

ARTIKEL ULASAN/REVIEW ARTICLE

Class and Communalism in Malaysia: Politics in a Dependent Capitalist State by Hua Wu Yin

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The standard books on Malaysian politics all fall under the heading of what the author of this work calls "Pluralist Analyses of Communalism". Unlike the literature on many other Third World countries in which the pluralist approach has been challenged in recent times by various versions of "radical" scholarship, the radical critique of the established pluralist school in the case of Malaysian politics has been limited to a few articles in left-wing journals and occasional unpublished papers although several longer studies have appeared in the fields of history and economics. This study, therefore, is the first book-length work by a radical scholar in which the main focus is on the Malaysian political system or, as he would put it, the Malaysian state. The author of the book, who goes by the improbable name of Hua Wu Yin, therefore deserves congratulations for his pioneering effort.

The author avoids the common pitfall of seeing "class" and "communalism" in "either-or" terms. Hua rejects both the crude Marxist view that communal sentiments are no more than reflections of class interests and the "culturalist" view that communal conflict is somehow inevitable in a multi-ethnic society. In his opinion both Marxists and pluralists have failed to give sufficient attention to the role of the state. While "certain Marxist schools" have tended to ignore the particular means used by the ruling class to dominate the subordinate classes, the pluralists tend to regard the state as essentially neutral when confronted with communal conflict. Thus pluralists sometimes present a picture "bordering on 'despair'" of how the government is faced with the apparently insoluble conflicts and tensions of a racially heterogeneous society. What both Marxists and pluralists have failed to analyse, says the author, is the role of the state in creating communal tensions as a means of maintaining power. In his view, communalism has its origins in the ruling class which, through the state, has sold the 'false consciousness' of communalism to the masses.

The ideology of communalism, however, should not be seen in the local context alone but as a product of imperialism. According to Hua, British rule in Malaya was based on a "communalist strategy" which kept the Malayan races separate and enabled the British to cast themselves in the role of protector of the Malays. When the British transformed their colony into

a neo-colony by handing over formal power to "local agents" in 1957, the new government continued the tried and tested strategy of its predecessors. Thus, for Hua, state-sponsored communalism is not just a strategy to maintain the power of the present government but a means to preserve Malaysia's status as a dependent capitalist state within an international economic order which continues to be dominated by "metropolitan capital".

Reflecting one of the major premisses of the radical approach, this book treats history not just as "historical background" but as an integral part of the study of contemporary politics. Hua claims, without much evidence it must be admitted, that in the pre-colonial period relations between native Malays and Chinese traders were characterized by "cultural and communal tolerance". It was only when Chinese traders became intermediaries for the British - "as a link in the chain of exploitation" - that racial antagonisms began. At the same time the British appointed themselves as the "protectors" of the Malays. They preserved the sultans and ensured that the majority of the Malay peasants stayed on the land. The British "communalist strategy" thus succeeded in keeping the Malay masses under the political, cultural and ideological influence of the traditional Malay ruling class while segregating them from the growing non-Malay working class. This strategy, in the author's view, was the root cause of communalism in Malaya. But while the author presents strong evidence to support his case, he does not give much attention to alternative hypotheses. For example, it could be argued that one important reason why communal conflict was not serious during the pre-colonial period was simply that the non-Malay population was too small to be a political threat to the Malay ruling class. It was only when the non-Malay population grew rapidly during the British period that the Malays felt threatened and therefore antagonistic towards non-Malays. Nevertheless the author is right in stressing the socio-economic context into which the immigrants came. The particular form of the political threat to the Malay ruling class lay not in numbers alone but in the socio-economic role allocated to the non-Malays by the British.

The argument that the British used "divide-and-rule" tactics is of course not especially novel. Nationalists everywhere routinely blame ex-colonial powers for the communal divisions which bedevil the quest for national unity after independence. Taking their cue from the nationalists, Western social scientists too have placed "national unity" as one of the top priorities of Third World states. But Hua argues that in the Malaysian case the independent government, despite its rhetoric about "national unity", in fact continued to implement the communalist strategy devised by the British in which the Malay and non-Malay lower classes - the peasants and the workers - are kept separate. The constitutional provisions of 1957, the formation of Malaysia, education policy and the New Economic Policy

must all be seen in this context. The government's policies, the author implies, are motivated not by the goal of national unity but the desire to remain in power and to preserve an environment favourable for both local and international capitalists.

Like many other left-wing critics of the regime, Hua argues that apparently "pro-Malay" policies have in fact mainly benefited a small minority of the Malay community, just as they did during the colonial period. The main beneficiaries today are the new "state bourgeoisie" and to a lesser extent the "petty bourgeoisie" and the landlord class. In support of this contention he provides a review of existing studies on class differentiation among the Malay peasantry, showing how the landlords have benefited greatly from the Green Revolution in the rice-growing areas although differentiation is less advanced among rubber growers. Despite the "communist strategy", however, the alliance between the Malay state bourgeoisie and the big non-Malay bourgeoisie has been maintained.

Many readers will probably be not unfamiliar with these opinions which have been voiced before in journal articles and have become commonplace at fora and seminars. The value of the book, therefore, lies less in the novelty of its arguments than in the author's attempt to place present policies in an historical context going back to the pre-colonial period and the detailed data that he has assembled to support his case. The book makes an important contribution to the literature on Malaysian politics by presenting an alternative interpretation to those of the "pluralists" who have hitherto dominated the field.

There are, however, debatable points in the book. One of the author's intentions is to show how communalism is essentially the result of state manipulation rather than a "natural" result of interethnic interaction. "The divisions on national lines are not based on differences of culture but on class oppression", (p 2) he says. While he certainly makes a powerful case against both the colonial and post-colonial states which have manipulated communalism to serve their own political ends, his argument does not eliminate the possibility that state manipulation only "aggravated" rather than "created" the problem. Even if one concedes that the state, in the first instance, "created" the problem, it could still be argued that after many decades of manipulation and indoctrination, communalism by now has, like Frankenstein's monster, acquired a dynamic of its own independent of state manipulation. One fears that, given the history of the past century or so and the deeply engrained mutual perceptions that it has produced, communal antagonisms might easily survive no matter what type of government ruled and what policies it pursued. In other words, by now there might be some justification for the pluralists who "take the national divisions within the society as assumed" (p. 2).

Another area of contention is the author's own theoretical framework. In his introduction he, as expected, rejects the pluralist model but he also criticises attempts by fellow radicals to produce an alternative. One attempt is criticised for its reliance on "elite manipulation" (p. 5), a charge that might be laid against Hua himself. Another approach, based on the idea of the "relative autonomy" of the post-colonial state, is also rejected as being "mechanically invoked". (p. 5) Later in the book he justifies his use of the term "state bourgeoisie" rather than "bureaucratic bourgeoisie" as used by others (p. 51), a point which for Hua is a matter of substance and not just nomenclature. But it is not easy to identify the precise points where Hua differs from his fellow radicals. Part of the problem is that his discussion of alternative radical formulations is too brief and couched in terms that are often too abstract to clarify the differences between him and them.

Hua also takes issue with the school of Marxist thought identified with the name of Bill Warren who argued, in contrast to most neo-Marxists, that foreign-dominated capitalism leads to real development in the Third World. While Hua acknowledges the "fundamental changes in the imperialist system" exemplified by the relative decline of direct foreign investment, the expansion of the state sector, the growth of manufacturing etc, he tends to belittle their significance. For him, Malaysia's new "economic nationalism" of the 1970s only disguised continued foreign domination by other means while it matters little to the workers and peasants whether they are exploited by the local or the foreign bourgeoisie. But it could be argued that these "fundamental changes" really are fundamental with many important long-run implications. The Malaysian bourgeoisie, both state and private, might still be a "dependent bourgeoisie" but there are degrees of dependence. Hua himself points out that he does not mean to imply that the local bourgeoisie "is reduced to the role of puppets for manipulation by the metropolitan bourgeoisie" (p. 185) but the thrust of his argument leads in that direction. "Posing the question of control of resources in 'national' terms is merely an obfuscation", he concludes. Hua also fails to discuss the long-term significance of industrialisation, especially its implications for the class structure. The growth in the working class brought about by industrialisation and the change in its communal composition are still in their early stages but their potential significance might be great indeed.

"What is to be done?" Hua argues that the Malaysian ruling class maintains its power by preventing "the completion of the national democratic stage", especially democratic rights for the non-Malays. Indeed the government's communalist strategy has required it to repress the non-Malays for "the denial of democratic rights to the non-Malay population is the mechanism whereby the Malaysian ruling class seeks to maintain the loyalty of the Malay masses to the state ..." (p. 7). The "principal component of the anti-imperialist struggle", therefore, must begin with the struggle for democracy and, in particular, democratic rights for non-Malays. In

the present context, according to Hua, a crucial democratic right is "the right of education and culture in the vernacular of the various nationalities" (p. 194) and, in his conclusion, he virtually elevates the issue of the Merdeka University proposal as a kind of litmus test to separate genuine progressives from those guilty of "economism" and "crass opportunism" (p. 193). This is not the place to consider the pros and cons of the national language policy but it seems to me that Hua is making something of a mountain out of, if not a molehill, then at least a hillock. While many might accept Hua's call for democracy, friends should still be allowed to disagree over the Merdeka University.

Finally, for the record, a few small errors should be corrected. It is always a bit disturbing when foreigners writing about Malaysian politics get Malaysian names wrong but it is worse when Malaysian writers make the same mistakes. In this book we learn that one Onn (Dato' Onn perhaps ?) became prime minister in 1976 and headed the "Onn Government" (pp. 170-1). One is also puzzled, if the acronym for the opposition party Pekemas stands for the Malay National Union of Singapore, how Tan Chee Khoon represented it in Kuala Lumpur in the 1970s (p. 152). The author also refers to the Armed Forces Chief of Staff, General Tunku Osman Jawa as Tun Razak's relative when in fact he is related to Tunku Abdul Rahman (p. 176). Further, the strength of the police Field Force is only about 20,000, not the 58,000 mentioned by Hua (p. 176). More surprising, in view of the thesis of the book, is the statement that Malays made up only 47.3% of students taking degree courses in local universities in 1980 (p. 177). The true figure was very much higher and can in fact be calculated from the raw figures in the table on p. 179.

Reply To Chris Edward's Review Of "The Malaysian Economy - Structures And Dependence"

(Kajian Malaysia II, 2, Dis. 1984)

Khor Kok Peng

I am flattered by the extended nature of Dr. Chris Edward's review of my book, "The Malaysian Economy: Structures and Dependence" which was published in Kajian Malaysia Vol. II, No. 2 (Dec. 1984). While he says that the book is "welcome", he has many reservations. His main criticism seems to be that the book has taken on a wrong methodology because in examining the Malaysian economy I focussed on its 'dependence' and the surplus flowing out of the economy as a whole. This focus on the country as a whole is misleading because it neglects problems which are internal to the country itself. This criticism is hardly fair. I would be the last person to argue that all our economic problems can be attributable to external factors.

In the book, there is a whole section spelling out the limitations of the "dependency approach" itself, in which I stated that:

"It must be realised, however, that the theory of external dependence can only partially explain the processes of underdevelopment in Third World countries. The explanation of dependence must be integrated with a theory showing the internal workings of the economy. Such a theory must be able to analyse the socio-economic structures and developments and the mechanisms of surplus transfers in each of the major sectors of the economy. Only a sector-by-sector analysis will be able to demonstrate the persistence of poverty and the generation of inequality in the economy as a whole.

"It is, of course, beyond the scope of this book to provide a theory or analysis of the internal structures of the economy. It is hoped, however, that by examining the concept and various forms of dependence and surplus transfers, this book would have contributed to the development of a more adequate theory of poverty and underdevelopment in Malaysia." (p. 245 of my book).

My stand on this should thus have been clear to a reader: that an adequate theory of underdevelopment must have both components - external dependency and internal socio-economic structures.

My book dealt only with this first aspect – external dependence. It was beyond its scope to deal with the second aspect – an in-depth analysis of the internal structures, using units of analysis such as the “social formation” with its component “modes of production” and their respective mechanisms of surplus extraction.

Indeed when I started research for the book many years ago, my initial plan was to conduct the study in 3 components: external dependence, internal structures, and an attempt to integrate the two aspects into a single model. However, I was able to complete only the first aspect and up to now I have not been able to study the latter two aspects.

While I feel that a satisfactory explanation of Malaysian economy, or any developing country, must take into account both aspects, Edwards seems to deny any important role for dependency analysis. Here our views differ. External Dependency analysis *alone* could be unsatisfactory, but it is also operationally essential in analysing major problems and trends. It is particularly useful for analysing long-term developments in foreign ownership and control, trade, technological control and a country's financial position, from the colonial to the post colonial and contemporary periods.

It is a powerful tool in examining the forms of inequality between rich and poor countries and the transfer of surplus (resources) from the poor to the rich. It is also important for macro economic analysis of economic developments, since external relations in trade, finance, technology and investments, have a major impact on growth, balance-of-payments, inflation and financial position. Malaysia, together with other developing countries, are a *determined* component in a world system whose tempo is determined by rich countries. The international aspect of inequality is important and should not be denied by a one-dimensional approach which only looks at domestic inequalities. Edwards states: “the question is not what crop to grow but who owns it.” I would not agree with this. *Both* the question of ownership (internal structure) and external impact (external dependence) are important. Let us illustrate this with the case of 2 export crop farmers. Smallholder A owns and operates seven acres of rubber and obtains all the income accruing to his output (although he could of course be exploited by the middleman nexus). Smallholder B also operates 7 acres but being poor is a pure tenant and through share-cropping arrangements gives half his income to the landowner. When the price is \$3 a kilo, the 7 acres yield a net income of \$300 a month. Smallholder A keeps all the \$300 whilst Smallholder B gets only \$150. Thus, as Edwards says, internal ownership structure is an important cause of Smallholder B's poverty. Now let us suppose the rubber price drops to \$1.50 a kilo. Then A's income drops to \$150 whilst B's income falls to \$75. The fall in export price also has contributed to poverty.

In his critique of my treatment of dependence, Edwards seems to agree that outflow of foreign company profits, interest payments on loans, profits of shipping and insurance companies and freight and insurance payments, and hidden profits on account of transfer pricing, are surplus outflows. However he disagrees that losses due to terms of trade deterioration can be counted as a loss of surplus to a country. He believes that the international market. The ruthlessness of the market enforces price efficiency, thus the terms of trade merely reflect relative efficiencies. A fall in terms of trade thus leads to a "hypothetical loss" and does not reflect a loss of surplus.

First, I should clarify that in my book I deliberately chose the word "transfer of surplus" and "surplus outflows", denoting a transfer of wealth or resources from one country to another, and not the term "*surplus value*" which has its own meaning in classical political economy denoting exploitation within the production process itself.

As Edwards points out, surplus value in classical political economy is generated within the production process itself and in the pure model of the market economy with perfect competition and equal profitability there is equality in the process of market exchange or trade. The aim of this model was to show that even if there was no exploitation in trade, there was still exploitation in its main form in the sphere of production. That does not mean that in the real world today there is perfect competition and equality in trade relations. Trade relations including prices are substantially influenced by power relations in commodities. In general, MNCs owned by the rich countries control the prices of both manufactures and the Third World's raw materials. They are thus able to manipulate prices to the extent that the term of trade of commodities have tended to have fallen vis-a-vis manufactures. The outstanding exception (petrol) proves rather than disproves the point. Oil prices rose in 1973-80 not because of the high prices of substitutes but because the main exporters formed a cartel and fixed supply and prices. Of course the vital nature of oil and the lack of substitutes at competitive prices was vital and unique to oil, but then this situation has existed for a long time and oil was selling at US\$2 a barrel. Only when the exporters combined, thus increasing their collective power, did the oil price increase dramatically. This shows that it is not "free trade" but market power which determines prices.

Of course the degree of 'market power' depends on the unity of producers, the strength of the buyers, the substitutability of the commodity, prices of these substitutes. The OPEC model for this reason cannot be applied successfully for most other commodities, as Edwards himself points out. But this does not detract from the fact that it is economic power and not free trade that determines prices. In this situation, there can be and

there is a transfer of surplus (call it wealth, funds, resources if one wants) from developing to developed countries.

Anyone who still lives under the illusion that competitive and free trade determines the prices of commodities should urgently refer to the series of brilliant studies conducted by Frederick Clairmonte (with the help of John Cavanagh) on the control over the worldwide production and marketing of a wide range of commodities, including food and beverages; agricultural raw materials; and ores, minerals and metals. (See list of References) These studies conclusively show that a handful of transnational corporations by 1980 controlled 70-80 per cent of global commodity trade. Over the past two decades, domination of primary commodity markets has been concentrated further by the shift from single-commodity traders to mega multi-commodity trading corporations paramount in several global commodity markets. In the case of bananas, three transnational companies alone dominate 70-75 per cent of the global market; in cocoa, six corporations account for over 70 per cent; and in leaf tobacco, 85-90 per cent of trade is controlled by six companies. Clairmonte examines in details the oligopolistic nature of the trade and distribution chain in commodities. His study of fibres and textiles shows that 15 trading companies control 85-90 per cent of world cotton trade. There is a high level of collusion between these firms which dominate the purchase and sale of physical cotton and also control and manipulate prices on the New York cotton futures market. As a result the developing and centrally planned countries which produce over 80% of world cotton play a marginal role in determining prices, but are subjected to the destabilising effects of widely oscillating prices. Generally, due to the small size of the transnational corporations and collusion between them, they are able to exercise power in order to obtain prices geared to profit maximisation. Producers in developing countries are price-takers and generally obtain a very small portion of the sales value of their commodities. In the case of the world banana economy, Third World domestic growers obtained only 11.5% of the global retail value of bananas, the rest being earned by foreign enterprises controlling transport, wholesale and retail. Clairmonte estimates that for most commodities that enter international trade, value added by foreign enterprises accounts for 80-90 per cent of the retail price.

Undoubtedly of course, the processes described in controlling commodity prices are carried out by transnational corporations as such and not "developed countries" as an abstract unit. But the end result is still that the people in a developing country suffer trading losses. If good theory should be guide to policy (as Edwards says) and since economies are still managed in units of countries, then the issue for the terms of trade is crucial. This is especially so in the case of Malaysia where exports comprise three-fifths the value of the GNP. It is crucial because whatever its socio-

economic system, a developing country faces the dilemma of whether to focus on external-oriented policies or domestic-oriented policies as one important aspect of macro-development planning.

Again, returning to our example of farmers operating 7 acres of land, the question of whether to grow rice or rubber is vital to them, just as the issue of land availability and ownership are also vital.

Thus I believe it is erroneous to argue that exploitation takes place only within production. It can and also does take place in the exchange process where commodities of different values are exchanged unequally because of oligopolistic conditions.

I would now like to respond to the three detailed criticisms raised by Edwards:

(a) Terms of trade for Peninsular Malaysia and Malaysia.

I was concerned in the book with examining changes in the commodity terms of trade in Malaysia. I chose data related to Peninsular Malaysia because this allowed for a longer time series analysis (since terms of trade data for the Peninsular go back to 1950) and because data for Malaysia as a whole is not available. The terms of trade data which Edwards quotes from the 4th Malaysia Plan and Mid-Term Review is derived not from an explicit Commodity terms of trade index but from an implicit series relating to exports and imports of goods *and* non-factor services derived from national accounts data. This presumably takes into account not only product prices but also freight and insurance, travel and educational charges, royalties and fees, etc. The surpluses from these services are already dealt with in other categories in the book. On the other hand the Peninsular Malaysia data relate to an explicit terms of trade index compiled from prices of imports and exports divided into categories. Thus the differences in my data and those quoted by Edwards could be due more to coverage and methodology rather than actual differences between Peninsular Malaysia and all-Malaysia terms of trade. Indeed, where *commodity* terms of trade is concerned, the Peninsular Malaysia data is usually used as proxy for all-Malaysian data both by Malaysian and international authorities. For instance, the Statistics Department's 'Balance of Payments 1979-82', and also the Treasury Report and the Monthly Trade Statistics, quote the Peninsular Malaysia data as Malaysia's terms of trade. Similarly the IMF's "Balance of Payments" and the World Bank's World Tables (which indeed Edwards quotes) uses Peninsular Malaysian data as proxy for Malaysia's terms of trade. In my book, I confined the terms of trade analysis only to Peninsular Malaysia, except in the final chapter when I ventured a rough estimate of overall surpluses lost to the country. Edwards' point is that I should

not have extrapolated that Malaysia suffered the same degree of losses as Peninsular Malaysia between 1959 and 1982. Even if we confine the analysis to Peninsular Malaysia, the losses suffered in 1982 (using 1959 and base year) by Peninsular Malaysia was 24% of Peninsular Malaysian GNP, an extremely high figure indeed. This would be equivalent to around 21% of Malaysia's GNP (since Peninsular Malaysia accounted for 86.5% of total Malaysian GDP in 1983).

(b) Edwards' point on finance.

I am not of course suggesting that we should completely run down foreign assets to the point that external debt is *paid* back. The main point of the passage quoted by Edwards was to show losses to the country due to the low rate of return of Bank Negara's assets vis-a-vis the higher interest paid on our foreign debts. The figure of \$243 million loss is the difference between the interest paid on foreign debt and net return to Bank Negara Malaysia for the same amount. I agree that in considering the optimum level of reserves, trade considerations should also be taken into account, besides currency backing. The larger question, of course, is the wisdom of recent policy in borrowing so heavily from abroad for projects which have not yielded sufficient revenue or foreign exchange to service the loans. This has increased debt service charges and the debt service ratio dramatically, rendering the country fully dependent to the point that it has become the number one macro-economic problem for the country today.

(c) The issue of my having to "prove" that *increases* in freight charges reflects higher profits of shipping cartels and not lower capacity seems to me to be nit-picking. This issue is really quite minor in relation to the main argument that funds are lost to the country because of its heavy reliance on foreign ships (both cartel and non-cartel). Shipping cartels make the dependence *worse*, because of their power to fix prices which are higher than would operate in free competitive conditions. As the book points out, it is not possible to get cost-breakdown for revenue-and-profit data of the cartels, which refuse to provide such data even when they demand freight rate increases. But there is strong *suspicion* that rate charges are higher than could be justified only by cost increases. In a footnote (No. 11 on page 31) the book showed how the ratio of liner freight to prices more than doubled for sisal hemp, copra and rubber between 1963 and 1972, and how the profits of P & O (the world's largest cargo fleet) increased from \$8 million in 1970 to \$110 million in 1974.

Finally, whilst defending the usefulness of the concepts of dependence surplus transfers on the international level, I would like to reiterate that

no claim is being made that this is the only worthy approach to analysing underdevelopment. An analysing of the institutions, structures and mechanisms of production and distribution of wealth and income is obviously crucial as well. There has been a growing body of literature on these issues in recent years. The two approaches are not contradictory. I would argue that they are not only complementary but that both aspects have to be integrated to get an accurate diagnosis of underdevelopment, and both aspects (external and internal) be considered in prescribing the cure.

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