamists' entry into the ruling establishment may initially be advantageous in terms of providing it with Islamic legitimacy, but in the long term, as the Islamic camp expands and begins to threaten the programmes and promotion prospects of the secular elite and their grassroots supporters, the fragile unity between Islamists and secularists may well disintegrate. The Islamists risk rejection from the dominant elite after the regime's Islamic image is believed to have become firmly entrenched amongst the masses. The Islamisation measures initiated by the Islamists but now considered as superfluous to the regime's political aims may then undergo reversal. To maintain its need of the Islamists, the secular elite has to be convinced that the Islamic measures already taken are plainly not enough. It will have to draw a delicate balance between appeasing its Islamic-oriented constituency and avoiding potential opposition from its non-Muslim partners and secular-oriented Muslims.

On the other hand, in order to ensure their long-term survival among the ruling elite, the Islamists may endeavour to establish their own power base in the elite's grassroots constituency. Under constant pressure to present themselves as bona fide members of the elite, and to outplay their secular counterparts in the competition for political influence, the Islamists might be tempted to adopt similarly crafty methods as their rivals'. Such methods may involve the usual processes of bargaining, negotiation and lobbying, all of which do not necessarily hinder unethical practices. In their endeavour to join the elite club, the Islamists are thus liable to sacrifice their moral principles and commit themselves or at least turn a blind eye to the corrupt political game which they once so fervently denounced. The Islamists risk eroding their original bases of grassroots support as religious-oriented Malay-Muslims become disillusioned with their morally questionable antics and their lame excuses for not being able to implement Islam further. Being part and parcel of the dominant establishment now, the Islamists' reputation among grassroots Muslims may suffer by virtue of being implicated in the concoction and execution of less than Islamic government policy. For the Muslims will ask themselves: what is the point of supporting the political Islamists if they exert no influence upon policy-making, to at least obstruct legislation unfavourable to Islam? The Islamists' lofty ends may ultimately be cited to justify the disputable means they have utilised, but besides the opposition of morally upright Muslims to the notion that 'the ends

justify the means', the ends themselves may end up being questioned by grassroots supporters. It is feasible to foresee a situation whereby an Islamist who joins the ruling elite with the highest Islamic credentials and moral scruples becomes entrapped by political wheeling and dealing and overwhelmed by the trappings of political power and material wealth, and so ends up being a bastion of the establishment he was supposed to-reform.

The scenario above may be observed with reference to the experience of political Islamists whose Islamic ideals were crystallised during participation in the intellectual-based Muslim Youth Movement of Malaysia (ABIM). The erstwhile President of ABIM Anwar Ibrahim's entry into UMNO and the government in 1982, while alienating the radical sections of Islamists, was greeted with a reserved enthusiasm by others, for many of whom the name 'Anwar Ibrahim' conveyed a slick but trustworthy image. As the positive impact of Anwar's conversion to the establishment began to manifest itself in the government's Islamisation process,²⁷ Anwar's protégés were persuaded into following his footsteps, eventually staffing bureaucratic and political organs of the establishment.²⁸ While the true extent of Anwar Ibrahim's influence in the actual shaping of policy is uncertain, his presence in the government has been attributed as a major catalyst for the new Islamic direction pursued, not least by

²⁷ Among the government's major accomplishments have been the introduction of Islamic banking, insurance and pawnshop systems (1981-83), the official sponsorship of an Islamic Medical Centre (1983), the founding of the International Islamic University (IIU) (1983), the expansion of the Islamic Centre (1984), an official declaration of 'instilling Islamic values into the government machinery' based on the slogans *kepimpinan melalui teladan* (leadership by example) and *bersih, cekap dan amanah* (clean, efficient and trustworthy) (1984), the upgrading of the status of *shariah* courts and judges so as to be on par with their civil judiciary counterparts (1988) and the establishment of an Islamic think-tank, the Malaysian Institute of Islamic Understanding (IKIM) (1992). See Milne and Mauzy (1983), Hussin Mutalib (1990: 134-139, 142-144), Norhashimah Mohd. Yasin (1996: 197-220), and *FEER* (20.5.93) on IKIM.

²⁸ Following Anwar's entry into the ruling elite, former ABIM leaders were abundantly entrusted with positions of authority in the government-sponsored IIU, such that cynics have dubbed IIU as an 'ABIM university'; see, for example, Mohd. Sayuti Omar (1990: 114-115). Some loyal lieutenants of Anwar Ibrahim in his ABIM days even followed his footsteps by joining UMNO. For example, Kamaruddin Mohd. Nor, Kamarudin Jaffar (sacked 5.7.99) and Fuad Hassan.

bolstering its Islamic image (Hussin Mutalib, 1990: 139-141).²⁹ By the early 1990s, even the radical overseas-based Islamic Representative Council (IRC), which had originally lambasted Anwar's and consequently ABIM's mellowing, had come to terms with Anwar's influential position in government. IRC members gave up clandestine operations, reorganised in Malaysia as the moderate Society for Islamic Reform (JIM), and its strongmen cultivated a working relationship with Anwar Ibrahim.³⁰

But as the Islamists' influence upon the direction of the ruling party and the government became more pronounced, as reflected in Anwar's meteoric rise to powerful positions, the secular-nationalists mounted a fightback to recover lost ground. This triggered open factional in-fighting within the ruling elite, as eloquently demonstrated in the 1993 UMNO elections, which witnessed a comprehensive dislodging of the UMNO old guard at the hands of Anwar's faction. Their uncharacteristic rise to power also smacked of scant regard for UMNO traditions (Case, 1994). The elite's acceptance of Islamists into its fold may initially have been a political ploy to raise the regime's legitimacy in the era of Islamic resurgence, but ultimately it precipitated serious intra-elite rifts.

The secular-nationalist backlash was never going to proceed easily, as Anwar, benefiting from the wide patronage given by his positions in party and government, had cultivated immense grassroots support to the extent of winning over influential secular-oriented politicians to his faction.³¹ The chasm within

²⁹ Since Anwar's ouster on 2 September 1998, the state-controlled media has attempted to deny Anwar any credit for the Islamisation efforts of the 1980s; see for instance Akbar Ali, 'Idea siapa perkenal perbankan Islam?' (Whose idea was it to introduce Islamic banking?), (*UM*, 17.9.99).

³⁰ ABIM, JIM tidak perlu saling bertelingkah' (ABIM and JIM need not quarrel with each other), (*BH*, 23.1.97). ABIM members have tended to ridicule IRC's foray into UMNO as a direct imitation of ABIM's successful political venture.

³¹ In the 1993 UMNO elections, among influential politicians who aligned themselves with Anwar Ibrahim were Muhammad Muhammad Taib, Chief Minister of Selangor; Muhyiddin Yassin, Chief Minister of Johore; Rahim Tamby Chik, Chief Minister of Malacca, and Najib Razak, Defence Minister and incumbent UMNO Youth Chief. Dubbed the *wawasan* (vision) team, they together made a clean sweep of the party's high ranks. Anwar clinched the deputy presidency; Muhammad, Muhyiddin and Najib were elected as Vice-Presidents, and Rahim became Youth Chief. For details, see Case (1994). To the surprise of many, the vice-presidential trio of Muhammad, Muhyiddin and Najib, presumably having shaken off their pro-Anwar

the ruling elite, instigated by Anwar Ibrahim's seemingly unstoppable rise to the zenith of power, has been manifested at the highest level in the purported rift between him and Prime Minister Dr. Mahathir Mohamad. So widespread were rumours of a rift that both Anwar and Dr. Mahathir have had to dispel them in public.³² But such unsubstantiated reports gained credence by Dr. Mahathir's procrastination in appointing Anwar as Deputy Premier and his obvious reluctance to indicate when he wishes to relinquish power.³³

From 1995, a gradual reversal to the Anwar-led reformist onslaught was observed in the countervailing moves of his opponents, allegedly marshalled by Dr. Mahathir himself. For example, intense speculation that Anwar's close associates from his ABIM days would feature prominently in the UMNO candidate line-up for the 1995 general elections proved to be over-optimistic, as many were eventually sidelined (*AM*, 15(9) 1995). As the 1996 UMNO elections approached, stern warnings were issued by Dr. Mahathir against the prevalent practice of 'money politics', with which many of Anwar's allies were associated (*BH*, 23.8.96). The outcome was a strengthening of Dr. Mahathir's hand within UMNO's leadership. In response to the overall results, Dr. Mahathir expressed satisfaction that his advice to delegates to reject corrupt candidates had been heeded (*BH*, 12.10.96). By mid-1998, the honeymoon between the Islamist-reformist and secular-nationalist camps in UMNO was over, unable to withstand the pressures from an economic recession which had exposed the pitfalls of the status-quo. During the 1998 UMNO General Assembly, using the platform of the Youth Section, an Anwar-instigated call for reforms and end to the practices of cronyism and nepotism, said to be prevalent in the allocation of government privatisation and contract awards, was met with the publication of lists of privatisation beneficiaries meant to show that the Anwar camp was not innocent

reputation (see further text), retained their positions during the delayed UMNO General Assembly of May 2000.

³² See, for example, Dr. Mahathir's denials: 'Tiada keretakan - PM: Ku Li di belakang fitnah hubungan Mahathir-Anwar' (No rift - PM: Tengku Razaleigh behind slander of Mahathir-Anwar relationship), *UM* 1.11.94; 'I have faith in Anwar, says PM', *The Star* 7.8.96, and 'Anwar pengganti saya: Dr. Mahathir' (Anwar will succeed me: Dr. Mahathir), *BH* 23.11.96. For Anwar's statements, see 'I sometimes had my doubts too, says Anwar', (*The Star*, 9.8.96).

³³ For example, Dr. Mahathir's statement "I will continue as long as I am needed" (*The Star*, 25.7.96). Amidst media speculation accompanying Dr. Mahathir's two-month holiday in May-July 1997, he insisted to a press conference in London that his appointing Anwar as Acting Prime Minister was not a preparation to hand over power to his deputy (*BH*, 22.5.97).

(UM, 22.6.98). By then, the tension over economic policy-making that had been building between Anwar and Dr. Mahathir was no secret, and Anwar's sacking far from unanticipated.

Under intense domestic and international pressure to reform an increasingly untenable status-quo, the ruling elites embarked on piecemeal reforms to revive civil society and reclaim legitimacy in preparation for general elections. These included renewed efforts to stamp out corruption and introduce a public-friendly image of the police force after a series of blunders, such as police brutality against *Reformasi* demonstrators and unnecessary shooting of criminals. The anti-corruption drive resulted in the prosecution of well-known corporate figures, such as Ismail Zakaria - former Chief Executive Officer of Sime Bank, Ishak Ismail - Managing Director of KFC Holdings Berhad, Dr. Wan Muhammad Hasni Wan Sulaiman - Executive Director of Abrar Corporation Berhad, Tiah Thee Kian - Executive Director of TA Enterprise Berhad, Saidin Tamby - member of Selangor legislative council, Abdul Murad Khalid - former *Bank Negara* Assistant Governor and Low Thiam Hock - Executive Director of Repco Holdings Berhad (UM, 1.5.99; 5.8.99; 16.9.99; 17.9.99; MM, 25.7.99; 19.9.99). With Anwar Ibrahim's friends prominent among the indicted figures, plus delays in investigations of cases such as that of Perwaja Steel involving present government figures, one may be excused for suspecting selective prosecution on the part of the Anti-Corruption Agency (BPR), but this was strenuously denied by BPR and Deputy Premier Abdullah Ahmad Badawi during the Twelfth Commonwealth Law Conference in Petaling Jaya (MM 25.7.99, UM 17.9.99). The police's image having already been shattered by damaging reports regarding its conduct on duty,³⁴ insult was added to injury with the revelation that the police force was the state department to have received the highest number of complaints of corruption (UM, 23.9.99).

At the same time, the purge of remnants of reformists within their increasingly isolated circle in the political-economic establishment, was continued. For instance, ten UMNO members, including three UMNO Youth executive committee members, were sacked on October 6, 1998 for being involved in *Reformasi* activities, and a further eighteen were given show-cause letters on why they should not be sacked (UM, 7.10.98). On July 5, 1999, nine UMNO members, including close Anwar ally Kamarudin Jaffar, were sacked for

³⁴ See the reports: Chua Tian Chang, 'Statement on police brutality'. (AM, 18(10) 1998); Ramdas Tikandas, 'Human Rights Day Message 1998'. (AM, 19(1) 1999); Revan Devaraj and Stephanie Bastian, 'Police Custody: The Need for Reform' (AM 19(6) 1999); and Dr. Syed Husin Ali, 'Wibawa Polis Hancur?' (Police Integrity Shattered?), (Tamadun, February 1999).

indulging in activities sympathetic to opposition parties, while six others were given show-cause letters (UM, 6.7.99).³⁵

In the light of the emasculation of reformist-Islamist challenges from within the present regime, we are left with a hybrid political-economic structure, combining a pseudo-capitalist superstructure with a selective incorporation of Islamic elements, mainly of financial and educational varieties. Indeed, Islamic financial instruments have been extremely popular in Malaysia despite imposing heavier burden on consumers than the conventional system does (Norhashimah Mohd. Yasin, 1996: chapter 6). Since Anwar Ibrahim's downfall, Malaysia's role as an Islamic financial hub has been further asserted by the introduction of a Shariah Index at the Kuala Lumpur Stock Exchange, the establishment of Bank Muamalat Malaysia Berhad - the nation's second Islamic bank, and closer ties cemented with the Jeddah-based Islamic Development Bank (IDB) (UM, 15.3.99; 17.4.99; 2.6.99; 9.6.99; 9.7.99). Of late, there have been demands for a revision to the high service charges imposed in Islamic banking transactions (UM, 27.9.99; UM editorial 28.9.99). In education, a new Higher Certificate for Secondary Religious Education (STAM) has been introduced to prepare students in the religious stream for entry into renowned Middle Eastern institutions (UM, editorial 16.9.99).

In practical form, the hybrid national ideology is epitomised by Dr. Mahathir Mohamad's 'Vision 2020', which combines the virtues of robust economic growth with essential ingredients of a socio-political order which espouses Islamic values, towards achieving a 'fully developed country' status by 2020.³⁶ Dr. Mahathir is, arguably, an Islamic modernist in his own right, for whom the political achievements of other modernists like Turkey's Kemal Ataturk are worth emulating.³⁷ His modernist ideas are occasionally expressed in his speeches on Islam. For example, addressing an international symposium on 'The

³⁵ Kamaruddin Jaffar eventually joined PAS.

³⁶ For a full elaboration of Vision 2020, see Mahathir Mohamad (1991). In short, Vision 2020 outlines nine strategic challenges that need to be attained in order to become 'fully developed'. These are: unity, liberty, democracy, morality, tolerance, science and technology, family-based caring society, economic justice and prosperity with a competitive, dynamic, robust and resilient economy.

³⁷ According to Adshead (1989: 51), Dr. Mahathir is an admirer of Kemal Ataturk, "even though he disagrees with Kemal's views on religion." This is hardly surprising, for the Kemalist revolution in Turkey had a considerable impact upon Malay nationalists of Dr. Mahathir's generation. UMNO itself was modelled on its Kemalist counterpart; see Mehmet (1990: 27-28).

Islamic World and Global Cooperation: Preparing for the Twenty-first Century',³⁸ he reprimanded orthodox jurists and reformists for injecting intellectual stagnation into the *ummah* by emphasising the form rather than the substance of Islam, and exhorted Muslims to come to terms with modern political realities by giving up forlorn endeavours to resurrect the Islamic empire and instead bolster coordination and cooperation within the present set-up of nation-states (*NST*, 26.4.97). It is least surprising therefore that Dr. Mahathir's modern Islamic set-up does not uproot Malaysia's secular foundation. His Vision 2020 maintains the neo-classical philosophy regarding technology and industrialisation as the major motors of development but uses Islamic values to retain a semblance of moral-cum-religious beliefs (Muhammad Syukri Salleh, 1997: 65, fn. 3).

While calls for reforming the Malaysian model of nation-building have grown since the economic upheaval,³⁹ what has been offered for its replacement remains left to be desired. Beyond a general demand for the ideals of socio-economic justice and greater political openness, calls for reform, from within both the Islamic and secular camps, have been vague.⁴⁰ One cannot imagine how the Alternative Coalition of PAS, the Malay-dominated socialist-oriented People's Party of Malaysia (PRM), the Chinese-dominated socialist-oriented Democratic Action Party (DAP) and the new multi-racial National Justice Party (KEADILAN) will be able to hold together once issues ensuing from the downfall of Anwar Ibrahim have evaporated, or are substantively addressed by the state.

The results of the Tenth General Election on November 29, 1999 saw the ruling National Front coalition retaining 148 out of 193 parliamentary seats i.e. more than two-thirds parliamentary majority. However, it suffered serious setbacks: the coalition amassed 65 percent of the popular vote as compared to 57 percent in 1995; UMNO's share of parliamentary seats fell from 94 to 72; UMNO could merely gather 48.6 percent of votes in 60 districts where Malays formed at least two-thirds of the electorate. And where it won, majority sizes were greatly reduced to the point of embarrassment: Dr. Mahathir's majority shrunk by 7000 in Kubang Pasu, Kedah; Education Minister-cum-UMNO Vice-President

³⁸ Co-organised by the Oxford Centre for Islamic Studies and IKIM, Petaling Jaya, April 1997.

³⁹ For example, James Kynge, 'Malaysia model in need of update', (*FT*, 10.10.97). As rightly pointed out by Kynge, the apparently successful Malaysian model had revolved around "*suppressing negative news*."

⁴⁰ For examples of Islamic and secular-based agendas for reform, see respectively, Aidit Ghazali (1990) and Jomo (1993).

scraped through in Pekan, Pahang with a razor-thin majority of 241; four cabinet ministers and five deputy ministers lost their seats altogether. Generally, while the non-Malays stoutly stood behind the government, a huge swing towards the opposition Alternative Coalition was registered among Malay-Muslim voters, particularly in urban areas. At state level, UMNO lost 71 seats, PAS retained Kelantan, captured Terengganu, and made significant inroads into Kedah, Perlis and Pahang. Only Johore, Sabah and Sarawak retained convincing support for National Front candidates. If opposition cries of electoral fraud are given credence, the National Front's performance is even worse.⁴¹

As the state had successfully neutralised the Islamist challenge of the 1980s and 1990s, it should be able to utilise its means of persuasion and coercion to neutralise the reformist challenge of the new millennium, despite the electoral reversals of November 1999. As for the Islamists, proposals for an Islamic-based reform agenda would have to explicitly spell out the necessary constituents of an Islamic political-economic order. Being thrust into power without an operational blueprint of Islamic development at hand would result in fragmented and *ad hoc* experimentation as demonstrated in the Kelantan state government's loose attempt (Muhammad Syukri Salleh, 1999a: 178-184, 188-196). The biggest problem arises with the glaring discrepancy between economic theory and practice as reflected in the absence of a model in action in the form of a living nation-state or movement. This leaves doubt as to whether or not the Islamists' demand for social justice is no more than rhetoric inapplicable in the context of modern economic changes. The dilemma has been observable since the late 1980s in revisionist literature which has questioned the doctrinal coherence of Islamic resurgence and the persistence of its protagonists, some of whom have frankly acknowledged the need for re-evaluation in the light of the relative paucity of tangible success. So long as these critical issues are not adequately addressed, an Islamic-based reform of the political economy remains far-fetched.⁴²

⁴¹ For analyses, see Shuib Sulaiman (1999); 'The Great Divide', (*Asiaweek*, 10.12.99); 'The coming Malay revolution' and 'New cabinet, old faces' (*Impact International*, January 2000); Dr. Maznah Mohamad, 'UMNO and its Partners in the New Malaysia', 'Anything but Free and Fair', and 'Was It Really the People's Choice?' (*AM* 19(10) 1999).

⁴² For example, in a review of Islamist economic literature between 1970 and mid-1987, Timur Kuran (1989) highlights serious inconsistencies and flaws between and within positions adopted by Islamist economists, such as the utopian assumption that economic justice will necessarily arise as a matter of procedure in the event of an Islamic economic system materialising. In an article entitled 'The Decline of Islamic Fundamentalism', Anwar-ul-Haq

CONCLUSION

This article draws upon the post-colonial experience of the Malaysian state prior to the financial upheavals and economic difficulties of the late 1990s. Its thrust is to examine the validity of the model of the post-colonial state developed by Alavi and Saul. Although the model stands viable as a general framework of analysis, several qualifications have to be made to address the specific conditions pertaining to Malaysia. Firstly, class in the post-colonial Malaysian context is as divided on ethnic lines as it is on socio-economic lines. Thus, while a relatively vigorous indigenous bourgeoisie had existed in the form of a Malaysian-Chinese entrepreneurial class, the Malaysian state has endeavoured to create a previously non-existent Malaysian-Malay entrepreneurial class. In addition to the 'structural imperative' of operating a sustainable and growing capitalist economy, the post-colonial Malaysian state has had to contend with the arduous task of preserving racial peace, on which political stability and smooth capital accumulation depends.

Secondly, although the Malaysian state has assumed significant autonomous powers, multi-party democracy has been maintained, if only in terms of the running of elections. Party and state have remained distinct; so have politicians and bureaucrats. Parties remain the focus around which ethnic nationalists rally. Political institutions have retained their functions, despite being constantly in check. Mass de-politicisation of civil society, a phenomenon all too common in post-colonial states, has until now eluded Malaysia.

Ahady brings out examples from several countries to argue that "*Islamic fundamentalists..... do not have a clear economic policy*" and "*have not been able to successfully reconcile the permanency of the sharia[h] with the changing socio-economic environment*" (1992: 233, 240). In a critical assessment of contemporary Islamic revivalism, AbdulWahab Saleh Bebar (1993: 12-13) approves of Kuran's analysis and cites the admission in 1990 by Professor Khurshid Ahmad, the prominent Islamic economist-cum-revivalist, that manifold problems have yet to be resolved in the discipline of Islamic economics. In a separate interview, Khurshid Ahmad candidly admits that the Islamic economic model, of which he is perhaps the most ardent proponent, has "*a long way to go*" as far as translation of ideals into reality is concerned; even in the field of Islamic banking which has seen significant institutional expansion in recent years, "*we are still far away from real Islamic banking*" (Sardar and Davies, 1989: 57-58 and interview with Khurshid Ahmad reproduced on pp. 50-59).

Finally, the oligarchy assuming relative economic autonomy in Malaysia is not necessarily military-bureaucratic in character; instead, it also includes politicians, royals, aristocrats and religious elites. It can properly be called an oligarchy of Malay elites and their non-Malay associates. In this sense, it strongly resembles Sklar's conception of a 'managerial bourgeoisie'. However, in the post-NEP Malaysian context, being a politically well-connected Malay elite, or at least having connections to such Malay elites, constitutes a *sine qua non* for *entree* into the oligarchy. It does not correspond exactly to Alavi's conception of an oligarchy that fills the state apparatus; rather, it is a coalition of elites who stand to gain from the statist policies enunciated ostensibly to benefit the masses.

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