

THE STATE, AUTHORITARIANISM AND INDUSTRIALIZATION: REFLECTIONS ON THE MALAYSIAN CASE*

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Rencana ini meninjau kemunculan dan pembesaran negara sesudah-penjajahan di Malaysia bersabit dengan proses pengindustrian serta kesan-kesan ekonomi-politikanya. Hujahnya ialah bahawa struktur autoritarianisme telah resap buat sementara di dalam sesebuah pembentukan sosial dunia ketiga seperti Malaysia yang mempunyai tiga penggerak sosial dominan -- negara, burjuis tempatan dan burjuis asing -- yang bersubahat supaya mencorakkan hubungan sosial pengeluaran tertentu. Model politik birokratik-autoritarin yang disarankan oleh O'Donnell adalah sesuai bagi memahami kecenderungan ke arah autoritarianisme. Rencana ini menyarankan bahawa kemungkinan ke arah pengdemokrasian dapat dicungkil daripada analisa kapitalisme lewat oleh penganalisis gelaran "pos-marxis" yang mementingkan pembesaran kemajmukan sosial sebagai cara untuk mengatasi kongkongan negara ke atas para warganegara.

This article reflects upon the emergence and expansion of the post-colonial Malaysian state in relation with the industrialization process and its attendant political economic ramifications. It argues that authoritarian structures are temporally endemic in a third world capitalist social formation such as Malaysia in which the three dominant social forces of state, local and foreign bourgeoisie collaborate to dictate a particular pattern in the social relations of production. The bureaucratic-authoritarian model of politics suggested by O'Donnell is particularly germane to understanding the tendency towards authoritarianism. The path towards democratization, it is suggested, may be culled from the analysis of late capitalism by the so-called 'post-marxists' who have put a premium on expanding social pluralism as a means to ameliorating excessive state control over the citizenry.

Introduction

The study of the state and civil society has been the subject of considerable debate whether pertaining to the Third World or First World countries. Theorising about the state, which has generally focussed on its expanded role and dominance, spans the whole spectrum of social science. Some names that immediately spring to mind include political scientist S.P. Huntington, (1968) and marxist scholars such as Althusser, (1971), Miliband, (1969, 1973) and Poulantzas (1973, 1976, 1978). Those who have focussed on the Third World include Alavi (1972), Leys (1976) and the Latin American scholars who have highlighted the notion of the bureaucratic-authoritarian state (Collier, 1979). The most current of writings about the state has seen the emergence of a so-

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called school of "Post-Marxism" centering around debate over its role in "late capitalism". Examples include the work of German political scientist Claus Offe and that of sociologist Anthony Giddens (1981, 1985).¹

It is unrealistic for the present paper to survey or even pay proper obeisance to the sweep of works mentioned above. Suffice it that an essential assumption in these debates is that the state, far from "withering away" in socialist or non-socialist countries, has further stamped its authority on civil society and the development process. Particularly in the Third World, the state has established all manner of social control on society. A corollary of the enlarged role of the state is the expanding material and ideological bases of its "pact of domination" with the dominant class in capitalist society - the bourgeoisie.

The recent resurgence of assertive conservative governments in the First World in the wake of the economic crises engendered by global recession point paradoxically to an even stronger presence of the state in those contexts. Indeed, a seeming convergence of economic policy with many Third World countries has become evident with the latter today adopting many of the same policies of "privatisation" and "supply side" economics of their First World counterparts as panaceas for their own economic woes.

What would such new-fangled developments in Third World contexts augur for the political role of the state? More importantly, how would recession which has put the brakes on rapid industrialization affect the state's role and its relations with the general citizenry? What kinds of authoritarian structures and authoritarian practices are evident in the social relations of production born of a decelerated industrialization? In particular, in the face of economic crisis, does "normalization" of the economic order in O'Donnell's phrase presage a further tightening of democratic channels and spaces for the citizenry? These are broad issues which this article hopes to address.

Their opposing views notwithstanding, Poulantzas and Miliband have shown that authoritarian statism is to a great degree endemic to the capitalist state. This paper represents a modest attempt to address this problematic in the Malaysian case with specific reference to this country's post colonial industrialization experience.

Conceptualising the State

In spite of the voluminous literature, conceptualisation of the state remains a moot point. Conventional political science conceptions of it as the reification of an institutionalised "political system" of government and bureaucracy contrast somewhat with Weber's insistence that what qualifies as a state qua state is a claim to the legitimate monopoly and control of violence. Marxist views of the state also differ from the orthodox conception of it as "the committee of the whole bourgeoisie," to more abstract conceptualisations such as Poulantzas's "condensation of the balance of forces within the power-bloc," and Giddens' uncomplicated "a political organization whose rule is territorially ordered and which is able to mobilise the means of violence to sustain that rule." (1985: 20). Not unlike Giddens' is O'Donnell's definition and explication which, I believe, best suits our purposes here:

The state is fundamentally a social relation of domination or, more precisely, one aspect - as such, comprehensible only analytically - of the social relations of domination. The state supports and organizes these relations of domination through institutions that usually enjoy a monopoly of the means of coercion within a defined territory and that are generally viewed as having a legitimate right to guarantee the system of social domination. As such, the state should be understood from and within civil society though in its objective, institutional form it appears to be, and proclaims itself, above society.

Further:

.....[the capitalist state] maintains and structures class domination, in the sense that this domination is rooted principally in a class structure that in turn has its foundation in the operation and reproduction of capitalist relations of production. These relations of production are the "heart of civil society," within which we view the state as the strictly political aspect of the social relations of domination. From this perspective the state is, first and foremost, a relation of domination that articulates in unequal fashion the components of civil society, supporting and organizing the existing system of social domination. What makes this support effective are certain objective manifestations of the state - its institutions and the law. (1979: 286-7).

Thus the state should be understood first in analytical terms as the political manifestation of certain social relations of domination and in terms of its objectification as a concrete set of legal institutions and norms backed by specialised state apparatuses.² Althusser's and Poulantzas' conceptions rather tend to stress more the ideological state apparatuses (ISAs) of political repression, not just the specialised state instruments of coercion such as the police, courts, prisons and the like. (Althusser, 1971: 135-41, Poulantzas, 1978: passim, esp. Ch.2)

A major criticism levelled at the state-derivationist school, represented by Althusser and Poulantzas, is that by deriving the state's existence from the logic of capital, it unduly lays too much stress on the irreconcilability of class contradictions (Pierson, 1984: 565; Clark and Dear, 1984: Ch. 2). The other criticism is against marxist reductionism represented in the popular conception of the state as acting purely in the interests of the ascendant capitalist class, particularly in the crudely instrumentalist sense. (Pierson, 1984: 565).

Be that as it may, in studying the state's role in Third World contexts, it is imperative to examine its relationship with the two dominant fractions of the bourgeoisie -- its twin pillars of economic support and patronage -- the local capitalists and their foreign counterparts (Evans, 1979; Saravanamuttu, 1986c). Minimally, one has to account in some way for the three forces as the chief elements of a ruling circle dominating the social relations of production. This article makes no assumptions about the relative importance of the three social forces nor assumes a necessary dependency of the Third World state on

the foreign bourgeoisie. Rather it seeks to sketch through empirical analysis the contours of the relationships between the three dominant social forces to understand how they combine to sustain industrial development in Malaysia, and further to spell out the consequences of this tripartite collaboration on society and politics at large.

In eschewing a dependency approach, it maintains that a more useful perspective to comprehending the articulation of specific social formations such as Malaysia is in terms of the now axiomatic internationalisation of the world economy via ever changing and novel patterns in the international division of labour (Hymer, 1976; Barnett and Muller, 1974, Cardoso, 1973, Jenkins, 1984). In general, therefore, the article seeks to explain how political dominance and governance is maintained over subordinate groups and classes by a ruling circle dominated by the state and sustained by an internationalised industrialization process.

For Malaysia, there has now sprouted a growing literature which shows explicitly or implicitly how, in Alavi's phrase, an "overdeveloped" post-colonial state, through an interventionist policy in the economy, has been able to assert its "centrality" or autonomy (Jomo, 1986, 1983; Redha, 1985; Lim, 1985; Salem, 1983; Hua, 1983; Khor, 1983; Brennan, 1982; Tan, 1982;). However, I believe these studies do not fully explain the character of new relationships between the local and foreign beneficiaries of development as well as the various instrumentalities of control that the state itself employs to silence and contain growing opposition from the middle and peasant classes to its preferred pattern of development. Nor do these studies delve enough into the growth of new arenas of conflict and democratic space created by various class strata and social movements to resist the overwhelming presence of the state in political life. There is therefore a need for more concrete analysis and further reflection on how the tripartite alliance of state, local and foreign capital affects society and vice versa.

Furthermore, on the normative plane, it is imperative to reflect upon the possible transition of the preferred authoritarian structure of governance and politics institutionalised by the state to one anchored on more democratic, humanised and decentralised political processes based on non-state actors. In particular, such a study in spelling out both the intended or unintended consequences of the political dominance of the forces mentioned could hopefully point to directions where alternative modes of social discourse and alternative political institutions may possibly take root.

The article will now attempt to sketch the contours of the political regime in the post-colonial period which for Malaysia begins formally from 1957. The chief reason for this is that we would want to focus on the state as the purveyor of the industrialization process within the context of a specific political regime with its particular national attributes even if, as some of the scholars cited above have noted, there may well have remained many neo-colonial legacies in its post colonial successor. These features, however, are matters which should themselves bear analysis by no means ruled beyond the scope of this present effort although they do not comprise its primary focus. No doubt Malaysia, being a former British colony, has ridden through a neo-colonial pattern of development before embarking on a more nationalistically oriented

development programme with the state playing a pivotal role in determining respective roles and involvement of local and foreign interests in such development.

Paradoxically, the ramifications of such a shift and the push for rapid economic growth in the 1960s and 1970s have made profound impacts on the the social fabric and body politic, in particular, in the direction of greater social control and political repression of opposition and marginal groups by the state, particularly in the face of economic crisis.

The Post Colonial Malaysian Political Regime

In Malaysia, as in most other Third World situations, the survival of the post colonial regime hinged on the state's success in traversing both the phases of import-substitution industrialization of the 1960s and export-oriented growth of the 1970s. This, it accomplished on the backs of the investment and surplus generated by both the foreign and local bourgeoisies. However, the precise role of the state in industrial growth rested on the specific dynamics of relations among the various class fractions within society. In Malaysia, class dynamics took on special features in view of its peculiar political history and the ethnic plurality of its social fabric. In talking about the relations of domination overseered by the Malaysian state, one therefore must constantly take cognizance not only of class contradictions but also ethnic cleavages in society. These contradictions have been mediated in what can be best termed a pseudo-democratic political regime based on ethnic elite cooperation which some scholars following Arend Lijphart have termed "consociational democracy." (Milne and Mauzy, 1980, Mauzy, 1983).

Notwithstanding the above, the post colonial state was characterised by the presence initially of a strongly assertive foreign bourgeoisie in the first period after political independence from 1957 to about 1970 when the economy was still predominantly foreign (British) controlled (Puthuicheary, 1960; Khor, 1983; Jomo, 1986). Because of British dominance, which was a carry-over from the colonial period, it has been argued that a comprador capitalist class, composed "mainly of Chinese merchants, small, industrial capitalists and the owners of some mining and plantation capital.... acted as middlemen between giant British agency houses and the mass of workers and peasants who provided labour from which surplus value could be extracted" (Brennan, 1985: 104).³ The state did not play a particularly assertive role but rather largely followed the dictates of foreign capital and the advice of the World Bank in implementing an open door, *laissez-faire* national economic policy. The International Bank for Reconstruction and Development (World Bank) report of 1955 on Malaya made comprehensive recommendations calling *inter alia* for import-substitution through an open economy but ruling out state enterprise and economic nationalism as policies and largely consigning the state's role to that of providing infrastructural facilities (Jomo, 1986: 220-1). This allowed for the continued predominant role of the foreign bourgeoisie and the growth and entrenchment of a local non-Malay bourgeoisie in the economy. In the second phase from 1970 till the present, following the implementation of the New Economic policy (NEP), a substantial change of policy occurred. While the NEP was couched in terms of its two prongs of policy aimed at creating, on the one hand, a more equitable economic balance

between "Bumiputras".⁴ and non-Bumiputras and, on the other, the eradication of poverty irrespective of race, its overriding concern appeared to be the creation of a class of Malay entrepreneurs to offset the non-Malay predominance in the economy.

The plan for "restructuring society" entailed an Outline Perspective Plan which envisaged a 30 percent Bumiputra interest in total commercial and industrial activities by 1990, other locals having 40 percent and foreigners the remaining 30. In actual effect, the NEP bestowed the state with a fresh mandate to partake directly in the economy through a strategy of state capitalism in the name of the Bumiputras. All manner of state enterprises and commercial state-sponsored organizations catering exclusively to Bumiputra interests at the federal and state levels were established.⁵ The immediate effect however was not the creation of a Bumiputra bourgeois class but the emergence of what was referred to arguably as a bureaucrat bourgeois class (Jomo, 1984; Salem, 1983).

Therefore, the NEP period in Malaysia has meant both the growth of a more interventionist state and of a *nouveau riche*, assertive Malay fraction of the local bourgeoisie. The non-Malay fraction has largely maintained its level of involvement (if not control) of the economy because of the practice of expanding Malay capitalist interests within the context of an expanding economic cake. In fact, Table 1 shows that the non-Malay interests (represented by "other residents") had by 1985 obtained something like 56.7 percent of the ownership of the corporate sector of the Malaysian economy, while the Bumiputra total amounted to 17.8 percent. However, it has been pointed out that the "other residents" category includes shares held by nominees and other companies which could well be foreign or even Bumiputra, thereby inadvertently inflating the so-called "non-Malay" figure. Some recent research, such as Liow's (1986), show the phenomenal penetration and takeover by Bumiputra interests of vital sectors of the economy such as banking (to that of a 75 % control by Bumiputra interests), a sector which until recently was the virtual preserve of foreign and Chinese interests. The fact that 7.7 percent of the Bumiputra share is still in the hands of trust agencies attests to the continued importance of the state as an independent actor in business. This figure has shrunk a little from the 8.1 percent obtained in 1982 largely due to a privatisation thrust in government policy and possibly because of some transfer of shares to Bumiputra individuals.

In political terms, the primary contradictions of Malaysian society as manifested in ethnic divisions and cleavages have provided the defining characteristics of the political regime. At the time of independence, it took the form of the neat Alliance formula of ruling class cooperation among the three dominant ethnic groups of Bumiputras, Chinese and Indians which is now superseded by that of the Barisan Nasional coalition of Bumiputra-based and non-Bumiputra based political parties with the UMNO as the dominant partner. Such a political form has encouraged the wielding of state power by a politically hegemonic state-sponsored class, which, especially during the NEP period defined the economic parameters of non-bumiputra and foreign participation in the economy. However, because of the dependent character of

TABLE 1

OWNERSHIP AND CONTROL OF THE CORPORATE SECTOR, 1970-85 (MILLION RINGGIT)

	1970		1971		1975		1980		1982		1985		1990 4MP Target		Annual growth rate(%) 1972-80		Annual growth rate(%) 1981-85	
	\$ mill.	%	\$ mill.	%	\$ mill.	%	\$ mill.	%	\$ mill.	%	\$ mill.	%	\$ mill.	%				
Malaysian residents ¹	1952.1	36.7	2512.8	38.3	7047.2	46.7	18493.4	57.1	31903.5	65.3	56701.5	74.5	52193.9	70.0	20.9		25.1	
Bumi total	125.6	2.4	279.6	4.3	1394.0	9.2	4050.5	12.5	7597.3	15.6	13546.9	17.8	22368.8	30.0	31.4		27.3	
Bumi individuals ²	84.4	1.6	168.7	2.6	549.8	3.6	1880.1	5.8	3636.1	7.5	7679.2	10.1	3891.4	5.2	23.5		32.5	
Bumi trust agencies ³	41.2	0.8	110.9	1.7	844.2	5.6	2170.4	6.7	3961.2	8.1	5867.7	7.7	18477.4	24.8	39.0		22.0	
Other residents ⁴	1026.5	34.3	2233.2	34.0	5653.2	37.5	14442.9	44.6	24306.2	49.7	43154.6	56.7	29825.1	40.0	19.9		24.5	
Foreign residents	3377.1	63.3	4051.3	61.7	8037.2	53.3	13927.0	42.9	16970.3	34.7	19410.5	25.5	2236.8	30.0	13.3		6.9	
TOTAL ⁵	5329.2	100.0	6564.1	100.0	15084.4	100.0	32420.4	100.0	48873.8	100.0	76112.0	100.0	74562.7	100.0	16.7		18.6	

Sources: Third Malaysia Plan, Fourth Malaysia Plan, Mid-Term of Fourth Malaysia Plan, Fifth Malaysia Plan, Derived from Annual Ownership Survey of Limited Companies conducted by the Department of Statistics (1971-82) and records of the Registrar of Companies (1981-85) and data from various trust agencies.

Notes:

- 1 Classification is by residential address of shareholders, not by citizenship. It includes foreign citizens residing in Malaysia. Steps have been taken to enable classification of ownership group by citizenship status.
- 2 Includes institutions channelling funds of individual Bumiputera such as Lembaga Urusan dan Tabung Haji, Amanah Saham MARA and Cooperatives.
- 3 Shares held through institutions classified as Bumiputera trust agencies such as PERNAS, MARA, UDA, SEDCs, Bank Bumiputra, BPMB, FIMA and PNB. Previously this item was classified as Bumiputera interests.
- 4 Includes shares held by nominee and other companies.
- 5 Excludes government holdings other than through trust agencies.

TABLE 2

MALAYSIA: EMPLOYMENT BY OCCUPATION AND ETHNIC GROUP, 1980 AND 1985 ('000)

Occupational group ¹	1980									
	Bumiputera	%	Chinese	%	Indian	%	Other	%	Total	%
Professional and technical ²	154.9	53.7	97.5	33.8	29.7	10.3	6.0	2.1	288.1	100.0
Teachers and nurses	77.2	60.8	39.2	30.9	9.8	7.7	0.8	0.6	127.0	100.0
Administrative and managerial ³	14.7	28.6	32.7	63.6	2.5	4.9	1.4	2.7	51.4	100.0
Clerical ⁴	183.4	52.3	133.1	37.9	31.2	8.9	3.1	0.9	350.9	100.0
Sales ⁵	146.4	31.1	292.2	62.0	31.5	6.7	1.1	0.2	471.1	100.0
Service ⁶	231.6	55.4	139.8	33.4	41.8	10.0	5.1	1.2	418.2	100.0
Agricultural ⁷	1,369.8	73.5	315.6	16.9	163.9	8.8	15.1	0.8	1,864.4	100.0
Production ⁸	624.2	45.5	603.0	43.9	138.5	10.1	7.1	0.5	1,372.8	100.0
Total	2,725.0	56.6	1,613.9	33.5	439.1	9.1	38.9	0.8	4,816.9	100.0
1985										
Professional and technical	193.9	54.4	115.5	32.4	39.8	11.1	7.5	2.1	356.7	100.0
Teachers and nurses	111.3	64.5	49.5	28.7	10.9	6.3	0.9	0.5	172.6	100.0
Administrative and managerial	17.5	28.2	40.9	66.0	3.1	5.0	0.5	0.8	62.0	100.0
Clerical	224.7	54.0	152.9	36.8	36.1	8.7	2.1	0.5	415.8	100.0
Sales	216.3	37.9	324.1	56.8	30.0	5.2	0.5	0.1	570.9	100.0
Service	305.2	57.9	164.4	31.2	51.1	9.7	6.3	1.2	527.0	100.0
Agricultural	1,402.6	73.5	327.2	17.2	158.6	8.3	19.0	1.0	1,907.4	100.0
Production	741.5	45.5	701.6	43.1	177.5	10.9	8.1	0.5	1,628.7	100.0
Total	3,101.7	56.7	1,826.6	33.4	496.2	9.1	44.0	0.8	5,468.5	100.0

Notes

- 1 Classification of the occupations is based on the Dictionary of Occupational Classification, 1980, Ministry of Labour.
- 2 Includes professions such as architects, accountants, auditors, engineers, doctors, dentists, veterinary surgeons, surveyors, lawyers, and also teachers and nurses. For Bumiputera, a substantial proportion of those employed in this occupational group was made up of teachers and nurses. These two groups were estimated to account for about 77,200 or 60.8 per cent of their total in 1980 and 111,300 or 64.5 per cent in 1985.
- 3 Includes legislative officials, Government administrators, and managers.
- 4 Includes clerical supervisors, Government executive officials, typists, book-keepers, cashiers, telephone operators, and telegraph operators.
- 5 Includes managers (wholesale and retail trade), sales supervisors and buyers, technical salesmen, commercial travellers, and manufacturers' agent.
- 6 Includes managers of catering and lodging services, working proprietors, housekeeping and related service supervisors, cooks, and related workers.
- 7 Includes plantation managers and supervisors, planters and farmers, agricultural and animal husbandry workers, forestry workers, fishermen, hunters, and related workers.
- 8 Includes production supervisors and general foremen, miners, quartermen, small drillers, motor-vehicle drivers, and related workers.

**MALAYSIA: MEMBERSHIP OF REGISTERED PROFESSIONALS
BY ETHNIC GROUP, 1980 AND 1984**

Profession	1980					1984					Average annual growth rate, 1981-84 (%)				
	Bumi-putera	Chinese	Indian	Others	Total	Bumi-putera	Chinese	Indian	Others	Total	Bumi-putera	Chinese	Indian	Others	Total
Architects (%)	57 (10.7)	461 (86.5)	7 (1.3)	8 (1.5)	533 (100.0)	103 (15.6)	539 (81.9)	7 (1.1)	9 (1.4)	658 (100.0)	15.9	4.0	—	3.0	5.4
Accountants (%)	120 (7.4)	1,261 (77.9)	116 (7.2)	122 (7.5)	1,619 (100.0)	286 (8.9)	2,678 (82.8)	195 (6.0)	75 (2.3)	3,234 (100.0)	24.2	20.7	13.9	-11.5	18.9
Engineers (%)	1,533 (18.5)	5,904 (71.3)	526 (6.3)	321 (3.9)	8,284 (100.0)	3,500 (25.2)	9,294 (67.0)	752 (5.4)	335 (2.4)	13,881 (100.0)	22.9	12.0	9.3	1.1	13.8
Dentists ¹ (%)	117 (10.3)	744 (65.7)	241 (21.3)	30 (2.7)	1,132 (100.0)	194 (20.3)	444 (46.4)	286 (29.9)	33 (3.4)	957 (100.0)	13.5	-12.1	4.4	2.4	-4.1
Doctors (%)	341 (9.7)	1,534 (43.7)	1,467 (41.7)	172 (4.9)	3,514 (100.0)	753 (16.7)	1,881 (41.8)	1,745 (38.7)	126 (2.8)	4,505 (100.0)	21.9	5.2	4.4	-7.5	6.4
Veterinary surgeons (%)	63 (17.8)	98 (27.8)	164 (46.5)	28 (7.9)	353 (100.0)	128 (26.3)	123 (25.3)	198 (40.8)	37 (7.6)	486 (100.0)	19.4	5.8	4.8	7.2	8.3
Surveyors (%)	130 (31.2)	245 (58.7)	30 (7.2)	12 (2.9)	417 (100.0)	237 (35.8)	369 (55.7)	39 (5.9)	17 (2.6)	662 (100.0)	16.2	10.8	6.8	9.1	12.2
Lawyer ² (%)	173 (14.8)	565 (48.5)	412 (35.4)	15 (1.3)	1,165 (100.0)	272 (16.0)	826 (48.7)	557 (32.8)	43 (2.5)	1,698 (100.0)	12.0	10.0	7.8	30.1	9.9
Total (%)	2,534 (14.9)	10,812 (63.5)	2,963 (17.4)	708 (4.2)	17,017 (100.0)	5,473 (21.0)	16,154 (61.9)	3,779 (14.5)	675 (2.6)	26,081 (100.0)	21.2	10.6	6.3	-1.2	11.3

Notes:

¹ Data for 1984 refers to Dentists I only. The total for 1984 is less than 1980 due to the exclusion of Dentists II category. In 1980, both categories (Dentists I and Dentists II) are included. Dentists I are professional dental surgeons, while Dentists II are registered but not considered as professionals.

² Cover private sector in Peninsular Malaysia only.

Source: Fifth Malaysia Plan

this class, and given its initially low material base, in practice, the non-Bumiputra fraction has been able to maintain and exert considerable control in the economic process. "Ali-Baba," i.e. Bumiputra-non-Bumiputra, economic arrangements of one kind or another have become axiomatic for the success of the larger Malaysian economic enterprises or projects. The continued high performance of non-Bumiputras as evidence by the 56.7 percent share of capital in 1985 tends to confirm this. However, from whichever ethnic group, the larger enterprises are still very much the preserve of the "big" bourgeoisie. The smaller or more definably "ethnic" enterprises are left to the petty bourgeoisie, which comprises the visible commercial sections of the Chinese population, an entrenched commercial Indian class and a growing number of Malays.

While the rise of the local bourgeoisie and the hegemonic position of the Bumiputra fraction in the political regime does imply a proportional reduction in the equity participation of their international counterparts, it does not imply a lack of economic control by the foreign bourgeoisie nor by any means a quantitative reduction of foreign capital. Indeed recent trends of inviting increased foreign - particularly, Japanese - participation in the economy (to be analysed below) tends to reinforce the role of the foreign capital.⁶ Table 1, which shows the ownership of respective shares over time of share capital in the corporate sector by local and foreign residents, indicates a progressive whittling down of the foreign share, which in absolute terms, however, remains substantive.

The particular structure of ownership and control of the economy is of course the direct result of the NEP's major objective of restructuring society so as to reduced the identification of race with economic function. While restructuring has occurred apace and with arguable success, wherein the Bumiputra share of the corporate sector has jumped from a miniscule 2.4% in 1970 to 17.8 percent by 1985,⁷ the measure has greatly enlarged the role of the state besides giving birth with great speed to a bureaucratic bourgeoisie. The problems that such rapid "restructuring" can generate is amply demonstrated by the \$2.5 billion BMF scandal. The BMF Report prepared by by the three-man team of Tan Sri Ahmad Noordin, former Auditor-General, Mr. Chooi Mun Soo, a lawyer, and Encik Ramli Ibrahim, an accountant, provided a remarkable dossier of the incredible extent of fraudulent business deals linking the Malaysian subsidiary of the state-backed Bank Bumiputra with the erstwhile high flying Carrian empire of George Tan. More than that, it pointed to - but still left unanswered - many questions about the probability that the scandal involved the highest circles of the political hierarchy.⁸ The BMF episode is ample proof that state can and has spawned a small class of privileged individuals who in the name of certain state-sanctioned policies are able to carry elaborate schemes of personal aggrandisement, which but for an accidental chain of events might have gone unnoticed to the public eye.

Industrial Growth, Recession and Increasing Authoritarian Controls

The evolution of the Malaysian regime to the present configuration of one wherein a tripartite alliance of the state, the international bourgeoisie and the local bourgeoisie prevails over the subordinate classes of the peasantry and working masses and a rising middle class enjoying the fruits of development,

has to be appreciated from the standpoint of the material basis of the regime, i.e., the spectacular economic growth experienced over the decades of the sixties and seventies. In the past half decade however, the economy has increasingly felt the effects of global recession leading to the present point of economic crisis when unprecedented economic shortfalls, an alarmingly rising external debt and financial instability are the order of the day.

Analysts of the economy began to sound alarm bells when the external debt topped M\$31 billion (US\$13 billion) in 1984 and even defence expenditures were cut back in the 1984 and 1985 budgets.⁹ Total debt rocketed to M\$43.6 billion by 1985. (Table 4). More recently, there was indication that, like Singapore, Malaysia has encountered negative growth in the last quarter of 1985 owing to plummeting oil, palm oil, rubber and tin revenues. The government initially reported an estimated 1985 growth rate of only 2.8% which was well below the optimistic 5.2% as predicted in the 1984 budget (*Fifth Malaysia Plan*, 1986).¹⁰ In the event, the confirmed figures subsequently put out by the Department of Statistics indicated that at 1978 constant prices, the 1985 GDP growth rate shrunk by 1 percent against a growth rate of 7.8 percent in 1984. Other gloomy statistics showed that the number of jobless leaped by 25 percent to 449,000 in 1985 which put the unemployment rate up to 7.6 percent. (*The Sunday Star*., 28 September 1986).

Notwithstanding these recent developments, Table 5 illustrates that Malaysia has been progressively transformed from an agriculture-based economy to a rapidly industrialising one. Thus, agriculture's share of GDP declined from 36% in 1960 to 23% in 1981 while industry's share rose from 18% to 36% in those same years. The enormous role played by foreign capital in industrial growth both during the import-substitution and export-oriented phases is axiomatic. The influx of outside capital was and continues to be accomplished through extremely liberal tax laws and regulations aimed at creating a highly conducive investment climate guaranteed to attract foreign participation in the economy. Malaysia compares exceedingly well with other countries in terms of fiscal incentives offered to foreign investors, inspite of the strictures of its NEP, discussed earlier. Pioneer status is given to companies which produce goods not already manufactured in the country on a commercial scale. Companies enjoying this are exempt from the 40 percent company tax and 5 percent development tax along with the benefit of a tax holiday period of 2 to 5 years, which can be extended to a maximum of 8 years. Investment Tax Credit up to 25 percent is granted to companies for location, priority products and local content, while Labour Utilization Relief, which is similar to pioneer status, is granted according to the number of employees. Others include location incentives (up to 10 years), export incentives (for those manufacturing for the export market), accelerated increased capital allowance, hotel incentives and special incentives for agricultural industries (Treasury, Malaysia, 1982: 183-6). The effects of these incentives is amply demonstrated in Table 4 wherein projects enjoying tax incentives constitute 71.9 percent of total investments for the years 1981-85. It is also interesting to note in Table 6 that over those same years Japan has become the chief foreign source of capital with 20.8 percent of the total somewhat ahead of the 16.2 percent captured by the U.S. and that of United Kingdom at 10.7 percent.

However, for the very reason that industrial growth has been foreign-

TABLE 4

MALAYSIA: EXTERNAL DEBT OUTSTANDING
(M\$ BILLION)

	1970	1980	1983	1985
Federal Government	0.7	4.9	17.7	21.6
Government Guaranteed	0.4	2.4	5.5	8.6
Private Sector	0.2	2.7	8.6	10.0
Total medium and long term debt	1.3	10.0	31.8	40.2
Total Debt	1.2	11.0	33.3	43.6
Debt Service ratio (%)	2.6 ¹	4.3	9.7	14.0

Source: Bank Negara Malaysia (1986)

¹ Federal Government only.

propelled, it could be easily predicted that global economic recession would doubly compound the economic ills of the country. Indeed this was precisely what occurred when recession caused a spate of retrenchments and the closing down of off-shore electronic companies in Free Trade Zones (FTZ) in 1985. Literally thousands of workers in the labour-intensive electronics and textiles factories were laid off towards the last quarter of 1985 and in 1986. In 1984 and 1985, an estimated 14,000 workers in the electronic industry were retrenched, according to Malaysian Trades Union Congress (MTUC) sources. The economic slowdown in general brought about a loss of a whopping 43,844 jobs in 1985 according to the Minister of Labour, Datuk Lee Kim Sai. Of the retrenched workers, 27,698 or 63 percent were from the manufacturing sector. (*New Sunday Times*, 2 February, 1986 and *New Straits Times*, 12 March, 1986).

In particular, the shutting down of Mostek and Atlas, two wholly-owned foreign electronics companies, and the angry reaction of workers was the source of great consternation for the government. Such developments are likely to lead to further draconian measures to curb potential civil unrest. The importance of the electronics industry in Malaysia should not be forgotten, it being the manufacturing sector employing in peak years some 80,000 workers and expected under the newly announced Industrial Master Plan to continue as the leading manufacturing sector in the 1990s.¹¹

From a more general standpoint, there has been a tendency for rapid economic growth - particularly when it is followed by a sudden drastic decline

TABLE 5

STRUCTURE OF PRODUCTION AND GROWTH: MALAYSIA

GDP (US\$million)	
1960	2,290
1981	24,700
Annual Growth	
1960-70	6.5%
1970-81	7.8%
Agriculture (GDP Share)	
1960	36%
1981	23%
Annual Growth	
1960-70	—
1970-81	5.2%
Industry (GDP Share)	
1960	18%
1981	36%
Annual Growth	
1960-70	—
1970-81	5.2%
Services (GDP Share)	
1960	46%
1981	41%
Annual Growth	
1960-70	—
1970-81	9.5%

Source: World Development Report 1983

- to engender the institutionalisation of authoritarian structures in the Malaysian political regime. As industrialization progresses it tends to unleash social forces which throw into sharper relief the contradictions of society. The May 13 riots of 1969 was fueled largely by a mirror situation of non-Malay, largely middle-class, discontent counterpoised with Malay rural class apprehension of non-Malay economic ascendancy, which itself was played up by Malay politicians. The fracas provided the state with the excuse to introduce draconian laws to curb public participation. The already powerful Internal Security Act (ISA), which allows for preventive detention, was

TABLE 6

MALAYSIA: SOURCES OF FOREIGN EQUITY
IN APPROVED PROJECTS, 1981-85 (\$'000)

Country	1981	1982	1983	1984	1985	Cumulative, 1981-85	%
Australia	57,870	62,091	7,742	3,736	7,310	138,749	7.3
Austria	6,089	11,600	—	—	—	17,689	0.9
Bahamas	—	—	—	3,846	1,021	4,867	0.3
Belgium	450	5,545	300	—	235	6,530	0.3
Brunei	69	—	—	75	—	144	—
Canada	—	13,625	120	—	1,095	14,840	0.8
Denmark	1,075	123	1,200	2,247	554	5,199	0.3
Federal Republic of Germany	27,552	22,684	5,300	9,185	2,570	67,291	3.6
France	—	—	—	7,131	2,675	9,806	0.5
Holland	518	1,178	—	5,028	—	6,724	0.4
Hong Kong	35,096	4,869	49,629	9,508	18,415	117,517	6.2
India	11,437	1,022	4,735	3,033	538	20,765	1.1
Indonesia	1,000	28,168	153	—	5,135	34,456	1.8
Italy	3,810	3,000	1,900	1,214	4,605	14,529	0.8
Japan	69,132	136,874	37,754	67,321	81,748	392,829	20.8
New Zealand	300	800	165	3,850	49	5,164	0.3
Norway	4,800	1,610	—	1,620	1,635	9,665	0.5
Pakistan	—	—	—	—	1,419	1,419	0.1
Philippines	2,470	27,283	1,135	1,688	140	32,716	1.7
Republic of Korea	3,540	300	1,118	7,448	10,410	22,816	1.2
Saudi Arabia	11,979	750	850	3,973	11,770	29,322	1.6
Singapore	40,269	9,431	30,009	38,487	47,185	165,381	8.7
Sweden	370	200	3,900	705	9,163	14,338	0.8
Switzerland	380	1,410	5,500	13,390	300	20,980	1.1
Taiwan	8,275	1,619	4,958	14,018	14,674	43,544	2.3
Thailand	4,305	26,700	2,790	2,783	302	36,880	1.9
United Kingdom	31,288	80,172	70,250	9,320	10,700	201,730	10.7
United States	47,034	22,852	22,053	21,281	36,760	149,980	7.9
Others	106,821	55,099	44,757	44,542	54,452	305,671	16.2
Total	475,929	519,005	296,318	275,429	328,860	1,891,541	100.0

Source: Fifth Malaysia Plan

progressively beefed up by a battery of other laws including the Sedition Act, the Essential Security Cases Amendment Regulations (ESCAR), the Universities and University Colleges Act, the Printing Presses and Publication Ordinance and the Official Secrets Act, to name a few.¹² It has also been argued that an increasingly depoliticised but growing middle class enjoying the fruits of industrial development has tended to stabilise politics (Crouch, 1984: 26-27). However, insofar as depoliticization has failed particularly in the urban context, the more socially aware members of this class have been able to make a significant impact on government through their activity in public

interest non-governmental organizations (NGOs) such as consumer movements, environmental, professional, and women's groups and through the social reform movement, Aliran.

For the state, therefore, various measures of increasing authoritarian control and political repression are in keeping with the maintenance of a political regime in which an industrialization process is largely geared primarily to the interests of the tripartite alliance of the state, the local bourgeoisie and their international counterparts. The classic instance of where the true interests of such an alliance are vividly portrayed is in the *modus operandi* of the FTZ companies, which having been offered all manner of fiscal reliefs and tax holidays to set up shop in Malaysia, are able to pack up with impunity, and indeed, to discard thousands of now redundant Malaysian workers with meager or no compensation. While admittedly these electronic firms are not all "footloose" or "sunset" companies, it is hardly deniable that their commitment to stay is only as large as their investment on plant and equipment, given that production linkages to the local economy is minimal.¹³ Furthermore, hardly enough pressure was exerted by the state to make these companies take a more responsible position on retrenchment; worst, workers were subjected to police harassment when they attempted to vent their frustrations in various imaginative ways, including picketing daily at the offending company. These workers have remained non-unionised largely because the state has dragged its feet about allowing the setting up an electronic workers' union.

Malaysia -- A Bureaucratic-Authoritarian State?

The foregoing discussion of the evolution of the post colonial state and political regime and the relations of domination propelled by industrialization now in crisis, is extremely suggestive of parallels with the bureaucratic-authoritarian (BA) state of Latin American vintage. O'Donnell, progenitor of the BA state, defines it as follows:

Fundamentally, BA is a type of state which encompasses sharply contradictory tendencies. On the one hand, BA involves the further denationalization of civil society noted above that occurs first as a consequence of the urgent search for transnational capital which is requisite for the normalization of the economy, and later due to the necessity of maintaining a "favourable investment climate" in order to sustain the inflow of such capital. At the same time, BA entails a drastic contraction of the nation, the suppression of citizenship, and the prohibition of appeals to the *peueblo* and to social class as a basis for making demands for substantive justice. The contraction derives from the defeat of the popular sector and its allies; from the the reaction triggered by the threat that the political activation of this sector seemed to pose for the survival of the basic parameters of capitalist society; and, once BA is implanted, from the aim of imposing a particular social "order" based on political and economic exclusion of the popular sector. (1979: 295).

It would helpful to consider the various propositions about the BA state in some detail so that we may usefully reflect upon its applicability to Malaysia. This article however can only deal with the issues raised in the most tentative fashion, relying upon whatever existing literature and evidence is presently

available. In all, O'Donnell (1979: 292-3) specified eight general characteristics of the BA state which, for ease of discussion, are summarised and regrouped in two main sets:

A. Concentration and Internationalization-Denationalization:

The BA state is guarantor and organizer of the domination exercised through a class structure subordinated to the upper fractions of a highly oligopolised and transnationalized bourgeoisie.

It corresponds to, and promotes, an increasing transnationalization of the productive structure, resulting in a denationalization of society in terms of the degree to which this process is in fact contained within the scope of the territorial authority which the state claims to exercise.

Inasmuch as it is a system of economic exclusion of the popular sector, it promotes a pattern of capital accumulation which is highly skewed toward benefiting the large oligopolist units of private capital and some state institutions.

B. Restoration, Normalization and Political Exclusion:

In institutional terms, the BA state is comprised of two sets of organizations with their respective "specialists" committed by the state to accomplish "normalization" in the political and economic realms: restoration of "order" by means of deactivation of the popular sector, in the first instance, and normalization of the economy, in the other.

It is a system of political exclusion of a previously activated political sector which is subjected to strict controls in order to eliminate its earlier active role in the national political arena. Exclusion is achieved by capturing resources of class-based organizations and movements, which earlier supported the political activation. Order is a necessary condition for the social domination that BA guarantees and for the normalization of the economy and the transnationalised pattern of economic growth.

Exclusion involves the suppression of citizenship in a double sense: (i) the liquidation of the institutions of political democracy, i.e., a denial of popular political mobilization on class-based issues, and (ii) the suppression of the recognised institutional roles and channels of access to the government characteristic of political democracy, such as political parties, that have served as avenues for appeals for substantive justice considered incompatible with the restoration of order and normalization of the economy.

Through its institutions, it endeavours to "depoliticise" social issues by dealing with them in terms of the supposedly neutral and objective criteria of technical rationality. This depoliticization complements the prohibition against invoking issues of substantive justice which allegedly introduces "irrationalities" and "premature" demands that interfere with the restoration of order and normalization of the economy.

Economic Concentration and the Internationalization-Denationalization Question

While not a great deal has been written about the class structure of the Malaysian social formation, the recent works of local scholars, particularly

Lim (1978), Tan (1982: Ch.5), Jomo (1986) do provide mounting evidence of the oligopolised structure of the economy dominated by the upper reaches of non-Malay and Malay fractions of the local bourgeoisie. Concentration occurs in both the plantation and industrial sectors of the economy wherein a handful of prominent businessmen and their companies have succeeded in capturing the commanding heights of the economy. Tan's research found a high concentration of wealth and resources in nineteen conglomerates, which even without their subsidiaries and associates, already controlled close to half of the companies quoted in the Kuala Lumpur Stock Exchange. And, he adds, 'no more than a few score of families and groups control these conglomerates' (1982: 191). Concentration in the banking sector, for example, has also been amply demonstrated by Liow (1986), who found that a small number of Bumiputra and state interests have been able to corner something like a 75 percent controlling interest of that sector.

As for the dominance of a "transnationalised" bourgeoisie, Khor's work (1983) based upon the dependency paradigm has found the Malaysian economy very much a captive of the foreign bourgeoisie in terms of trade, finance and technological dependence. Thus he opines that despite 'Malaysianization' policies in the post colonial period, the transfer of surplus abroad by foreign companies has been substantial. For example, according to his calculations, a net amount of M\$886 million (1.5% of GNP) constituted surplus transfers in 1982 (1983: 230). It is useful, therefore, to see the state as having become "internationalised" along the new international division of labour as suggested by Cardoso (1973) and Evans (1979), wherein it has entered into a tripartite hegemonic relationship with the local and foreign bourgeoisie as suggested earlier on. Denationalization occurs insofar as the foreign bourgeoisie is able to dominate production decisions of the state and there is evidence in past as in recent developments that the World Bank and other transnational interests have been able to dictate terms to Malaysia against the grain of certain national policies. On the other hand, transnational interests are also often harnessed to promote various national goals spelled out by the state. Some examples from recent developments will be pertinent to show some of the tensions and contradictions involved in the relationship between the foreign and local bourgeoisies.

As an industrialising country, Malaysia has in the last few years attempted to implement a number of policies which have been used by the state to propel growth and accumulation and to prop up the political regime. Malaysia, under the Mahathir government introduced a series of new policies, in particular, the controversial 'Look East' policy, the notion of 'Malaysia Incorporated', the policy of privatisation, and most recently, the thrust towards heavy industrialization. All these are designed one way or another toward propelling Malaysia forward as an NIC, a goal now symbolised by the production of a Malaysian car in a joint venture with Mitsubishi Corporation of Japan.

The Japan emulation policy is aimed at supposedly copying the work ethic of the Japanese and various other elements of the Japanese "economic miracle."¹⁴ The privatization policy is aimed at shifting the burden of government enterprise and provision of various utilities to the private sector. While one set of policies is aimed at increasing or extracting a higher productivity

from the working class, the second is nothing but a ruse by the government to reduce its financial liability by gradually eliminating subsidising social services in these lean times. The economically least able and most dependent members of society will be the primary losers. While the first set of policies represent the emulation of purportedly time-honoured eastern or oriental values so efficiently enlisted by Japan and the East Asian NICs to increase productivity, the second set of policies ironically constitute an outright transplantation of the conservative policies of the West, epitomised consummately by the governments of Ronald Reagan and Margaret Thatcher (Cf. Linda Lim, 1985: 247).

If both sets of policies are aimed at reducing the state's direct participation in the economy, they are unlikely to reduce its role generally in the political regime; indeed, in view of the likelihood that such policies will further strengthen the position of the local and foreign bourgeoisie, by that token their implementation would further consolidate the state which draws its strength and caters to both these classes.

Regime consolidation via the heavy industrialization programme is more straightforward. For Malaysia, continual industrial growth of the economy, never mind its lopsidedness, is a *sine qua non* of accumulation for the various fractions of the capitalist class working in tandem with the international bourgeoisie. Given the present international division of labour, the heavy industrialization programme must perforce involve heavy foreign inputs at least in the initial stages. The record already speaks for itself. The spearhead of such a programme, the Malaysian national car - Proton Saga - project consists of a joint venture of Heavy Industries of Malaysia (HICOM) with Japan's Mitsubishi, in which, of a paid up capital of M\$180 million, Malaysia contributes 70% and its Japanese partner 30%. The car engine is currently wholly supplied by Mitsubishi and a sum of M\$380 million will eventually be expended on plant construction which, needless to say, involves further supplies from Mitsubishi. Similarly, Japanese steel companies, including Nippon and Mitsubishi, have been chosen as partners in a massive M\$830 million steel mill project in the East Coast state of Trengganu in which HICOM holds 51% interests and state, 19%. A newspaper commentary on the project is instructive:

Although the Japanese capital involvement amounts to only 30% of total investment, they are actually running the show. They provide the technology, machines, technical expertise and even the administration know-how, the latter being rendered only in the company's infant stage (New Straits Times, 28 July, 1982)¹⁵

The Look East policy in particular raises a fundamental issue for the economic restructuring programme of the NEP and generates contradictory class alignments. Since its implementation in 1981, Japanese investment has been climbing, with particularly large doses of \$69.1 million in 1981, \$139.8 million in 1982 and some \$79.3 million in 1984. However, most of this capital was invested in massive projects involving Bumiputra participation such as the Kedah cement, national car and motorcycle engine and seamless pipe projects which accounted for \$37.8 million, \$75 million and \$14 million

respectively (MIDA, n.d.: 2). Another consequence of the Look East policy -- intended or otherwise -- was the granting of large construction and other turnkey projects to Japanese companies. The now classic case of the \$400 million white elephant Dayabumi project and the recently-built Putra World Trade Centre housing the UMNO headquarters are two examples. In the Dayabumi case, the government awarded the contract to the Japanese Companies Takanaka Konten and Kumagai Gumi and its local partner, Resilient Construction, despite another tender reportedly of a sum \$71 million lower than that of the final recipients.

Obliquely linked with Malaysia's heavy industrialization policy is the proposed construction of the \$8.2 billion Bukun Dam in Sarawak. This project for which a feasibility study was done by the SAMA Consortium on behalf of the German Agency for Technical Cooperation for a tidy sum of \$37 million will, when completed, generate 18,000 GW (gigawatt-hour) with a maximum capacity of 2400 megawatts. More controversially, a total of 4200 people from 15 communities have to be resettled at a \$65 million cost when the project is commissioned in 1995 (Sim, 1986:19). Environmental and other groups have protested that such a massive project will not only bring about enormous ecological damage to the environment and uproot whole traditional communities but would give scant benefit to the local populace and is furthermore of dubious worth to national development. Politically, however, such a project is bound to buttress the state government and lubricate the local capitalists, in view of its vast expenditures.

Given the prospects of a low to no-growth economy in the second half of the 1980s, the government will have to rely more and more on foreign capital to the extent that it has recently even been willing to relax NEP and ICA (Industrial Coordination Act) requirements for foreign participation in the economy. Recent changes to the ICA exempt manufacturers with shareholders' funds of less than M\$1 million and which employ less than 50 full-time employees from having to apply for a license (the previous limits were M\$250,000 and 25 employees). Moreover, no equity condition will now be imposed on companies with less than M\$1.5 million provided they do not have pioneer status. In addition, companies exporting more than 80% of production will be allowed to retain up to 80%, rising to 100% foreign equity for high-tech fields (*FEER*, 25 September 1986). Indeed, it is of note that these new relaxations on the role of foreign capital was due to pressure from the World Bank which in a confidential report on Malaysia called for an "unshackling" of the country's industrial investment policy from the rigid rules associated with the NEP and enhancement of Bumiputra participation in the economy (*FEER*, 7 August 1986). It is clear that this new set of policies aimed at wooing foreign capital and pleasing the World Bank coupled with previous policies such as the Look East policy, privatisation and Malaysia Incorporated are aimed at propping up the state in a time of economic hardship and, as a corollary, opposition to such policies in whatever form is likely to invite a further tightening of social and political control by the government.

From the foregoing discussion, there is unassailable evidence that a transnationalization or internationalization of industrial development in Malaysia has been proceeding apace, particularly since the Mahathir

government's proclaimed quest for NIC status. Whether a "denationalization" process necessarily follows is somewhat more of a moot point. Certainly, the new Japanese intrusion into the economy in the last decade and a half (Saravananuttu, 1985a) must indicate some level of denationalization of the economy. On the other hand, from the perspective of the formal ownership and control of the economy, a "nationalization" process has also occurred as witness the declining foreign share in the economy noted earlier. It is evident that the government has singled out certain areas for increased national control, such as vital natural resources like petroleum, and left other areas open for foreign control, such as offshore production of semiconductors, for instance. In the case of the banking sector, it has been noted that the government has a blanket ruling on not allowing foreign banks to open branches, only representative offices, since the early 1970s. (Liow, 1986: 12).

However, recession has now given the latest fillip to possible renewed augmentation of foreign involvement in the economy evidenced by the new relaxation on the rules for foreign investment. Inasfar as the Malaysian economy is still heavily dependent on the foreign bourgeoisie, to that extent it can be said to be "denationalised" but even so only if national policies have been obsequiously geared to foreign interests. In Malaysia's case, it is not entirely clear if the interests of the national bourgeoisie have been totally subsumed by those of its foreign counterparts since there is some evidence of an implicit pact or division of spoils, as it were. O'Donnell's proposition in this instance is somewhat sweeping. I would maintain it is sufficient to speak of internationalization of the economy in Malaysia's case.

Demulihan

Restoration, Normalization and Political Exclusion

Three other main political-economic processes underscored by O'Donnell - restoration and normalization of political and economic order, political exclusion or suppression of popular mobilization and its corollary, depoliticization - are indeed evident in the Malaysian state. We have already touched briefly upon some of this when discussing increasing authoritarian trends in the face of a recessionary economy.

In fact, these trends run much deeper than the impetus they have received from the present economic crisis nor indeed are they, as the government would have the citizenry believe, temporary, hardship measures to stabilise the polity. Restoration or normalization of the political order was the very theme of government in the post May 13 1969 period after racial riots and tensions engulfed the country in the aftermath of a general election. Eighteen years have elapsed since then. Indeed, before that, the Internal Security Act (ISA) of 1960 which legalises detention without trial was presumably also a contingency measure to mop up remnants of a communist insurgency which the 12-year emergency under the British had failed to totally eliminate. The ISA remains in force and has been used to great effect by successive governments after the Tunku's by no means only to detain "communists." Thus, in the name of a return to "normalcy" various draconian measures have been "temporarily" introduced by the state purportedly to curb political excesses. These measures, the ISA, the Sedition Act, the ban on political rallies, the Printing Presses and Publication Act, the Official Secrets Act, ecetera, are now not only a permanent part of the political landscape but are

further buttressed by new-fangled draconian amendments year after year. Their political value is clear; the state through such measures augments its surveillance over the citizenry.

Kawalan ketat
State surveillance goes hand in glove with political exclusion which has been institutionalised systematically through legal-constitutional processes. Barraclough (1985) documents the extremely skillful and consistent use of coercion to curb opposition and dissident groups by the state through the ISA, the Societies Act, the Essential (Security Cases) Regulations as well as by using the police and Special Branch. He concludes that:

....there is ample evidence that the regime has [also] considered coercion as one of the means of managing legitimate political opposition and dissent. Domestic opponents have frequently been branded as communists, communist sympathisers or as unwittingly furthering communist ends, in order to justify detentions or restrictions upon political activities. The use of such coercion has been kept fastidiously within the bounds of strict legality -- even to the point of enacting elaborate retrospective legislation, and amending the Constitution to expand emergency powers. In its application in the past decade, coercion has been used against all communal groups and not merely against non-Malays. In the past, coercion has been most persistently used against those associated with political parties of the left. In recent years, however, it has been increasingly used against Islamic opponents -- especially those attempting to mobilize the Malay peasantry to articulate its grievances. (1985: 819-20)¹⁶

Indeed, parliament's action in November 1986 of tightening the Official Secret Act is further symptomatic of the state's continued attempts to erode the political rights inhering in civil society. The widespread opposition to the act by the journalists, Bar Council, Aliran and the public at large suggest a strong similarity to the campaign mounted by similar groups in the height of the furore over the 1981 amendments to the Societies Act.¹⁷

Authoritarian controls aimed at the political exclusion of political opponents are particularly evident in the electoral process as was amply demonstrated by the run-up to the August 1986 General Election. The whole state apparatus was mobilised by the ruling parties to secure victory in a drastically reduced electioneering period of 9 days. Indeed, prior to the election gerrymandering constituencies in the 1984 re-delineation exercise had reduced the chances of the urban-based DAP and rural-based PAS opposition parties. Among some of the more novel tactics used was reportedly the employment of an international public relations firm to promote the ruling Barisan Nasional coalition and to denigrate opposition parties and personalities through political cartoons. The media, controlled by the government and political parties in the ruling coalition, were used to near perfection during the period of the hustings with the ruling parties hogging practically all the air time and the Press while the opposition parties suffered a virtual black out.¹⁸ In the event the Barisan Nasional which won 61.9 of the parliamentary votes, secured 84.2 percent of the seats, well over the two-thirds majority of seats

> 2/3
necessary for constitutional amendments, which the opposition sought to deny in their campaign.

Normalization of the economy has also been the order of the day since recession set in over the last three years, with the severe downturn of the economy in 1985, discussed earlier, precipitating the present crisis. In the face of political pressure from below arising from the recession, the state has become progressively more willing to apply political exclusion tactics, finding scapegoats and targets for political repression in the more marginal and powerless groups of society. These include what the state might conveniently dub as the political "lunatic fringe". The recent "Memali incident" of 19 November 1985 in which 400 villagers clashed with 200 policemen in the state of Kedah and left dead 14 civilians and four policemen (FEER, 16 January 1986) is perhaps a case in point.

From another perspective, normalization doubtless will entail further intrusion by foreign interests, namely the internationalization process, as the state burdened by a mounting national debt becomes literally bankrupt and more and more money and investment has to come from abroad if only to maintain a modicum of growth in the economy.

By Way of Conclusion

It remains to reflect upon the normative concerns posed at the outset of the paper, namely, the issue of how democratization may be promoted in the particular variant of the BA state now institutionalised in the Malaysian social formation. O'Donnell's article ended on the same problematic but unfortunately he was not as trenchant or forthcoming in providing plausible answers as he was in specifying the problem. Certainly one couldn't resolve the democratization issue by merely posing a series of rhetorical questions, viz, "How long can a kind of domination endure which is based in thin consensus and which is so overt - and particularly so overtly coercive? How long can a state apparatus sustain itself in the face of the silence and opacity of civil society? How many Franco's Spains and Salazar's Portugals can there possibly be?" (1979: 314). To bring it closer home one could volunteer, "How many more Marcos's Philippines?" However, this still begs the question particularly in terms of eliminating authoritarian statism of the sans dictatorship variety.

Perhaps O'Donnell's implicit analytical position is that the general problem has to find its solution in the particularities of each concrete situation. While this is no doubt a truism, some broad issues remain unbroached, which is the task of this final section. However by no means do I make any claim of exhausting debate on the democratization issue. Suffice to say that the problem at the very least has to be addressed analytically and programmatically. Put simply, if we accept the analytical validity of the BA state, what kinds of alternative political institutions and social structure are necessary and conducive to democratization, and at the practical or programme level, what measures and activities are to be encouraged in civil society or state structure for that matter in order to democratize the state?

Some pointers to these thorny issues are suggested in the work of the so-called post-marxism school. Although not written in the context of the Third World

but rather more in terms of "late capitalism" in the European context, the analysis therein contains valuable insights for the Third World. The issue at hand for the post marxist school is one of transcending the pitfalls of both bourgeois democracy and rigid socialism. Its work puts a premium on expanding the role of civil society and encouraging social pluralism, summarised by Pierson (1984: 568), as follows:

(1) Any form of socialism which is to realize aspirations for both liberty and equality must be based not only upon the overcoming of the division between state and civil society but rather upon their increasingly clear and formalized differentiation.

(2) Rather than fostering socialist morality, civil society must be the site of a legally guaranteed plurality of aspirations, ways of life and ideologies.

(3) Anticipations of 'the end of politics' and the end of conflict over the distribution of means and resources (even under circumstances of abundance) are utopian, as is the corresponding expectation of the overcoming of the necessity of law. Under these circumstances, an (extended) set of civil and political rights, and the state as legal guarantor of these rights, is indispensable.

(4) All forms of emancipatory struggle under late capitalism are not reducible to forms of class struggle. An emancipatory politics must therefore recognize the necessity of alliances of liberating forces within a popular-democratic (rather than exclusively class-based) struggle.

For Malaysia, there is much to be said for the value of social pluralism, given the ethnic and cultural heterogeneity of its social fabric. The premium on a strict division between state and civil society would also be germane to democratization particularly in the Malaysian context when the wielders of state power are wont to blur the distinction often in their attempt to justify the excesses of authoritarian controls. In a typical statement recently, the Malaysian Prime Minister, Datuk Seri Dr. Mahathir said that Malaysians were too taken up with the "so-called democratic processes to the extent that we ignore whether they benefit us or not." Further, that "In our democracy, the interests of the majority are more important than the interests of the individual." (*The Star*, 17 November, 1986). Given such a view of democracy, i.e. one based crudely on majoritarian rule, the ruling coalition's command of seats in parliament, could therefore be used to justify all manner of state excesses on civil society. It is therefore imperative, given the attitude of the power wielders, to maintain the independence of the judiciary (even if it is a state apparatus in the strict sense), the legitimate role of profession bodies, trade unions and the other bulwarks of civil society.

At the programmatic level, some of the answers to democratization would no doubt lie in the expanded role of the popular movements, be they consumer, environmental, women, media, professional, and social reform, all of which already have a nascent presence in Malaysian civil society. Elsewhere, I have argued that political parties as the traditional interest articulators in

Malaysian politics have failed in their historical mission as, with few exceptions, they are essentially "ethnic mobilisers." In other words, political parties, which by definition are dependent on the political process for power, have not only not been able to transcend the communalism that permeates that process, but moreover have, in vying for power on ethnic lines, exacerbated it. There is therefore much to be said for an increased role for non-ethnic based public interest societies (See Saravanamuttu, 1984).

An object lesson of creating or improving democratic spaces within the political order - albeit largely by urban middle class groups - occurred in 1981 over the amendments to the Societies Act (1966).¹⁹ The matter in question was the classification of societies into "political" and "friendly" which would have had the effect of depoliticising or excluded a large number of urban-based societies from performing their legitimate role of influencing or lobbying government policy. A storm of protest emanated from a remarkably wide cross section of some 115 societies cutting across ethnic lines. A secretariat was set up headed by ABIM (Muslim Youth Organization of Malaysia) which coordinated a nation-wide campaign to oppose the amendments. The upshot was that the amendments underwent a review and the distinction between "political" and "friendly" societies was subsequently dropped by the government before the amendments were passed by parliament. An external observer's comments on the episode may be worth citing:

....there clearly are issues that are capable of stimulating broad-based cooperation among Malaysians. As the present case-study shows, communally diverse organizations were sufficiently motivated to combine in opposition to what they regarded as further erosions of their legitimate rights of political participation. At a certain level, there is already a significant degree of transcommunal cooperation in exerting pressure on the Malaysian government over such issues as human rights, environmental protection, consumers' rights, and questions of social justice involving squatters and the rural poor. Should there emerge in the future a general issue touching upon political rights, or special issue relatively free of communal overtones, the example of the campaign against the Societies Act amendments might well enable diverse communal groups once again to cooperate in a bid to modify official policy. (Barraclough, 1984).

A similar and even more vociferous campaign went afoot over the amendments to the Official Secrets Act in the closing months of 1986. Based on this, it appears that Malaysian popular movements which are urban-based seem to have found a *modus operandi* for resistance against excesses of state controls over civil society. Although such events are few and far in between, it is evident that the necessary - though far from sufficient - conditions exist in Malaysia for the begininings of a genuine democratization process to take root. Class-based or rural-based popular resistance are even fewer and farther in between although we noted earlier the picketing of electronic workers and the Memali affair. This article is not the place to delve at any great length into what would be a long, complicated and contentious subject. It would have succeeded in its purpose if the broad outlines for further debate have been drawn.

Postscript

Since revising this article in mid-1987, recent political events make it necessary to reassess some of its earlier conclusions. The particular turn of events concerned may best be dated from October 27, 1987 the day when the government started its detentions of 106 persons under the ISA and revoked the publishing licences of two dailies, *The Star* and the *Sin Chew Jit Poh*, and two weeklies, *The Sunday Star* and *Watan*. The political developments which brought about this second single largest ISA swoop in Malaysian history (exceeded only by the number detained during the May 13 riots) put the event on a historical parallel with May 13 1969. Indeed, the mounting political tensions which culminated in the arrests bear a strong similarity to May 13. In terms of the concerns of this article it therefore bears analysis particularly with respect to its triggering of an immediate authoritarian response and the subsequent further reduction of democratic space by the state. But first let us review the events.

Only weeks before October 27, political tensions were whipped up to fever pitch in events exhibiting typically strong racial tones. What began innocuously enough as Education Ministry appointments of some 100 senior assistants and principals to vernacular Chinese primary schools evoked a storm of protest from Chinese educationists when it was learned that those appointed were not Chinese (Mandarin)-educated. Politicians from the MCA, DAP and Gerakan, the major Chinese-based parties joined the protests and on October 11, 1987, the Dong Jiao Zong (United Chinese School Committees' Association and the United Chinese School Teachers' Association) held a 2,000-strong gathering at the Hainanese Association Building, beside the Thian Hou Temple in Kuala Lumpur, which elicited racially provocative speeches from Chinese politicians present. The meeting resolved to call a three-day attendance boycott in Chinese schools if the appointments issue was not settled immediately by the government.

In the event, even though the boycott was called off, albeit at the eleventh hour, the stage was set for a mirror response from the Malays, led by UMNO Youth. A mass rally of 10,000 was held at the TPCA Stadium in Kuala Lumpur and by then the UMNO politicians had seized the initiative to condemn MCA leaders such as the deputy president and Labour Minister Lee Kim Sai for championing the Dong Jiao Zong cause and colluding with the opposition DAP. Amidst calls on both sides for resignations of Education Minister Anwar Ibrahim and Lee Kim Sai respectively, UMNO was spurred on to announce the holding of a mammoth rally in Kuala Lumpur on November 1 to celebrate its 41st Anniversary at which, it was claimed, would see the attendance of half a million members.

The proposed November 1 UMNO rally was ostensibly the event which precipitated the October action by the Inspector-General of Police Tan Sri Haniff Omar. Had the rally been held it was probable that racial riots would have been sparked by incendiary UMNO speeches in such a massive monoethnic gathering (the antecedent Harun "tea party" of 1969 comes to mind). Furthermore, a tinder box situation was already created just ten days back by the rampage of a Malay soldier (a.w.o.l) who killed one Malay and wounded two Chinese with an M16 machine gun in the Chow Kit area - also

the scene of the May 13 bloodbath - straddling two large Chinese and Malay communities. The pundits have it that the Prime Minister Dr. Mahathir Mohamed had to provide his party (UMNO) with a *quid pro quo* for cancelling the rally. Hence the arrests of Chinese-issues politicians and activists. In his speech to Parliament on October 28, he explained: "The police felt the situation was dangerous for the country. I agreed with them that we could not wait for riots to break out before taking action. We had to take immediate steps to prevent riots and save the country from eventual danger and disaster." The Prime Minister then banned all political rallies, having thus also purportedly explained the mass arrests by the IGP. (*New Straits Times*, October 29, 1987)

Among the more prominent detainees were opposition leader and DAP secretary-general Lim Kit Siang, Aliran president Chandra Muzaffar, DAP deputy chairman Karpal Singh, MCA vice president and Perak chief Chan Kit Chee, United Chinese Schools Committee Chairman Lim Fong Seng, publicity chief of the Civil Rights Committee Kua Kia Soong, PAS Youth Chief Halim Arshat, UMNO MP for Pasir Mas Ibrahim Ali and UMNO Youth education chairman Mohamed Fahmi Ibrahim. Although more than half the detainees have now been released either unconditionally or conditionally, at least 33 have now been issued detention orders of 2 years. Included are Lim Kit Siang and Karpal Singh and 5 other party colleagues, a number PAS members and many social activists.

A categorisation of the originally named detainees, numbering 97, gives the following breakdown:

Political Parties:	37
Social Movements:	23
Individuals:	37

If one makes the plausible assumption that most "individuals" held are likely to be linked to social movements rather than parties or, at least, are independent of them, the predominant group would be those of NGOs and social organizations. Besides the Chinese educationists, all others in this category have little to do with the stirring up of ethnic tensions or mobilising ethnic support on the issues that supposedly led to the police crackdown. Other people arrested included environmentalists, social workers, consumer advocates, social analysts, lecturers, businessmen, ecetera, who can only be linked to the mounting ethnic tensions by a twisted logic.

In the context of this article, this turn of events in Malaysian politics may be appreciated as further evidence of the state employing its coercive power to check popular dissent. In particular, the Mahathir government has been especially concerned with two significant political trends in recent years: the increasingly strident and effective role of public interest organizations and the acrimonious conflict arising from factionalism within UMNO, the ruling party. If government credibility was already worn paper thin by the debacles highlighted by the opposition and social critics (alluded to earlier in this article), clearly Dr. Mahathir's woes were exacerbated by his own tenuous position within his own party, increasingly riddled by factional struggle

especially ever since his erstwhile deputy, Datuk Musa Hitam left the cabinet in a huff. Team B, as Musa supporters were dubbed, were joined by the supporters of demoted former finance minister Tunku Razaleigh Hamzah and who, together with Musa formally challenged Mahathir's Team A in the April 24 1987 UMNO elections, coming within a hair's breath of toppling his leadership.

Having failed there, the Team B elements have carried their struggle into the courts. Eleven of an original 12 UMNO members are now pressing charges that the April 24 elections are null and void because of irregularities. The suit filed at the Kuala Lumpur High Court is still pending further hearing at the time of writing. Meanwhile various attempts to settle the matter out of court (including UMNO secretary-general Sanusi Junid's offer to resign) have drawn a blank. One hypothesis has it that the arrests of Team B UMNO members served as a veiled threat to those who chose to stubbornly oppose Mahathir.

The October 1987 developments supports the second set of the BA state hypotheses about the overall tendency towards restoration, normalization and political exclusion. Predictably, following the crackdown, the coercive laws of the state have been tighten up further at the December 1987 sitting of Parliament. The Printing Presses and Publishing Act were given more bite by a requirement that printers and publishers have now to apply for new licenses annually whereas they were merely required to renew them yearly before. In addition if any license is revoked by the government, the action cannot be challenged in a court of law (*New Straits Times*, December 4 and 5, 1987). The amendments to the Police Act practically makes it a new act as the government itself freely admits. It would now be practically impossible to hold any political gathering without police permission. This includes the annual meetings of political parties. If one is caught even inadvertently attending one such "illegal" meeting, one is liable to a minimum fine of \$2,000 and a maximum fine of \$10,000 and up to one year's jail (*New Straits Times*, December 5, 1987). In the eyes of the government, these laws will restore political normalcy for the public at large but in the same stroke it has also drastically proscribed popular participation in politics not favoured by the ruling group.

Needless to say, democratization via the route of a higher profile of NGO participation in public issues has suffered a severe blow. The "successful" *modus operandi* in opposing the Societies Act in 1981 and in conducting a similar campaign in 1986 over the OSA is now practically a closed route with the new laws. Indeed, the crackdown itself saw the local NGOs fumbling desperately to find channels for voicing their views on the arrests. This writer having earlier taken to task O'Donnell for posing rhetorical questions on democratization, is now reduced to repeating one of them: "How long can a kind of domination endure which is based in thin consensus and which is overt -- and particularly so overtly coercive?"

NOTES

¹For a discussion of the analytical trends of the post-marxist school, see Pierson, 1984 and Thrift, 1985.

²Such a notion of the state is consonant with Marx's conception of it as the repressive apparatus of the state which he elucidated not altogether unemotively in *The 18th Brumaire of Louis Bonaparte* as "this executive power with its enormous bureaucratic and military organization, with its ingenious state machinery, embracing wide strata, with a hosts of officials numbering half a million, besides an army of another half million, this appalling parasitic body which enmeshes the body of French society like a net and chokes its pores" (Cited in Miliband, 1983: 10).

³Hua Wu Yin (1983), presenting what may be one of various Malaysian Chinese perspectives suggests that the comprador class were in fact the English-educated bourgeoisie while the Chinese and Indian "commercial bourgeoisie" should not to be categorised as "comprador" (pp.52-62). For a more balanced treatment, see Jomo (1986: 205-218) who apparently eschews any hard and fast depiction of any bourgeois class fraction as comprador or national because of the ambiguous nature of relationships within the spheres of both domestic and international circuits of capital. The reluctance to specify the comprador fraction springs from the sensitive issue of identifying one particular ethnic grouping as collaborators of the British.

⁴Literally, "sons of the soil" or more pertinently, the Malays, who constitute the large majority of this category of Malaysians. The other Bumiputras include the native peoples of Sabah and Sarawak and the Malaysian aboriginals.

⁵For an interpretation of the expansion of public enterprises in Malaysia from the perspective of "patrimonialism", see Gale (1981). Jomo (1986: Ch 10) provides a countervailing approach from a class perspective. The state "administrators", according to him, were reconstituted from the governing or reigning class of erstwhile Malay bureaucrats nurtured by the British and which emerged as the vanguard of Malay nationalism in the post independence period. This class now controls the commanding heights of state-bred public enterprises such as Pernas (National Corporation), Petronas (National Petroleum Corporation), Mara (Malay Trust Council), Urban Development Authority and the state development corporations.

⁶For a more sustained analysis of this, see Saravanamuttu (1985).

⁷See also Tables 2 and 3 which show employment by occupation and by sectors in terms of ethnic groupings. While, bumiputras are still predominantly in agricultural occupations, some success in the broad restructuring exercise is indicated by the now relatively large percentage of bumiputras in professional and semi-professional occupations.

⁸See, for example, *Aliran Monthly*, March/April 1986 and Lim Kit Siang (1986) for some suggestions of how high up the scandal led.

⁹See, for example, Supriya Singh, "The Knife-edge of the Debt Crisis," *New Sunday Times* 16 September 1984, who pointed out that at the end of 1983 Malaysia's external debt of \$30.9 billion required a repayment of 13 cents for every ringgit of export revenue in 1984.

¹⁰See also Peninjau, "Growth rate: Last Quarter Must be Very Bad," *The Star*, 10 March, 1986.

¹¹See *The Sunday Star*, 2 February, 1986 and MIDA/UNIDO (1985). There have been various studies of the electronics industry in Malaysia from different perspectives. Among some, see Linda Lim (1978), Datta-Chaudhuri (1984) and Kamal Salih and Mei Ling Young (1985).

¹²Cf. Baraclough, 1985 and discussion further on.

¹³Some of the spokesmen of these companies have maintained that the semiconductor industry in particular is neither "footloose" nor a "sunset" industry. Recent attempts to diversify markets on the one hand and step up automation as well as the upgrading of some production processes on the other, appear to support such a claim. (I owe this information to Rajah Rasiah, a master's candidate in Social Sciences at the Universiti Sains Malaysia.) As for the case of the shutting down of Mostek, which produced mainly 64-K chips for personal computers, it was forced to close down largely because of the slump in that market as consumers turned more to the more popular 256-K chip. The plant meanwhile has been bought over by the French-based Thompson,

suggesting that the electronic industry in Malaysia as whole may not be on decline. For a discussion of these points, see Kamal and Young (1985).

¹⁴For a critical evaluation of Malaysia's Look East, see my articles (1985, 1984).

¹⁵A major blow to the project came towards the latter half of 1987, when the heart of the steel plant, the highly sophisticated but experimental Direct Reduction Plant was forced to shut down due to technical problems linked with its failure to produce HBI (hot briquetted iron) to specifications. Nipon Steel reportedly paid Perwaja a \$200 million compensation for the failure. The present plant is now operating only its scrap iron "meltshop" which rolls off iron billets. The small proportion of HBI which has to be used in this process has to be imported from outside. Most of the scrap is also imported from abroad, Malaysia being able to supply only about 20-30 percent of this "raw material." (Information gathered from various newspaper reports and through informal communications).

¹⁶Chandra Muzaffar's work and speeches also document from various perspectives the many legal and extra-legal measures by the government over time to progressively reduce the arena of legitimate political discourse or debate. See, in particular, his *Freedom in Fetters* (1986a).

¹⁷The National Union of Journalists (NUJ) in their campaign against the amendments to the OSA, collected a total of 36,000 signatures from members of the public. Beside the signature campaign the public interest groups held forums throughout the country in which speakers questioned and denounced the amendments. Both opposition parties in parliament, the DAP and PAS also took up the cudgels to protest the act. Indeed, a number a members of parliament on government benches spoke up against it but any governmental dissent was obviated by the Prime Minister's imposition of the whip in passing the bill. (Various newspaper reports and communications).

¹⁸These comments are based on personal observations but can be easily substantiated by a cursory reading of the the leading dailies, The Star, The New Straits Times, Berita Harian and Utusan Malaysia during the period of the hustings. The three television channels comprise two owned by the government and a private channel owned by an UMNO company, Fleet Corporation. See Muzaffar (1986b) for an analysis of what might well have been one of the "dirtiest" elections in Malaysian history.

¹⁹For an account of the happening, see Barraclough, 1984, and Grumit Singh, 1985.

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