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Malaysia

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Malaysia was established as an independent, federal state in 1957. From the late eighteenth century until this latter date, Malaya had been a British colonial possession. The major social legacy of colonial rule was the creation of a multi-ethnic society. Chinese and Indians were both encouraged to immigrate to work in tin mining and rubber plantations, the industries that were the twin pillars of the colonial economy. Malay involvement in the emerging capitalist economy was not encouraged. Malay economic exclusion and numerical predominance were thus established as the grounding characteristic of the new state of Malaysia.

This chapter reviews the formal context and development of politics and the impact of the political system on the economy. First, requirements and circumstances surrounding the electoral system are reviewed. Second, the structure, organization, and membership base of Malaysia's major parties are summarized. The third section explores economic governance and the chapter concludes with a review of the political outlook.

Elections and the electoral system

Electoral and voting rules

Parliamentary and state elections are held regularly. These are run on a first-past-the-post basis in single-member constituencies. There is no

public electoral funding. Voting is not compulsory, and all Malaysians above the age of 21 are eligible to vote.

Since the first federal election in 1955, parliamentary elections have been conducted as constitutionally required. The conduct of elections is regulated by various acts and the Constitution provides for an independent Election Commission, whose members are appointed by the king. Electoral participation by eligible citizens has been consistently high. In the federal elections held between 1959 and 1990, voter turnout ranged between 70.0 and 78.9 per cent, while the turnout in state elections during the same period ranged between 71.7 and 78.9 per cent (NSTP Research and Information Services 1994).

Elections are competitive in that a number of parties compete in the electoral process – any party registered with the Registrar of Societies is eligible to contest an election. By subjecting the choice of government to the electoral process at regular intervals under such conditions, the governing Barisan Nasional (BN – National Front) coalition has been able to legitimize its right to rule, especially since the BN has been voted out of office on a few occasions in state-level elections.

Electoral divisions

Although the Election Commission is responsible for reviewing the division of parliamentary and state constituencies, the electorates in these constituencies have always been disproportionately smaller in predominantly Bumiputera rural areas compared to the mainly Chinese-majority urban constituencies; such electoral boundaries favour the governing coalition, the BN, particularly its largest member, the United Malay National Organisation (UMNO), whose main support is from rural Malays. This has been a key factor behind the BN's consistent victories in federal-level elections (Crouch 1996b).

In the 1960s, Bumiputera-majority constituencies constituted 57 per cent of all parliamentary seats; by the 1980s, this had risen to 65 per cent. The overrepresentation of Sabah and Sarawak Bumiputeras has also enhanced Bumiputera dominance in Parliament. In 1990, although only 16.5 per cent of the population resided in Sabah and Sarawak, the 48 constituencies in these two states constituted 27 per cent of the seats in Parliament; Bumiputeras in the Borneo states, particularly Sarawak, have tended to support the BN.

This has meant that any party in the peninsula which could command the support of most Bumiputeras would be able to control the federal government, and if it collaborated with Bumiputera parties of some influence in Sabah and Sarawak, it would be able to command a comfortable majority in Parliament (Crouch 1996b).

By 1994, UMNO had secured a strong base in Sabah in Muslim Bumiputera-majority constituencies (that is, those with a majority of Malays and other indigenous peoples), while its relationship with the Parti Pesaka Bumiputera Bersatu (PBB – United Bumiputera Party), Sarawak's long-standing ruling party, was particularly strong. Such gerrymandering has meant that even if the opposition garnered strong electoral support in terms of the total number of votes cast, the number of seats it would secure in Parliament would be much less. In the 1990 general election, although the opposition obtained 48 per cent of the total votes cast, it secured only 29 per cent of the 180 parliamentary seats. In the 1995 polls, the opposition secured 35 per cent of the vote, but only 15 per cent of parliamentarians.

Media

UMNO has a majority stake in Utusan Melayu Bhd which publishes the influential Malay newspapers, *Utusan Malaysia*, *Mingguan Malaysia*, and *Utusan Melayu.* Businessmen closely associated with UMNO deputy president Anwar Ibrahim have controlling interest in TV3 and The New Straits Times Press Bhd, which publishes the English newspapers, the *New Straits Times* and *Business Times*, and the Malay newspaper, *Berita Harian.* An investment arm of the Malaysian Chinese Associates (MCA), Huaren Holdings Sdn Bhd, has a controlling interest in Star Publications Bhd, which publishes the popular English tabloid, *The Star*, while *The Sun*, another English tabloid, is controlled by Vincent Tan Chee Yioun, who has strong ties with the UMNO elite. Most of the Tamil press is controlled by leaders of the Malaysian Indian Congress (MIC), while some leading Chinese newspapers, including the *Nanyang Siang Pau*, are controlled by the Hong Leong Group, which has business ties with UMNO-linked companies. *Sin Chew Jit Poh*, the country's best-selling Chinese newspaper, is controlled by a Sarawak-based tycoon who was also a BN senator (Gomez 1994).

Given the ownership of the mainstream media, it is not surprising that opposition members have repeatedly complained that they are unable to get their manifestos publicized during campaign periods, while their statements are usually taken out of context when carried by the press. The opposition has also claimed on numerous occasions that press reports of their activities have been blatantly false. Major newspapers are, however, used to carrying full-page – usually colored – advertisements of the BN's manifestos and accomplishments, while the views of government leaders are given wide and favourable coverage (Sankaran and Hamdan 1988; Khong 1991; Gomez 1996a).

Campaigns

The manner in which campaigns are conducted heavily favours the BN. The major influencing factors have been commonly termed the ''3Ms'' – money, media, and machinery. There have been complaints about the BN's excessive use of funds, abuse of its control of Malaysia's leading newspapers as well as television and radio networks, and misuse of government machinery (Chandra 1982; Sakaran and Hamdan 1988; Khong 1991; Gomez 1996a).

Other factors which benefit the party in power include the shortness of the election campaigns, a ban on open rallies, and the application of state funds. The Election Commission decides the length of the campaign period and ensures that it is kept very short – normally just over a week – ostensibly in the interests of maintaining ethnic harmony. Open rallies have been banned since the 1978 general election. Yet, BN leaders blatantly campaign at huge rallies while ostensibly officiating at government functions. Finally, through their control of federal funds, BN leaders often promise new development projects, threaten financial cuts, or distribute state largesse just before and during the campaign period.

Compared to the opposition parties, the BN's campaign machinery, especially that of UMNO, is efficiently and effectively run during elections. The effectiveness of the BN's machinery is partly attributable to its easy access to funds. Since public rallies are banned, door-to-door canvassing is the most common form of campaigning, which requires much manpower; most BN campaign workers are well remunerated, while the opposition relies heavily on unpaid voluntary help. Since the number of campaign posters and vehicles used during the campaign period is not specifically limited by law, this tends to benefit parties with greater access to funds, invariably the BN parties.

The most common allegation made during elections is that funds are used to buy constituency support. Before the 1990 poll, the BN was reportedly prepared to spend an average of RM 1 million in each parliamentary constituency (*Far Eastern Economic Review*, 5 July 1990). Vote buying was still rampant during the 1995 general election. There were numerous allegations by the opposition that votes were secured through the distribution of funds and gifts in Kelantan, Terengganu, and Kedah, and in some urban constituencies in Perak and Kuala Lumpur. In Kelantan, the opposition alleged that there were candidates who spent almost RM 5 million to secure support, with voters paid between RM 500 and RM 1,000 each (Gomez 1996a). Although all candidates are required to file the total funds used during the campaign with the Election Commission following the election, they are not required to divulge the sources of their funds.

Given UMNO's vastly superior membership base and extensive party machinery, during elections most BN parties depend on UMNO to run an effective campaign to secure electoral support. The MCA, MIC, and the Gerakan Rakyat Malaysia (Gerakan – Malaysian People's Movement) tend to perform unsatisfactorily in non–Bumiputera-majority constituencies, thus increasing their reliance on UMNO to muster Bumiputera votes.

In the 1986 and 1990 general elections, even the leaders of the MCA, Gerakan, and MIC acknowledged that their electoral victory was due primarily to the Malay support that UMNO had managed to secure for them. Moreover, the MCA and Gerakan's influence in the east coast of the peninsula is not extensive while their influence in Sabah (and Sarawak) is negligible despite efforts to establish a base in the state.

Election outcomes

All the ten federal-level elections that have been held since 1955 have been won by the UMNO-led Alliance or BN coalitions. On all occasions, except in 1969, a two-thirds majority was secured in Parliament (table 9.1).

Political parties in Malaysia

The ruling coalition

Launched in 1973, the BN was a re-organization of the Alliance following the latter's dire performance in the 1969 general election. At this time, most opposition parties – including the main Malay opposition party, Parti Islam SeMalaysia (PAS – Pan-Malaysian Islamic Party), the People's Progressive Party (PPP), and the Gerakan – were brought into the BN. This followed the racial strife of May 1969.

The BN's enlarged system of consociationalism was an effective means to consolidate electoral support on the basis of both ethnicity and class. The objectives of the UMNO, MCA, and MIC are based on ethnic ideologies. This has enabled these parties to represent their leaders as ethnic patrons (Brown 1994, 206–57). By the l990s, UMNO's main bastions of support were still the peninsula's rural Malays and Sabah's rural Muslim Bumiputeras (the party does not have a presence in Sarawak). The MCA helps the BN marshal Chinese business and middle-class support, while the MIC has been more successful in mobilizing broader Indian support. The nominally multiracial, but largely Chinese Gerakan has been able to complement the MCA in attracting Chinese support, especially from the middle classes.

Table 9.1 **Malaysian Federal Parliament election results, 1955–1995**[1]

	1955	1959	1964	1969	1974	1978	1982	1986	1990	1995
Alliance	51	74	89	74						
BN[2]					135	130	132	148	127	162
PAS[3]	1	13	9	12		5	5	1	7	7
DAP				13	9	16	9	24	20	9
Socialist Front		8		2						
PPP[4]		4		2						
P. Negara		1								
P. Malaya		1								
UDP			1							
PAP			1							
Gerakan[4]				8						
USNO				13						
SCA				3						
SNAP[4]				9	9					
SUPP[4]				5						
Pesaka										
Semangat									8	6
Pekemas					1					
PBS									14	8
Independent		3		1		2	8	4	4	
TOTAL	52	104	104	144	154	154	154	177	180	192

Source: *New Straits Times*, 23 April 1995.

[1] For explanations of party acronyms, see the text of this chapter and the List of Acronyms, p. ix.

[2] The Alliance was enlarged and renamed the BN from 1973.

[3] PAS was part of the BN for the 1974 general election.

[4] These parties joined the BN after the 1969 election except for SNAP which joined after the 1974 election.

UMNO's BN initiative has meant that the Chinese support enjoyed by the Gerakan has diminished the MCA's influence, while the incorporation of the PAS, whose influence was primarily in the predominantly Malay states in the north of the peninsula, enhanced Malay electoral support. UMNO's refusal to allow PAS to increase the number of seats it won in 1969 in the subsequent general election of 1974 further strengthened UMNO hegemony in the coalition, though PAS eventually returned to the opposition in 1978. In 1996, the constituent number of parties in the BN stood at 14.

Although the BN is the governing coalition, it cannot be construed as an actively functioning party. Even the BN's Supreme Council meetings, comprising leaders of all component parties, are held infrequently, usually before a federal or state election. Discussions on policy matters between members of the BN are kept to the minimum, while major decisions are made by a select group of leaders, mainly from UMNO, before being passed down for endorsement, usually at cabinet level. This has been confirmed by leaders of BN parties: according to Koh Tsu Koon of the Gerakan, ''the basic problem is that there is not enough consultation among the Barisan parties'' (*Malaysian Business*, 1 December 1987). Michael Yeoh from the MCA has stated, ''Let us revive the BN Supreme Council, make it a more credible, truly consultative body. Now it is only revived every time there is a general election, to discuss the allocation of seats'' (*Malaysian Business*, 1 December 1987). This suggests that the role of the BN's Supreme Council as the main governing body is merely perfunctory although it is presented as the medium through which consultations are held to maintain ethnic coexistence.

Since the leaders of most of the main BN parties are represented in the Cabinet, this forum is promoted as the main avenue through which interethnic consultations are regularly held and differing viewpoints expressed. In view of UMNO's hegemony in the executive and the fact that the choice of Cabinet ministers is the sole prerogative of the prime minister, and given the heavy reliance of most component parties on UMNO to secure their victories in elections, interparty consultations are not conducted on an equal footing.

UMNO

UMNO's hegemony is attributable to its size, its national presence, and its extremely efficient party machinery. UMNO has approximately 2.765 million members, spread out among 17,355 branches in all parliamentary constituencies in the peninsula and Sabah (*New Straits Times*, 6 September 1997; table 9.2). UMNO's party structure is organized hierarchically, with the branches forming the base, followed by the divisions, the State Liaison Committees and the Supreme Council. In UMNO's system of

Table 9.2 **UMNO membership breakdown by state, 1997**

State	Total membership
Johore	388,828
Sabah	362,494
Selangor	308,015
Kelantan	285,631
Perak	252,055
Kedah	229,336
Pahang	192,116
Terengganu	169,400
Negeri Sembila	119,045
Penang	114,765
Federal Territory	103,169
Malacca	86,579
Perlis	43,174

Source: *New Straits Times*, 6 September 1997.

election, delegates are chosen from branches to attend divisional meetings where nominations are made for Supreme Council posts. Delegates to UMNO's general assembly are chosen from among delegates attending the divisional meetings.

Under the party's constitution, nominees for the posts of UMNO president and deputy president are awarded ten bonus votes for each divisional nomination they receive; these bonus votes are added to the number of votes that the candidates receive during the election at the general assembly. The provision for the bonus votes was designed to consolidate the position of the top two leaders in the party since the chairmen of the State Liaison Committee are usually the *Mentri Besar* (chief ministers) of the respective states, who are appointed by the party president in his capacity as prime minister. The party's national headquarters, a sprawling edifice in the heart of Kuala Lumpur, serves as the centre where the party's operations are monitored; UMNO also has a state headquarters in each major city in the peninsula.

Patronage

Patronage politics has long been the primary means through which a strong grass-roots base is created in the party. The distribution of economic favours also contributed to growing ties between business and politics. The development of this phenomenon, popularly referred to as ''money politics,'' has also involved distributing cash and gifts and offering expenses-paid trips to members in return for votes (Gomez 1990, 1991a, 1994).

Though the party was dominated mainly by rural teachers since UMNO's formation, businessmen began to gain control of its branches and divisions by the 1980s. In 1981, teachers still made up 41 per cent of delegates to UMNO's annual General Assembly; this dropped to 32 per cent in 1984, and declined further to 19 per cent in 1987. By 1987, businessmen constituted 25 per cent of delegates, while elected representatives made up 19 per cent. By 1995, almost 20 per cent of UMNO's 165 division chairmen were millionaire businessmen-cum-politicians (*Wawancara*, December 1995).

As businessmen entered mainstream politics in the 1980s, money politics became rampant in the contests for positions in UMNO's Supreme Council and in the election of branch and division leaders. In the 1984 UMNO elections, the total money spent to secure support was allegedly well in excess of RM 20 million (Milne 1986). Within a decade, during the 1993 UMNO election, the money spent during the campaign had increased by more than tenfold, to an estimated RM 200–300 million. In 1985, one politician was willing to spend as much as RM 600,000 in his bid to become division chairman. In a bid for a similar post in 1995, one candidate allegedly spent RM 6 million (Gomez 1994).

Political patronage has become the key to wealth. This is clear from the business interests of Prime Minister Mahathir Mohamad's sons, and from those of supporters of his UMNO rival Anwar Ibrahim, as well as from widespread ownership of corporate stock by business protégés of former Finance Minister Daim Zainuddin, currently Government Economic Advisor and UMNO treasurer. For example, Daim protégés include: Tajudin Ramli, a director of Malaysian Airline System, Malaysian Helicopter Services, and two other companies; Wan Azmi W. Hamzah, a director of R J Reynolds Land and General; Halim Saad, director of six companies; and Samsudin Abu Hassan, director of two companies. Business protégés of Mahatir include his sons, Mirzan, Mokhzani and Mukhriz, who have each been nominated to four boards and Mohd Noor Yusoh, a director of three companies including TV3. Finally, at least nine have benefited from Anwar's patronage including Mohd Sarit Yusoh, Ishak Ismail, Ahmad Zahid Hamidi, Ibrahim Ahd, and Kamaruddin Jaffar. Anwar associates were all beneficiaries of the takeover of the New Straits Times Group and TV3.

1987 factional crisis

Persistent factionalism within UMNO is closely tied to the party's hegemonic position and its control of state resources. In 1987, an UMNO faction, led by the then trade and industry minister, Razaleigh Hamzah, alleged that Mahathir had formed a kitchen cabinet which had cen-

tralized decision-making powers, with most government contracts and business opportunities distributed to members of this inner circle; these allegations justified his decision to contest the party presidency. In the election, Mahathir narrowly clinched victory, securing merely 51 per cent of the votes of the delegates to the UMNO general assembly (Shamsul 1988). This proved to be a defining moment in Malaysian politics as it precipitated a series of authoritarian measures by Mahathir as he moved to consolidate his position. Within the next year, more than 100 government critics were detained under the Internal Security Act (ISA), which allows for long-term detention without trial; some newspapers had their licences revoked; members of the judiciary, including the lord president, were removed from office through questionable means; and UMNO was declared an illegal party in a ruse to establish a new UMNO firmly under Mahathir's control (see CARPA 1988; Lee 1995).

UMNO's illegal status stemmed from a High Court ruling in February 1988 on a suit filed by Razaleigh's faction challenging the results of the 1987 UMNO election on the grounds that delegates from 30 unregistered branches were present at the party's General Assembly. The court ruled that the presence of the unregistered branches made UMNO an illegal society under the Societies Act. Mahathir immediately formed a new party, UMNO Baru (New UMNO), which provided him with the opportunity to deny his critics membership in the new party. Razaleigh and his loyalists formed the Parti Melayu Semangat 46 (Semangat – Spirit of '46 Malay Party) and crossed over to the opposition.

1993 deputy presidential election

The use of patronage to develop a strong coterie of politically aligned businessmen and a large grass-roots base, the abuse of money in party elections, and the growing influence of businessmen in politics were all obvious during the 1993 UMNO election, when Anwar Ibrahim ousted Ghafar Baba as deputy president. Anwar's faction, calling themselves the ''Vision Team,'' captured most key party posts by arguing that with rapid economic development and the growth of a Malay middle class, UMNO itself had to change. They called on members to embody their modern vision; for them, the era of the ''New Malay'' had arrived.

Though their conceptualization of the New Malay remained nebulous, it implied that the pursuit of wealth was a social virtue, enhancing the already increasingly materialistic outlook of UMNO members; greed became good. However, there was growing discontent within UMNO over the fact that the gains made by individual members from their political affiliations had been spread very unevenly. Mahathir was eventually forced to denounce this new culture, calling it the ''culture of greed,''

which was dividing the party against itself (*New Straits Times*, 20 October 1994).

After the 1993 UMNO election, very pronounced pro- and anti-Anwar factions emerged. While the pro-Anwar faction mainly comprised a younger group of politicians eager to displace senior politicians, the anti-Anwar factions were generally led by more senior politicians wary of Anwar's meteoric rise in the party. Anwar, who had only been recruited into UMNO in 1982, had been a prominent critic of the BN and the long-time president of the nongovernmental organization, Angkatan Belia Islam Malaysia (ABIM – Malaysian Islamic Youth Movement).

Anwar's supposed recruitment of old ABIM colleagues into his UMNO inner circle had led to growing anxieties, even from within his own ''Vision Team.'' Its rapid disintegration confirmed widespread speculation that its basis was political. Its demise has led to the emergence in UMNO of several overlapping factions.

Mahathir consolidation

Although Mahathir was not challenged for the presidency during the 1993 UMNO election, it was widely believed that Anwar was emerging as the most powerful politician in the country, subtly laying siege to the prime minister. It was believed that Mahathir, unlike Anwar, had not spent enough time cultivating the grass roots, leaving a vacuum that had been filled by the energetic Anwar and his ambitious younger men. From l993, however, Mahathir moved decisively to consolidate his presidency.

Before the 1995 general election, Mahathir despatched some Anwar allies in the Federal Cabinet to the state level, or vice versa, and sent some of his own loyalists to contest state constituencies, which would enable them to be appointed as *Mentri Besar* later. A number of Anwar's associates were sidelined – including some from ABIM who had hoped to be fielded instead of other UMNO members. In the post-election Cabinet, Anwar's rivals were promoted to senior portfolios while his allies were restricted to uninfluential ministries or to the backbenches.

Mahathir also brought about changes within UMNO to protect his position, even proposing changes to the party constitution. Mahathir proposed that the bonus votes provision be reviewed and that a code of ethics to curb money politics be drawn up. This code was designed to be used against those who threatened Mahathir's position. Half a year before the 1996 UMNO election, a new rule was introduced, requiring candidates wishing to contest party posts to declare their intentions well in advance, thus blocking a possible late challenge. As the elections approached, even campaigning was banned. Mahathir justified this as ''the party's way of ensuring fairness to all because there are some can-

didates who can afford to campaign while others cannot.... Banning campaigning is to level out the opportunity for all'' (*Far Eastern Economic Review*, 25 April 1996).

This series of actions in UMNO and in the Cabinet reinforced Mahathir's political dominance, making it extremely difficult for anyone to topple him from within UMNO. The competition among factions was fought out at lower party echelons, in the contests for the vice-presidencies, for control of the youth and women's wings, and at divisional and branch levels. Though UMNO may be badly factionalized, it appears to be held together by Mahathir's seemingly unassailable grip on the apex.

During the 1996 UMNO election, although results of elections at division and branch levels suggested that members aligned to Anwar had secured grass-roots control, none of the three directly elected vice-presidents were seen as particularly close to Anwar. However, the leadership of the UMNO youth and women's wings was secured by those in Anwar's camp. The overall impression that emerged from the results of the elections was the evenly divided strengths within the party.

Other BN members

Although the MCA, MIC, and Gerakan have rather similar organizational structures, their respective party machineries, although active, are much less effective than that of UMNO, due primarily to their much smaller membership base and financial power. The MCA has approximately 715,000 members in 2,917 branches, in all states except Sarawak. The MIC has almost 350,000 members in 2,500 branches in only the peninsula. The Gerakan has about 250,000 members in 1,259 branches (*New Straits Times*, 8 April 1996, 1 August 1996).

The leading Sarawak-based BN component party, the PBB, is a Bumiputera-based party led by Abdul Taib Mahmud, Sarawak's long-standing chief minister and a former Federal Cabinet member. PBB is the dominant party in the Barisan Tiga (Tripartite Front), also comprising two other Sarawak-based BN members – the Chinese-based Sarawak United People's Party (SUPP) and the Iban-based Sarawak National Party (SNAP). Though a BN member, the Parti Bangsa Dayak Sarawak (PBDS – Sarawak Dayak People's Party), a Dayak-based breakaway from the SNAP, had the unique position of remaining an opposition party at state level. The PBDS subsequently sought and gained admission into the state ruling coalition after faring badly in the 1991 state elections. None of these parties has any influence outside Sarawak.

In Sabah, the turnover of parties from the BN has been high. The former BN component members which once led the Sabah state government but are now in the opposition include the United Sabah National Orga-

nization (USNO) (1963–76) and the Parti Bersatu Sabah (PBS – United Sabah Party) (1985–94); the Bersatu Rakyat (Berjaya—United People), which ruled Sabah from 1976 to 1985, is nearly defunct, though technically still a BN member. Among the current Sabah-based BN members are the Dusun-based Angkatan Keadilan Rakyat (AKAR – People's Justice Movement) and the Chinese-based Liberal Democratic Party (LDP), both minor parties with little influence. In 1994, several newly formed Sabahan parties were accepted into the BN – the Chinese-based Sabah Progressive Party (SAPP) and the Kadazan-based Parti Bersatu Rakyat Sabah (PBRS – or United Sabah People's Party) and the Parti Demokratik Sabah (PDS – Sabah Democratic Party). All these parties are led by former PBS leaders, most of whom defected in 1994 when it became clear that the PBS was losing control of the state government.

The opposition

The two main opposition parties are the Democratic Action Party (DAP) and the PAS. There are two smaller opposition parties, the PBS and the Parti Rakyat Malaysia (PRM – Malaysian People's Party).

Democratic Action Party

The DAP was constituted from the rump of Singapore's ruling People's Action Party after the separation of the republic in 1965. Espousing the PAP's commitment to the creation of a democratic, socialist Malaysia, the DAP asserts the principle of racial equality more than social and economic justice. The DAP stresses the need for a level playing field for all ethnic communities in politics, business, and education. Not unexpectedly, the DAP does not have much Malay support. Even though its membership is open to all Malaysians and it has a multiracial leadership, the DAP is seen as a ''Chinese'' party, a view that is buttressed by the commonly held perception that it primarily raises Chinese concerns. By consistently exposing corruption in government and promoting transparency and accountability, the party has managed to garner sizeable urban, non-Malay middle-class support.

The DAP emphasizes the need for greater democratization, arguing that the true spirit of democracy in a multi-ethnic society is expressed through racial equality, mutual respect, and tolerance. A strident and consistent critic of authoritarian rule, the DAP objects to the BN contention that majority rule and restrictions on freedom of the press, assembly, and expression are essential to maintain ethnic harmony and promote economic growth. On the contrary, the DAP claims that Malaysian history bears reliable witness to the fact that majority rule has contributed to the denial

of basic human rights and the creation of greater social injustices; the party has also argued that concentration of power has contributed to significant inequality in the distribution of wealth (see Lim 1978).

Parti Islam SeMalaysia (Pan-Malayan Islamic Party)

The Islamic party, PAS, a breakaway UMNO faction formed in 1951, is the main opposition party with the capacity to undermine UMNO's influence among rural Malays. Following a leadership change in 1982, the PAS began adopting a more Islamic stance. Current leaders are primarily Islamic-educated *ulama* (religious teachers), and the party's influence is limited to the northern Malay heartland states of Kelantan, Terengganu, Kedah, and Perlis. The PAS first secured a majority in the Kelantan legislature in 1959 and governed the state until 1978. PAS also gained control of Terengganu after the 1959 general election, but ceded control of the state in 1961 following defections from the party to UMNO. During the 1990 general election, the PAS swept back to power in Kelantan with the aid of the newly established Malay party, Semangat, led by the Kelantan prince, Razaleigh Hamzah, the former finance minister and a long-standing UMNO vice president. The PAS retained control of Kelantan in the 1995 general election, and obtained a marginal increase in support in Terengganu and Kedah. But because of its continued stress on its desire to establish an Islamic state, its influence on the west coast of the peninsula, and in Sarawak and Sabah, is scant even among Muslim Bumiputeras, which restricts its ability to achieve power at the federal level.

Among opposition parties, the PAS has the largest membership base with about 436,840 members in 3,377 branches (*New Straits Times*, June 1 1997). The PAS also has the most strongly defined ideological position. Committed to the formation of an Islamic state, it espouses policies and ideas supposedly rooted in the religion. Adopting this Islamic posture, the PAS has been offering Malaysians, and Muslims in particular, a society reformed through legislative changes based on religious tenets. For the PAS, the establishment of an Islamic state will bring about spiritual upliftment and lead to the development of a more just, democratic, moral, principled, and socially conscious society, devoid of repressive legislation and unhealthy activities such as gambling. Democratic ideals, the party believes, are only acceptable within a secular context, since such ideals would automatically be a feature of a system which is inherently just within an Islamic theocratic state. Yet it has been observed that the PAS would probably reject the concepts of majority rule and individual choice, since the former allows for the possibility of morally wrong tenets being implemented, and the latter involves the assumption that individuals are all-knowing (see Jesudason 1996).

Parti Bersatu Sabah (United Sabah Party)

The multiracial PBS was formed in 1985 by dissidents from Berjaya, a BN member that then had control of the Sabah state government. The party was led by Joseph Pairin Kitingan, a Kadazan, and another notable PBS leader was Yong Teck Lee, a Chinese, and at the time the chief minister of Sabah; this helped the PBS secure a strong base among these two communities. The PBS came to power in 1986, after it narrowly defeated the Berjaya. Against this background, the PBS had an uneasy relationship with other member parties of the BN, especially UMNO, between 1986 and 1990.

Parti Rakyat Malaysia (Malaysian People's Party)

The PRM has a small membership and limited influence. Inaugurated in 1955, and hoping to derive support from rural peasants, it has, more recently, made some inroads among the urban working class. The PRM secured two parliamentary and two state seats in the first general election it contested in 1959 under the banner of the Socialist Front (SF). In the following election of 1964, the SF only secured two federal parliamentary and eight state seats. The PRM has not been able to win an electoral contest since it secured one parliamentary seat and three state seats in the 1969 general election (Vasil 1971, 167). In the elections of 1982, 1990, and 1995, the PRM collaborated with other opposition parties, including the opposition coalition Gagasan Rakyat Malaysia, formed in 1990, which had its roots in UMNO factionalism. It failed to secure representation either in the Federal Parliament or in any of the State Assemblies.

Opposition coalitions since 1987

What appeared to be a politically expedient move by Mahathir to rid UMNO of his opponents led to the emergence of the most organized opposition to the BN since the latter's formation. With Semangat in the opposition, two coalitions emerged under its leadership. The first was based on an electoral pact with the DAP, the PRM, and the Indian-based All Malaysian Indian People's Front (IPF), a breakaway MIC faction. The BN-like multiracial coalition, Gagasan Rakyat (People's Movement), primarily contested parliamentary and state seats on the west coast of the peninsula, where constituents were from all ethnic communities. In addition, on the east coast, where the constituencies are dominated by Malay Muslims, Semangat combined forces with PAS and two other small Islamic parties to form Angkatan Perpaduan Ummah (APU – Community Unity Movement) (Khong 1991).

The chief reason for creating two separate coalitions was the inability

of the Islamic-based PAS and the DAP to find common ground. The DAP was opposed to PAS's intention to form an Islamic state, while PAS was not willing to renounce this goal. When both coalitions were formed just before the October 1990 general election, it was the first time in the history of Malaysian politics that all opposition parties were united and led by an established ex-UMNO Malay leader, Razaleigh. Midway through the campaign, the PBS joined the opposition, giving the Gagasan Rakyat control over Sabah even before it contested its first election.

The new opposition coalitions proved formidable adversaries to the BN. The APU resoundingly defeated the BN in Kelantan, securing victory in all the state's parliamentary and state seats. The Gagasan Rakyat narrowly failed to secure control of the Penang state government. The BN's performance in the other states, however, was much better, enabling it to retain its two-thirds majority in parliament, albeit by a mere seven seats. But it was indisputable that the BN's victory was due to its effective use of funds, government machinery, and the leading newspapers as well as television and radio networks (Khong 1991).

Subsequently, federal funds to the Kelantan and Sabah state governments were reduced. This led some PBS leaders to advocate closer ties with the BN, ostensibly to secure more federal funding, but probably also for personal reasons. After the PBS's defection to the opposition, some party leaders, including Kitingan's brother, were detained under the ISA. Kitingan was charged and found guilty of abusing his powers to channel a RM 1.4 million construction contract to family members; he was fined for the offence (*Far Eastern Economic Review*, 27 January 1994).

The PBS left the Gagasan Rakyat and attempted to return to the BN; its application was rejected and the BN secured control of the Sabah state government following the 1994 state election through questionable means, although the PBS had narrowly secured victory (Gomez 1996b). Despite the PBS's reduced electoral support in this election and the defection of key leaders to the BN, the results of the 1995 general election showed that the PBS still commanded sizeable non-Muslim support, especially among the Kadazans and Chinese (Gomez 1996a). This sequence of events revealed UMNO's use of federal government influence to undermine leaders at state level.

The withdrawal of the PBS from the Gagasan Rakyat signalled the latter's decline despite the serious electoral threat that the Semangat-led opposition coalitions had posed to the BN in 1990. Semangat was increasingly unable to sustain co-operation among the opposition parties due to political differences, while the DAP, Semangat, and IPF were themselves encumbered with internal problems. The latter two were wracked by defections to the BN. In 1995, the DAP also exited from the Gagasan Rakyat, claiming that continued membership in the coalition

was being construed by its supporters as tacit support for the PAS's idea of an Islamic state. In the 1995 general election, these opposition parties competed under their own banners (Gomez 1996a).

Meanwhile, Semangat struggled to sustain support among the electorate, performing far less well in the 1995 polls than in the 1990 general elections. As Semangat's problems with the PAS in the Kelantan state government mounted, Razaleigh returned to UMNO in 1996. The ambitious Razaleigh was probably aware that he would be unable to make further political progress, let alone secure the premiership, from outside UMNO by seeking the co-operation of opposition parties professing disparate ideologies. Semangat had difficulty sustaining its membership, as many members, denied access to state rents, defected to UMNO. With the deep rifts within UMNO, by transferring Semangat's supposed 200,000 members to the party Razaleigh hoped to strengthen his own chances of making a political comeback within UMNO.

Since the smaller parties in the APU were dwarfed by PAS and since the Gagasan Rakyat depended primarily on Razaleigh's leadership to be seen as an effective alternative to the BN, both opposition coalitions are unlikely to sustain themselves and will probably disappear with Semangat.

The founding of the multiracial Gagasan Rakyat was the result of its component members knowing that they would be unable to broaden their support independently. Thus, the leaders of the DAP, professedly multiracial in outlook, found it imperative to work with the Malay-based Semangat and the Indian-based IPF, whose heads were former leaders of the BN, and with whom they differed greatly in terms of political orientation. Although the Gagasan Rakyat fared rather well in the 1990 general election, the disparate interests of its component parties, especially their leaders, eventually contributed to its collapse.

Economic governance

From 1957 until 1970, the average annual GDP growth rate in Peninsular Malaysia was 6.4 per cent, mainly due to export earnings from tin and rubber (Khor 1983). To enhance diversification, oil palm and cocoa production were encouraged, while import-substituting industrialization (ISI) was actively promoted. This attracted much foreign capital investment, although most foreign companies participating in ISI merely established subsidiaries for assembling, finishing, and packaging goods produced with imported materials. Furthermore, since the materials and technologies used were generally imported from parent companies abroad, they were poorly linked to the rest of the national economy.

Though wage rates in these capital-intensive industries rose, the industries tended to generate relatively little employment, thus not significantly reducing unemployment. Moreover, the size of the local market was limited by the level and distribution of income (Jomo 1990, 12). By the mid-1960s, many transnational corporations were beginning to relocate their more labor-intensive production processes abroad, often in East Asia or Latin America, to reduce production costs.

With the Free Trade Zone Act of 1971, the government also began to promote export-oriented industrialization (EOI). New industrial estates or export processing zones known as ''free trade zones'' were established to encourage investments from companies manufacturing for export. Within a decade, firms in these free trade zones came to dominate Malaysia's manufactured exports.

Despite relatively high economic growth and low inflation for over a decade after 1957, income inequalities increased and poverty remained widespread. Interethnic income differences were reduced slightly but intra-ethnic differences grew, especially among Malays. Government schemes to foster Malay capitalism had not been successful despite provisions for Malay quotas in the award of business licences and acquisition strategies to expand Malay ownership of corporate equity. Malay capital ownership stood at a scant 2.4 per cent in 1970. Most Malays were still employed in the peasant agriculture and public sectors.

In response to criticism, the government extended the work of public enterprises. There were only 22 such enterprises in 1960 and 109 by 1970. There was growing concern among the Chinese that these public enterprises would encroach into the economic sectors they controlled. This exacerbated popular discontent.

In the 1969 general election, the Alliance government recorded its worst-ever electoral performance. The Alliance was a consociational grouping of three principals: the United Malay National Organization (UMNO), the Malaysian Chinese Associates (MCA), and the Malaysian Indian Congress (MIC). The Alliance retained control over Parliament, but with a severely diminished majority. Communal tensions ran high as the results were perceived in some quarters as reflecting a diminution in UMNO's – and hence, Malay – political hegemony. This triggered off race riots on 13 May 1969.

Malaysian political economy, 1970–1990

The 1969 riots were partly ascribed to the inequitable distribution of wealth between Malays and Chinese. In consequence, in 1970, the government introduced the New Economic Policy (NEP), an ambitious twenty-year social engineering plan to achieve ''national unity'' by

"eradicating poverty irrespective of race" and "restructuring society" to achieve interethnic economic parity between the Bumiputeras and the non-Bumiputeras.

This was to be attained by increasing Bumiputera corporate equity ownership to 30 per cent and by reducing the poverty level from over 50 per cent to 15 per cent by 1990. Many measures were taken to achieve these goals: improving access of the poor to training, capital, and land; changing education and employment patterns among Malays through scholarships and ethnic quotas favoring Malay entry into tertiary institutions; and requiring companies to restructure their corporate holdings to ensure at least 30 per cent Bumiputera ownership. Trust agencies, like the Permodalan National Bhd, or PNB (National Equity Corporation), were incorporated to accumulate wealth on behalf of the Bumiputeras. The government argued that greater interethnic economic parity would ensure stability and economic growth, but placated non-Bumiputera misgivings about the NEP by assuring them that since redistribution would be undertaken in a growing economy, no community would feel any sense of deprivation.

Public enterprises, the new engine of growth, were to participate much more in "modern-sector" activities such as finance, commerce, and industry, previously the exclusive domain of private enterprise. These new public enterprises included government-owned private or public limited companies, like property developer Peremba Bhd and food processor Food Industries of Malaysia Bhd, whose equity holdings were either fully or partially held by the government.

Between 1970 and 1990, the total number of enterprises owned by federal and state authorities grew considerably, from only 109 in 1970 to 1,014 by 1985 (Rugayah 1995, 66). Between 1970 and 1983, public-sector employment increased almost fourfold, from 139,467 to 521,818 (Mehmet 1986, 10). The expansion of the public sector was facilitated by a gradual shift to deficit financing and the fortuitous availability of oil exports off the east coast of the peninsula from the mid-1970s.

Inevitably, most public enterprises lacked a competitive, entrepreneurial ethos, which impeded profitability. They were heavily dependent on government funds and preferential access to business opportunities, while remaining immune from financial discipline and competitive market forces. Losses or low profits and wastage of investment resources increased the government's fiscal burden and slowed economic growth. For instance, in 1984 the Ministry of Public Enterprise could only report annual returns of 269 out of a total of 900 public enterprises; their accumulated losses came to RM 137.3 million (Supian 1988, 120–23).

While the government was able to absorb such costs during the 1970s when growth and revenues were high, this was no longer possible by the

mid-1980s when the economy slipped into recession and official revenues fell. Falling oil prices between 1982 and 1986, the collapse of the tin market in 1985, as well as the declining prices of Malaysia's other major exports – rubber, cocoa, and palm oil – contributed to the economy registering an unprecedented negative 1 per cent growth rate in 1985. Capital flight increased as private investment continued to decline from the mid-1970s, and unemployment rose steadily when the government could no longer afford to raise public spending after 1982.

Heavy industrialization strategy

Another factor contributing to the economic malaise in the mid-1980s was the government's heavy industrialization strategy, actively promoted by Mahathir. In an attempt to diversify the industrial sector and to compensate for declining private investments with increased public investments, Mahathir launched his (import-substituting) heavy industrialization program in the face of widespread criticisms and protests, even from within his own Cabinet. Understandably, there was much reluctance on the part of private capitalists to make massive investments in heavy industries given the huge capital investments required, the long gestation periods involved, the lack of relevant technological expertise, and the expected heavy reliance on government protection and subsidies; with the NEP-inspired practice of ''ethnic bypass,'' the government seemed reluctant to involve the Chinese in these projects (Jomo 1994).

Thus, the Heavy Industries Corporation of Malaysia (HICOM) was set up to pursue the heavy industrialization program by collaborating with foreign, mainly Japanese, companies to develop a variety of industries, ranging from steel and cement production to the manufacture of a national car. To finance these initiatives, the government resorted to massive borrowing from abroad, mainly from Japan (see Malaysia 1986, 1989).

Between 1980 and 1987, accumulated public-sector foreign debt grew from RM 4.9 billion to RM 28.5 billion. Including loans from domestic agencies, total public-sector borrowing increased from RM 26.5 billion in 1980 to RM 100.6 billion in 1986 (Jomo 1990, 186). By 1987, public enterprises accounted for more than a third of the public sector's outstanding debt, and more than 30 per cent of total debt servicing (Jomo 1990, 186).

The impact of the recession contributed to a turnaround in government policy. Influenced by neo-liberal Thatcherism and Reaganomics, Mahathir actively sought to liberalize the economy, promote privatization, augment support for the private sector, and increase investment incentives, even going so far as to relax some requirements of the NEP. To encourage foreign investment, the Investments Promotion Act was enacted, which provided generous tax holidays and pioneer status for

periods of between five to ten years for investments in export-oriented manufacturing and agriculture as well as tourism. To promote domestic private investment, the government amended legislation on its stringent Bumiputera investment and employee exemption limits for licensing of manufacturing enterprises. Privatization was supposed to curb inefficiency, poor management, and weak financial discipline in the public sector.

Events abroad also helped the Malaysian economy. After the second Plaza Hotel meeting in 1985, the U.S. dollar began to depreciate heavily against major world currencies, particularly the Japanese yen. As the value of the currencies of most East Asian industrializing economies rose, raising comparative production costs in the process, the Malaysian ringgit declined, even against the U.S. dollar. This situation, coupled with the government's liberalization efforts, resulted in a resurgence of export-oriented manufacturing, largely under the auspices of foreign, especially East Asian, capital, which re-invigorated the economy. From 1986, the role and contribution of direct foreign investment (DFI) to gross domestic capital formation increased appreciably. Between 1986 and 1989, DFI increased almost fourfold from RM 1.262 billion to RM 4.518 billion, and then soared further to RM 11.200 billion in 1991 (Ghazali 1994, 42–43). With growth rates of over 8 per cent since 1988, by the mid-1990s virtually full employment had been achieved, social mobility had increased, and business opportunities had expanded.

With the incentives provided to promote EOI, the average annual growth rate of manufacturing output exceeded 10 per cent between 1970 and 1990. By 1980, manufacturing had become a major net foreign exchange earner, reducing dependence on primary exports. Manufacturing's share of Malaysia's GDP more than doubled from 13 per cent in 1970 to 30 per cent in 1993 (table 9.3).

As the NEP period came to an end, it appeared that its goals had been achieved, aided by the growth of the economy at an average of 6.9 per cent per annum between 1970 and 1990. By 1990, public-sector asset accumulation on behalf of Bumiputeras, government regulation of business opportunities and investments, and preferential policies for Bumiputera

Table 9.3 **Malaysia's gross domestic product by sector, 1960–1993**
(per cent)

	1960	1970	1980	1990	1993
Agriculture	40	31	23	19	16
Mining	6	6	10	10	8
Manufacturing	9	13	20	27	30
Other	45	50	47	44	46

Source: Gomez and Jomo 1997, 20.

Table 9.4 **Ownership of share capital of Malaysian limited companies, 1970–1995**[1]
(per cent)

	1970	1990	1995
Bumiputera	2.4	19.3	20.6
Individuals and Institutions	1.6	14.2	18.6
Trust Agencies[2]	0.8	5.1	2.0
Non-Bumiputera	28.3	46.8	43.4
Chinese	27.2	45.5	40.9
Indians	1.1	1.0	1.5
Others		0.3	1.0
Nominee Companies	6.0	8.5	8.3
Foreigners	63.4	25.4	27.7

Sources: Malaysia 1976, 1996.
[1] Excludes shares held by federal, state, and local governments. Shares are taken at par value.
[2] Refers to shares held through trust agencies such as Pernas, PNB (National Equity Corporation), and the SEDCs.

businesses had all helped to augment Bumiputera equity in the corporate sector to 19.3 per cent, a remarkable increase despite being considerably short of the NEP's 30 per cent target. Of this 19.3 per cent, Bumiputera individuals held 14.2 per cent and government trust agencies the balance. The Chinese share of the corporate sector also rose, from 27.2 per cent in 1970 to 45.5 per cent in 1990 (table 9.4).

Poverty had also been cut down to a remarkable 17 per cent nationwide, while the identification of race with economic function had also been largely reduced (table 9.5). The increasing number of Bumiputeras in middle-class occupations was particularly conspicuous.

Table 9.5 **Malaysian employment and occupation by ethnic group, 1995**
(per cent)

	Bumiputeras	Chinese	Indians	Others
Professional and technical	64.3	26.2	7.3	2.2
Teachers and nurses	72.3	20.5	6.6	0.6
Administrative and managerial	36.1	54.7	5.1	4.1
Clerical	57.2	34.4	7.7	0.7
Sales	36.2	51.9	6.5	5.4
Services	58.2	22.8	8.7	10.3
Agriculture	63.1	12.9	7.5	16.5
Production	44.8	35.0	10.3	9.9

Source: Malaysia 1996. *Seventh Malaysia Plan, 1996–2000*.

In spite of the rapid changes of the two NEP decades, some features of the economy persisted. For instance, although the NEP helped to develop a significant Malay middle class, Bumiputeras still dominate peasant agriculture and increased their domination of the public sector. Poverty is still widespread among Bumiputeras. Government attempts to redistribute ownership of corporate stock have been effective – several studies argue considerable underestimation of the actual Bumiputera share of corporate wealth – but wealth concentration has increased (see Jomo 1990; Gomez 1990, 1994; Gomez and Jomo, 1997). Income inequality and wealth differences among all communities have also increased. The Chinese continue to dominate wholesale and retail trade, despite considerable inroads by Bumiputeras (*Malaysian Business*, 16 January 1991). Indians have failed to achieve any significant increase in their share of corporate stock (table 9.4).

Bureaucrats and think tanks

The bureaucracy's influence over the state strengthened appreciably during the early 1970s, a development that was described by Esman (1972) as the rise of an ''administrative state.'' The extent of the bureaucracy's influence over the state has, however, been qualified (see Puthucheary 1987; Zakaria 1987). Puthucheary (1987) noted that to presume that the bureaucracy's ''role is so important as to make Malaysia an administrative state is to forget the strength of the ruling party which has been in power for twenty years and is likely to stay in power for some time.'' Another factor undermining the strength of the bureaucracy was fragmentation. Authority was distributed among competing agencies like the Malaysian Industrial Development Authority (MIDA), the State Economic Development Corporations (SEDCs), Petronas, the Ministry of Trade and Industry, and the Economic Planning Unit in the Prime Minister's Department. Although there were overlapping objectives and functions within these enterprises, there was little co-ordination among them.

The bureaucracy's influence was particularly checked after Mahathir's appointment as prime minister in 1981. It was he who began to centralize government decision-making in the Prime Minister's Department, pushing through economic initiatives with little consultation; by 1983, senior bureaucrats were reportedly concerned that ''sound, practical advice is too often discouraged or ignored'' (*Far Eastern Economic Review*, 16 June 1983). The establishment of numerous policy-oriented research institutions or ''think tanks'' in the 1980s was believed to be motivated by Mahathir's desire to undermine the bureaucracy's dominance over policy-making (Noda 1996, 408). The most prominent institutions, the

Institute of Strategic and International Studies (ISIS) and the Malaysian Institute of Economic Research (MIER), are conspicuous for their advisory role to the government. Led and staffed by foreign-educated intellectuals and former academics, the think tanks have emerged as alternative sources of technical and other competencies.

ISIS, led since its establishment in 1985 by Nordin Sopiee, a former newspaper editor with a doctorate from the London School of Economics, is reputedly one of the largest think tanks in Southeast Asia with around one hundred full-time research and support staff. ISIS contributes to policy on defence, security, and foreign affairs and is believed to have played a key role in developing the government's post-1990 economic plans, particularly Vision 2020. MIER was established in 1985 and has been led by former academics. It provides the government with economic analysis and planning, business surveys, and economic policy proposals (Noda 1996, 411–15).

UMNO's increasing hegemony over the state also progressively undermined the bureaucrats' dominance over policy implementation, especially its redistributive aspects. Executive dominance was evidenced by its ability to bend the bureaucracy to build vertical linkages with diverse groups among the Malay population. Peasant, fishermen, and business associations were often organized directly by bureaucratic agencies and became conduits for development funds and state largess to promote UMNO interests (see Shamsul 1986).

Given the increasing political exploitation of the state for vested interests, it was probably inevitable that by the early 1980s public-sector expansion under the NEP was generally deemed to have led to a bloated and inefficient bureaucracy, exacerbated by a scarcity of Bumiputera managerial expertise. Very little monitoring, let alone financial discipline, was exercised, especially when funds readily flowed in before the fiscal and debt crises of the mid-1980s.

Vision 2020

In 1991, the government outlined its long-term goals for Malaysia through its Vision 2020 statement and the National Development Policy (NDP); its emphasis was for Malaysia to achieve ''fully developed country'' status by the year 2020, primarily by accelerating industrialization, growth, and modernization.

Understandably, there has been some enthusiasm, especially on the part of non-Bumiputeras, for Vision 2020's explicit commitment to forging a Malaysian nation which transcends existing ethnic identities and loyalties, and for the statement's emphasis on the market rather than the public sector to encourage growth. Thus, while foreign investors continue

to be courted, the government has also started to allow local Chinese capital more room to move. Chinese capital has also been encouraged by various other reforms, for example easier access to listing on the stock exchange and greater official encouragement of small and medium industries (SMIs). Local firms, especially large corporations, have been encouraged to invest overseas, where the scope for Malaysian government influence is even less; this has been perceived as a sign of good faith that the government is committed to reducing intervention.

However, whereas the NEP sought national unity in terms of improved interethnic relations to be realized by achieving interethnic economic parity, Vision 2020's ''developed country'' goal stresses economic growth. Other differences are more suggestive of the new approach and priorities. While the NEP envisaged progressive government intervention and a redistributive welfare role for the state, Vision 2020 has sought to shift primary responsibility for human welfare back to the family. With cuts in public expenditure, the costs of social services like education and health have been increasingly transferred to consumers in the form of higher university fees, payments for school amenities, hospital charges, and medicine fees.

Political outlook

Middle-class activism

Despite growing concentration of power in the executive arm of government, there is little evidence of much tension between the large multiethnic middle class that has emerged and the authoritarian state, or of growing demands for political liberalization among the Malay middle class. Rather, as the 1995 general election results indicated, the BN still enjoys a high degree of popular support, while much of the middle class believes that there has been commendable economic performance, as well as success in reducing poverty, raising real incomes, and diminishing wealth disparities among ethnic communities thanks to the existence of a strong state (see Gomez 1996a). Mahathir probably also invokes his regime's success in promoting economic growth to justify his authoritarian style of governance; he has stated that ''nobody cares about human rights so long as you can register annual growth rates of 8.5 per cent'' (*Third World Resurgence*, August 1993).

Moreover, there is still only limited interethnic co-operation among the middle class due to ethnic polarization; this has inhibited more effective middle-class mobilization. The bulk of the middle class seems quite materialistic and unlikely to face the avoidable risks of seeking reforms.

There is little evidence that the growing access of young Malaysians to higher education has led to a significant increase in democratic values and practices, as has been the case in other parts of East and Southeast Asia. This process is hampered by the rather repressive University and University Colleges Act, which forbids students from any form of unapproved (that is, non-government) political participation.

The limited reformist orientation of the middle class may also be due to the fact that the access of most Bumiputeras to higher education has been facilitated by state scholarships and ethnic quotas. Furthermore, much of the Bumiputera middle class either is still employed by the state or state-owned enterprises, or views UMNO as a stepping stone to upward social mobility; many still conceive of UMNO and the state as protectors of their interests, politically and economically.

Undoubtedly, liberalization policies, including privatization, which have entailed diminishing the role of the state in the economy, and the recent emphasis on private sector–led growth have been well received by the Chinese community, particularly its urban, middle class members. Although government patronage has persisted with privatization, interethnic business co-operation has been enhanced between those Chinese capable of fulfilling contracts and those Malays who can secure them. Economically, Mahathir has realized the utility of mobilizing Chinese capital for his modernization drive. Politically, such development of interethnic economic co-operation has given him unprecedented electoral support from non-Bumiputeras, particularly urban middle-class Chinese (see Gomez 1996a).

In addition, non-Bumiputeras have gained from, and hence been appreciative of, the cultural liberalization measures instituted since the mid-1980s, especially the promotion of English language use. There has also been greater tolerance for non-Malay cultural expression, especially when politically expedient; Mahathir, for example, lifted long-standing restrictions on the lion dance, and liberalized travel restrictions to China just before the 1990 general election. Since Malaysian Chinese have historically been as concerned with maintaining their economic, educational, and cultural rights as their political rights (Lee 1987), the move by the government toward economic and cultural liberalization, though unaccompanied by greater political and civil liberties, has been politically expedient and attractive.

UMNO factionalism

The best prospects for democratic consolidation would seem to lie in growing UMNO factionalism. This has been stimulated by greater intra-ethnic problems among the Malays as evidenced in the UMNO split,

which led to the formation of Semangat, as well as current developments. Already, Bumiputeras – primarily, but not exclusively, rural Malays – are assessing the BN government's performance in terms of not only economic growth but also its capacity to prevent or deal with social ills and maintain a more decent level of probity and transparency (see Gomez 1996a).

Some of the problems that have emerged among Malays appear to have to do with Mahathir's vision of development for Malaysia. His emphasis on creating a Bumiputera capitalist elite and on industrialized modernization is not consistent with the agrarian populist basis of UMNO. The Malay peasantry, long the backbone of UMNO, appears increasingly alienated from this vision (see Gomez 1996a). Mahathir's deputy, Anwar, has tried to project a more populist vision with his greater attention to such needs. Moreover, although there was some agreement among UMNO leaders over Mahathir's prescriptions to help revive the economy in recession, there now appears to be growing concern over the biases of the new policies. These different emphases of these two leaders are a reason for perceived differences between them – UMNO remains deeply factionalized. In these circumstances, and given the concentration of power in UMNO, if greater political liberalization is to emerge, it may depend primarily on machinations within the party.

The impact of such factionalism on the future of Malaysian politics is difficult to gauge. It is possible that if factionalism intensifies, another group may break away, which may lead to the establishment of another broad-based opposition coalition. Such an alternative may not be attractive given the experience of such breakaway factions in the opposition, as evidenced by the demise of Semangat. Other breakaway UMNO factions – including one led in 1951 by Onn Jaafar, UMNO's first president – have similarly failed to undermine UMNO. On the other hand, since the increasing difficulty of reaching compromises among factions may exacerbate instability in government, Mahathir may centralize even more power in his own hands. The frustrations of Anwar 's supporters in such circumstances may increase, especially since Mahathir continues to show no sign of relinquishing power. However, much will depend on their ability to persuade Anwar to take on Mahathir for the UMNO presidency – an unlikely scenario in the near future given how effectively Mahathir checked the possibility of such a challenge in 1995 and 1996.

There are a number of reasons why factions within UMNO may emerge as key players insisting on more transparency and accountability. First, the emergence of the new Malay middle and business classes with state patronage continues to contribute to friction over access to rent opportunities, which has led to intensified challenges for senior party

posts. Some leaders even use the argument of the need for greater transparency to justify their decisions to contest party posts. During the 1996 UMNO election, Siti Zaharah Sulaiman successfully challenged the party's women's wing leader; she claimed that her decision to do so stemmed from her belief that the movement needed a clean and trustworthy head. The incumbent, Rafidah Aziz, had been embroiled in a scandal in which she allegedly abused her position as minister of international trade and industry to channel to her son-in-law RM 1.5 million worth of shares in a publicly listed company reserved for the Bumiputera community under the government's Bumiputera share allocation scheme (*Asiaweek*, 21 July 1996).

Second, the ambitions of those in the middle and business classes vying to climb the UMNO hierarchy may compel them to use their business influence, especially control over the media, to expose various types of transgressions, both moral and legal, to discredit their opponents. Already, there have been numerous exposés in the mainstream press of corruption and conflicts of interest involving UMNO leaders, particularly those not aligned with Anwar. The scandal involving Rafidah is believed to have been highlighted by the Anwar-controlled media. Rafidah retaliated by alleging similar allocations to family members of equity reserved by the government for Bumiputeras, on the part of Anwar, Mahathir, and other senior UMNO leaders and pro-Mahathir figures, including the former head of the judiciary. Rafidah's exposé revealed how UMNO leaders have been channelling state-controlled rents to themselves.

This series of events suggests that such UMNO factionalism may increase demands in UMNO for greater change, changes in the leadership, increased political participation, and more transparency and accountability. Some of those who feel marginalized believe that they can operate better on a more level playing field. Thus, they may desire to alter intra-ethnic allocation to enhance their access to state rents. In that case, in the event of an economic downturn, which may greatly reduce the rents that can be distributed, UMNO factionalism may be difficult to be contain.

The Malaysian case indicates that there is no simple causal link between development and democracy. Different levels of economic development do not necessarily explain why democracy has, or has not, developed as in other parts of East and Southeast Asia. Apparently, the continued institutional viability of ethno-populism has been a major impediment to democratization. However, given UMNO's hegemonic position, political and business rivalries among UMNO members may give rise to situations that may enhance democratization in Malaysia. The government may also have to concede some political liberalization in the interests of further economic growth and political stability.

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