

ISLAMIST RESPONSES TO GLOBALIZATION: CULTURAL CONFLICT IN EGYPT, ALGERIA, AND MALAYSIA

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If one surveys the postcolonial states and societies of Islamdom, what is readily apparent is that despite contentious intellectual ferment and an explosion of social movement activity, not all states and societies with Islamic majorities are experiencing levels of communal, ethnic, or religious conflict to the degree that regimes, states, and international security are threatened. This variation raises a number of questions for the study of communal conflicts in Muslim-majority states: What factors explain the variations? Why are some state elites successful in containing the revival of radical Islamic movements while others face civil war and/or permanent low-intensity conflict? Is an Islamic nationalism replacing the secular nationalism which in the era of Fordism had been so prominent? How has the restructuring of the global political economy since 1975—the petroleum boom and neoliberal economic policies—shaped the context within which state elites and Islamic movements compete for popular support and hegemony over the discourse of nationalism?

In this essay I will argue that communal conflict, either high or low, is determined by the interaction of three factors: (1) globalization processes, including adjustment to post-Fordist economic structures, economic liberalism, and structural adjustment policies; (2) state developmental capacity, especially the ability of a state to manage economic growth and income distribution, constrain corruption levels, and manage relations with ethnic minorities; and (3) the historical legacy of Islamic institutions and movements, including indirect rule, roles of Islamic elites in the national state, and the forms of Islamist opposition. I begin with a conceptual discussion of these three factors and then illustrate the argument with a

comparison of Algeria and Egypt—countries that experienced high communal conflict—and Malaysia, a Muslim-majority state that has experienced little communal conflict.

LIBERALIZATION AND ETHNIC CONFLICT

During the period of national independence, regimes in Muslim-majority states varied in terms of structure, ideology, and social base, often recycling between military and civilian rule but in essence remaining authoritarian. Sometimes the secular regimes were based upon the military (Egypt, Libya, Mali, Niger, Nigeria, Algeria, Indonesia, Sudan), while others relied on a centralizing, secular party like the Ba'athists (Tunisia, Iraq, Syria, and Senegal); finally, building upon alliances formed during indirect rule, some regimes institutionalized autocratic monarchical forms, combining Western technical support. Patrimonialism, and (with the exception of Iran) claiming Islamic legitimacy for authoritarianism (Kuwait, Brunei, United Arab Emirates, Jordan, Morocco, and Saudi Arabia). Since the onset of Fordism in 1945—in other words, except for temporary transitional periods and/or highly managed semidemocratic initiatives (i.e., Jordan, Turkey, Malaysia, Pakistan)—political liberalization as defined by Western political discourse (open elections, rule of law, minority and citizen rights, independent judicial review, etc.) has been nearly universally absent.

The absence of political liberalism means that it could not have been a causal factor in unleashing the backlash of an Islamic revival and associated communal conflicts. But what about economic as distinct from political liberalism? Notwithstanding classical liberal theory that argues for the indispensability of the political and economic, is it true that the two are always found together in actual practice? Even more pointedly in our context, are they harmonious? Conventional wisdom suggests that early political liberalization may weaken decisively a state economic elite's organizational capacity to implement subsequent liberal economic reforms (e.g., the Soviet Union). Alternatively, the introduction of economic liberalization—or more felicitously, structural adjustment programs (SAPs)—in developing states is invariably associated with economic dislocation. This

means reductions in living standards and shocks to the governing coalition. Thus, as discussed in the introduction to this volume, economic liberalization can undermine the possibility of a peaceful transition from authoritarianism to political liberalism. Since few electorates will vote to lower their real incomes, it is possible that only an authoritarian state can manage a structural adjustment program successfully (e.g., Morocco, Indonesia). Although orthodox liberal theory argues that ultimately economic and political liberalism are as inseparable as identical twins, in practice they may be more distant, for the implementation of one often destabilizes the political environment enough to block the successful transition to the second.

The evidence to be presented here suggests that economic liberalization partially explains communal conflict in Muslim-majority states. Since the onset of global liberalization in the early 1980s, world market prices for primary exports such as oil, changing investment patterns among transnationals, and increased international pressure for free trade regimes (deregulation, reduced state investment/production, and reduced tariffs) have put enormous pressure on political elites governing Muslim-majority states. With the end of the cold war in 1989, state elites have lost some of their strategic ability to leverage gains by playing off East-West rivalries. But is it possible to show a sequential causal relationship between economic liberalization and communal conflicts associated with the Islamic revival?

An analysis of the period from the post-World War II settlement to the start of international economic liberalism reveals two distinct phases. The first phase (Fordism), lasting from 1945 to 1971–74, emerges from the movement for and achievement of national independence for Muslim-majority states. This was a period of steady economic growth, Keynesian political coalitions, demand management and rising incomes, and fixed exchange rate for a gold-backed dollar, not only in the West, but also in many of the Muslim-majority states that pursued their own versions of state-led development. Most important, this “golden age of capitalism” was based upon stable and low prices for oil, the bulk of which was imported from Muslim-majority states. Within the Western alliance, the breakdown of Fordism became obvious by the early 1970s, as evidenced by tight labor markets and rising inflation; declines in real wages, productivity, and profits for reinvestment; and the internationalization of fi-

nance after the 1971 devaluation, floating of the dollar, and termination of the gold standard (Glyn et al. 1990). With the OPEC price revolution of 1973–74, the postwar Fordist model effectively stalled, lurched into crisis, and (we see in hindsight) began a transition to the globalization of finance, production, and consumption, a process aided later by innovations in microelectronics and communications.

By 1982 the international debt crisis and the Reagan political victory created a new coalition advocating neoliberal international economic restructuring, which in turn contributed to a broader process of globalization, stimulating the growth of transnational manufacturing and the internationalization of financial institutions. All of these developments constrained the autonomy and economic sovereignty of the national state. Most important for Muslim-majority states, the globalization of economies, societies, and cultures is deadly for state-led, import-substituting industrialization, for it reduces state economic autonomy, erodes national-cultural loyalty, and constrains access to resources for political redistribution. This is true unless political elites reorient their strategy to export-oriented industrialization (EOI) in the fashion of Taiwan, Singapore, Korea, Malaysia, and Thailand (Haggard 1990).

For Muslim-majority states, the second phase began in 1973–74 with the OPEC price revolution and lasted until 1979–82. In the West, this was a period of international economic instability, rampant inflation, declining real incomes, and the dissolution of the Keynesian coalitions. But it was also marked by a surge of state-centered development in oil-exporting states. Initially at least the OPEC price revolution was a windfall for the political elites of oil-exporting states because the nationalization of the oil industry and the price revolution shifted unprecedented economic power in the form of unearned petroleum rents to the elites managing the state sector.

Unfortunately, however, not only did the petroleum boom increase the autonomy of the state elites, but it also deepened their commitment to large-scale, state-controlled, uncompetitive industrial projects and unrealistic macroeconomic policies (e.g., exchange rates), which promised them not only control over the national economy, but also personal wealth through kickbacks, bribes, and other rents to be used for coalition maintenance. Hence at a time when the East Asian NICs were restructuring their economies and societies toward state-guided but market-augmenting, export-oriented in-

dustrialization so as to adjust to increased internationalization and global competition, the euphoric oil-exporting states were restructuring in the opposite direction (Haggard 1990).

Once the commodity boom crashed in the mid-1980s (oil went from \$41 per barrel in 1980 to \$8 by 1986), the social dislocation was even greater for Muslim-majority states dependent directly or indirectly on petroleum rents. These states had so far to fall because the rents were an unearned windfall, like manna from heaven, rather than an accumulation of capital arising from a disciplined structural transformation like the East Asian NICs' management of export-oriented industrialization. By the time Khomeini triumphed in the Iranian revolution (1979), the petroleum boom had the anomalous effect of strengthening state-centered development while at the same time internationalizing consumption, finance, and labor flows, raising expectations unrealistically, inflating investment in higher education, increasing social inequality, and disrupting the social equilibrium in most Muslim-majority states as never before. The boom disrupted social relations and thus created the structural conditions in which Islamic political movements thrived.

Economist Alan Richards reminds us that oil booms raise urban incomes, stimulate construction booms, spike inflation rates, and encourage rent-seeking behavior (Richards 1987). In turn, this encourages a decline in the terms of trade for rural producers, increases rural to urban migration, tightens rural labor markets, and raises rural wages in order to compete with the booming rates of the cities. Cities themselves soon become vast construction projects absorbing enormous numbers of rural-origin unskilled laborers. Food imports rise and tastes change (toward sugar, rice, and white bread). In response, a regime awash with petrodollars typically initiates capital-intensive, state-managed irrigation schemes and encourages its allies, the urban merchant-bureaucrats-military officer stratum, to invest in luxury food production (poultry and meat) with state-subsidized, capital-intensive machinery and imported fertilizer. The central point, therefore, is that even before neoliberalism became the cutting edge of a broader globalization process at the end of the 1980s, the petroleum boom had internationalized the economies of oil-exporting states and labor exporters, disrupted the existing social equilibrium, and provided the structural stage in Iran for the first

Islamic revolutionary triumph after approximately four centuries of Western dominance.

GLOBAL RESTRUCTURING AND STATE DEVELOPMENTAL CAPACITY

The central explanation for the negative effects of the oil boom has more to do with the legacies of weakened state capacity in many Muslim-majority states than state control per se. Korea's Pohang Iron and Steel, for example, is state controlled, and yet it "is the world's second largest and most cost-efficient steel producer" (*Wall Street Journal*, 20 March 1995, p. A12), including a joint venture with USX in California (Pred 1992; Amsden 1989). OPEC states, in contrast, as we shall see below, were marked by feeble state institutions purporting to uphold the social contract; feeble institutions were incapable of pursuing a sustained development policy. Their bureaucracies were both bloated and rigid—indeed they were seen as dumping grounds for patronage by incumbent government. Corruption was rampant in most political institutions, and networks of patronage prevented merit-based career advancement. Political institutions both inhibited democratic initiative and perpetuated economic inequality.

Partly as a result of these ineffective and corrupt state institutions, the oil boom did not usher in an era of sustained economic development, but rather led to windfall profits that were quickly dissipated. The volatility of international markets exacerbated this situation. The crash in petroleum prices and the rising indebtedness of Muslim-majority states in the 1980s were devastating to development programs. Even the Saudis are now indebted and forced to reduce to restructuring programs managed by Western financial institutions (banks, the International Monetary Fund [IMF], and the World Bank). Note that Islamists have seized the banner of nationalism and challenged the legitimacy of the postcolonial secular state elites who administer the SAPs. Popular resistance to austerity programs, both SAPs and local initiatives, has been common in a number of Muslim-majority states with widely varying political ideologies (Morocco, Algeria, Egypt, Tunisia, Nigeria, Senegal, Paki-

stan, and Jordan). Just as the petroleum boom united Muslim interests in opposition to states and corporations that had formerly controlled their resources, the debt crisis and neoliberal restructuring of Muslim economies has inspired populist resistance and rallied moderates to support the more radical Islamic opposition to political programs that reduce state subsidies, curtail state investment, and impoverish those most vulnerable in the Muslim community. Not only do SAPs violate Muslim prohibitions against charging interest on debt as well as the state's obligation to provide alms to the poor (*zakkat*)—typically in the form of state subsidies for basic needs—but also their transparently foreign control, often depicted as Western Christian or Zionist by anti-imperialist Islamists, rapidly evaporates any shred of legitimacy possessed by the postcolonial political elites.

Hence even though the crisis of peripheral Fordism has deeper historically antecedent causes, it is nevertheless true that SAPs, defined here as one of the essential regulatory and disciplining agencies of globalization, stimulate the populist dimension of the Islamic revival in economically depressed, bureaucratically overburdened, and politically corrupt states, and since they have yielded few positive results, they eventually undermine the legitimacy of the pro-Western states that submit to them. In the everyday life experiences of the believers, moreover, SAPs confirm the failure of the secular national state to provide economic security originally promised in the secular national development project. Equally important, because SAPs reduce the state's resources, they encourage the economically weak in urban centers to rely on the redistribution of basic needs (food, medicine, etc.) dispensed by Islamic charities rather than state social service agencies. In some situations the Islamic organizations have become a parallel state welfare service. Within secular states, moreover, SAPs are a boon to militant Islamic nationalist tendencies within Islamism, for they confirm to the believers the utter failure of the postcolonial secular state and the attractiveness of the Islamic nationalist alternative.

**POLITICAL ISLAM: A NEW EXPRESSION OF
THIRD WORLD NATIONALISM?**

According to Islamic political theory, the local, particular, communal (ethnic), or national identity may coexist alongside a universalistic Muslim identity only if the Islamic takes precedence. But the question of whether a Muslim's primary political loyalty lies with his/her national (Islamic) state or with the global Islamic community (*umma*) is not a trivial scholastic issue. During the period of decolonization, asserting "nationhood" became the currency exchanged for obtaining independent statehood. For example, when Pakistan was established as an Islamic state, its founder (Jinnah) stated that "Muslims are a nation," despite the fact that about a third of the subcontinent's Muslims remained in "secular" India and a substantial proportion were later prevented from emigrating to Pakistan. Islamists committed to political Islam as well as many observant Muslims are torn over the issue of loyalty to a national state over loyalty to the universal *umma*. Nevertheless, the pressing weight of the international state system has worked historically to institutionalize loyalty to an Islamically legitimized national state, while at a minimum the transnational *umma* is idealized and praised. But whether observant Muslims are committed to nationalist or internationalist strategies, it remains the case that political Islam inspires movements to challenge the Western concept of secular nationalism and the colonial-origin boundaries of nation-states, most of which became independent during the Fordist era and the cold war. Challenges to these identities and boundaries always risk raising the level of ethnic and sectarian conflict. For Muslims, the seminal issues in this intense debate are the constitution of Muslim national identity, the legitimacy of involuntarily imposed, colonial-origin frontiers and institutions, the loyalty of nationhood versus that of the transnational *umma*, and the relationship between radicals and so-called "moderate" Muslims, as well as non-Muslim minorities.

In short, the conflict that deepened Islamic political identity was between those who aspired to attain an Islamic state and those who fought to maintain a secular political community. When secular states were established in Muslim-majority areas under Western dominance in the decolonization process, Muslim movements, or-

ganizations, and political parties emerged to oppose secular nationalism and Western-dominated state boundaries. Perhaps if secular states had been strong in Muslim-majority regions, "political Islam" would have remained encapsulated in political parties and political organizations, peacefully competing for allegiance and representation within the political arena. As other chapters in this volume have suggested, a strong secular state can mute the political relevance of cultural identity. But in the Muslim-majority areas under consideration here, secular states, riddled with corruption and weakened by globalization and liberalization, were not capable of muting the popularity of political Islam. Ironically, as we shall see below, the Islamically legitimated state of Malaysia was able to weather the globalization and liberalization process much more successfully than most secular states in Muslim-majority areas and thus was able to maintain the strength to mute potential cultural conflict.

EXPLAINING HIGH AND LOW COMMUNAL CONFLICT: A COMPARISON OF THREE CASES

Let us now shift our analysis to a comparison between the Muslim-majority states of Egypt and Algeria, which pursued a secular nationalist path, and Malaysia, a state that pursued an Islamically legitimated route to independence. It should be noted at the outset that virtually all Muslim-majority states have experienced communal conflict, ethnic clashes, or Islamic insurrections in the past two decades. Even states that do not appear to be threatened by communal conflict were forced to cope with it. For example, the Syrians put down a revolt led by the Muslim Brotherhood by shelling and leveling the town of Hammah in 1982; the Saudis called on French security forces to put down a Mahdist insurrection in the great Mosque of Mecca in 1979; Muslims in Indonesia were repressed by the army in the early 1980s; and Saddam Hussein has successfully crushed Shi'ite opposition in southern Iraq.

The point here is that both secular nationalist and Islamically legitimated states have been successfully overcome by Islamic insurrectionary movements. For comparative purposes, however, one can discern polar types of outcomes: one where high communal conflict

emerges in an endemic and state-threatening way and, alternatively, situations of low conflict, generating outcomes where state elites manage to coopt, divide, or repress Islamists, successfully adjust their economy to the new global realities of post-Fordism, and negotiate bargains with sectarian and ethnic groups. Let us examine some cases in light of our argument regarding the interaction of globalization, state capacity, and Islamic institutions.

HIGH COMMUNAL CONFLICT: EGYPT AND ALGERIA

In the Egyptian case, rising communal conflict among Muslims against representatives of the regime of Hosni Mubarak and against the Coptic Christian minority have now become endemic. The combination of economic decline, corruption, and Islamist resurgence now threatens to destroy the Mubarak regime. The crisis arises because of the failure of state-centered development strategies to deliver improved living standards and institute democracy, despite considerable liberalization of the economy under Anwar Sadat and Mubarak. Since Sadat signed a peace treaty with Israel, thus receiving about \$2.1 billion annually in American aid, Egypt has become a pivotal ally and the hub of American activity in the region. Over half the U.S. aid (\$1.3 billion) is earmarked for the military. Sending Egyptian forces to support the Americans in the Gulf War only confirmed the Islamist portrait of the regime as a corrupt, subservient vassal of the United States and thus allowed the Islamists to seize the banner of nationalism and populism.

Egypt has a population approaching 60 million, about a third of the Arab world. (In 1992 annual per capita income was \$640; total fertility rate, 3.8 percent; 40 percent of the population was under 15 years [World Bank 1994].) Ecologically constrained to farming in the Nile Valley, 30–40 percent of the rural population is estimated to be landless, and 95 percent of the population lives on 5 percent of the land (Weaver 1995). Burdened with an annual population growth rate (2.4 percent) that exceeded its per capita growth rate (1.8 percent) between 1980 and 1992, an illiteracy rate of 52 percent, a rising rate of rural to urban migration, and a state bureaucratic rigidity that is Pharaonic in origin, the material and ecological conditions provide a fertile incubator for political Islam and endemic communal con-

flict. An insightful ethnographic article by Mary Ann Weaver supports the statistical profile and conveys the flavor of contemporary Cairo:

People seemed to be living on the edge, as much of the city's infrastructure was being reduced to dust. Corruption flourished, and political stagnation ossified. . . . Every year Egypt produces more than a hundred thousand university graduates, many of whom cannot find jobs—in a country whose literacy rate has remained frozen at about 50 per cent. The city's once astonishing diversity of cultures and social strata had seemingly been reduced to two starkly contrasting poles: poverty, which appeared to be everywhere, and extraordinary wealth. All across Cairo . . . it was easy to spot soaring new apartment buildings of glass and polished chrome and, immediately behind them, narrow labyrinthine lanes where half naked children played. . . . The new wealth [from U.S. aid] also bred a new and ostentatious class, which surrounded Sadat and now surrounds Mubarak. Its members think little of spending four hundred thousand dollars on a new Mercedes—or a hundred thousand dollars on a daughter's wedding at a five-star Cairo hotel. . . . The government's reputation for rampant corruption is fueling popular discontent and is being exploited by the Islamists; it is also leading to growing consternation among Western donors and diplomats. Particularly nettlesome are the mounting accusations against the Gang of Sons, as the wheeling-and-dealing sons of key Mubarak officials are called; two of the most frequently mentioned are the sons of the President (1995: 55–56).

Egypt's total external debt roughly doubled between 1980 and 1991, from \$20.9 to \$40.6 billion, or 67.7 percent of GNP. Even though a high proportion of external debt is at concessionary terms (37.6 percent), neoliberal pressure for structural adjustment reforms exacerbates the mounting organizational paralysis and legitimacy problems of the Mubarak regime. Evaluating attempts at economic reform, Richards concludes that the Egyptian government refused to implement the necessary reforms to generate jobs and raise the standard of living for its rapidly growing population. Causes include a "huge but relatively ineffective state" locked into a situation where neither the state nor the interest groups are strong enough to

implement their program; the investing classes, moreover, are linked to highly profitable state contracting, and the Muslim opposition is strong enough to threaten the regime with chaos if global structural adjustment policies are implemented (Richards 1991). With a million-person bureaucracy representing the core of Mubarak's patronage powers, economic liberalism clashes head-on with the tottering regime's survival instincts. According to a former Egyptian government official, "Asking Mubarak to privatize is like asking him to take off the only suit of clothes he owns" (cited in Kaplan 1994b: 42).

If a reorientation to the new global economy is unlikely and state capacity to carry out a developmental project is enfeebled, the regime's survival increasingly depends on the American alliance for funding and legitimacy in the global system. But legitimacy, even among the Americans, is fading rapidly. Recent articles by Weaver and Kaplan present scathing indictments of Egypt's security practices and human rights record. Indiscriminate brutality, mass arrests of suspects, family members (even children) routinely tortured with electric shock, indefinite incarceration of prisoners, and the "disappearing" of suspects "are not just morally wrong—they are making enemies for Mubarak where none existed" (Kaplan 1994a: 43–44).

The story of the murder of one of Egypt's leading human rights lawyers, Abdel Harith Madani, while under police interrogation illustrates the illegitimacy of the regime. After Amnesty International, Human Rights Watch, and later the American embassy, joined by the Islamist-controlled syndicates of lawyers and doctors, insisted on an independent autopsy, Madani was found to have seventeen wounds, "including punctures with a sharp instrument," and to have been beaten to death. His family was not permitted to pray at his grave during the obligatory forty-day Muslim grieving period (Weaver 1995: 63). Given Mubarak's denunciation of human rights activists and the moderate wing of the Muslim Brotherhood in the Weaver interview, just how long Mubarak lasts in this quagmire depends on the combined whims of the Egyptian military and the ability of U.S. national security spin doctors to convince the electorate that the regime serves American interests.

Obviously the full spectrum of the Islamic opposition—Islamic nationalists, Islamists, revolutionary insurrectionists, and mainstream Muslim activists such as the moderate wing of the Muslim Brotherhood—thrive in such a decadent and repressive environ-

ment. In the past two decades, the entire spectrum of Egyptian political discourse, including the government, has shifted in the Islamic direction. Social services such as education, health, and charity are increasingly provided by Islamic agencies. Disaster assistance after a recent earthquake was undertaken by a voluntarist Muslim organization in the face of state paralysis. Even Richards, while arguing that liberal economic restructuring offers the only solution, acknowledges that a “weak and often incompetent state with diminished legitimacy must now implement unpopular economic reforms” and “by now widespread popular disgust may translate into increasing support for extremist Islamists” (1991: 17).

State educational institutions have now become incubators of Islamist militancy within the state itself. To gauge the Islamists’ presence among youth and the educational institutions, Weaver interviewed the minister of education, who had recently announced that “the Islamists had successfully infiltrated primary, preparatory and secondary schools all over Egypt. . . . I couldn’t believe how many fundamentalist teachers we had in schools” (cited in Weaver 1995: 64). Weaver goes on to describe sources of funding for the parallel services sector of the Islamist movement: support offices now exist in thirty countries; funds are transferred through banks, foundations, and mosques. Her conclusion after a most revealing interview with Mubarak—who himself states “We are in a mess”—was that Mubarak blamed all Islamic terrorism on the Muslim Brotherhood and that “a severe crackdown on the Brotherhood was imminent” (Weaver 1995: 67).

Tourism, which generated over \$2 billion in badly need foreign exchange earnings before the Gulf War, collapsed when armed radical Islamic sects targeted the industry by killing tourists. A second target has been the Christian Coptic minorities, estimated to be 6–10 percent of the Egyptian population. Copts, representatives of the secular elite (e.g., Naguib Mahfouz, the Nobel Prize winner), and high government officials are the most significant victims of the violence. In the south—i.e. upper Egypt—radical Islamic groups and the security forces are engaged in a low-intensity civil war with security forces, while in Cairo sectarian and communal conflict are common.

While it is clear that the combination of economic decline, increasing external pressure for economic reform, and rising Islamist

activism threatens the success of the Mubarak government's feeble reform program, it is unclear whether the military would allow an alternative Islamic government to assume power through open, pluralist elections, or, if elected, whether the Islamists could force a coalition capable of institutionalizing an Islamic version of state-led development with sufficient reform vis-à-vis the global economic system. Like all oppositional populist movements guided by a utopian version of a "golden age" (i.e., Medina), the potential of the Islamist alternative depends on its capacity to transform the cultural solidarity, social discipline, and informally organized services into an alliance capable of delivering existing services and coping with the development demands of the new global economy.

Recent research and journalistic accounts confirm the corruption and weakness of Mubarak, widespread human rights violations by the security forces, and declining living standards for the majority. There is little doubt that if free elections were held and the Islamists managed not to divide their strength, an Islamist government could arise under the leadership of the moderate wing of the Muslim Brotherhood. In the Egyptian case, therefore, the intersection of globalization, feeble state capacity to reorient the economy to new global economic realities, continuing dependence on the United States for aid in exchange for serving as regional ally, and rising inequality stoke the flames of the Islamist political project by offering Islamists the nationalist banner by default. Endemic communal conflict will continue unless a radical shift in policy occurs, probably through a coup or, less likely, an unexpected shift in social support toward the Islamists, which would then force the Americans (who Mubarak believes are talking to the Islamists) to accept a new Islamist regime as the only viable alternative (Weaver 1995).

A second secular nationalist state, Algeria, achieved independence after a bloody civil war and over 130 years of "White Settler" French colonialism. Unlike Egypt, Algeria does not have a precolonial history of rule by a legitimate and/or deeply rooted state. Without this historical resource, the state and the nation had to be constructed by the National Liberation Front (FLN) in the face of opposition and indifference from communities fragmented by geography, ethnicity, region, language, and (most important) their degree of assimilation into French culture. Resistance to centralized rule has a long history, one that manifested itself in nationalist, mil-

lenarian, and populist movements, most recently expressed as Islamic resistance to French colonialism during the independence movement.

Currently Algeria has fallen into civil war, with over 30,000 deaths reported by the regime (but not certified by others). Many reports place that figure at 60,000. Since 1975 the regime has followed the standard script of the petroleum-boom-driven rentier state described above—a strategy marked by euphoria, corruption, expansion of education, increasing inequality, neglect of agriculture, a bloated, inefficient public service, massive rural to urban migration, and a poorly conceived, state-centered industrialization strategy favoring heavy industry.

In the 1970s and 1980s Algeria's annual population growth rate surpassed 3 percent; the population now totals 28 million. Petroleum-driven economic growth (5.2 percent in 1984) declined rapidly to -2.7 percent by 1988 (Ruedy, ed. 1994: 81). Here an archetypical centrally planned, oil-exporting, state-centered industrial regime accumulated one of the largest per capita external debts in the world (\$23 billion). Unfortunately the economic crisis associated with the end of the petroleum boom occurred at a time when vast cohorts of students were thrust onto the labor market by the highly elitist, French-inspired educational system, which consumed 10 percent of GNP annually. For example, in the 1980s, 75–82 percent of secondary students sitting for the baccalaureate examination failed, only to join the 400,000 to 500,000 students rejected elsewhere from the educational system (Ruedy, ed. 1994: 83).

Faced with a staggering debt crisis and escalating unemployment, the liberal reformist faction of the government of Chadli Benjedid tried to reorient Algeria's relationship to the global economy by initiating an austerity program (Roberts 1994). Ironically probably more severe than an IMF SAP, Chadli's austerity program smashed already shrinking standards of living for the urban population, reduced the availability of essential commodities, and further spiked unemployment, especially of secondary and university graduates. Tensions fed by austerity reached a crescendo in October 1988, when rioting urban youths threatened civil order and the army fired point blank at the demonstrators, leaving at least 200 dead. Recognizing the need to shift gears toward economic and political liberalization, the Chadli government initiated a political and eco-

conomic reform program that produced a pluralist political constitution guaranteeing open elections even to the then fragmented Islamist movements.

Seizing this constitutional opportunity, the Islamist groups used their superior organization, based upon urban mosques, to recruit alienated youths into their movement in preparation for democratic elections. The key Islamist group, the Islamic Salvation Front (FIS), now a political party, "represented a complex synthesis of Islamist notions and the long established traditions of populism and nationalism . . . well described as an Islamic populist rather than an Islamist party" because "the radicalism of its rhetoric and the scale of its ambitions expressed the degree of popular alienation from the state" (Roberts 1994: 4). Hence the pivotal resource of the FIS was to claim and to define as Islamist Algeria's populist-nationalist discourse. The rest is history. After winning majorities in 55 assemblies (June 1990), the FIS and its Islamist allies shocked the world in December 1991 by triumphing in the first round of the elections for the National Assembly, winning 54.7 percent of the votes cast.

Alarmed by the threat of a democratically elected Islamist government and bolstered by French support, the Algerian army dismissed the Chadli government, canceled the second round of elections for the National Assembly, declared a state of emergency (February 1992), and finally, after imprisoning its leaders, Abassi Madani and Ali Ben Hadj, outlawed the FIS in March. Not surprisingly, in a logic consistent with Thomas Jefferson's, the FIS and like-minded Islamist groups (e.g., the Armed Islamic Group) declared that if democratic alternatives were blocked by the army, they would shift their tactics and engage the army militarily. Since the closing of the democratic option by the Algerian army, Algeria has drifted toward civil war and social chaos, typically punctuated by reports of firefights, assassinations, prison riots, bombings, airline hijackings, demands for compensation for French colonialism, and plans to ignite airplanes over Paris, as well as the murdering of Berber celebrities, girls without proper head coverings, and foreign technicians. One of the central tragedies of the Algerian situation is that the democratic opening enabled a distinct Berber-speaking regional movement to emerge, but unfortunately it was caught in the civil

was between the army and the Islamists, who of course disapprove of ethnic nationalism like "Berberism."

International alliances have exacerbated the crisis of cultural conflict. As noted above, France backed the army, supported the "secular" regime financially, and supplied it with intelligence. It has therefore become the target of armed Islamist opposition. The national and populist content of the Islamist program, quite reasonably for an Arab-majority nation, calls for Arabization of education and the reduction of dependence on elite French standards. Above all, Arabization both displaces the French-educated technocrats, now favoring economic liberalization (according to Roberts 1994), and threatens French interests in the region, such as a natural gas pipeline to the European Union (EU). With over 300,000 citizens resident in Africa, France's African policy has become the major obstacle to resolution of the Algerian crisis (*New York Times*, 13 March 1995, p. A5; Roberts 1994). Taking this line of reasoning, Roberts argues that prior to its banning, the FIS was complicit with Chadli in a mutual acceptance, along with French-educated technocrats, of rapid liberalization of the economy (Roberts 1994).

In meetings in Rome during November 1994 and January 1995, Algerian parties representing 82 percent of the votes cast in the National Assembly elections signed a pathbreaking agreement calling for the legalization of the FIS, a commitment to democratic principles (such as accepting being voted out of office), fundamental liberties, political pluralism and universal suffrage, and the renunciation of violence. The recognition of pluralism is an important concession by the FIS, for it moves it away from a more rigid Islamist state position. It also reassures the Berber-speaking groups (17 percent), who opposed both the radical Islamists and the army's assumption of power (*New York Times*, 5 March 1995, p. E4). Neither the army nor its French backers embraced this accord as a basis for peace, so the Algerian government remained divided and the war continued (Roberts 1994).

In the midst of this war, however, in late 1995, the government held elections amid calls for a boycott and threats of violence. Nonetheless, with a surprisingly large voter turnout, retired general Liamine Zeroual, a secular moderate, was elected president. Calling for a national dialogue with Islamic opponents and releasing Islamic militants from prison, he attempted to drive a wedge between those militants who were willing to negotiate and those who simply want

to overthrow the regime. Indeed FIS leaders recognized the legitimacy of the election and called on Zeroual to open a dialogue with Islamic leaders. Others in the FIS claimed that the war would continue. Sporadic violence did continue after Zeroual refused to negotiate with militants.

In sum, both Egypt and Algeria have failed to adjust their industrial and export strategy to the new global economy and have retained bloated, incompetent statist bureaucracies and pursued SAPs that smashed living standards. While it is not inevitable that SAPs lead to Islamist insurrections, these two are paradigmatic examples illustrating how the combination of new global demands, state incapacity, and specific Islamic institutions combined to enable the Islamists to seize the leadership of a long-standing nationalist and populist discourse and to plunge both states into situations of high communal conflict.

LOW CONFLICT: MALAYSIA

Globalization and the absence of state capacity to sustain a developmental project proved to be critical for the states experiencing high communal conflict. It is not, however, the existence of Islamic institutions that is the cause of that conflict. When one examines the role of Islamic institutions and movements more broadly, it is apparent that states that emerged from colonialism via "indirect rule," guided by cohesive, Islamically legitimated elite institutions, tend to weather the onslaught of political Islam better than those espousing a more secular nationalist program.

Typically in Muslim-majority states, during the transition to independence, where landed Islamic elites became ensconced within the civil service and their scions formed the political class, neither the emerging political elite nor the postcolonial state shared the same questionable status as the secular states in the eyes of Islamists. Rather, for Islamists the secular state's errors were royalism, absolutism, nepotism, decadence, corruption, and political alliances with Western states. Secular regimes have always been sensitive to Islamic public opinion, usually maintaining their own *ulama*, who issued opinions (*fatwas*) supporting royalist, politically conservative interpretations of state policies while supporting Islamic populist posi-

tions when convenient. An Islamically legitimated state, on the other hand, was less likely than its secular counterparts to disturb civil society with overtly modernist ideology and development projects that disrupted community cohesion.

Malaysia is the paradigmatic case of an Islamically legitimated state that is well on its way to becoming economically successful. The United Malay Nationalist Organization (UMNO) was founded by sons of the Malay ruling class in order to protect Malay privileges against immigrant Chinese interests that thrived within the colonial economy. UMNO has controlled the state in alliance with elites from the Chinese and Indian communities from the time of independence (1957) until the present.

The “bargain” struck at independence granted the Malays special privileges in the political realm and the Chinese minority freedom to compete as Malaysian citizens in the economic realm. For the Malays the bargain meant Islam as the official religion, but not an “Islamic” state; a rotating sultan from the nine federated Malay states as head of state; and, most important, the delegation to the sultan of each state a considerable amount of power over land, aristocratic titles, and the administration of Islamic law and institutional affairs. Shari’a courts in each state had jurisdiction over Muslims, who had to acknowledge their state’s sultan as a religious authority. Finally, the newly independent state’s authority was strengthened by internal security laws which originated in colonial Malaya’s campaign against Communist insurgents but were later used to detain without trial competitors from oppositional movements or rival political parties. Yet, unlike in Egypt or Algeria, competitive elections are held within UMNO and in the polity as a whole, even while a trend toward “soft authoritarianism” is unmistakable given the enormous power wielded by the UMNO-led alliance (Johnson 1987).

A pivotal event occurred in May 1969, when communal rioting erupted between Chinese and Malays after a Chinese election victory. After a period of emergency rule, a New Economic Policy (NEP) was implemented from 1971 to 1991. The NEP initiated a program of truly massive state intervention into Malaysia’s economy and society, developed in response to ethnonationalist pressure from Malay capital and the shock from the racial riots of 1969 (Shamsul 1986). To summarize a complex political and legal process, the NEP (1971) was designed to (1) eliminate absolute poverty, especially among the Ma-

lay peasantry; (2) abolish the correlation between occupation and ethnicity through an "affirmative action" program requiring quotas for Malays in education, employment, and government contracts; and (3) restructure the ownership of corporate equity holdings through state funding of Bumiputera (i.e., Malay and other indigenous peoples') "trust agencies," which purchase and hold equities for the Bumiputera community. To achieve the last goal, the NEP authorized trust agencies to restructure corporate equity ownership among ethnic groups such that, by 1990, the equity share target for Bumiputera would have increased from 1.9 to 30 percent; for other Malaysians (Chinese and Indians) it would be increased from 23.5 to 40 percent, and for foreigners it would be reduced from 60.7 to 30 percent (Malaysia 1973).

Compared to virtually all Muslim-majority states from 1970 to 1990, the NEP's achievements are extremely impressive: total absolute poverty in peninsular Malaysia was reduced from 49.3 to 15 percent, and among Malays from 65 to 20.8 percent; Malay (i.e. Bumiputera) equity holdings increased from 2.4 to at least 20.3 percent, depending on how one accounts for shares held by nominees (8.4 percent) (Jomo 1989). With regard to global relations, strong state intervention in favor of income distribution and the ethnic restructuring of the economy was balanced by a moderate shift in industrial strategy from import-substitution industrialization to EOI. The promotion of Free Trade Zones (FTZs), though initially intended to sop up unemployment and sources of urban conflict, encouraged transnational corporations to locate final-state assembly (especially electronics) in Malaysia, where the local Chinese business and industrial class developed modest linkages and provided engineering and skilled labor. Since the 1970s, despite petroleum, rubber, palm, and lumber exports, Malaysia has shifted away from commodity exports and reoriented its export strategy toward manufactured goods. Representing just 8.6 percent of GDP in 1960, manufacturing more than tripled by 1992 to 26.8 percent of GDP (Bruton 1992). Even more remarkable was the growth of manufactured exports: gross export revenues from manufacturing grew at an average of 24.1 percent per year between 1971 and 1992. The share of manufacturing exports in total merchandise exports rose rapidly from 11.9 percent in 1970 to 68.5 percent in 1992, probably surpassing 70 percent in 1993 (*Economist Intelligence Unit* 1 [1994]: 28). Nor is the rise in manufactures

solely located in FTZs. While EOI began in the FTZs in 1971, their share of manufactured exports has declined to about 40 percent in 1989, down from 70 percent in 1980 (World Bank 1993: 135).

By 1989 the financial press had declared Malaysia an NIC (*Far Eastern Economic Review* 7 [September 1989]: 96; *Economist* 3 [September 1988]: 67). In fact, Malaysia now suffers from a labor shortage, especially acute among skilled electronics workers. The demand for labor attracts an estimated 1–1.5 million workers from the neighboring states of Indonesia, Philippines, Bangladesh, and Thailand to work in plantations, construction, domestic service, and manufacturing.

In the political realm, UMNO has constructed an elite alliance with representatives of the Chinese business community and formed an alliance that includes the Indian minority (circa 10 percent, about one-third of whom are Muslim). It is an ethnic alliance of accumulation, dependent in large part, to be sure, on foreign direct investment, but one that benefits most Malaysians, despite legitimate complaints about rising income inequality among the Malays, systemic corruption within UMNO, dependence on international firms, and the rentier character of the emergent Malay bourgeoisie (Lubeck 1992; Gomez 1994; Jomo, ed. 1995).

Unlike most Muslim-majority states, therefore, Malaysia's income distribution, EOI, and economic restructuring policies facilitated the absorption of rural-born emigrants to the urban-industrial sector. Similarly, elite bargaining created ethnic alliances, and the fear of communal violence encouraged compromises, greased by the distribution of rents and political booty to those who were loyal to the alliance. By shifting to EOI and electronics exports while simultaneously reducing the weight of a costly venture into state-centered, heavy industrial projects after 1987, Malaysia successfully reoriented its economy and society toward the post-Fordist environment in a way that has enabled it to emerge as a niche location for final-state electronics production within a wider global division of labor.

If structural factors such as adjustment to global restructuring, income redistribution policies, and state capacity to implement a development project are positive in the Malaysian case, what has been the role of Islamic institutions and movements in determining the incidence of sectarian and communal conflict? Ironically, in con-

trast to neoliberal formulae, it was the ethnic violence of 1969, combined with the space granted to state-centered economic development and ethnic restructuring in the 1980s, that grounded the political foundation for Malaysia's relative success.

Malays have always made their Islamic identity central to their ethnic identity; indeed the federal constitution's "main criterion in the definition of a Malay is that he or she must be a Muslim" (Motalib 1990). Yet in spite of UMNO's hegemony, the Islamic discourse is varied and contested by parties and movements. For example, PAS, the opposition Malay-based political party advocating an Islamic state since its founding in 1951, actually opposes the nonuniversalistic ethnic preferences of the NEP on Islamic grounds, calling instead for universality and unity within the umma. Because the NEP excludes non-Malay Muslims, PAS has denounced the preferences as chauvinist and as a policy "that has only succeeded in creating a wealthy middle class and a handful of Malay millionaires" (Muzaffar 1987: 57). PAS represents an Islamic nationalist tendency whose social base is strongest among the ulama in the northern states, especially Kelantan, where it governed from 1959 to 1977 and where it continues to rule in opposition to UMNO.

Political Islam has indeed posed a threat. In the aftermath of the Iranian revolution and the upswing in the global Islamic revival, the Malaysian Islamic Youth Movement (ABIM) took center stage under the influence of an organizationally skilled and charismatic speaker named Anwar Ibrahim. Inspired by the revolutionary zeal of Iranians yet claiming affinity with the Muslim Brotherhood and Maududi's Jamaat-Islami of Pakistan, as well as funding from Kuwait and Saudi Arabia, ABIM advocated an Islamic state to replace Malaysia's quasi-secular state, the replacement of civil law with law based upon the Shari'a, and the Islamization of Malay institutions. Like the Muslim Brotherhood, it set up schools, seminars, publications, and services for its membership.

While tactical shifts are common among Malay Muslims, such as PAS participation in a government of national unity in the 1970s in the aftermath of the riots, ABIM was faced with the unexpected decision of Anwar Ibrahim to stand as an UMNO candidate against a PAS candidate in the 1982 general elections (Jomo and Cheek 198). His father had represented the constituency for UMNO, so Ibrahim's new alliance with Prime Minister Mahathir bin Mohammed com-

bines elite continuity and the generational reproduction of UMNO, as well as the emergence of an urban, commoner, Western-educated yet Islamist faction as a powerful force within UMNO. Justified by his supporters as an infiltration of UMNO by ABIM, the alliance ushered in UMNO's Islamization program, designed to shift its discourse in the direction of Islamic reformism, coopt challengers like Ibrahim, and eventually tame it by denouncing and proscribing what they called violent, fanatical, and extreme tendencies of the Islamist movements (Jomo and Cheek 1988; Mutalib 1990).

Thus far UMNO's strategy appears successful. Anwar Ibrahim's meteoric rise in the UMNO government, from minister of education to minister of finance and recently to deputy prime minister, confirms the demonstrated political capacity of the Malay political elite to absorb the Islamist challenge and, because of its aristocratic origins, to open recruitment to commoners like Ibrahim. It appears that a generational succession is nearly complete.

While there was little large-scale sectarian or ethnic conflict during the export boom (1987–95), Malaysian officials have voiced concern over the recruitment of Malay students overseas by radical Islamic groups. The global organization of international Islamist networks operating as student associations at both Western and Islamic universities appears to have recruited Malaysian students into the Islamist fold, provoking the government to break up large groups of students and to send counselors abroad. Groups affiliated with the Muslim Brotherhood, such as Jema'ah Islam Malaysia (JIM), are alleged to be "very radical and very erudite. Many of its members are professionals" (according to columnist Ghani Ismail in *Far Eastern Economic Review*, 26 May 1994, p. 36).

In 1994 Mahathir demonstrated UMNO's power over the discourse of Islam by outlawing as heretical a messianic, communalist Sufi group—al-Arqam—and forcing its leader to recant his writings in a televised press conference. "Mahathir apparently acted after 19 Malaysian women students of the Al-Arqam sect were arrested in Cairo five months ago. The women were accused of associating with Islamic extremist groups in Egypt" (*Far Eastern Economic Review* 11 August 1994, p. 25). Here the global present of Islamist movements challenges state capacity to tame and coopt the next generation of Islamist activists, a far simpler task if full employment reigns. None-

theless, the government thus far has demonstrated that it is up to the task.

CONCLUSIONS

The findings of the comparative analysis can be summarized as follows. State institutions in both Egypt and Algeria were riddled with corruption and marked by patronage systems that weakened democratic practices and perpetuated social and economic inequality. The Algerian state suffered from the more extreme weakness of the two in that the legitimacy of the state never became deeply rooted after independence. This institutional weakness, however, was masked by the oil boom that allowed the state to expand employment, thereby propping up government legitimacy. With no system in either country of preferential resource allocation based on cultural criteria, political Islam was relatively weak, particularly during the Fordist period of state-led development and the oil boom.

Although the seeds of political Islam were planted much earlier and although Islam itself has an important political component, I have argued here that the success of political Islam in these two states coincides with the breakdown of Fordism. Fordism was associated with steady economic growth and rising incomes, and it encouraged state intervention in the economy. It was during this period that elites successfully subordinated political Islam to state-led development goals. But with the first oil shock of 1973, the Fordist era ended, and more intense integration into the international economy began. While the oil shock initially created a surge of state-centered development in oil-exporting states, the development projects initiated during this period were inefficient and uncompetitive. And oil rents were an unearned windfall rather than capital carefully accumulated. They thus led to an artificial increase in income and a rapid increase in rural to urban migration, causing a decrease in domestic agricultural production. This led to increased integration in the international economy, with vastly expanded imports of food and other materials.

Once the rents were spent, the resources available to society and the state dried up. Drastic economic decline in both Algeria and

Egypt left large numbers of the unemployed to fend for themselves. Political elites began to borrow on world markets but were unable to generate enough income to service the debt. SAPs mandated by lending institutions led initially to lower income levels, increased social inequality, reduced state subsidies, and government withdrawal from welfare programs. Desperate for resources, both states sought external allies that would provide aid to prop up their secular regimes and provide them with continuing legitimacy in the global system. While Egypt increased its dependence on the United States, Algeria increased its dependence on France.

In this environment of increasing economic hardship and obvious failure of the secular nationalist state to provide for the economic security of society, political Islam, with its offer of spiritual hope for a better future, found fertile ground. Islamic groups were able to point out that SAPs violated Muslim prohibitions and that the withdrawal of the state from its allocative responsibilities violated the obligation to provide alms to the poor. Their rhetoric also pointed to IMF conditionality requirements as instruments of foreign control over Islamic societies. With each attack on government policies, the legitimacy of the secular national state weakened. Because the state also had fewer resources to coopt potential recruits of the Islamic opposition into government programs or employment, political Islam gained new supporters. As their ranks swelled, groups espousing political Islam became bolder in their demands for an Islamic state.

The groups who were most successful in gaining adherents were *not* those groups who could offer only an alternative political identity, like Gamma and Islamic Jihad. The most powerful groups were the FIS and the Muslim Brotherhood, who possessed vast networks of charitable associations, welfare services, schools, and hospitals that could offer tangible benefits to needy populations. Transnational networks of Islamic groups formed the resource base for these projects.

Radical groups in both countries, however, perpetrated acts of violence. In Egypt the radical Gamma and the Egyptian security forces became engaged in a low-intensity civil war. But as in India, the military apparatus of the state remained strong enough to quell the worst violence. In Algeria the state was not strong enough to suppress organized political Islam, and the result was civil war.

Malaysia tells a different story. Like the other Muslim-majority states, Malaysia experienced steady economic growth and rising incomes between 1945 and 1974. After the 1969 riots between Chinese and Malay populations, flexible political institutions allowed elites to construct a program for economic distribution along cultural lines, as well as affirmative action programs. In contrast to Egypt and Algeria, with the oil boom, oil rents were converted into capital for investment in development. Malaysia's equitable income distribution, EOI, and economic restructuring policies distributed an expanding economic pie to broad sectors of the population, increasing loyalty to the state and thereby increasing state capacity. Elite bargaining created ethnic alliances that encouraged political compromise. Compromises were credible because elites had ample resources to distribute to loyal supporters. And a strong and flexible party system absorbed and thus neutralized extreme Islamist movements. Malaysia, with a diverse cultural population and an Islamically legitimated state, remained at peace.

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