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MALAYSIA AND SINGAPORE IN THE WORLD ECONOMY: STATE, CAPITALISM, AND AUTHORITARIANISM

A Dissertation
Presented for the
Doctor of Philosophy
Degree
The University of Tennessee, Knoxville

Azlan A. Tajuddin
August 2002

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DEDICATION

This dissertation is dedicated to all groups and individuals
who sacrifice their lives and energies in the struggle against oppression and injustice,
in the hope that our children can live in peace and harmony on earth.

"Oh humankind, we have created you male and female and have made you into nations
and tribes (so) that ye may know (and learn) from each other."
– The Quran (Surah 49, verse 13)

ACKNOWLEDGEMENTS

No project undertaken by any individual could succeed without help and inspiration from others. I take this opportunity to thank the many people who have provided me with valuable support and advice throughout the duration of my program.

First and foremost, I would like to thank my committee members, Asafa Jalata, Jon Shefner, Sherry Cable, and Faye Harrison for their meticulous comments and insightful suggestions. Special thanks to my chair Asafa Jalata, for his advice and guidance during the writing of this dissertation, and for convincing me that political economy is the 'mother of all social sciences.'

Second, I wish to thank my learned colleagues Patrick, Tammy, Stephanie, Glenn, Lisa, Regina, and David for their friendship and camaraderie throughout the program. I am especially indebted to Sam for engaging me in stimulating discussions and debates on issues of human rights and social justice. To Sandy and Betty Lou, I am particularly grateful for their kindness and concern for my welfare.

Third, invaluable gratitude goes to my two sets of parents, extended family, and many friends, whose thoughts and prayers materialized in my good health and perseverance to complete this program.

Saving the best for last, I thank my wonderful wife of 13 years, Noor, for her patience, encouragement, and successful juggling between pursuing a demanding career and performing the role of a single parent to our four young children during our year-long separation in my final year. To my lovely children Danial, Sarah, Hannah, and Adam, thank you for being brave and patient during my absence – thank the Almighty we are all together again to enjoy the Florida sunshine.

To summarize my heartfelt thanks to everyone involved, including those I may have failed to mention, I would like to quote a line from a traditional Malay poem: *hutang emas boleh dibayar, hutang budi dibawa mati* – "debts of gold I can repay, debts of kindness I cherish to my grave."

ABSTRACT

This dissertation is a comparative historical analysis between Malaysia and Singapore on the relationship between capitalist development and authoritarianism. Both Malaysia and Singapore have recorded remarkable economic growths and rapid industrial development, but both these countries have also shown to be moving toward state authoritarian rule. The rise of authoritarianism in these countries is analyzed through four interactive state development-related variables that shape the nature of politics in these countries. First is the development of institutions that have enabled the state to assume and strengthen its power over all other social forces. This in turn has empowered the state to forge alliances with both foreign and local capitalists in order to survive in the world economy. In this regard, even though so-called democratic institutions such as representative government and electoral processes are seen to exist, their effectiveness as genuine democratic institutions is limited. Second, social and political tensions entrenched in ethnonational-class inequalities have given rise to serious difficulties in the formation of cross-ethnonational popular alliances. These difficulties arise not from the multi-ethnonational character of society but rather from the domination of economic power by one group used to politically subsume other groups. The state also frequently justifies authoritarian rule as a way to suppress ethnonational tensions and enforce coexistence between the various groups. Third, the dependent nature of capitalist development itself aggravates existing wealth concentration, thereby reinforcing state-capital alliances and widening existing disparities. The more dependent the state is, the more repressive is its administration to accommodate capital investments. Fourth, peripheral state development has thrust the state into the leading role of economic planning as well as policy formulation. Thus by exploiting ideologies constructed around economic nationalism, the state often justifies its authoritarian rule as a politically legitimate means of attaining an economically prosperous end. Both Malaysia and Singapore are chosen for this comparative study due to their phenomenal economic growth, their development toward state authoritarian rule, and their unique social-political histories, that in many ways set these countries apart from many capitalist peripheral states.

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LIST OF ABBREVIATIONS/TERMS

ACCC	Associated Chinese Chamber of Commerce
AMCJA	All-Malaya Council of Joint Action
ASEAN	Association of Southeast Asian Nations
BNBCC	British North Borneo Chartered Company
British Malaya	Name given to larger geographical area of Malay states under British Protectorate (consisting both the FMS, the UFMS, and the Straits Settlements)
British North Borneo	Former name for Sabah
Bumiputera	'People of the soil' (Malays and all other indigenous people of Malaysia)
COMINTERN	Communist International
CPF	Central Provident Fund (Singapore)
CPM	Communist Party of Malaysia
DAP	Democratic Action Party of Malaysia
EIC	East India Company (Britain)
EOI	Export oriented Industrialization
FDI	Foreign direct investments
FELDA	Federal Land Development Authority (Malaysia)
FMS	Federated Malay States - federation of States under British Protectorate, consisting of Selangor, Perak, Negri Sembilan, and Pahang.
FPI	Foreign portfolio investors
GDP	Gross Domestic Product
GNP	Gross National Product
GRC	Group Representative Constituencies (Singapore)
Guanxi	Chinese clan-based business association
HDB	Housing Development Board (Singapore)
ICA	Industrial Coordination Act (Malaysia)
ILO	International Labour Organisation
IMF	International Monetary Fund
IMP	Independent Party of Malaya
ISA	Internal Security Act (Malaysia and Singapore)
ISC	Internal Security Council (Singapore)
ISI	Import substitution industrialization
Keadilan	National Justice Party of Malaysia
KMM	Kesatuan Melayu Muda (Young Malays Movement)
KMT	Kuomintang (Chinese Nationalist Party)
Malay Archipelago	Refer to *Nusantara*
Malay Peninsula	Geographical name for land mass stretching from Thailand in the north to Singapore in the south.
Malay States	political term for various Malay sultanates under the rulership of a sultan or ruler, located on the Malay Peninsula
Malaya	Former name of Malaysia before the incorporation of Sarawak and Sabah into the Federation of Malaysia

Malaysia	Current name of Federation consisting of Malaya, Sarawak, and Sabah (from 1963-1965 it included Singapore)
MCA	Malaysian/Malayan Chinese Association
MDU	Malayan Democratic Union
MIC	Malaysian/ Malayan Indian Congress
MNC	Multinational Corporation
MNP	Malay Nationalist Party (MNP)
MPAJA	Malayan People's Anti-Japanese Army
MPHB	Multi-Purpose Holdings Berhad
NCMP	Non-Constituency Member of Parliament (Singapore)
NDP	National Development Policy (Malaysia)
NEAC	National Economic Action Council (Malaysia)
NEP	New Economic Policy (Malaysia)
NOC	National Operations Council (Malaysia)
NTUC	National Trade Union Congress (Singapore)
Nusantara	Cultural-geographical term for Malay-speaking world incorporating contemporary Malaysia, Brunei, Singapore, Indonesia, and the Philippines (otherwise known as the Malay Archipelago).
OSA	Official Secrets Act (Malaysia and Singapore)
PAP	People's Action Party (Singapore)
PAS	Part Islam Se-Malaysia (Pan Malayan Islamic Party)
PBS	Partai Bersatu Sabah (Sabah United Party)
PMFTU	Pan-Malayan Federation of Trades Union
PNB	Perbadanan Nasional Berhad (National Equity Corporation, Malaysia)
PUTERA	Pusat Tenaga Rakyat (People's Labor Center)
RIDA	Rural Development Authority (Malaysia)
SFTU	Singapore Federation of Trade Unions
Singapura	Original name/Malay version of the name for Singapore
SNAP	Sarawak National Party
Straits Settlements	British crown colonies situated on the west coast of Malaya/Malay peninsula, comprising of Penang, Dindings, Malacca, and Singapore (capital).
Temasik	Classical Malay name for Singapore
TFC	Transnational finance capital
TNC	Transnational Corporation
UFMS	Unfederated Malay States – separate individual states under British Protectorate rule consisting of Perlis, Kedah, Kelantan, Terengganu, and Johor
UMBC	United Malayan Banking Corporation
UMNO	United Malay National Organisation
UN	United Nations
UNCTC	United Nations Center on Transnational Corporations
UNDP	United Nations Development Program
UNDCP	United Nations Drug Control Program
UNESCO	United Nations Educational Scientific and Cultural Organization
VOC	United East India Company (Netherlands)
WP	Workers Party (Singapore)

CHAPTER 1

STATE, CAPITALISM, AND AUTHORITARIANISM

This dissertation critically and comparatively examines the contradictions that the state in Malaysia and Singapore faces in the relationship between capitalist development and democracy. Despite their rapid economic growth, both countries have experienced increasing trends toward authoritarianism (Zakaria and Alatas 1999, 195; Lingle 1996, 42-47). Maps of modern Malaysia and Singapore are displayed on page 2 in Figures 1.1 and 1.2 respectively.

Malaysia and Singapore have attained rapid industrialization of their economies within a relatively short span of time. In its policy research report, the World Bank classified these two countries as belonging to the 'high performing Asian economies' or HPAEs. The Bank attributes these two countries' economic success to the states' 'market-friendly' policies, which encouraged growth-oriented strategies in investments, savings, and resource allocations (World Bank 1994, 84-86). Although the Asian financial crisis of 1997 slowed the momentum of economic growth that had been building throughout the 1990s, the economies of Malaysia and Singapore have nevertheless performed remarkably well. Between 1980-1997, Malaysia steadily recorded an average of about 8 per cent real Gross Domestic product (GDP) growth rate.[1] Singapore, long considered an economic powerhouse since the 1980s, collected foreign exchange reserves in excess of US$78 billion in 1997, placing it within the top seven richest economies in the world (Lam 1999, 258). The impressive economic accomplishments of these two countries earned them memberships into the 'miracle economies of East Asia,' whose collective economic performances outdistanced that of all other regions of the world' (World Bank 1994,1-8).

However, impressive economic growth has also been accompanied by increased state authoritarianism. Each state has been seen to either tighten its grip on political power (as in Malaysia) or further sustain its social control policies through repressive measures (as in Singapore), thereby introducing little in terms of democratic transformation. Although practicing regular free elections within a parliamentary-style system, both countries have had one-party monopolization of power since independence.

These states also possess extraordinarily strong executives that exert tremendous power over other national political institutions to effectively assert their influence into almost every aspect of social and political life. One major consequence of this has been the drastic decline in civil liberties over the past decade. Such deterioration in individual rights can be captured in the way these states have taken advantage of national security laws and compliant judiciaries to arrest, detain, and

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[1] Figure calculated by combining reports from World Development Report, p. 208 and International Monetary Fund Report 2000.

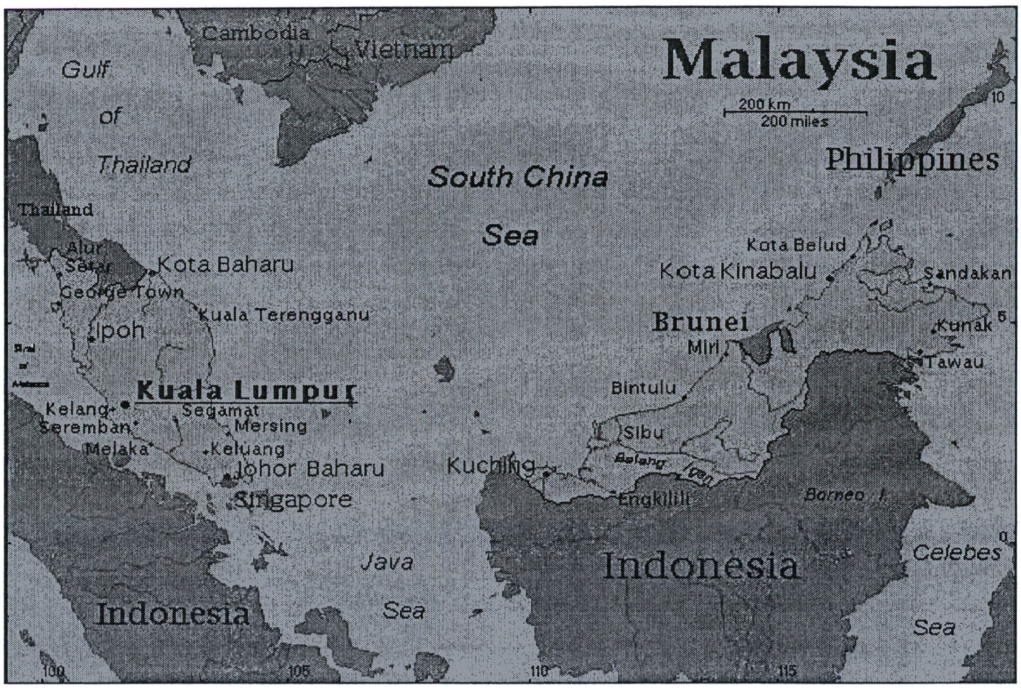


Figure 1.1: Map of Modern Malaysia

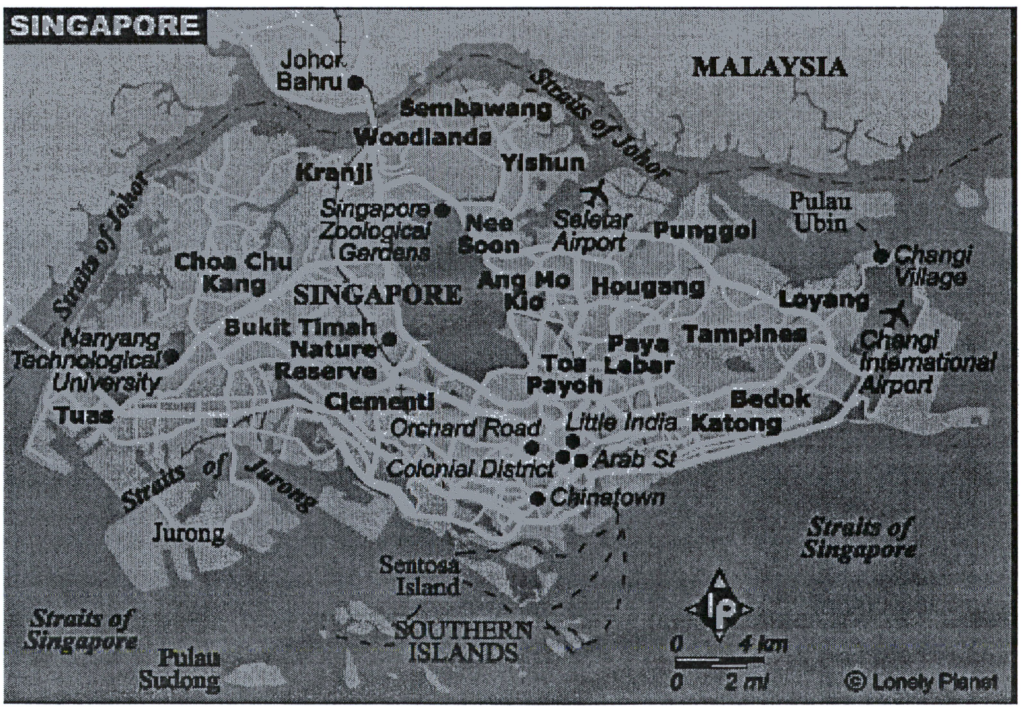


Figure 1.2: Map of Modern Singapore

prosecute individuals belonging to political oppositions.[2] The state also controls the media and frequently utilizes harsh and punitive legislation to monitor public expression. In this, the ordinary citizen is denied freedom of speech, and has virtually no liberty to criticize the state.

Malaysia and SIngapore are chosen for this project precisely for the reason that capitalist development through intense industrialization has resulted in state authoritarianism. Neo-classical liberals, inspiring the resuscitation of modernization theories, have expounded their arguments on the concurrence of economic growth, political development, and 'democracy' as symptomatic phenomena of post-cold war global trends (Fukuyama 1992, 337-338; Huntington 1992). These theorists believe that the tide of democratization would enter the shores of Asia in conjunction with industrialization and economic development. Indeed, maintream economists and their media have adopted such concepts and taken them to be the norm (Jones 1997, 2). Political transformations in Korea and Taiwan toward political democratization in the late 1990s seemed to have enthused these theorists to turn their contentions into unversal doctrine.

However, the cases of Malaysia and Singapore do not seem to fit into such a prespective. The reason behind this is that theories such as modernization theory limit their analysis to political systems and leaderships. In order to analyze the relationships between capitalist peripheral state development and state authoritarianism in Malaysia and Singapore, it is important to understand the interconnections between the wider theoretical concepts of state, global capitalist development, and democracy. Since capitalist peripheral states are products of world historical forces, the analysis of the relationship between state, capitalism, and democracy in Malaysia and Singapore should appropriately take place within a comparative global-historical setting. Thus using a world systemic perspective, this dissertation analyzes state development in terms of difficulties faced by the Malaysian and SIngaporean state in mediating the penetrating and contradictory effects of both internal social forces and external global dynamics, which has resulted in a systematic suppression of democratization processes in these countries.

The critical analysis of peripheral states both as independent political units as well as dependent entities connected to the capitalist world economy will lead to the understanding of the relationship between peripheral capitalist state development and increasing authoritarianism in Malaysia and Singapore. As such, it is necessary to examine, through a short but concise historical overview, the development of the state in the capitalist world system, and its effects on the development of democracy.

Theoretical and Methodological Approaches:
State, Capitalist Development, and Democracy

The central theme of this dissertation rests on the premise that capitalist peripheral development has brought on increased state authoritarianism in both

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[2] Both Malaysia and Singapore inherited the British colonial Internal Security Act that was mainly used by the British colonial government against suspected communist insurgents during the 1950s.

Malaysia and Singapore. This dissertation argues that the intense historical interaction between internal-domestic forces and global-external dynamics has given rise to rigid state institutional structures and complex internal tensions that have precipitated a trend toward state authoritarianism. The theoretical framework of this research is based on the argument that state authoritarianism in these countries is the historical-interactional outcome of four state-related developmental variables. They are, state institutionalization processes, ethnonational-class tensions, dependent and uneven development, and state ideological strategies. This dissertation seeks to illustrate that these variables are commonly shared by both Malaysia and Singapore as fundamental factors behind the development toward state authoritarianism.

Hence, it is important to conceptualize first of all, the state in terms of its historical specificity, through which an understanding of its role in the world system and its nature as a product of social-class struggles during each epochal transformation can be attained. In such case, it is only relevant then that we first understand and conceptualize the peripheral capitalist state in relation to the growth as well as product of the European-dominated capitalist world economy.

The State and Capitalist Development in Europe

In medieval Europe, wars and invasions that took place between one feudal kingdom and another, brought about a pluralism of authoritative structures, a process that led Perry Anderson to regard as 'detotalization of sovereignty' (Anderson 1974, 405). This concept is largely based on the unique political transformations taking place, in which high levels of territorial accumulation crystallized in various regions of the European continent into disparate political entities that later served the basis for state formation. Zolberg (1986, 75) asserts that these transformations must be understood as two simultaneous processes: "the emergence of territorial sovereignty out of entities aspiring to universal scope, and the aggregation of domination starting from a widely scattered territorial power." Increasing trade and social interchanges necessitated an atmosphere of political stability.

Thus dynamisms occurring as a result of interactions between the various disparate authoritative enclaves later crystallized into a need for a centralization of political domination. Polarization of authorities between the Papacy and individual Emperors further allowed groups of protagonists to accumulate and monopolize territorial power in their respective regions. With the help of the Church, these protagonists later became the social crux that politically dominated the newly emerging monarchies of Spain, France, and England (Hintze 1975, 167). Centralized regional entities replaced village and city governments to form a sovereign state under a powerful monarch. This phenomenon, in which internal processes of domination concentration combined with external processes of state systems formation, soon led Europe toward a systemic configuration of absolutist states (Anderson 1986; Trevor-Roper 1969, 46-89).

Interestingly, this period also witnessed the advancing march of capitalism in Europe. Newly emerging social forces that emanated under capitalism required a strong centralized state to manage and diffuse tensions brought forth by competing class interests. The emerging capitalist mode of production soon introduced the increasing power of the merchant class and the struggle for democracy against the aristocrats,

peasantry, and working class, resulting in the establishment of bourgeois democracies (Shannon 1996, 41; Snyder 1976, 77). Capitalism also required the management of production forces at the national level, whereby taxation, law enforcement, and trade could be more efficiently operated. And as a security measure, a strong state also provided a bastion against external threats (Breuilly 1994, 84). The capitalist mode of production required such characteristics in a state as a means to facilitate and sustain its systemic existence. Meanwhile, the concept of nationalism had entrenched itself to be the propelling force behind national integration, thereby shifting citizenship loyalty from the monarch to the state (Snyder 1954, 77-80).

The French Revolution marked a turning point in European state historical development. Its principles of self-determination, common citizenship, equality, and popular sovereignty became increasingly entrenched in the political restructuration of European societies (Heater 1994). It also imprinted the struggle for democracy as one of the most important principles in the modern world system (Jalata 2001, 7). Beginning with England and France, this development gradually transformed the absolutist states in Europe into nation-states. Charles Tilly (1975) reminds us that there were unique and favorable circumstances that led to the proliferation of modern state formations in Western Europe not available elsewhere. These included the pre-capitalist conditions of a relatively homogenous Christian cultural structure, a largely peasant based economy with a landlord-centered ruling system, and a highly decentralized political system, which allowed for much of conquests and takeovers.[3] Capitalism finalized the process by facilitating merchant class sponsorship of the state through financing of military and bureaucratic operations as well as generating revenues through taxation (Tilly 1975,17-31). By the early nineteenth century, the inability of any of the emerging nation-states to dominate the other made possible the development of a nation-state system in Western Europe (Shannon 1996, 61-71).

During the period 1500 to 1800, European state mercantilist rivalry extended throughout the world, in which European explorers pillaged the coasts of South America, Asia, and Africa for gold, spices, and free labor in the form of human slavery (Shannon 1996, 62-66; Baran 1967).[4] An increasingly prominent world division of labor appeared, in which each of the core states of Europe sought to extract resources from the these parts of the world as a means to sustain and increase their economic and political power (Wallerstein 1974a, 36-63; Shannon 1996, 55-57).

Competition between the core nation-states for overseas territories soon became conflated with nationalist sentiments that justified the exploitation and conquests of

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[3] Some other conditions favorable to the rise of states in Europe included the efficiency of the centralized state mechanism itself. Once it was seen to come into force, no other political organization seemed to be more superior to the state apparatus. However, the rate of statehood in Europe varied according to many factors. Some of these factors included the capability of the state in mobilizing citizens on the basis of class, language, and religion; the availability of resources; the continuous supply of political elite; the relative success in warfare; and the ability of the state to successfully ally with sections of the landed elite (see Tilly 1975).

[4] European looting of the peripheral areas of the world was done in the name of 'trade.' These plunderings of non-European societies of their resources and wealth basically transferred economic surplus from these areas to Europe, where it paid for the development of industrialization (see Baran 1967; and Hoogvelt 1995, 17-18).

foreign lands. In the Malay Archipelago, where a trading network of maritime kingdoms had existed for centuries, British and Dutch national-mercantile interests competed for control of the traditional spice trade. The British finally succeeded in establishing their sphere of influence in the Malay States through coercive treaties with various Malay rulers and the founding of a mercantilist port in Singapore. The advent of mercantilist-capitalist trade in this region meant the gradual fall of Malay commercial supremacy (Trocki 1979).

The ideology of imperialism involved the survivalist approach to nationhood, in which colonization of foreign lands was deemed crucial for political and economic survival (Thornton 1985). This notion manifestly peaked in the European 'scramble for Africa' in the late 1800s. Classical Marxist theorists thought this expansion necessary to overcome falling rates of profits in core countries. Hobson, Hilferding, Bukharin, and Lenin identified this period as one characterized by five basic features. One, the concentration of capital in Europe, two, the emergence of finance capital, three, the export of capital, four, the emergence of international monopolies, and five, the territorial division of the world (Larrain 1989, 62-68; see also Hobson 1988; Hilferding 1981, Bukharin 1976, and Lenin 1978).

The emergence of the colonial state

Engels (1993, 232) stated: "At a definite stage of economic development, which necessarily involved the cleavage of society into classes, the state became a necessity because of this cleavage." Since the state is first and foremost a territorial concept (Engels 1993, 208), the colonial state can be viewed in terms of the relationship between the land and the state, in which land becomes valued property subjected to appropriation and physical enclosure by the state (Young 1995, 172). The formal establishment of a colonial state was necessary to facilitate the process of capital accumulation; political processes, especially in relation to land and property, had to be realigned to cater to capitalism's needs. Even Hobson (1988, 227) accepted the notion that 'backward societies' must be opened up since the inhabitants of these areas were not progressive peoples competent enough to develop the arts of industry.

Such notions however, disregarded the centuries-old trading systems that existed before the incursion of European capitalism into these areas. For most of the periphery, colonialism was the forced takeover of commercial functions by the Europeans of goods that were already being traded locally and regionally by the indigenous populations. It also marked the appropriation of surplus labor and gross exploitation of the local workforce through a wage labor system, slavery, and indentured servitude (Jalata 2001, 7-8; Bergesen 1980). As Robert Young (1995, 173) observed in the historical transplantation of capitalism through colonialism "....goods provided in exchange for bodies (labor or natural resources) were often articles like iron, copper or cloth that were already available locally. Such trade had the effect of destroying indigenous industries and thus deterritorializing and reterritorializing production through the creation of forms of dependency."

By the turn of the nineteenth century, this first wave of European expansion gave way to a second phase, one that was marked by direct control and administration of their overseas territories (Hoogvelt 1995, 18-21). This geographical expansion was so vast

that between 1800 and 1914, European colonization of the rest of the world increased from 35 per cent of the earth's land surface to 85 per cent (Magdoff 1978, 29-35). During this period, the periphery was created and forcefully brought into an intensifying and expanding but unequal economic relationship with the core. While resources were expropriated from the periphery to the core, the core returned with huge infrastructure investments in urban services, railways, factories, and mechanization of production. Hoogvelt (1995,18) pointed out that "the period of formal colonialism, especially between 1875 and 1914, witnessed an extraordinary and globe girding internationalization of capital." As of 1913, Britain, along with other core countries, which accounted for only 15 per cent of the world's population, was responsible for 80 per cent of the world's manufactured goods and also provided for 85 per cent of the world's total investment funds (Chirot 1977, 31). In this capitalization process, the state in both the core and periphery (colonial state) is seen to facilitate the flow of capital, thereby playing a crucial role in the rise of capitalism worldwide (Kazancigil 1986, 134).

Hence, the 'Europeanization' of the world through capitalist colonial expansion also entailed another impacting phenomenon on the rest of the world – the creation of western-type states in peripheral societies. According to Anthony Smith (1983, 25), "Colonialism denoted a system of legislation in a politically dependent territory, with its mainly European features adapted to local conditions." The western model was transplanted in the administration of colonies as an efficient means of operating economic transactions between the core and the periphery as well as to maintain internal order (Shannon 1996, 81-82). But other factors were also crucial in characterizing the colonial state. A significant one was the psychological exploitation of indigenous peoples, a sort of 'colonization of the personality' as described by Frantz Fanon in Algeria (see Fanon, 1963; Worsley, 1964), which was meant to psychologically and subconsciously subjugate colonized peoples to European authority.

Taking economic as well as social factors into consideration, Smith identified four basic unifying features of the colonial state in Asia and Africa (Smith 1983). First was the territorial definition of colonies, in which former kingdoms or territories were carved into new political dimensions. Second was the strength of the colonial bureaucracy, at which the heart of administrative functions lies and through which the core states' interests were represented. Third was the distinct separation between the colonial state and colonized societies, usually drawn by racial, cultural, or color lines, where local peoples were superimposed by the colonial administrative apparatus' rigorous laws and regulations. Fourth was the educational ideology that disseminated a belief among colonized peoples of their colonizers' well-intentioned 'civilizing missions,' which would uplift their social standards to one that was more superior (Smith 1983, 27-30).

A complementary justification for territorial annexation by European powers had been the growing intellectual discourse on racial superiority of Europeans over non-Europeans, spelled out in the infamous phrase 'white man's burden.'[5] Imperialist

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[5] The 'White Man's Burden' was a celebrated phrase used by English writer Rudyard Kipling. It was a given assumption even among European academicians and literary figures, especially the British, that the duty to 'civilize' the non-European world was deemed as 'morally' necessary. Colonization was seen to bring positive benefits not only to Europeans but also the colonized people themselves (see Thornton 1985).

nationalism encouraged the ideology of racism, the form of which was often disguised through 'scientific rationalizations' (Smith 1983, 21). Imperialism was translated into a crusade, rationalized through the idea that conquered lands were state properties that had to be 'civilized' if their societies' participation in modern commerce was to be expedited (Smith 1983, 23). Consequently, the paternalistic and forceful ways of the colonial state reinforced distinctive class and racial relationships between the colonizers and colonized, and between different groups as well as within the population of colonized peoples within the territory. The irony of it all was that bourgeois democratic notions of equality, citizenship, and popular sovereignty did not apply to non-Europeans, wherever they might be.

The capitalist incorporation and colonial establishment of Malaysia and Singapore reflected these patterns. British centralization of 'protectorate' power over the Malay States was completed by 1919, which was complemented by its strategic control of their trade through the Crown colony of Singapore. British Malaya as it became known then, was administered by a colonial bureaucracy represented by a racial-class hierarchy of British superiors and indigenous aristocrats occupying the lower ranks (Andaya and Andaya 2001, 227-228). The British also instituted a division of labor that was channeled along racial lines, with the imports of Chinese and Indian labor for mining and plantation, and the entrenchment of the majority of Malays in the peasantry. To establish and reinforce western superiority over other ethnonational groups, English laws became paramount and English education became the vehicle for limited social mobility for a privileged few (Drabble 2000, 63; Roff 1995; Hua 1982).

By the early decades of the twentieth century, the world system comprised mainly of unequal trade relationships between European core powers and their colonial possessions. Great Britain, France, Germany, and the United States were the core states, with Italy, Japan, and Russia as part of the semi peripheral areas, and the bulk of colonial and independent states of Africa, Asia and Latin America making up the periphery (Shannon 1996, 71). However, it was not long before the colonial states began to experience internal pressures for independent statehood. Throughout the early decades of the twentieth century, colonial administrations in Asia and Africa had to consistently deal with growing opposition within their colonies in the form of ethnonationalist and religious-based movements seeking to overthrow the colonial state (Smith 1983, 14).

These anti-systemic movements often legitimized their causes by subscribing to either some form of universalist or ethnonational ideology that aimed at bringing progress to or ending race-based inequalities for oppressed people (Wallerstein 1991, 180-183). Nationalism became the dominant ideology in guiding the political actions of a culturally defined group that saw a common liberating destiny as a people or nation (Jalata 2001, 9). Yet, it wasn't until after the Second World War that these countervailing factors to colonialism actually began to wear away the core states' colonial administrative capacity (Shannon 1996, 92-94). National liberation efforts by colonized peoples were often violent, since the violent form with which colonialism began and perpetuated itself soon begot similar responses from those who were colonized (Fanon 1963). As such, in some of parts of the world like Algeria, Indonesia, and Vietnam, where colonial rule was often harsh, national liberation struggles became synonymous with bloodshed and terror (Girling 1969; Heilbrunn 1966; Tanham 1961).

British world hegemonic decline also spelled the end of its colonial empire in Asia. In many areas of the periphery, the anti-colonial forces comprised various groups with different types of ethnonationalist ideologies striving for different ethnonational aims (Mills 1973). Leftist groups, in particular, were openly propounding serious violent threats against colonial entrepreneurial interests in the region. European colonialists recognized that an armed conflict would be calamitous to their commercial establishment in Asia and Africa, which would severely jeopardize their national recovery efforts from the ravages of the Second World War. Malaya and Singapore in particular contributed a major portion to Britain's war recuperation funds.

On the global scene however, American economic self-interest advocated for all colonies be given the right to self-governance, further contributing to the call for the gradual removal of colonial states at the expense of the other core powers (Jalata 1993, 88). Over and above anything else, the aftermath of the Second World War effectively induced the general European public's reluctance to support their governments' prolonged suppression of counterinsurgencies abroad (Shannon 1996, 94). Europe was undergoing tremendous strains in recuperating from the aftereffects of the Second World War. All these factors soon dawned on these powers, Britain in particular, that granting political independence was an inevitable political decision.

In Malaysia and Singapore, national liberation efforts took on three fronts. One was the elite-led Malay nationalist movement aimed at regaining Malay land from all foreign occupiers, including the increasingly aggressive and economically powerful Chinese. The other was the Chinese-dominated communist insurgency bent on establishing a communist Malaya with close political affinity with China. The third was a coalition of sorts consisting of leftist Malay groups that politically visualized a merger with Indonesia to establish a socialist Malay superpower state and various non-Malay factions calling for citizenship and equality for all races. The failure of a united national front allowed the British to nurture the elite of the various ethnonational groups to take over the helm of power through a National Alliance to ensure that a neo-colonial Malaysia would emerge (Hua 1982).

In Singapore, the process was similar. The British could not afford to lose the city-colony to forces belligerent to its capitalist interests. The isolation of the communists and the confinement of insurgency movements to Malaya created a path for the western-oriented English educated elite to take over national political power and secure British as well as western economic interests in the region through Singapore (Tremewan 1994).

The capitalist peripheral state

The principal concern for core powers, with regards to their former colonies, was to ensure that a peripheral state could properly function to safeguard their economic interests by continually providing them with the resources they needed. To minimize interference with investments and trade of core countries in the periphery, the US as the new hegemonic power, encouraged newly-established regimes in the periphery to maintain 'friendly ties' with their former colonial masters and to embark on modernization-oriented national policies that would open their economies to the flow of core capital. This foreign policy allowed the US to expand its influence to areas

previously held by other core powers and simultaneously limited any kind of Soviet presence in those areas (Magdoff 1982a, 11-28).

Advantaged by a strong military, the US embarked on a mission to monitor nationalist movements in areas that were crucial to its economic interests. US involvement in Iran, Korea, Vietnam, Cuba, and Central America illustrates the extent to which the Americans would carry out their foreign policy of under the guise of 'democracy promotion' (Robinson, 1995). As such, in most peripheral states, the emergence of western-educated nationalists as beneficiaries of state power was the accepted trend. As Shannon (1996,106) stated, "the reins of power were passed to leaders of moderate, urban–based nationalist movements and a small, mostly European educated civil service." Kautsky (1962) explained that these local elites' nationalism became their drive for 'independent' modernization of their new state through rapid industrialization. It is not surprising then that those who had been exposed to western schooling and had served in the colonial bureaucracy under the colonial state became the torchbearers of nationalism and leaders of autonomous statehood.

Hence, capitalist peripheral states share similar structural characteristics. At the core of state power is a loose alliance of local capitalists or ruling elite, state managers, and core capitalists, whose convergence in goals is in the accumulation of capital and power through rapid industrialization (Duvall and Freeman 1981, 223-242). Rapid industrialization greatly benefits the new capitalist class as well as the rising middle classes (Chirot 1986, 255-256). As Shannon (1996, 116) puts it, "each member of the alliance stands to benefit from a policy and needs the other members to implement the rapid industrialization strategy."

Generally, the state, which is politically influenced by the new bourgeoisie, is dependent on investments to sustain economic growth (Szymanski 1981). As Carporaso and Levine (1994, 76) noted on the relationship between the state and the ruling class, "the state defines the political interests of the capitalist class, whose interests define state action and policy." Capitalist development through industrialization provides the state with the means of national capital accumulation, which it utilizes to sustain political power. Consequently, state policies would mainly reflect the interests of these groups (Thomas 1984, 109-112). In this regard, it becomes crucial for the capitalist peripheral state to maintain linkages to the capitalist world economy and facilitate capitalist development in order to maintain its political survival.

However, earnings from natural resource exports have proven to be extremely inadequate in covering the costs of imports of mainly capital-intensive products from the core (Shannon 1996, 100). Also, due to lack of capital and technological capability, peripheral states often engage foreign capitalists from core countries to stimulate internal capital investments for national industrial growth (Petras 1984, 117-138; Frank 1981, 96-111). Either way, their inability to independently manage and finance their own capitalist economy compels these states to borrow heavily from core-owned financial institutions, incurring exceptionally high financial liabilities in the process and entrapping themselves in debt peonage (Frank 1981, 133-156). At the same time, core countries, through their expatriate capitalists and local counterparts, continue to exploit cheap labor and resources in the periphery that siphoned off major chunks of profits and wealth back to the core (Magdoff 1986, 9).

Transition from colonial to post-colonial rule for most of the new states of the periphery brought little changes as far as their role within the world division of labor was concerned. Peripheral states continue to sustain a dependent-type development process premised upon an unequal resource exchange relationship between them and the core countries. World system theory suggests that a state's dependent development is a result of structural constraints imposed by its location within the world division of labor (Hopkins, Wallerstein et al. 1982b, 51-52). Capitalist state development takes place in the form of exploitative relationships between the core and the periphery, in which there is disproportionate exchange of capital flows favoring the former at the expense of the latter (Chase-Dunn 1989, 238-243; Wallerstein 1984, 61; Hopkins 1982, 21; also Amin 1976; Emmanuel 1972). This dependent relationship often locks these countries into a permanent position in the world division of labor, and in some cases, further contributes to their 'underdevelopment' (See Amin 1982; Frank 1978).

However, throughout the 1990s, Malaysia and Singapore attained high industrial development to become part of the Asian 'miracle economies.'[6] The manner in which these states obtained this limited scale of freedom, which enabled them to seize on the opportunity to enforce successful economic liberalization policies, is dependent on several factors. Various world system theorists have pointed to a country's rise through direct capital assistance by a hegemonic power, as did South Korea and Taiwan from the United States (Chase-Dunn 1984, 75-106) or through technology transfer from core powers, as did Germany in the nineteenth century from Britain (McMichael 1985, 130). Alvin So emphasizes the significance of geo-political dynamism occurring within the setting of inter-state competition (So and Chui 2000, 281-282). In this case, Japan's geographical location enabled it to establish a strong state with an effective political-military alliance that enhanced its industrial capabilities in a region where core rivals were relatively weak (Chirot 1986, 124-126).

Today, an additional crucial factor in enabling the ascent of countries such as Malaysia and Singapore in the capitalist world economy has been the active role of Multinational and Transnational Corporations (MNCs/TNCs) (Magdoff 1982b, 24). In quest of cheap production costs, these MNCs, or Transnational Corporations (TNCs) as they have appeared to be today, transplant their labor-intensive production processes in the periphery in order to maintain their market competitiveness. In the process, they also facilitate industrialization strategies in the host countries either through infrastructural spending or technological transfers, albeit to a limited degree. Both Malaysia and Singapore rapidly industrialized by benefiting from such shifting of capital and labor flows emanating from East Asia, which began in the 1960s. American injection of economic and military aid into the region resulting from cold war geopolitics in the 1950s enabled Japan, Hong Kong, South Korea and Taiwan to develop their own export-based economies with much of their goods directed toward the American market (Chui 1994, 75-114). Competition between the various TNCs greatly invigorated industrial investments in these countries (Winckler and Greenhalgh 1988, 9).

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[6] Singapore, which had been ahead of Malaysia in industrial development, is categorized into the first tier of Asian miracle economies, dubbed the 'Four Asian Tigers.' Malaysia, along with Indonesia and Thailand belongs to the second tier known as the Asia's newly industrializing economies (NIEs) (See World Bank 1993,1)

As Northeast Asian countries reached a cyclical maturation point in production, whereby real wages rose and competitive export rates fell, investments in these areas gradually moved to other parts of Asia, where labor was cheaper (Shin 1998, 22). These 'first tier countries' of East Asia then embarked on higher technological and more capital-intensive production processes. On the other end, new host countries of Southeast Asia received fresh penetrations of low capital and technological flows associated with labor-intensive production process (Numazaki 1998, 64-87). These flows of surplus capital and technology from East Asia that were absorbed by the countries in Southeast Asia greatly enhanced the latter's industrialization capabilities in low-technology labor-intensive productions (World Bank 1994, 12-13).

This cyclical trend of technological-production upgrade has persisted into the end of last century in a series of commodity chains and changing regional division of labor, and provided the state in Malaysia and Singapore viable opportunities for rapid development (Gereffi 1998, 93-124). These cyclical series of capital flows soon resemble a 'technological ladder,' in which southeast Asian states tend to follow in linear progression, their northeastern counterparts in industrial development (Tan 1993, 149). Exchanges in these capital flows were reflected in the rise and intensification of TNC-led intra-regional trade, which rose from 54 per cent to 66 per cent of exports and 59 per cent to 64 per cent of imports form 1970 to 1987 (Drabble 2000, 184; Ariff 1991).

A study of these states' ascent into semi-periphery status within the world system can help link each state's behavior as a function of its adjustments to a new location in the world system. This observation is relevant to world systems theory, which asserts that a state's ability to gain some degree of autonomy from the constraints of global capitalism becomes crucial for its need to ascend in the world system (Shannon 1996, 147-149). In this respect, capitalist peripheral development in Malaysia and Singapore has been heavily dependent on foreign investments, but regional technological shifts allowed states some room to maneuver in order act toward attaining its development goals. The state in both these countries is managed by an elite class that seeks to protect the capitalist system by taking advantage of and maintaining capital linkages with the world economy (Jomo 1986; Tremewan 1994).

Democracy and authoritarianism in peripheral statehood

State legitimacy draws on the consent of citizens. Popular democracy in any country should manifest the practice of a fair and free electoral process customized by universal and equal suffrage to facilitate public participation in and contestation of policy formulation ((Linz 1978, 5;Dahl 1971). Robert Falk (1999, 148-149) asserts that the basic framework of a functioning democracy in a globalized world should also include the rule of law for checks and balances against state actions, transparency and accountability in state execution of powers, and provision of human rights with respect to freedom of speech, information, religious and cultural practices, and access to life's basic services such as health and education. Importantly, conflict resolution in genuine democracies should not be undertaken through violent and repressive means, thereby rejecting capital punishment as an option of state control instrument (Falk 1999, 149). Although many of these institutions of democracy formally exist in many capitalist

peripheral countries today, the effectiveness to which these institutions elicit real democratic practices has been far from satisfactory (Shannon 1996; Held 1987).

The type of democracy that exists in peripheral societies depends on the degree of popular power exercised by civil society. William Robinson (1996) cautions against the failure to differentiate between genuine popular democracy and elite-driven democracy that exists in many peripheral countries, which he calls 'polyarchy.' The former involves "participatory mechanisms for popular sectors to subordinate the state in pursuit of their interests, with mobilization of civil society as the principal form in which political power is exercised" (Robinson 1996, 58). Polyarchy, on the other hand, denotes an insulation of office holders from popular pressures so that they may "effectively govern... which limits democratic participation to voting in elections, but focuses on forms in elections" (Robinson 1996, 59).

In the core, the institutional ensemble of the state has enabled it to expediently perform its tasks and organize its numerous apparatuses around capitalist production. Luhmann (1989b, 130) argues that the concept of the state emerged through capitalism, since it was in accordance with this period that the state was counter-posed into society, signifying it with the whole society. Through the establishment of class alliances with the capitalists and intervention in the world market, the state manages to enhance its domestic producers' competitiveness (Wallerstein 1980, 113).

However, statehood is not only a means through which economic concerns are realized. It also implicates the process of surveillance and internal pacification. At the core of state actions is its aim in attaining public order and political stability, deemed crucial for the long-term existence of the regime (Linz 1978, 18-19). Drawing on the ideas of Fuat Keyman (1997), William Connolly (1991), Bob Jessop (1990), Theda Skocpol (1985), and Anthony Giddens (1985), this dissertation looks at the state in non-reductionist terms. This means that the state is also explored in light of its locational point of cohesion of various social forces, including those that belong to the ruling elite and state managers. To a significant degree, the state relies on particular social forces, namely the popular masses in order to generate political legitimacy. But the interests of these forces often run counter to state capitalist interests; hence the state preoccupies itself with techniques of monitoring these forces while simultaneously imposing its legitimacy over the citizenry through the guise of nation-building programs, alliances with particular classes, or by maintaining high economic performance. As Jessop (1990, 361) points out, "in a historic-specific sense, the relationship between the state and society often becomes contradictory. This contradiction determines, to a significant extent, the degree and type of democracy that emerges."

Theoretically, democracy results from the contradictions and conflicts within capitalism (Therborn 1979, 96), in which capitalist development is linked, by two structural effects. One, industrialization weakens large landowners; and two, urban industrial growth empowers the emerging middle and working classes (Marx 1970, see chapter 12). The contradiction manifests itself in the way rising national incomes through industrialization result in unequal distribution of wealth among the various classes. The dismantling of the feudal system emancipated agricultural workers from their landlords to work for wages, mostly in newly established urban centers. The declining power of the

landowning class also ushers in a new political freedom for the rising bourgeoisie to pursue their interests through the formation of the capitalist state (Avineri 1969, 57-59).

In a capitalist economy, increasing social inequalities between owners of production and workers as well as political dissatisfaction with state policies by the working class entail intensifying demands for better political terms (Marx 1972, 106-124). In an urban environment, collective action becomes a geographically easier accomplishment, enabling them to more effectively pursue their demands for political change (Valenzuela 1985; Zeitlin 1984, 30-56). Working class political participation often indicates a pro-democratic process taking place since it is a result of struggles that lead to the extension of political participation beyond dominant classes (Zolberg 1986). In Brazil for example, industrial growth in the 1970s and 1980s facilitated the rise of civil and labor unions that demanded opportunities for political participation, opening up democratization processes in the country (Mainwaring 1986, 146-223; Bruneau 1982, 127-145). In Taiwan, the transition to greater democracy surfaced as the country entered full industrialization by the late 1990s facilitated by the state's response to the increasing political influence of the newly emerging and powerful middle and working classes (McBeath 1998, 73-79).

Unlike core state development, however, most capitalist peripheral states did not arise simply as a result of these trends evolving naturally, but rather, as a product of colonialism's artificial transplantation of capitalism onto non-capitalist societies under the patronage of a superficial nation-state. As a result of colonialism's coercive institution of statehood on plural national societies, political instability arising from domestic ethnonational and class conflicts has weakened national identification with the peripheral state (Chirot 1977, 56-59). This does not mean that multi-ethnonational societies cannot attain democratic statehood. But in many peripheral states, the colonial process had enabled the domination of one ethnonational group over the others. Colonialism was often synonymous with racial projects that organized and distributed resources along particular ethnonational or racial lines (Winant 1994, 24). The legacy of these projects is inherited by independent peripheral states, the majority of which are controlled either politically or economically by a particular ethnonational group. Ethnonational-class inequalities as a common consequence of colonialism has provided dominant groups the opportunity to define and impose their values on others and equate them with national identification (Staples 280-281).

Significantly, such ethnonational-class tensions make it difficult for national coalitions and alliances between the middle and working classes. Diverse ethnonational and religious groupings, each with different sets of affiliation and sense of loyalties tend to affect the prospects for democratization. Divisive value subscription and destructive social fractionalization hinder the development of workable class alliances, and oftentimes lead to civil strife. According to Rabushka and Shepsle (1972, 92), "the plural society, constrained by preferences of its citizens, does not provide fertile soil for democratic values and stability." In this light, serious cultural and ethnonational differences may well pose difficulties for the progress toward aggregated, cross-cutting interactive memberships, seen pivotal to the effective development of democratic institutions (Lipset 1994, 1-22). Furthermore, in order to contain political disaffection and strengthen state power, political suppression is usually applied by these states, branding

autocratic rule as a prominent trademark of capitalist peripheral statehood (Kamrava 2000, 221-223; Thomas 1984, 96-98).

Furthermore, in many of these peripheral societies, crucial features of its social-cultural institutions were actually spared the destructive forces of colonialism, to be manipulated instead, as consolidating mechanisms for effective colonial administration. One such institution was the political authority of the chiefs and kings, through whom the colonialists managed to indirectly subdue and control local societies. This meant that desired institutional structures of bourgeois-based modern capitalism became heavily transfused with local pre-capitalist authoritarian institutions. And whenever wealth and power is concentrated within the hands of a few, democracy exists only on paper because citizens become entirely dependent on the state or the capitalist class for their livelihood (Bernholz 1998, 13; Andreski 1965, 357).

Thus when these colonies gained political independence, the nature of their so-called modern state structures did not truly reflect that of the democratic European nation-state, but one that resonates an institutional synthesis between a pre-capitalist autocratic political culture and a modern capitalist production system (Simonia 1992, 45-71). In most cases, such state institutions allow dominant classes (within which state managers also often constitute membership) to build strategic alliances with other classes in order to advance their goals and interests through the state (Bergquist 1978, 247-262).

In other words, the emergence or absence of democracy in peripheral societies is also influenced by the degree to which structural class transformations empower managers of capital to politically sustain pre-capitalist institutions that excludes or limits full political participation of subordinate classes. As Rueschemeyer, Stephens, and Stephens (1992, 166-167) pointed out, "Industrialization raised the potential for pressures for democratization, particularly for greater political inclusion, because it strengthened civil society by increasing the interaction among the middle and working classes, but its political effects were mediated by pre-existing political institutional structures, particularly party system and the tradition of state intervention in society."

In Gramscian fashion, such structures usually favor the reinforcement of the dominant hegemonic class through the mobilization and reproduction of 'active consent' of dominated groups (Jessop 1982, 147; Gramsci 1971, 52-53). In peripheral societies, those who were part of the old dominant classes usually managed to capture state power under a new and different social order. When political and economic interests tend to contradict each other, especially in terms of increasing political demands by subordinate classes, the state asserts its "educative and formative role," usually through its elite-driven institutions, to stabilize the social order (Gramsci 1971, 242-243).

Equally important to be reminded of is that capitalist development is contingent upon the state's role as a peripheral economy in the world division of labor. Social and political institutions in such countries exist to facilitate capitalist exploitation of resources and labor. In each state, class alliances between the national ruling elite and local as well as foreign core capitalists enabled those at the apex of national political and economic power to obtain great amounts of wealth at the expense of the citizenry (Kamrava 2000, 47-48). State interests and that of civil society become clearly

delineated. As Hoogvelt (1997, 49) argues, "the impossibility of this task (to take their economic destinies into their own hands) given the economic dependency and unequal position of these countries in the world order, corrupted the very policies of development...leading to a deepening chasm between state and civil society." The divisive effects of income inequality weaken the development of civil society needed to counterbalance state power, thereby retarding the road toward democracy (Rueschemeyer, Stephens, and Stephens 1992, 72-73; Bollen 1983, Muller 1985).

The role of the state and the process of capitalist development in many peripheral countries have become very much intertwined, giving rise to the notion of post-colonial economic nationalism as a persistent feature of capitalist peripheral development (Hoogvelt, 1995; pp. 48-51). The embodiment of national pride attained through national economic growth enhances the state's patronage of national economic development. As Castells (1998, 270-271) noted in reference to Asian states, "the state is developmental when it establishes as its principle of legitimacy its ability to promote and sustain development... the state is legitimate when it establishes hegemony or consensus vis-à-vis the civil society." Inversely, a state's inability to develop would be reduced to explanations of "inefficacy of public institutions to achieve objectives and programs of modernization, focusing especially on the respective roles of ruling elite, political parties, the bureaucracy, and the military" (Alavi 1982, 289). In other words, nationalism has taken on an added dimension in economic growth. It is within such volatile circumstances that many capitalist peripheral states begin to consolidate their rule through authoritarian processes, in which many of these states tend to supplement nationalist ideologies to economic development to legitimize the increasing social inequalities and the limitation of popular political participation. Thus it is not surprising that development programs in the form of national modernization projects have been prioritized policies for many capitalist peripheral states.[7]

The significance of political legitimacy as a justification tool for state domination cannot be underestimated. Weber noted, "Custom, personal advantage, purely effectual or ideal motives of solidarity do not form a sufficiently reliable basis for a given domination. In addition there is normally a further element, the belief in legitimacy" (Weber 1978, 212-213). In western core states the institutional ensemble has been historically structured to accommodate the demands of the middle and working classes (Chase-Dunn 1989, 244-248; Hopkins, Wallerstein et al 1982b, 69-70). In these countries, the democratic process is safeguarded by existing political institutions, in which political legitimacy implies the adherence to the rules of the system by all parties concerned, including those in positions of authority.

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[7] The advocates of modernization theory argue that peripheral societies are 'non-western traditional' by nature, and therefore lacked the logical requirements for industrialization. In order to modernize, a comprehensive social-political reconstruction plan must be devised and implemented to facilitate successful industrialization (see Myrdal 1968; Smelser 1964; Hoselitz 1965; Rostow 1960; Lewis 1955), including if necessary, authoritarian governance as an initial measure to introduce political stability (See Huntington 1993). Through US foreign aid efforts, this theory somewhat became a social reform manual for many peripheral states in their quest for industrial development, and as a result many of these states equated modernization with westernization.

However, in many peripheral countries, political legitimacy is often generated by the belief that a particular regime is able to pursue the realization of their material and ideal interests through national economic development (Linz 1978, 17). Here, legitimacy cannot be definitively linked in terms of democracy. To mediate the tensions arising from capitalism's paradoxical relationships between interests of the state and civil society, the former resorts to nationalist ideologies as a means to play down existing conflicts, bind the various forces under its power, and legitimizes authoritarian rule (Kamrava 2000). As a result of its social relational processes, the capitalist peripheral state heavily relies on coercive and violent means to propagate a dominant national ideology in order to command legitimacy and justify unequal social relations of production. In affirming that the state is also in itself a product of social relations, Poulantzas (1978, 30) explains that "the state also acts in a positive fashion, creating, transforming and making reality.....it goes without saying that repression and ideological inculcation are present in the materiality of the state's current functions."

Structural theorists often look at ideology as a structurally determined variable that serves to support and reproduce the capitalist world system (Wallerstein 1988a; Chase-Dunn 1989). But peripheral state ideology serves to also reproduce the legitimacy of the existing state structure, and therefore is also a product infusion of both cultural-national and modern-capitalist elements. Therefore, at the level of the capitalist peripheral state, there should also be focus on the historically-specific analysis of ideology as a strategy of state legitimation process, formulated and implemented by individuals that manage the state. In this respect, the state should also be seen as an independent force in social dynamics, whose managers formulate decisions that apply to society (Skocpol 1985, 20-21; Nordlinger 1981, 11).

Hence, taking into consideration both structural and state-centered approaches the following points become useful in conceptualizing the state, capitalist development, and authoritarianism. The first point concerns a state's existence within modern capitalism as a specific mode of production, which Giddens (1987, 31-32) acknowledges "does not represent the high point of a progressive scheme of development, but rather the coming of a type of society radically different from all prior forms of social order." Keyman (1997, 71) notes that modernity refers to modes of social organization based "on the interconnections among four institutional clusterings, namely those of the nation-state, capitalism, industrialization and surveillance." For the capitalist peripheral state, these interconnections are still very much in the formative stage, thereby generating and sustaining relatively weak political institutions that impede full political participation by the citizenry.

This brings us to the second point - the emergence of civil society as a politically separate concept from the state in peripheral statehood. The Hegelian notion of civil society determined by free movements of economc forces and individual self-attainment was revitalized by Gramsci to denote the institutional areas of the state such as education, trade unions, churches and social organizations, through which the ruling class could exercise its hegemony over society (Gellner 1991; Gramsci 1971). With politics in the years leading up to the collapse of the Berlin wall aimed at democratization of the state, civil society also gradually became the arena within which civic groups challenged the existing ruling structures (Lewis 1992). Since then, civil society has had a rejuvenated appeal and definition. In light of post-colonial political development that

has strengthened the position of the state vis-à-vis society, in which citizen participation had either deteriorated or had been non-existent, civil society has taken on a new conceptual angle on the long-standing question of democracy. Within the realm of political economy, civil society serves the citizenry the political space to undermine the formidable state through aggressive demands for democratization (Keane 1988). For citizens of the peripheral state, in civil society lies the promise of active participation through non-state institutions, organizations, and social movements.

Hence on the opposite end, the third point involves the distinguishing feature of a capitalist peripheral state set in its ability to form, organize, and reproduce its own national and territorial social formation. Mann (1984, 187-213) and Skocpol (1980, 155-201) suggests that the state possesses the capacity to influence social relations under certain situations it sees appropriate, such as in times of economic and political crises. Jessop (1989, 216), in summarizing Giddens, recorded the importance of state promotion of bourgeois-type democracy in citizenship rights and polyarchic pluralism to reciprocate building possibilities for communications, internal pacification, and surveillance within its territorial realm, usually done in the name of national interest. Taking on a Habermasian line, cultural-ideological legitimations imposed by the state often operate toward mobilizing the support for the existing system, thereby strengthening the system from a rationalized but false social viewpoint (Habermas 1975).[8] In fact, political legitimacy in many perpheral countries is often linked to some form of nationalist-integrative ideology that favors and justifies state enforcement and implementation of repressive policies as a means of achieving national development (Kamrava 2000,7-13; Alagappa 1995, 31-53; Scalapino 1986, 59). Studies in Latin America showed that such legitimation have effectively mobilized mass support for authoritarian regimes (Malloy 1987, 243).

Fourth is the significance of the world interstate system, primarily in the dynamics of unequal relationships between the core and peripheral areas, to accord recognition of peripheral state sovereign existence in the capitalist world economy. It is within this type of relationship that the capitalist peripheral state is distinguished from the core. While peripheral states acknowledge the greater power of the core states, they nevertheless seek to maintain their autonomy and pursue actions that can maximize their relative positions in the world system (Wallerstein 1979a, 95-108). But lacking in capital and dependent on foreign finances, such goals by the peripheral state come at the costs of internal social economic inequalities and sustained authoritative governance. In concise general statement, dependent development has been proven to increase socio-economic inequalities (Bornschier and Chase-Dunn 1985; Rubinson 1976), which can hinder the democratization process (Rueschmeyer, Stephens, and Stephens 1992, 72).

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[8] In the modern capitalist age, for example, scientific and technological rationalizations are often used to legitimate cultural-ideological processes and decisions (Habermas 1971, 99). The life-world depicts an internal perspective vis-à-vis the system, which stands for an external viewpoint. According to Habermas, life-world and system are two ways at analyzing society. As he sees it, and with great concern, the life-world is increasingly being colonized by the system, which impedes free communicative action among society's members (see Habermas 1987)

Comparative and Sociological-Historical Methodology

A critical understanding of the essence of peripheral capitalist development and the role of the state in relation to the problem of democracy in these two countries requires the analysis of dynamic interactions taking place between macro and micro factors within the capitalist world system. C. W. Mills (1959, 165) declared "structural problems, and to state them requires that we work in the classic terms of human biography and epochal history. Only in such terms can the connections of structures and milieux that affect these values today can be traced and causal analyses be conducted." To find causal linkages between the growth of peripheral capitalism and the rise toward authoritarianism in Malaysia and Singapore, we need to understand such a process by also examining historical-sociological and macro-structural factors.

Comparative history has been a methodology used by many prominent social scientists in their quest to observe and study different types of societies. Attention to historical patterns is crucial to understanding processes of social change and transformation. Indeed, social scientists from Max Weber and Alexis de Tocqueville to Reinhard Bendix and Theda Skocpol have found this methodology an indispensable tool to understand social dynamics occurring within and across time-related cultural-historical transformations. [9] Investigation of social life brings forth an interest in comparing such historical patterns of two or more places or time. As early as the fourteenth century, the distinguished Islamic scholar Abdel Rahman Ibn-Khaldun, who undertook extensive comparative works on different societies across time, stressed the significance of linking sociological thought and historical observations (Faghirzadeh 1982; Ritzer 1996, 8). As Durkheim (1964, 139) commented: "Comparative sociology is not a particular branch of sociology; it is sociology itself, in so far as it ceases to be purely descriptive and aspires to account for facts."

The sheer importance of comparative history in social investigation motivated scholars like Sewell (1967, 208-18) and Smelser (1976, 3-5) to even incorporate the various types of comparative studies into a uniformed methodological logic. In contrast, Theda Skocpol asserts that comparative history is not a single, homogenous logic of macro-social inquiry but one that constitutes a complementary relationship between various sub-branches of this methodology (Skocpol 1997, 90). The three main types of comparative historical methods identified by her - the Parallel comparative history, the Macro-analytical comparative history, and the Contrast-oriented comparative history – together forge a cyclical corresponding system, in which the limitations found in each type necessitate the use of the others (Skocpol 1997, 91-92).[10] This enables the

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[9] Reinhard Bendix's work in *Nation-Building and Citizenship* (Bendix 1977) compared political modernization of Western Europe to corresponding changes in Russia, Japan, and India to draw out the contrasts of the industrialization process between those areas. In *Social Revolutions in the Modern World*, Theda Skocpol (1997) in pointing out a linkage between the various forms of comparative history, explained that social revolutions have their roots in macro-structural origins, and that the understanding of why revolutions occur in certain countries and not others requires engagement of a comparative historical methodology.

[10] Skocpol's parallel comparative history develops general theories from parallel cases. But its limits are set in that it sometimes overgeneralizes a theory. This will force it to call on the Contrast-oriented type of comparative study to set limits to the overgeneralized theory. This

comparative-historical approach to be all encompassing, flexible, and reciprocal in its application to social inquiries of the state and democracy in Malaysia and Singapore.

In examining the development of state and authoritarianism in these two countries, a broad, flexible, and multi-dimensional methodological approach is necessary. No single level approach can adequately address the complexities embedded within the concepts of state, the problem of democracy, and capitalist development. The usefulness of comparative-historical approaches lies in the ability of the researcher to interpret micro-variables within large, macro-scale factors. According to Neuman (1997, 391), in comparative-historical research, "a researcher approaches the (complex) whole as if it has multiple layers. He or she grasps surface appearances as well as reveals the general, hidden structures, unseen mechanisms, or causal processes". Furthermore, this approach allows the investigation of social problems to be carried out in a multi-dimensional and inter-disciplinary manner. As stated by Ragin (1987, 13), "Historical outcomes require complex, combinational explanations."

Another important aspect of this dissertation is the focus on the state as an autonomous unit that employs various methods to mediate various social forces in order to effectively pursue its goals. This implies that the state must be seen as a potentially autonomous organization situated at the interface of class, gender, and ethnonational structures and the international system (Skocpol 1979, 33). Weber (1978, 78) stated: "The modern state is a human community which claims the monopoly of the legitimate use of physical force within a given territory." By tying in 'bottom-up' action-oriented factors with 'top-down' structural analysis of the state, critical approaches to state analysis could help engage the study of micro level variables as corresponding components to time-space structural variables. As Giddens (1984, 219) argues, "Every research investigation in the social sciences or history is involved in relating action (often used synonymously with agency) to structure ... there is no sense in which structure determines action or vice versa." In this respect, this dissertation also takes a look at state behavior, especially in reference to its legitimation and internal policy implementation strategies, as a cultural-ideological response to the pressures from both the effects of internal social forces and the repercussions of external global dynamics.

In this dissertation, global as well as state-related perspectives are required in analyzing the relationship between capitalist state development and authoritarianism in Malaysia and Singapore. A comparative historical approach is appropriate for this research since the outcome of interest, state authoritarianism, is examined in both countries in relation to capitalist development. The comparative agreement method is particularly useful because the main issue lies in the investigation of what it is about capitalist development in these countries that brings on state authoritarianism. The previous section's discussion on capitalist peripheral development, democracy and authoritarianism provides the theoretical structure, from which the four development-related variables mentioned earlier in the chapter are extracted for the basis of this research. The goal is to examine whether capitalist development in both states has

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Contrast-oriented comparative history may give rise to Macro-analytical arguments when juxtapositions of historical trajectories begin to suggest testable hypotheses. In turn, Macro-analytical comparative history can create the need to develop general theorizing that comes before Parallel comparative analysis (see Skocpol 1997, 72-95).

given rise to the existence of any of these four variables that contribute to state authoritarianism. Any variable commonly found in both countries would indicate the factor responsible for the trend toward authoritarian rule.

The dissertation's main theme and methodology unfold in chapters that are grouped thematically according to the theoretical and historical analysis of the two states. This introductory chapter provides a theoretical understanding of the world systemic processes, within which the modern state in Malaysia and Singapore had emerged. Each subsequent chapter presents key propositions to the thematic premise of this dissertation that the drift toward authoritarianism in these two countries occurred as a result of the historical process of capitalist peripheral state development.

Like many comparative historical studies, collection of data for this research is through published histories, governmental and archival records, and other forms of secondary sources. Many of these sources are compared for data consistency with other sources as well as for quality assurance. Limitations exist in the non-availability of data due to restricted access and state censorship of facts as well as to the lack of 'fieldwork' carried out in many areas of study.

Theoretical Framework

This study analyzes the interaction among four main clusters of development-related variables – state institutionalization processes, ethnonational-class tensions, dependent and uneven capitalist state development, and state legitimation strategies, all of which contribute toward state authoritarian rule in Malaysia and Singapore.

Figure 1.3 on the next page provides a graphical illustration of the theoretical framework for this research, which argues that both internal and external factors of capitalist state development contribute to authoritarian trends in both countries. Autocratic colonial institutions are passed down to the peripheral state, maintaining the authoritarian character of the state. Ethnonational inequalities arising from colonialism's forced division of labor has created not only fertile grounds for ethnonational tensions. This situation presents not only justification for the state to impose autocratic rule to diffuse such tensions but also difficulties for effective democratric alliances to form. Dependent capitalist development results in the strengthening of the state and the weakening of civil society, producing a trend toward state authoritarianism.

Chapter two functions as the prelude to the subsequent chapters in the dissertation. It illustrates how capitalist incorporation introduced long-term transformations in the political economic institutions of the Malay States, Singapore, and Borneo. The chapter discusses the manner in which capitalism came to the Malay world through a top-down, coercive process that forcefully replaced and dismantled the Malay regional economic lifeline. The proposition here is that the *oppressive nature of capitalist incorporation predicated the inequalities that surfaced in the capitalist development process of the Malaysian and Singaporean states*. The importance of understanding Malay pre-capitalist structure in this chapter, especially the hierarchical nature of its pre-capitalist institutions, lies in its captive capacity within which authority and legitimacy are embodied. The autocratic nature of the Malay pre-capitalist structure in the Malay

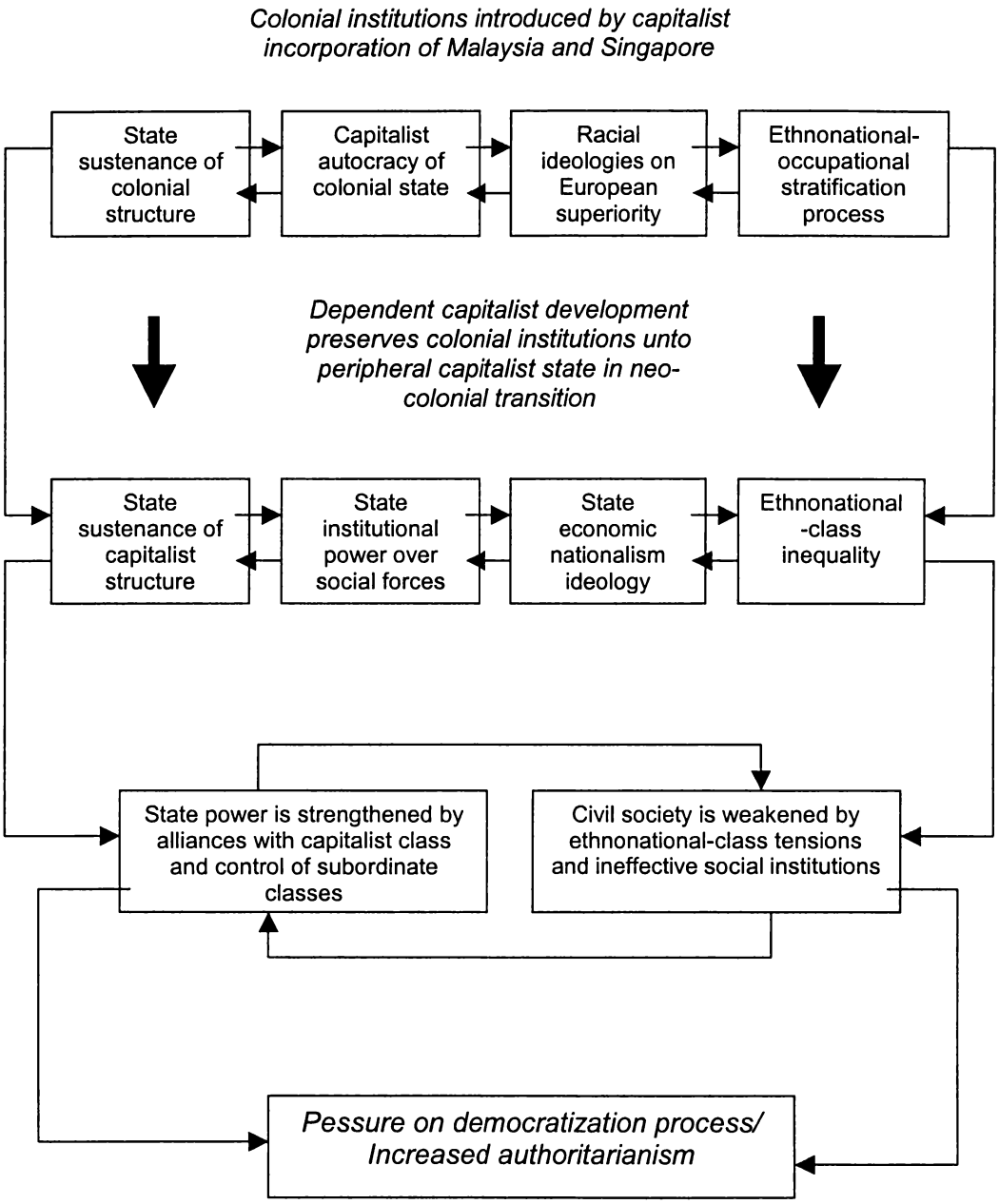


Figure 1.3: Theoretical Framework of the Dissertation Illustrating Relationships between Variables of Capitalist Peripheral Development and Authoritarianism in Malaysia and Singapore

States was actually retained and strengthened by the British to effectively subdue Malay subjects. Third, indirect and direct colonial governance that later appeared in Malaya and Singapore respectively were attributed to each of their different origins of capitalist incorporation. In Singapore, the lack of a strong Malay ruling faction enabled the British to immediately establish colonial administration on the island.

Built on the premises of the arguments in chapter two, the proposition in chapter three asserts that with the formation of the colonial state, the *political institutional structures inherited through colonialism have contributed to each state's future hegemony over other social forces*. There are three key points in chapter three. One, capitalist development in the Malay States and Singapore required the consolidation of power through a colonial state that is repressive in nature. Two, the colonial state in both Malaya and Singapore is autocratic because it functioned to serve the emerging capitalist class as well as to sustain the capitalist system, in which it exists. Three, the nature of the colonial state in Malaya, Borneo, and Singapore performed separate labor and production functions within the regional economy giving rise to the separate future political economic identities of the three regions.

To illustrate these points, this chapter discusses how global economic forces necessitated the British to consolidate their capitalist involvement in the Malay States, Borneo, and Singapore through formation of the colonial state. The centralization of colonial power in Malaysia and Singapore during this time served to facilitate monopolization of the lucrative tin production and trade under the auspices of the colonial state. Although modeled after the English political system, in essence the colonial state reinforced non-democratic elements of capitalist exploitation, which served to benefit the European capitalist class at the expense of the indigenous peasants and Asian workers. Herewith began the formal state policies that stratified labor into ethnonational-occupational enclaves, with the Chinese and Indian workers involved in capitalist production and the Malay peasantry confined to its agrarian functions. This system also legitimized the state as the paramount social and political force in each society. The repressive features of the colonial state are an extremely important heritage in both these countries since they were the blueprints from which future statehood emerged.

In Chapter four, the underlying proposition is that British colonialism also produced a *complex multi-ethnonational society through a 'divide and rule' stratification process that has given rise to persistent ethnonational-class inequalities* in these countries. Primacy for profits and production efficiency during colonialism had institutionalized ethnonational-class stratification as a distinctive feature in social relations in modern day Malaysia and Singapore. The effects of colonialism have also produced uneven regional-demographic capitalist development within Malaysia as well as between Malaysia and Singapore, which has further reinforced the inequalities among the ethnonational groups. This chapter takes a look at how capitalist-colonial state development flourished from its racialized labor policy to consequently produce class and regional inequalities, which by the end of the Second World War, became rigidly channeled along ethnonational lines. Such inequalities have provided the backdrop, against which future ethnonational tensions have persisted, and through which efforts toward democratization processes in both Malaysia and Singapore have been extremely complicated.

Hence, in chapter five the key proposition is that *social inequalities and ethnonational tensions brought forth by the ethnonational-occupational stratification process have disabled attempts to form democratic alliances* in both these countries. The main points discussed here is that first, ethnonational-class inequalities created distinct and conflicting ethnonationalism formation between Malays and Chinese, which has made a democratic popular alliance between these two dominant groups difficult. Second, the failure of the left to gain influence with the citizenry enabled the conservative elite class in both countries to consolidate and gain significant influence in the nationalist movements.

The period of discussion is the end of the Second World War, which provided a good opportunity for the forging of a popular democratic movement against the British. But here, the absence of effective and meaningful interaction between Malays and Chinese inhibited the formation of an effective popular alliance between them due to their respective entrenchment within a specific function of the colonial capitalist economy and the tensions that followed. Both the Malays and Chinese had undergone the same colonial process but had developed distinct social experiences and responses that translated into the formation of distinct political goals. Such fragmentation made a unified anti-colonial stand between them difficult. Without a cohesive national consciousness, the struggle of a unified anti-systemic movement in Malaysia and Singapore leading up to the years of political independence lacked the popular will and legitimacy to succeed. As a result, in each country the elite class managed to rise to political prominence by forging close alliances with the British, thereby facilitating the latter's neo-colonial interests.

Through their predominance in the political parties sanctioned by the British, the elite classes in both countries respectively gained their hegemonic role in the newly emerging capitalist peripheral states of Malaysia and Singapore. Two main propositions are discussed in Chapter six. One is that due to world systemic transformations that elevated the elite class to consolidate political power, the ruling political party *in both countries became sufficiently strong to control the state and accommodate foreign capital in order to facilitate capitalist economic growth*, without which it cannot survive. The state in other words, like many others in the periphery, becomes the dominant player and establishes political economic associations with the capitalist or other dominant classes, with whom it shares common benefits of capitalist development through industrialization (Chase-Dunn 1989, 112-114). Such alliances sustain a contradictory relationship between the state and civil society, thereby impeding the growth toward popular democracy.

However, the second proposition in this chapter states that the *dependent nature of capitalist peripheral state development in the world economy limits the state's ability to fully chart its own course, strengthening inherent contradictions and inequalities* within its political economic system. Dependence on foreign capital has compelled the state to prioritize the interests of the capitalist class. But in Malaysia, ethnonational tensions arising from Malay dissatisfaction of their impoverished conditions forced the state to reconsider such prioritization and embarked on a new economic policy that emphasized preferential treatments to indigenous groups. Singapore's less problematic demographic and ethnonational structures enabled the state to maintain its supremacy over other

social forces, but increasing inequalities remains a potential threat to its stability. In both cases, the long-term aim of the state has been to ensure that the capitalist system remains undisrupted.

Chapter seven addresses the increasing state authoritarian rule in Malaysia and Singapore. Notions of developmentalism have dispensed the state in both these countries with the power and responsibility to effectively intervene and administer the country's capitalist development and economic growth, which has been heavily contingent upon the political stability of the regime. In Malaysia and Singapore, the power of the state is further validated by the belief that the state alone assumes the legitimate responsibility in lawfully guarding national sovereignty. The state is able to socially construct non-democratic forms of ideological legitimations that appeal to the middle and subordinate classes, which see the state as the true proselytizer of their social well being as well as the symbol of nationalism. Based on the premise that ideology is a domination tool produced by the social elite (Kellner 1990; Agger 1978; Schroyer 1973)[11], such controls have become extremely and successfully omnipresent that citizens can fully internalize them and come to accept them as unquestionable reality.

Hence, chapter seven discusses how the forces of globalization have intensified the unequal exchanges between the core and peripheral states within the world system, resulting in increased economic vulnerabilities in Malaysia and Singapore. Globalization has also brought on high levels of transnational awareness that threaten to pervade the national character of the state. Both processes have affected both countries in different ways but globalization in this sense further threatens state political legitimacy, strengthening tensions between the state and civil society, thereby causing increased state authoritarianism (Alagappa 1995, 63-65;Case 1995, 86-90; also see Toye, 1987). Thus this chapter proposes two issues that relates to the penetrating effects of globalization. One, *as the state takes advantage of structural transformations to attain economic industrialization, its political orientation has tilted toward greater authoritarian rule.* Two, *Social cultivation of state ideologies centering on economic nationalism and racial politics has fostered political legitimacy of the state and its repressive rule.* This process has enabled the citizenry to overlook the inherent inequalities and injustices of the system, thereby weakening structural prospects for democracy.

Finally, Chapter eight concludes the dissertation with the discussion of main differences and similarities in both Malaysia and Singapore by tying together earlier arguments and propositions within the context of the theoretical-historical relationship between state, capitalist development, and authoritarianism. It will also briefly discuss the structural prospects for popular democracies in both countries.

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[11] Both Agger and Shroyer wrote on the 'critique of domination,' in which they argued that the world today has attained incomparable domination by capitalist ideology that there need not be any form of conscious control on the part of state leaders to enforce it (see Agger 1978; Shroyer 1973).

CHAPTER 2

INCORPORATION OF THE MALAY WORLD INTO THE CAPITALIST WORLD ECONOMY

This chapter examines the pre-capitalist Malay world, its social-institutional structures, and the eventual absorption of Malay societies into the capitalist world economy. Understanding the legacy of the pre-capitalist Malay political structure and the forceful manner in which capitalism was imposed on Malay and other indigenous societies would enable one to appreciate the world historical processes from which modern Malaysia and Singapore came into being.

As in other peripheral areas within the world system, capitalism's advancement into the Malay world via mercantilist expansion did not provide for it a social transitional platform toward democratic statehood. On the contrary, it paved the way for the emergence of a colonial administration bent on establishing its hegemonic position through the displacement of indigenous political systems and the military containment of other core powers in the region. Harry Magdoff (1982a, 16) asserted that "the aim of colonial policy was to create a self-sufficient empire, producing as much as possible the raw material and food needs of the mother country and providing exclusive markets for its manufactures." A major impact of European expansion into the Malay world was the gradual demise of the traditional Malay maritime trade under the weight of European mercantilism and its eventual collapse into separate colonial-territorial entities.

Pre-Capitalist Malay States[12] and the World System

Present day Malaysia and Singapore comprise an area that covers the lower half of the Malay Peninsula and the northern portion of the island of Borneo. Geographically, both countries belong to the wider region of the Malay Archipelago or *Nusantara*, which encompasses the eastern end of Indonesia in the east, the Philippine islands to the north, and the island of Sumatra in the west. In order to understand the historical processes of these two countries, it is essential to look at the history of this region before and during the advent of European imperialism. This requires examining the histories of the various pre-colonial Malay States and the events leading to their collapse under colonialism.

The earliest insight into the history of the region has been through the numerous archeological findings of temple ruins, tombstones, and relics. The daunting tasks of deciphering the origins and nature of these artifacts have prevented the accurate reading of dates regarding early human dwelling in the area. A conservative estimate goes back to almost 35,000 years, evidenced from the human remains found in the Niah Caves in Sarawak on the northern part of the island of Borneo (Ryan 1976, 4).

The people inhabiting the Malay Peninsula, on the other hand, are believed to have entered the region much later. An accepted view is that there had been a filtering

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[12] The state is actually a kingdom, and eventually after the Islamicization of the Malay world, sultanates. Throughout this dissertation, Malay States and sultanates are used interchangeably.

of migrations from the northern Asian mainland more than 10,000 years ago by people. These people were dispossessed of their habitat by a more technologically advanced people, the Proto-Malays, who arrived from the north in about 2500 BC. Later, the Deutero-Malays, known for their use of metal, came to the Peninsula sometime during 300 BC and in turn displaced their predecessors further inland (Andaya and Andaya 2001, 9).

The movements of these various peoples between the islands of the archipelago as well as intermarriages between the various groups eventually formed the Malay population that inhabited the coastal areas of the *Nusantara*. Due to a common lineage, the coastal and the inland groups shared many social characteristics. The most observable bonds between these groups had been their common worldview, societal customs, religious rituals, and communal ownership of property. As Andaya and Andaya (1982, 9) wrote "In the slow process of social development and environmental adaptation, variations in language, appearance, and culture among these peoples became more marked....but activities of all communities, from the coast to the deep interior, overlapped to some degree with their neighbors so that no cultural feature was completely unique." Bellwood (1978), in documenting the movement of peoples throughout Southeast Asia and the Pacific islands, asserted that the dispersal of peoples throughout these regions from a common source is evidenced by their affiliation to the common Malay-Austronesian linguistic family.[13]

Existing official documentation of Malay history has been confined mostly to the establishment of the Malacca Sultanate around the year 1400. The Malay Annals or *Sejarah Melayu* is one of the most important sources of information on events surrounding Malay social and political life prior to the arrival of Europeans in the sixteenth century.[14] But the geographical location of the Malay Peninsula as a crossroad between the two continental divides of China and India had made the region an important stopping point for many travelers during the changeover monsoon seasons. As a result, valuable sources of current information also include the numerous voyage accounts of travelers, traders, and military personnel, who passed through this region and whose narratives had been incorporated into various ancient texts and diaries.

Traces of settlements can be found in the northeastern part of the Peninsula through the discoveries of metal relics and temple ruins, giving rise to the speculation that these areas had also probably been part of a Hindu colony (Wheatly 1961, 270-276). One of the famous states was Langkasuka, situated on the east-central portion of the Peninsula, and whose civilization thrived around the sixth century. The fact that trade with Indian and Chinese merchants had been established since the early centuries AD indicates that the Malay inhabitants had already possessed a significant degree of navigational and commercial skills. In this, Malay traders and seafarers played an important part in spreading Indian cultural ideas throughout the region (Andaya and Andaya 2001, 16-17).

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[13] The Malay language, along with other numerous Indonesian, Melanesian, Micronesian, and Polynesian languages, belongs to the vast Malay-Austronesian linguistic family.

[14] *Sejarah Melayu* or Malay Annals is a traditional royal text recounting the life and times of various kings, sultans, and court leaders as well as significant events through the use of both mythical legends and historical facts.

Contact with Chinese traders was first recorded sometime during the fifth century, when instabilities in southern China compelled goods from the Persian trade to be transported by way of the Peninsula through Malay sea cargo vessels to China (Wolters, 1967). The intensification of the Persian trade and the increasing use of the sea route as a means of transportation gave rise to the establishment of many entrepots along the coasts of the Malay Archipelago. From such commerce, the Malays traded their camphor, lakawood, incense, gold, tin, ocean produce, and spices for cloth, copper, musical instruments, pottery, ironware, and glass.

By the ninth century, Chinese records had documented the existence of a vast Malay-Buddhist maritime kingdom of Srivijaya in the western portion of the Archipelago on the eastern coast of Sumatra (Dunn 1975, 78-100).[15] The success of this Empire had much to do with their diplomatic craftiness as with their commercial prowess. By opening up political relations with China through a semi-tribute system, which accorded them military protection, Srivijaya secured the monopolization of the East-West trade over other states in the region. Internally, economic prosperity enabled the empire to build a relatively sophisticated and stable administrative system based on syncretic political-religious principles, protected by a relatively strong maritime army (Wolters 1970, 187; Hirth and Rockhill 1966, 32).

By the end of the thirteenth century, the Sumatra-based Srivijaya Empire soon lost control over its numerous vassal states to the increasingly powerful Java-based Majapahit kingdom. On the Malay Peninsula, its dominions began to either break away or turn to other sources of power, mainly China and Siam. One of the more famous sub-centers of Malay trade was Temasik, later named SIngapura (Singapore) (Purcell1965a, 19). Another, Malacca, a city-port on the western coast of the Malay Peninsula flourished into a leading maritime empire that virtually controlled all sea trades from the Middle East and China within the region in the next two centuries. Its rapid expansion was enhanced by the influx of traders and craftsmen from neighboring areas within the region, bringing with them high culture and technology (Ryan 1976, 17).

Malacca's supremacy was in fact maintained by a political economic policy derived from its Srivijaya heritage. The rulers of Malacca instituted good relations with China, and even accepted the latter's semi-suzerainty that bestowed on them greater military protection against the hostile Siamese and Majapahit empires. At the same time they opened their doors to every ship and trader, from whose skills and knowledge they benefited. Simultaneously, they built a formidable military force that gradually became self-subsistent and capable of defeating the Siamese as well as expanding its territorial sovereignty. The Sultanate government machinery was also efficient, and one that delivered justice and protection for all traders (McRoberts 1991, 72; Andaya and Andaya 2001, 44).

Trade was carried out with different regions for a variety of goods. Figure 2.1 on the next page illustrates the main flows of Malacca trade in the fifteenth century. Cotton, cloth, drugs, dyes, and opium were imported from the Middle-East and India. Rice, meat,

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[15] The kingdom of Srivijaya comprised the areas stretching from northern Malay Peninsula, the western riverine territories of Sumatra and as far as western Borneo during its peak.

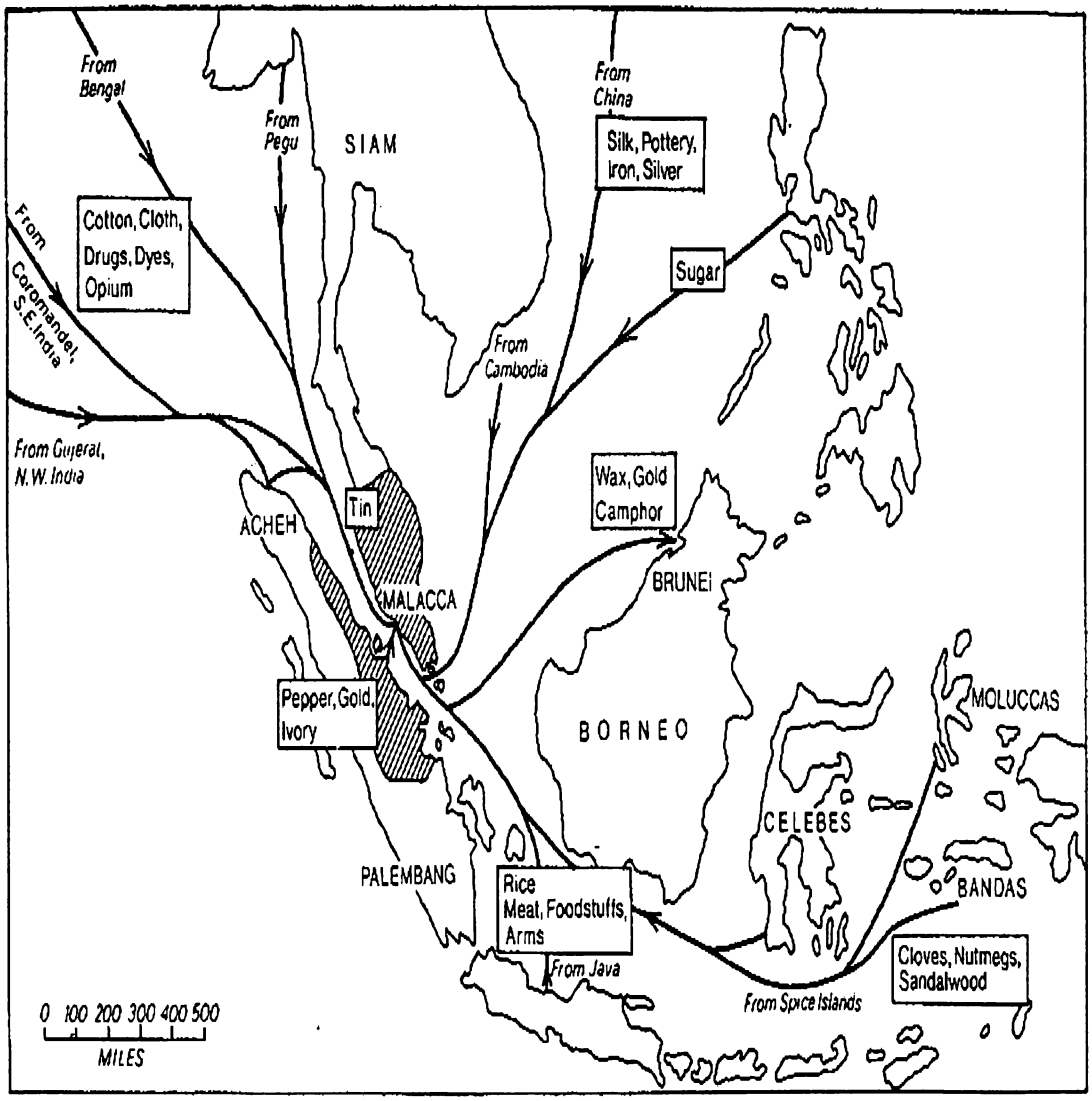


Figure 2.1: Trade Flows into Malacca in the Fifteenth Century

and spices came from the eastern end of the Archipelago and Java and silk, pottery, iron, and silver came by way of China while sugar came from the Philippines. The Malacca Empire itself provided the world with tin, pepper, ivory, and gold (Ryan 1976, 18-20). Braudel (1984, 484), in his discussion of world-economies between the fifteenth and eighteenth centuries, mentioned that Malacca was the gravity that tied the various world-economies together. The city-state was where "everything and anything" could be found, and whose network of maritime traffic was comparable to that of the Mediterranean or the Atlantic coasts of Europe (Frank 1995, 167; Braudel 1984, 486-487).

It is also important to note two significant world-systemic phenomena that took place, one following the other, during this period. These phenomena created long-lasting impact on the social and political structures of the Malay world in the following centuries. One was the rise of Islam as a social, military, and commercial force. The other was the emergence of the nations of Western Europe and their expansion of trade eastwards. The decline of the Roman Empire entailed the increasing strength of the Muslim powers. The Arabs, and later the Ottoman Turks, gradually brought the whole Middle-Eastern and Mediterranean region under an intricate and vibrant trading network (Braudel 1984, 467-471; Ryan 1976, 40-41). The Muslims' monopoly of trade allowed them to venture into the Far East, bringing with them the spread of Islam. Islam first came to Malacca mainly by way of commercial contacts with India and northern Sumatra. The latter had already embraced the religion through their contacts with Arab and Gujerati traders about a century before Malacca.

The hegemonic position of Muslims in the eastern trade also greatly helped Malaccan commerce. By the fifteenth century virtually the whole empire followed the Islamic faith. As a result, the volume of trade from the Islamic world into the port increased, thereby enabling them to meet the demands of their goods by the Chinese. For Muslim traders, Malacca not only posed a necessary lifeline for their products, but it also became a place with which they were familiar and comfortable owing to the latter's Islamic status. Attracting Muslim businesses spelled increasing trade and wealth (Andaya and Andaya 2001, 53).

Successful maritime voyages under the patronage of Prince Henry, and with the help of Arab and Muslim navigators, enabled the Portuguese to penetrate the eastern seas (Ryan 1976, 44). Finally in 1511, two years following a previous defeat, the Portuguese under Alfonso d' Alburquerque managed to conquer and occupy Malacca. Their arrival was well timed as they had caught the Malay sultanate in a power struggle that divided the allegiance of the court and military to its cruel and arrogant Sultan, Mahmud Shah. But the Portuguese did not purely have trade as an agenda for conquering Malacca. Having been under Islamic occupation for centuries, the Iberians had developed an extreme hatred for the Muslims; the takeover of Muslim trade simultaneously became a religious crusade (Ryan 1976, 40-46).

When the Portuguese ruled Malacca, they turned the city into a military bastion, with the construction of an inpenetrable fortress, named *A Famosa,* that repelled successive but sporadic attacks by various Malay chieftains. Although Malacca continued its entrepot function under the Portuguese, it was no more the vibrant cosmopolitan city that thrived under the Sultans. The Portuguese were cruel and disliked

by both locals and foreigners (Hoyt 1993, 43). Malacca had literally turned into a fort, through which Portuguese trade was protected and Christianity was spread, usually by force.

Many of the local residents soon migrated to neighboring States thereby greatly reducing Malacca's population. With Malacca's fall, the Sultanates of Aceh (northern Sumatra) and Brunei (northern Borneo) gained most of the Muslim trade as well as Malacca's skilled craftsmen (Ryan 1976, 31). Another Malay empire, the Johor-Riau, soon emerged in the southern portion of the Peninsula, whose rulers were descendants of the Malacca heirs, and whose political coalition with the Dutch soon created important political economic repercussions in the region. The rise of Malacca had been a significant chapter in Malaysian history, because it represented the symbol of historical pluralism and cultural hybridity that stands to reflect modern-day Malaysia (Thomasz 1993, 69-90). To many contemporary scholars, Malacca also became a central point in the continuum of Malay history, in which European interference simply retarded an on-going process of state-formation (Hashim 1992, 281-283).

Pre-Capitalist Malay Political Institutions

A large remnant of pre-capitalist elements exists in present day Malay social and political institutions. By identifying the various contradictions that existed within pre-capitalist Malay society, especially the relationship between ruler and subjects, one can later on appreciate how the colonial process stifled the growth of democracy in Malay society through the reinforcement of such a structure.

According to David Martin Jones (1997, 20), "a remarkable feature of the Malay world from the fifteenth to nineteenth century was the capacity to blend Islam with essentially Hindu and Buddhistic political traditions." Despite Islam as their religion, Malay society and culture has remained very heavily Indian in influence. Indian culture had asserted its predominance in Malay life as early as the fourth century AD (Purcell 1965a, 16). Derived from the practices of the Srivijaya-Palembang ruling tradition, Indian religious rituals, ceremonies, and even social caste system have very much been carried over into Malay social and political structures through the sultanate in Malacca (Andaya and Andaya 2001, 44).

Particularly obvious is the demarcation of power in the relationship between ruler and subject. Malay-Indian religious beliefs perpetuated the notion that the ruler stood at the apex of human society as a representative of God on earth. The Malay Annals relate a covenant being made between ruler and subject, in which both parties had a sacred obligation to respect and observe the role of the other. It further stated that only God could have the power to administer punishment for any transgression of this pact by either party. The ruler is not accountable to his subject but only to God. As transcribed in the Malay Annals, " if any ruler puts a single one of his subjects to shame, that shall be a sign that his kingdom will be destroyed by Almighty God" (Malay Annals translated by Brown 1976, 24).

Similarly, "it has been granted by God to Malay subjects that they shall never be disloyal or treacherous to their rulers, even if their rulers behave evilly or inflict injustice upon them" (Brown 1976, 27). Thus the religiously sanctified position of the ruler

enabled loyalty, devotion, and respect to be accorded to him by his subjects as an unquestionable reality in Malay feudal society. The most significant aspect of this covenant is the concept of *daulat*, which is a set of punishment unleashed by semi-mythical forces, associated with the ruler's position, on those who commit the crime of treason or *derhaka* (de Jong 1964, 235-241). Such beliefs have been deeply institutionalized in Malay culture despite their embrace of Islam (Purcell 1965a, 23).

The Ruler was heavily involved in trade but as the Malay maritime-entrepot economy flourished into more complex States, decentralization of political power became a necessity (Kathirithamby and Wells 1993). Furthermore, the astral standing of the ruler was not entitlement for dictatorial administration within the ruling elite. The Malay Annals asserted "No ruler, however great his wisdom and understanding, shall prosper or succeed in doing justice unless he consults with those in authority under him. For rulers are like fire and their ministers are like firewood and fire needs wood to produce a fire" (Brown 1976, 46). The concept of *muafakat* or cooperation, consensual agreement was at the heart of Malay community decision-making process (De Jong 1964). To a great extent, the efficient operation of the government depended on the skills and foresight of the cabinet of ministers in issuing advice to the ruler as well as in handling domestic issues and international trade (Bedlington 1978, 26).

Thome Pires (1944), a Portuguese royal historian, wrote in his *Suma Oriental* that in the Malacca political hierarchy, the *Bendahara* (Prime Minister) assumed the biggest responsibility as chief executive and judge. Although the *Bendahara* lineage became intersected with those of the rulers, the *Bendahara* himself was not an exception to the strictures governing the relationship between the ruler and subjects (Andaya and Andaya 2001, 46).[16] Next on the ranking was the *Penghulu Bendahari*, or Chief Treasurer, who controlled all state revenues and supervises all the *Syahbandars* or harbormasters. Third on the hierarchy was the Temenggung, who was in charge of internal state security matters and chief magistrate. Below him was the most powerful figure in the cabinet, the *Laksmana* or Admiral, who took charge of the naval fleets.

Below the main elite hierarchy was the class of several noblemen and chieftains, whose functions were not as clearly delineated, but whose privileged positions rendered them worthy of consultations in certain state matters. State wealth, although under the purview of the ruler, is usually shared among members of the elite groups. Some of the noblemen controlled local riverine trades, which entitled them to portions of overall state wealth from the larger maritime economy through taxation. It is also important to note the frequent internal political struggles and private battles that took place among the Malay ruling elite. Thus the lines of hierarchical power in pre-capitalist Malay society were not all that rigid as far as chieftains and noblemen were concerned. In more modern organizational terms, the relationship among these groups of leaders was more matrix-like rather than vertical since inter-leadership consensus had to be derived in much of the political decision-making process (Gullick 1968).

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[16] The *Sejarah Melayu* or Malay Annals frequently depict how a Bendahara, although powerful, would refuse to go against the Sultan for unjustly acting upon him since *derhaka*, was an unthinkable offence for any Malay (see Andaya and Andaya 2001, 46; Brown 1976).

At the core of this Indian heritage was a diluted version of its social caste system that identified each caste with certain occupations. The common subjects, who constituted the largest portion of Malay feudal society, composed mainly of agricultural workers and fishermen. Villages became the predominant community group in Malay feudal society. At the top of the village ladder was the *Penghulu* (village chief), who was accountable to the District Chief as well as acted as a representative of the community. Any matter relating to the village would be discussed and debated through *muafakat*, and its implementation carried out through a cooperative *gotong-royong* (Gullick 1968).

However, in the overall structure, the lines of authority are clearly visible, leaving little room for those on the lower rung to assert their opinions and views. The pre-capitalist Malay social system was based largely on a tributary mode of production system. At the bottom of this hierarchy were the original groups of Malays and other indigenous groups known as the *orang laut* (sea people) and *orang asli* (original people). They are believed to be the precursor to the modern Malay inhabitants, as opposed to those who came over from Sumatra after the founding of Malacca (Andaya and Andaya 2001, 49). Many of them have intermarried into the Malay groups to be categorically absorbed as Malays. Not much information has been retrieved on these indigenous groups other than those gathered through the original Malay texts, which described them as highly valued for their vast knowledge of the sea and forests and their skills in retrieving produce from these areas. Generally, hunting, fishing, and washing tin were the important occupations among the lower castes (Hoyt 1993, 16).

Unlike the rigid Indian caste system however, the Malay social system allowed the *orang laut* quite a substantial degree of upward mobility, especially where their leaders were concerned. Owing to their large numbers as well as their labor expertise, powerful chieftains consistently brought the leaders of the *orang laut* into the elite social circles as a means to strengthen their (chieftains') economic and political base. Despite being valued for their skills, many of these people, together with the *orang asli*, and the original Malay residents of the Peninsula were extremely powerless. Many were also categorized into serfdom as *orang berhutang* (bonded laborers), and ended up as servants in palaces and elite households and soldiers in private armies.

Besides the strong demarcation between the ruler and subjects, the social and political structure of feudal Malay society was also rigidly stratified between the nobility class and the common masses, namely the peasantry. The former extracted wealth from the latter, who provided crops such as coffee, pepper, gambier (used for dyes in Europe), maize, rice, fruits and sugar. But since the main activity among the peasants was subsistence farming, lordship over them by chieftains was usually in terms of free labor (for war and state projects) under a *kerah* (corvee) system that entitled them to free use of land and its produce (as a form of tax) (Hua 1982, 11-13). As in many feudal and pre-capitalist societies, positions of power and subservience are usually based on inheritance rather than merit. In traditional Malay society, such characteristics provide a self-regulating systemic mechanism against political disorder that is strengthened by a religio-traditional source of legitimacy (Bedlington 1978, 27-28).

Related to labor was the issue of land. Since pre-colonial Malay Peninsula was sparsely populated, land was considered abundant. As Wong (1975, 10-15) clarified," at a time when land was abundant, anyone could, as a simple matter of fact, clear forest

land for cultivation and occupation" since land belonged to no man but God. There were three types of land; *sawah* or rice land, cultivated land or *ladang*, and land on which cultivators resided called *tanah kampung*. Rights over land persisted as long as it was occupied and worked on, evidenced by the presence of fruit trees (Maxwell, quoted in Nonini 1992, 34).

There existed three methods of land transactions. One was through a 'return of expenses,' or *pulang belanja*, which was in effect, compensation for the original cultivator's labor for clearing the land. The other was a 'let' or *sewa*, in which a cultivator receives a share of the produce for his allowing another to cultivate his land. The third, which became an initial step toward some kind of commoditization of land, was the *gadai*. Here, a debtor became a tenant to his creditor, in which some apportioning of the produce secured the deal. Land under this transaction can also be used as collateral for debt, in which all its proceeds from would go to the creditor (Wong 1975, 10-11). Incredibly however, the sultan did not posses 'absolute property in the soil' as the British later claimed, despite their rights to tithe and taxes from land. Maxwell (1884, 92) explained that tenant right was the cardinal doctrine in feudal Malay society hence his absolute right to land was a 'barren right.' Although the ruler was aware of his territorial possessions, there was no real tenurial system of land between him and his subjects (Wong 1975, 14).

Because Islam arrived in Southeast Asia not through conquest but through a developing pattern of Southeast Asian trade, it was accommodated with great facility by Hindu religious views that sanctioned a ruler's supreme social and political position (Reid 1993, chapter3). The Hindu concept of rule as a form of cosmically divine ritual, where kings assumed the reincarnations or *karma* of holy deities, continued to persist. Also, under Hindu-Buddhist traditions, religious dictums had made it clear that spiritual as well as material proprietorship was the total prerogative and privilege of the god-rulers, impelling subjects' subservience to the power and wishes of the Kings. In other words, temporal rule was a reflection of divine cosmology (Coedes, 1971). With the coming of Islam, the rulers transformed their legitimization of power through mythical reinterpretations of the *karma*. The Malay Annals noted that Rulers made it known to their subjects of their moral institutional authority as chosen representatives of the Holy Prophet[17], and that their powers were divinely and magically embedded in a higher and godly empyrean structure (Gullick 1991, 29; Brown 1976; Wolters, 1972).

The Malays were deeply devoted to their traditional customs and devout in their practices. Deliberate resistance among the common people against the Sultans was rarely initiated for fear of the *daulat* imposed on them, securing political stability for the rulers against his subjects (Gullick 1968, chapter 8). The politically syncretic relationship that legitimized the pattern of interaction between the state and subjects later on

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[17] The ancient Malay Annals *or Sejarah Melayu*, is a product of the royal court, which cleverly rationalized the Ruler's legacies in Islamic terms. One of its more significant functions was in the legitimization of unstable political systems that centered on unpopular leaders. It stated that a ruler by the name of Raja Tengah, received a vision through a dream or *wahyu*, that the Prophet had chosen him as the one to lead his kingdom into a powerful and affluent empire. Raja Tengah became Sultan Muhammad Shah I. The tale has varied forms throughout the Malay Archipelago.

provided the Europeans with great advantages in their dealings with the Malay rulers to facilitate their colonial expansion.

European Mercantilist Expansion

The failure of any one state to dominate the other in Europe during the sixteenth century could be seen in the context of continuous wars aimed at achieving regional hegemony. The main powers, Spain, England, France, and the Netherlands were consistently involved in economic and military efforts to impose their dominance on the others, which extended beyond the shores of Europe into the Americas, Africa, and Asia.

Spain, which absorbed Portugal under the Hapsburg monarch, was experiencing a gradual decline in its economic as well as military capabilities. Wallerstein (1974a, 165-221) cited a number of reasons for their decline, namely the absence of state encouragement for agriculture and manufacturing, an inefficient bureaucracy, reliance on foreign borrowings for state finance and imports, and a parasitical aristocracy. Such a political economic system could never accommodate the rising demands of the new capitalist economy that was sweeping through western Europe through the commercialization of agriculture, urbanization, and wage labor.

The core countries of Europe, England, France and the Netherlands became continuously locked in bitter confrontations and rivalries over markets and resources. In 1609, a treaty was signed between Spain and the Netherlands, which won independence for the latter. By now, Western Europe had already achieved economic superiority over other parts of the continent through its high technology, extensive economic system, trade and finance specialization, and craft manufacturing (Shannon 1996, 56).

The Dutch in the *Nusantara*

By the end of the seventeenth century, the Dutch had gained reputation as 'cargo-carriers' of Europe, for their ships distributed goods throughout the continent, including the spices that the Portuguese had brought from the Malay Archipelago (Ryan 1976, 64). Spain's blockade of Dutch ships into Lisbon forced the Dutch to seek control of the spice trade by venturing into the islands themselves. Although the Dutch mercantilist economy soon expanded into Africa and Asia, they were frequently denied entry into ports held by their competitors, the British and the Portuguese.

In their goal to control the spice trade, they established the United East India Company (VOC). This was perhaps the first transnational corporation functioning within the world capitalist economy. The VOC was backed by a well-organized network of capital resources and operated on a philosophy divorced from any religious constraints (Ryan 1976, 66). The Portuguese had been reluctant to negotiate or sign accords with Muslim States due to their fierce animosity toward Muslims. Their fanatical missionary goals and cruel disposition drove many traders away from Malacca to the sultanates of Johor, Brunei, and Aceh, contributing to the growth of these areas (Hoyt 1993, 43). In contrast, the Dutch signed many treaties with Muslim rulers, the first of whom were those from the Spice Islands of Mollucas. In strengthening their foothold in the Malay world, the Dutch decided to remove all other European competitors. They established their

fortress in Batavia (Jakarta) on the island of Java. From there they prepared for the conquest of Malacca, which they planned to use as a guarding post to protect their ships.

Unable to attack the Portuguese on their own, they sought the help of the Malay Johor Empire. In 1641, the Dutch took over Malacca when the mainly Johor army successfully captured the fort.[18] In return, the Dutch promised to grant Johor trading rights denied to all other local States. The victory over the Portuguese produced three important consequences. One, it enabled the Dutch to control the spice trade through Batavia, since Malacca had been removed as competitor. Two, the Johor-Riau entrepot economy began to flourish and their military might, fresh from the victory over the Portuguese, brought them into power throughout the Malay Peninsula. Three, the emergence of the Bugis people in the political economic life of the Malay Peninsula.

The Bugis had left their native homeland in south Sulawesi (Celebes, see Figure 2.1, page 29) to seek fortune across the Malay world. Renowned for their military and seafaring skills, they were often used as mercenaries in war. Eventually their involvement in the politics of the Malay states bestowed upon them the role of 'kingmakers' and court warriors, especially in the Johor-Riau Empire. Although the Dutch began to monopolize the spice trade, they would soon discover that Johor-Riau's success actually became increasingly detrimental to their commercial interests. VOC officials could only watch as the Johor port of Riau (on the island of the same name) prospered with clientele from Britain, Scandinavia, the Middle East, North Africa, and the Mediterranean (Andaya and Andaya 2001, 79). According to the Bugis literary figure Raja Ali Haji (1981, 43) in his *Tuhfat al-Nafis*, "Johor prospered, and was famed not only for their refinement in customs, but also for their refinement in culture."

The early years of the nineteenth century witnessed the rise of Britain as a core industrial power, which was greatly helped by their domination of the Atlantic fisheries and their control of their Indian trade through its East India Company in Bengal (Shannon 1996, 64). The Napoleanic wars in Europe had ushered in a shift in the balance of power that served as a prelude to the military and commercial decline of the Dutch as a world power. Capitalism in Europe had brought developments in technology, increasing close cooperation between the state and commerce and the shortening of long distances through rapid improvements in communications. British technological advancements and efficient state and military organizations emerged during these years to push the country forward into becoming a world power.

Significantly, the Malay Peninsula provided the growing Europe capitalist economies with the raw material needed for industrialization. The rivalry between Great Britain and the Netherlands culminated into the Anglo-Dutch Wars in the late eighteenth

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[18] The Dutch-Johor military alliance was in fact an overstatement designed by European history makers as a European victory over another European power. Historical records show that the Johor forces were mostly responsible for the victory, since the Dutch, with only a few men, merely provided back-up services. According to Van Heeres, a VOC official, "we must continue to remember that the Johor people contibuted substantialy towards the conquest of Malacca. Without their help we would never have become master of that strong place (Heeres, J. 1895. *Bouwstoffen voor de geschiedenis der Nederlandersin en Malischen Aechil*, vol. 3 The Hague, iv. As quoted in Andaya and Andaya 2001)

century. Nevertheless, the desire for a peaceful regional atmosphere in the East, within which successful trading could operate materialized into a détente-like Anglo-Dutch Treaty in 1824. The effect of this treaty was the division of a large part of the Malay world into two areas of domination by the two powers (Bedlington 1978, 31).

The Dutch obtained a much larger territorial dominion in the form of the vast Dutch East Indies (Indonesia) spreading from Sumatra in the west to the Spice Islands in the eastern end of the Archipelago. But the British asserted their control within a more strategic locale. The British had earlier established a post on Penang island in 1786 with the aim of restricting Dutch trade in the Malay Peninsula. This treaty effectively gave them the heart of the trading route between the east and the west. Also through this treaty, the British took over Malacca from the Dutch and ruled by the East India Company (EIC) from Calcutta (Andaya and Andaya 2001, 121-123).

This compromise between these two powers effectively severed the social, cultural, and economic unity between the eastern half of the island of Sumatra with the Malay Peninsula and the southern islands of Riau. Later, the effects of this Treaty also entailed the partitioning the Johor-Riau Kingdom through British colonial establishment in Singapore (to be discussed in the next section) and Dutch takeover of the Riau-Lingga islands south of it (Andaya and Andaya 2001, 122).[19] These 'spheres of influence' between the British and the Dutch created the formal boundaries that eventually became the political basis of modern day Malaysia, Singapore, and Indonesia.

The Purchase of Singapore and the growth of a mercantilist port

By the turn of the nineteenth century, the British had made successful inroads into the East by conquering Portuguese and French bases in the Indian subcontinent and taking over their trade in these areas. To break the Dutch trade monopoly in the Malay Archipelago, the Calcutta-based British East India Company (EIC) established a trading post on the island of Penang, off the northwestern coast of the Peninsula (Ryan 1976, 94).[20]

Penang soon thrived to become a busy entrepot that collected pepper, betel-nut, caphor, rattans and resins and tin from surrounding areas, as well as a distribution center for opium, tobacco, and textiles in the region (Cowan 1950, 198-203). However,

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[19] The Anglo Dutch Treaty of 1824 provided the later colonial division of the Malay world down the Straits of Malacca (Melaka) and is thus the basis for the contemporary boundary between Indonesia and Malaysia. The British had earlier established a trading post at Bencoolen, on western Sumatra. In order to locate their respective possessions within the demarcated lines of the Straits of Malacca, Bencoolen and Malacca were exchanged respectively between the Dutch and British. (See Andaya and Andaya 2001).

[20] The acquisition of this island from the Sultan of Kedah, a vassal of Siam, had been made under false pretences. Francis Light, the company's captain, had initially promised to assist in its independence from Siam and to protect the Sultanate from retaliatory Siamese attacks. This promise was repealed after the Company refused to provide finances for any type of involvement in local affairs. Angered, the Sultan launched an attack on the British to regain the island, but was defeated. Finally, a treaty signed in 1791 gave the EIC the right to construct a settlement on the island. Although the sultan received a meager compensation, there was still no clause in the treaty about military protection for his sultanate (See Ryan 1976, 94).

Penang became more beneficial to British interests as a military base than anything else, having been used as a launching pad for its military expeditions in the Far East. Commercially, the island's location was too removed from the goings-on of Malay maritime trade, and with Malacca's entrepot becoming dysfunctional, Dutch Batavia emerged as the center of trade in the region (Kennedy 1962, 89). The failure of Penang to divert the eastern trade away from the Dutch encouraged the EIC to search for alternative bases in the region.

An officer of the EIC, Sir Stamford Raffles, became one of the most aggressive proponents for deeper British involvement in Malay political affairs as a way to gain heavier and far-reaching influence in the region. Raffles, whose knowledge of Malay history had been outstanding, sought to establish a British post on Singapore, located on the southern tip of the Johor mainland. As he wrote to a friend, William Marsden, "You must not be surprised if my next letter to you is dated from the site of the ancient city of Singapura" (Turnbull 1989, 8). Despite the protests of the Dutch and the uncertainty of British support, Raffles went ahead to exploit a succession crisis within the Johor-Riau royal court to install and recognize a puppet ruler, Sultan Hussein, which enabled him to establish a settlement on the island of Singapore. Singapore was at the time, the residence of the Temenggung of Johor, and it was through his assistance that Raffles managed to complete the purchase of the island in 1819 (Winstedt 1933,163-166).

Within the span of a few years, Singapore began to attract thousands of settlers from around the *Nusantara* as well as immigrant labor from China, and merchants from as far away as the Middle East. By 1821, the island had a population of 5000, of whom 3500 were Malays, 1000 were Chinese, and 500 were Indians, Arabs, Armenians, Europeans, and Eurasians (Turnbull 1989, 13). By 1871, however, the Chinese came to be the dominant population, numbering around 87,000, while Malays numbered about 22,000 and Indians about 11,000. Singapore's early internal success during these early years was actually the work of its British Resident James Farquhar, who worked closely with local Malay rulers to bring some sort of stability and order to the island. But Raffles envisioned Singapore to be something more dynamic and urged for the exploitation of its location between the Indian and Pacific oceans and its 'very seat of the Malayan empire' to further push British domination in the area (Raffles 1991, 378). In 1823, Raffles stripped Farquhar of his command and took over the position of resident.

The Anglo-Dutch Treaty of 1824 later enabled the three British possessions of Penang, Malacca and Singapore to be unified under the Straits Settlements government of India in 1826. The issues of costs and expenditures became the very foundation on which the debate on political intervention in Malay States had rested. On the one hand, the British saw a dire need to launch further British influence into the Malay Peninsula not only to enable more efficient control of trade in the region but also gradually incorporate them under the domain of the British Empire. On the other hand, further involvement into the complex world of Malay politics had proven to be financially and politically disastrous. In 1831, British attempts to extend its land and judicial system beyond Malacca and into a strict Islamic-matrilineal Malay society in Naning (northwest of Malacca) were met with violence (Kennedy 1962, 117-119). This year-long conflict nearly squeezed the British dry of their finances and stood as a reminder of the unforeseen dangers of intervention in Malay social affairs (Andaya and Andaya 2001, 123).

Singapore's growth depended heavily on the demands for tin and tropical produce from the surrounding Malay Archipelago (Arasaratnam 1972, 16-18). During this period manufactured goods from Europe steadily entered the region by way of Singapore. By 1823, nearly 3000 vessels arrived in Singapore, in which its trade totaled $8 million; $5 million was carried in Asian craft and $3 million in European craft (Turnbull 1989, 13). In 1840, Singapore was opened to American trade, exposing it to a wider network of trading operations across the globe (Ahmad 1965, 241-157). Table 2.1 below illustrates that by the 1870s, Singapore's growth as a staple mercantilist port began to surpass the other ports in the Straits Settlements, which increasingly assumed the subsidiary role of feeder ports to Singapore (Chiang 1978, Table 1). Trade through Penang and Malacca also began to fluctuate as a result of the disturbances created by Chinese civil strife in the hinterlands (Turnbull 1972, 161). With its newly opened port facilities, Singapore became the new financial and trading center that imported agricultural and industrial produce from the Malay states of the Peninsula and the surrounding areas of the Dutch East Indies, to be re-exported to Britain, Europe, and the US.[21]

Singapore soon found itself as a center of regional capitalist economic specialization (Huff 1994, 49). As Singapore's economy flourished, so did its merchants. Comprised mainly of Chinese and Europeans, particularly British, these merchants enjoyed the colony's high opulence as beneficiaries of the island's prospering economy. Any grievances these merchants had were mostly directed toward what they perceived as the EIC's inefficient and suffocating role in the economy. Among their concerns was the rampant violence by Chinese secret societies, the increasing presence of Indian convicts who were imported for cheap labor, and increased piracy in the high seas by

Table 2.1: Annual Average Growth in Total Trade of Straits Settlements Ports, 1833-1873.

Years	Percentage growth rates of port trade		
	Singapore	Penang	Malacca
1833-1843	4.0	1.6	-0.3
1843-1853	1.6	5.1	12.7
1853-1863	6.4	9.2	4.6
1863-1873	4.3	4.2	-4.8

Source: adapted from Drabble 2000, p. 34

[21] To protect tin industry and keep its supplies under British control, Britain prohibited the export of tin ore from the Malay states except to the tin-smelting center in Singapore. In this case, the British gained permission from Malay rulers to extract the ores and transport them to Singapore, thus enabling the supplies and transport of tin to remain under British control, which greatly benefited Singaporean economic development (See Huff 1994,61).

Malays who had been displaced by the surging European mercantilist trade. Other worrying features were the rising poverty and malnutrition caused by fluctuations of employment and overcrowding as well as excessive opium smoking among the new Chinese immigrants, which produced many negative health and social side-effects (Turnbull 1989, 69-71; Little 1848, 1-79). Most importantly, the merchants had become highly aggravated by the many forms of inconveniences placed on them by the EIC government through the latter's inefficient and corrupt bureaucracy.

A proposed solution to their concerns was the separation of the Straits Settlement from British India. A petition was sent by influential merchants to London to request for the Settlements to be dependencies administered directly from England. London refused this option due to the expected burden on the national treasury and maintained that any consideration of direct colonial rule must be preceded by Singapore's capabilities in sustaining its existence (Ryan 1976, 131).[22] The increasing awareness of Singapore's plight entailed a replacement of the incumbent governor with Sir Cavenagh, who initiated many new projects, especially improvements in social services (Turnbull 1989, 71-72; Cameron 1965, 60-70).

Despite these developments and the introduction of the Stamp Act to make the Straits Settlements self-supporting, London still refused to take responsibility for any form of dependency governance on their part. It was only when the War Office became compelled to consider Singapore as an alternative military base to Hong Kong, due to the latter's problematic circumstances, did the administration of the Straits Settlements finally come under direct control of London (Turnbull 1989, 73). In 1867, the Straits Settlements of Penang, Malacca, and Singapore became Crown Colonies of Britain, with its capital in Singapore (Preston 1990, 80).

British incursions into Sarawak and northern Borneo

Early Chinese records indicated that a vibrant maritime tradition had existed in what is now Brunei as early as the fifth century, which the Chinese called Po'ni (Ryan 1976, 38). The people of Po'ni were thought to be northern Malays belonging to the North Borneo-Philippines group such as the Visayas and Muruts (Andaya and Andaya 2001, 57). By the end of the fifteenth century, the influence of Muslim traders provided the groundwork for conversion into Islam in the area, the product of which was the kingdom of Brunei (Harrison 1970, 648-651). After the fall of Malacca in 1511, many Malays from the fallen sultanate migrated to Brunei including members of the royal court. The intermarriage that took place between the nobility incorporated Brunei into the realm of the Malaysian-Muslim world that presently connects the Sultan of Brunei with the various sultans of Peninsula Malaysia.

Much of Brunei's success was attributed to its well-organized political and administrative systems. The kingdom was first visited by the Spaniards, and later the Portuguese, who reported on its opulence in the sixteenth century (Ryan 1976, 39). Traders from China, Vietnam, Cambodia, Moluccas, Java, southern Philippines (Sulu

[22] British Parliamentary papers in 1861 (XIII, No. 423, pp. 69-373) reported that the Secretary of State for the Colonies would only take control of the Straits Settlements if they would pose no burden on the Exchequer (Treasury) (see Turnbull 1989, p.71).

Sultanate), the Middle East, and India frequented the port, which was situated in the splendid natural harbor of Brunei Bay. Trade consisted mainly of sea and jungle produce from Borneo, which were highly demanded by the Chinese, and silk, porcelain, cloth, ornaments, and tobacco from the Middle East and China.

The Anglo-Dutch Treaty of 1824 did not mention Borneo, thereby rendering its relationships with the British and the Dutch pretty much ambiguous. The Dutch, with the advantage of having secured the eastern territories of the Archipelago, made various treaties with numerous sultanates on the southern parts of Borneo. But because of the treacherous terrain as well as financial constraints, northern expeditions by the Dutch became restricted. In the early nineteenth century, an English adventurer, James Brooke with a small but potent armed force, became embroiled in the politics and conflicts within the Brunei kingdom (Bedlington 1978, 40). For his assistance in brutally suppressing Malay chieftain uprisings, Brooke induced the Sultan of Brunei into receiving a fiefdom in the vast area of Sarawak in return for an annual payment of 500 Sterling Pounds to the Sultan. Setting up his capital on the Malay village of Kuching and assuming the title 'Raja of Sarawak,' Brooke managed to command the authority of not only the Malays but also the Dayaks and Ibans of the interior.[23]

Further northeast of Sarawak, the territory in what we now know as the Malaysian state of Sabah had been largely controlled by the Muslim Sulu Sultanate in the east and Brunei Sultanate along its southwestern coast (Warren 1981). Inhabited by mostly non-Muslim peoples in the interior and Muslims along both the coasts, the area was first approached by Americans in 1865 to obtain concessions from Brunei to set up a post along the western coast. Later in 1881, a group of British entrepreneurs received a royal charter from the British government to establish the British North Borneo Charter Company (BNBCC) and operate the various concessions received from the Sultans of Brunei and Sulu (Lee 1965, 16). Sparsely populated, Sabah faced chronic labor shortage. Hence, the Company brought in immigrant labor from China as well as encouraged transmigration of Malays from other parts of the Archipelago to work in the numerous tobacco plantations, the sago producing areas, and the growing timber industry (Purcell 1965, 375).

Although Sarawak and North Borneo (Sabah) came under British mercantilist domination, formal British political involvement in these regions had been absent before the Second World War. As in Singapore, the discouraging factor came from the high costs of maintaining direct colonial control. However, fearing French advancements in Indochina, London did provide many forms of assistance through grants and charters to the Brooke government and the BNBCC, since these proved to be an inexpensive form of extending British influence in the region (Ryan 1976, 167). In fact, the British royal Navy assisted James Brooke in suppressing piracy, and even in attacking Brunei (Andaya and Andaya 2001, 127). Following the armed conflict with Brunei, Brooke signed a treaty with the Sultan in 1847, whereby for its part, His Majesty's government

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[23] At this time, the Malays and Ibans had already developed a symbiotic relationship with each other. The Ibans and Dayaks, known for their fierce warrior skills and head-hunting, accepted Malay overlordship of the coasts, and with whom they intermingled freely for trade and other matters of mutual concern (see Bedlington 1978, 41).

received Labuan island as a naval base. In victory, Charles Brooke gained full sovereignty of Sarawak as well as becoming the First Governor of Labuan (Ryan 1976, 119).

As the Brunei sultanate became weaker, the Brooke government took the opportunity to expand its territories and attain more land concessions in return for cheap compensations. In the case of the BNBCC administration, it was usually by force. Although a private enterprise, the British institutions in Sarawak and Northern Borneo followed a colonial pattern of administration, founded on the separation of ethnic groups through specialized occupations, an authoritarian governing machinery, and the ruthless extraction of natural and human resources (Bedlington 1978, 48-50). Significantly, In 1888, both Sarawak and Sabah, as well as Brunei received formal British protection in areas of defense and foreign policy (Andaya and Andaya 2001, 187). This brought the economy of the two states closer to Singapore, which reaped huge profits from the exports of their products through its port economy.

Incorporation into the Capitalist World Economy

The gradual incorporation of the Malay States, Singapore, and Borneo into the world capitalist economy spelled the end of traditional Malay maritime empires, and with it, Malay control of trade and commerce in the region (Trocki 1990). Simultaneously, the consolidation of British interests in the Malay Peninsula and Borneo increasingly took shape through the signing of various trade 'treaties' with individual Malay rulers. The rationalization of the capitalist production process through a colonial administration was a consequence of the need to facilitate the increasing commodification of labor, land, and circulatory use of funds in pursuit of profits in the Malay States.

British residential system 1874-1895

The later part of the nineteenth century witnessed the rapid political economic changes that had swept throughout the world from the West. While the countries of Western Europe were industrializing at an infuriating pace, more and more lands in Africa and Asia were being simultaneously acquired to accommodate the rising demands for resources and markets for industrial goods. European imperial expansion began to spread the seeds of capitalism throughout the globe, and in the process, began to gradually tear away indigenous economic and social systems that for centuries had provided these societies their own economic sustenance and political sovereignty. The Malay world, situated at the corridors of international trade and commerce, became gravely affected by the impact of advancing capitalism, which brought Asia nearer to Europe.

During this period, British dealings with the Malay States were still very much within the context of 'non-intervention' trade relations between Malay rulers and officers of the Straits Settlements. As will be discussed later on, the British government in London had emphasized a 'liberal dogma' of non-state involvement in the east, which later came to haunt them as one of the biggest paradoxes in British overseas policy. But as the capitalist system warrants it, the state had to increasingly protect its national interests abroad. Hence, one of the primary reasons for further British incursions into the Malay Peninsula was the safeguarding of the newly found tin trade monopoly. Rising

demand in the West for processed foods had caused an upsurge in the demand for tin. For centuries, tin had been mined for the production of crafts as well as of home utensils by Malay miners. Since the fifth century AD, Malay tin had already been exported to India for use in alloys and in production of religious ornaments (Andaya and Andaya 2001, 14). The Malay tin industry had taken on the form of cottage-type production, but its trade was confined to that of luxury items. By the sixteenth century, tin had made its way to Europe from the rich deposits found in the Malay state of Perak, on the west coast of the Peninsula, contributing to its fame and prosperity.

By the nineteenth century demands for tin plate manufacturing, helped by the repeal of import duties on tin in Britain, stimulated a monumental increase in its production and trade (Andaya and Andaya 2001, 136). Britain managed to acquire and control the tin trade in very significant ways. One, although British policy had been one of non-interference in the internal affairs of the Malay States, the Straits Settlement colonies provided them with bases from which further encroachments into the various Malay States were carried out in the guise of 'trade protection.'[24] Two, and relevant to the first, the emergence of Singapore as a new staple port not only enabled the British to redirect the tin trade into its harbor, but also to use it as a springboard from which political influence could be pushed into other parts of the Malay Peninsula (Huff 1994, 14-16). Three, the British had signed an accord with the Siamese in 1826 that kept the latter from claiming any interest in the tin-rich states of Perak and Selangor (Purcell 1965a, 69). Finally, the availability of capital and funds gave the British insuperable dominance in the extensive extraction of the mineral.

At the same time, the Malay States were caught in internal rivalries and civil strife over territories and taxation rights on their tin trade. Large numbers of Chinese migrants had been imported to work as laborers on the numerous mines that had been opened and mostly owned by Chinese capitalists. Many of them also worked the gambier, pepper, and opium farms throughout the Straits Settlements and the Malay States. The existence of numerous secret societies within the Chinese mining communities added to the complexity of the problem by entangling respective Malay chieftains on each of their sides (Blythe 1969; Chapter 2). Soon, private wars between these gangs created disturbances that warranted the British East India Company to intervene (Cowan 1967, 45).

The British had invested much capital and labor in the tin industry, and such civil chaos was becoming increasingly disruptive to their commercial interests.[25] In London, the Liberal government began to notice the failure of their *laissez faire* trade policy to protect British merchants, and embarked on new approaches toward intervention (Kennedy 1962, 156-157). But these considerations were not the only reasons for the change in policy. There were serious apprehensions of intervention by other European

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[24] From the early to middle nineteenth century, the British East India Company had been given permission, through treaties with various rulers, to enter the tin-rich states of Perak, Selangor , and Negri Sembilan, and conduct tin mining.

[25] In the early part of the nineteenth century, the British East India Company (EIC) had intervened numerous times in the civil conflicts taking place in the Malay states of Perak and Selangor. The Low Treaty of 1826 gave the Perak Sultan protection by the EIC, a license for the EIC to intervene on behalf of British interests in these states on many occasions prior to 1874 (see Kennedy 1962, 146).

powers. Cowan (1967, 46) quoted the Colonial Secretary, "We would not see with indifference interference of foreign powers in the affairs of the Peninsula, on the other hand it is difficult to see how we should be justified in objecting to the native states seeking aid elsewhere it we refuse to take any steps to remedy the evils complained of." Thus the period of so-called 'liberal trade' was witnessing its end as far as British colonial policy was concerned, since the civil disorder created by Chinese societies provided the *jus belli* for official intervention in the western states of the Malay Peninsula (Wang 1994).

"The Malay world," according to Professor Wolters (1970, 176), "had a momentum of its own." Although the swift pace of trade had brought dramatic changes to the Malay world, the Malays seemed oblivious and insulated from the implication of such changes, particularly with regards to the intentions of the British and their capitalist interests. The Malay rulers' contact with foreigners had always been through trade, and in relation to the big powers, an added advantage was seen in their ability to protect the Malay state from other hostile enemies. For such purpose, the friendship of the British was highly desirable. Therefore, when in 1873 Raja (Prince) Abdullah of Perak invited the British to aid him in his conflict against another prince for the throne, he never saw what the consequences of his action could have had on the future governance of his sultanate. The British seized this opportunity by responding to his request and expeditiously drafting a Treaty of Pangkor the following year to articulate the conditions of their 'assistance,' which included their right of trade protection in the state. Soon, a British-led constabulary was sent into the affected areas to quell the disturbances. This treaty gave the British *Dindings*, a territory near the mouth of the Perak River, and recognized Abdullah as the legitimate Sultan in return for the appointment of a British Resident, with whom 'the Sultan must seek advice on all matters except Malay religion (Islam) and customs' (Ryan 1976, 156; Purcell 1965a, 74).

The Residential system was in effect, the beginning of British colonial involvement in the Malay States in the form of a Protectorate. The system was a separate administration from that of the Straits Settlements since the nature of the Malay States' politics and economy was quite different from that of the ports of Penang, Malacca and Singapore. The existence of Malay rulers influenced the British to take on an indirect from of governance, which was thought to be more cost-effective and stable. Nevertheless, implementation of the British Residential system had far-reaching consequences on the political life of the Malay sultanates.

The British utilized similar type treaties to intervene in local conflicts in Selangor, Pahang (on the east coast) and Negri Sembilan, thereby establishing similar residential systems in these states as well. The accomplishment of the Residential system in strengthening British control of the Malay states rested on its paving the way for direct ties with the Sultans, whose responsibility under the system was to carry out all tax collections. By manipulating the respective Sultans, the British, through the Residents, managed to procure almost direct management of lands, state financial matters, and tin and other revenues (Loh 1969, 123).

British presence in the Malay States did not go without strong Malay resistance. From mid-1800s to the early 1900s, sporadic but fierce wars took place against British troops throughout the Malay States. Despite the use of modern weaponry, the British

proved no match for the highly skilled Malays, who devised flintlock muskets with tin bullets, and were more formidable in hand to hand combat (Amin 1977, 64-66). Only after a combination of factors including reinforcements of Gurkha and Arab troops as well as other Malay factions, did many of these armed encounters ended in favor of the British. British retaliation was ruthless. Villages were burnt and suspected rebels were mercilessly hanged or exiled. In the Negri Sembilan War, there were more British deaths than Malays, but the latter suffered more casualties and faced severe lack of ammunitions. At its conclusion in 1875, the British were convinced that 'such a lesson as will effectually satisy other native states of our supremacy' (Parkinson 1964, 288).

The residential system had transformed the Malay political structure in two ways. First, by assuming the role of 'king maker' through its recognition of the sultan in power, it ceremoniously strengthened the prestige and position of the Sultan. Such a move effectively marginalized the powers of the various local chieftains and leaders (Gullick 1989). In fact, the feeble feudal structure of Malay society facilitated British control of the Malay States through their strengthening the sultan's position, which in turn strengthened its hierarchical character. As Steinberg (1971, 191) remarked, "what the protectorate system protected most of all was the shape of structure of traditional society, from the top down."

Second, the new state administrative system also created salaried positions for the various members of the aristocrats, thereby effectively taking away their traditional prerogatives in controlling local trade (Ryan 1976, 162). Those who were not on the 'civil' list were left without any source of income, while many who were included found their revenues dropping drastically. For example, the *Syahbandar* of Pahang, who had previously been able to raise an annual income in excess of $1200, received a capped salary of only $720 (Andaya and Andaya 2001, 169). The old Malay government machinery soon gave way to modern western style bureaucratic administration, whose power radiated from the Resident. These transformations, along with the enforcement of standardized British-type laws, helped shield the processes of tin extraction and transportation in the Malay States from any civil disruptions.

In 1877 the first State Council was formed in Perak, whose function was to '"connect with the government of the country influential natives and others, with whom the government may consult, regarding proposals for taxation, appointments, concessions, the institution or abolition of laws and other matters" (Colonial Office Records 1877, 273). In effect, it was a rubber-stamp legislative assembly, presided by the Sultan as figurehead, and consisting of government-endorsed appointees of British notary persons, some members of the Malay ruling circle and top Chinese merchants (Sadka 1968, 276-277). There had been no resistance to the formation of this council since Low had already 'explained' that the council was "an institution that everyone must be prepared to admit was necessary"(Sadka 1954, 72). In time, the other Malay states followed suit by establishing their own respective councils. In Sarawak, the Supreme Council, later renamed the *Council Negeri*, was created in 1855. Comprising of European and Malay officials, Iban leaders, and later prominent Chinese community figures (Andaya and Andaya 2001, 129). The blueprint for colonial state formation soon began to surface through a British dominated government machinery administering the daily affairs of the state, and complemented by a state council that oversaw matters pertaining to formulation of laws and regulations.

The Residential system brought with it generous land lease and labor tax laws in response to the demands for agriculture and mining (Drabble 2000, 63). The British declared that all lands were vested in the ruler. Of course this was only by proxy since in reality rights to lands were actually held by the respective Resident in each state. In the decade between 1879 and 1889, General Land Regulations based on standardized leaseholds were introduced in Perak, Selangor, and Negri Sembilan (Nonini 1992, 52). Malays in rural areas were now required to register the lease of their lands from the new government for 999 years in return for quit rent. Lands not actually cultivated or occupied were to become 'state land' (Jackson 1968, 252-253). In effect, land was transformed into private property with prescribed rights and obligations, which greatly enhanced production processes and the management of revenues in British hands. It facilitated the growth of the tin trade as well as provided the impetus for greater agricultural mass production, particularly pepper, gambier, tobacco, sugar, tea, coffee, and later, rubber and palm oil.

New land laws launched a proliferation of land concessions to Europeans, many of whom were friends of the Resident, to be developed into workable agriculture land. By 1888, the largest concessionaire in the state of Selangor, Hill and Rathbone, managed to obtain 999 year-leases for lands that totaled more than 10,000 acres for tobacco, coffee, and pepper (Loh 1969, 119-120; Selangor Secretariat 1888). For many, a wide gap even existed between the concessions granted and actual development of land, owing to an acute shortage of labor. One of the major concessionaires in Selangor, Huttenbach, even contemplated hiring Italian immigrants to work on large-scale rice production (PAR 1888). For the Malays, the new land laws enabled the precipitation of sale and losses of their lands to Chinese and Indian moneylenders, since many had placed their lands as collateral for loans, as well as to plantations and land agents, who regarded lands as commodity (Kratoska 1975, 9-11).

In 1882, a poll and land tax system levied on the Malay peasantry was implemented. The then Resident of Perak Hugh Low's justification for this was that it was "a fair tax in exchange of the forced service (old *corvee* system) of irregular exactions to which the people had been subjected to under the former Malay rule" (SSGG 1878, 29). In reality, although the bonded system was abolished, these taxes functioned to convert what used to be free labor into surplus value. The State government collected around $11,000 from such taxes to wipe out its debt by 1883 (Loh 1969, 12; Purcell 1965a, 79). Naturally, the Malay peasantry resented having to pay these rentals since it became a new form of financial burden for them. Most importantly, their traditional ties to the land did not open for them any avenue away from small-hold agriculture, and as such remained the poorest class (Loh 1969, 123-124; Harrison 1944).[26]

Various types of labor legislation were introduced to streamline wage labor and revenue collection for the state, which also basically loosened Chinese workers from repressive bonded labor known as the *truck* system. Under this system, Chinese

[26] When introduced to the Malay chieftains, many objected to the high rates of taxation, citing that the ordinary Malay could not afford the amount, and that it would make them unpopular with the *rakyat* (ordinary people). (reported in Perak Council Minutes 1877-1879 in C. W. Harrison. 1907).

towkays (headmen or 'advancers') were responsible for the recruitment and maintenance of their workers into the Malay States. They were also the ones who provided these workers with expensive supplies, in which loans were usually made at double the market rates as 'payments' for their boarding and transport (Jackson 1961, 40). To add to the complex structure of Chinese labor, secret societies enabled employers to control their labor with an iron hand (Wong 1965b, 40-41). Although the British controlled the overall tin production process, such profitable enterprise allowed Chinese firms to dominate the tin industry in the early years of British colonial administration (Wong 1965b, 81).

Although the British did not directly interfere with the labor-employer structure for fear of discouraging investments by Chinese capitalists, new labor control measures were nevertheless introduced. Labor reforms such as the Discharge Ticketing System and the Labour Code of 1895 enabled workers to work under a new and less harsh wage labor structure, in which productivity of work could be gauged and revenues could be collected for the state (Loh 1969, 147-155). In addition, a *Protector of Chinese labor* was set up in 1887 to supervise the recruitment and smooth transfer of Chinese migrant workers into the Malay States (Blythe 1947, 2-75). The effects of such measures contributed to a better organization of labor for the newly emerging British capitalist industries. Daily wages increased from 33 cents to 80 cents, and many workers began to show preferences for this system (Drabble 2000, 66).

Interestingly political considerations of land usage, particularly Malay lands, mirrored the greater British concern for the preservation of the Malay culture. British power and legitimacy of rule in the Malay States, especially that of the Resident, depended heavily on its civil relations with the Sultan. It was imperative that the Malay identity and the Sultans' 'sovereignty' be maintained as a means to serve the legitimacy of British 'protectorate' rule in the Malay States. Since Malay existence is largely embedded in the people's relationship with the land, it became a policy that *Malay ancestral* land would not be available for any type of large-scale agricultural development during this period. The only exemption was in the case of minerals found in these lands. Since all minerals were proclaimed to belong to the state, outsiders could be allowed to enter these lands for purposes of mining (Loh 1969, 124-127). To the British, the flow of revenues from tin became too crucial to be interrupted.

In 1878, export duties on tin accounted for 70 per cent of Perak's revenues. In 1895, tin revenues from the four British protectorate Malay states amounted to around $3,379,000, and had seen a steady rise from 1889 as compared to land revenues, which showed more fluctuations (Loh 1969, 24; PGG 1897, 724). Table 2.2 on the next page illustrates both land and tin revenues collected from 1889 to 1895 in the Malay States of Perak, Selangor, Pahang, and Negri Sembilan. Therefore, while agricultural land laws were initially ambiguous, indiscriminate and problematic in their enforcement, regulations dealing with tin mining lands were less haphazard. Since tin provided the mainstay of the new capitalist economy, lands in which potential tin deposits could be found were strictly dealt with in terms of clear and uniformed laws.

The commodification of land and labor in the Malay States was a process that was highly integrated with the use of monetary funds to inject mercantile investments in trade and production. The most important impact of capitalist incorporation of the Malay world

Table 2.2: Revenue from the four Federated Malay States under the British Residential System, selected years from 1875 to 1895.

Revenue Collected From Perak, Selangor, Negri Sembilan And Pahang (British Protected States Through Residential System) (in thousand Straits Dollars)			
Year	Total	Land Revenue	Tin Revenue
1889	5013	190	1750
1890	4841	166	1609
1891	4572	199	1573
1892	5347	300	2097
1893	6413	347	2602
1894	7511	457	3238
1895	8481	468	3397

Source: Perak Government Gazette 1897, p. 724.

was the increasing use of monetary capital in the production process, manifested in both long-term fixed assets investments and short-term circulatory financing of daily operations. Profits from trading operations became the initial source of capital for the European and Chinese mercantilists. One of the earliest forms of investment funds was revenue farming.[27] The Straits Settlement government was not strong in enforcing taxation among the population, mainly Chinese settlers. Thus private Chinese individuals would purchase from the government, rights to collect taxes for a specified period on liquor, gambling, and opium (Butcher 1993, 35-40).

Funds collected from these activities enabled early Chinese capitalists, through their interconnected mercantile structure, to later dominate tin production and also to diversify investments into technology, retail, and banking (Drabble 2000, 56). During the 1870s to 1890s, such funds provided the investments into the steam-powered pump by Chinese miners to facilitate extraction of tin in mines away from reliable water sources. This technological advance greatly enhanced tin output. In the 1890s, with the use of hydraulic devises in the form of gravel pumps and high-pressure hose, Chinese miners accounted for 90 per cent of output from mines in the Federated Malay States (Yip 1969, 140-141).

Emerging racial hierarchy in occupational structure

Large-scale tin mining also fueled other activities of the modern capitalist economy into the Malay States such as retail, consumer durables, and supplies. It became largely responsible for the urbanization process in this region, which contributed to the growth of Singapore and the cities on the western coast of the Malay Peninsula.

[27] Revenue farming was first introduced by the Dutch in the East Indies as a means of tax collection from foreign merchants, which was then emulated by indigenous rulers, who in turn introduced it to the Chinese in the Straits Settlements.

Tin production serviced the needs of a growing industrial manufacturing base in the west, in which case, capital-friendly land and labor laws became important antecedents to the consolidation of British economic interests in the Malay States. As British influence became more evident through the spread and reinforcement of the Residential system, Rulers in each of the Malay States became increasingly aware of their own frailty manifested in their dissipating ability to control their own destinies.

The region's trading system and participants also changed drastically with the coming of the capitalist economy. Drabble (2000, 40-42) noted that the trading system in the Malay States, Singapore, and northern Borneo throughout the nineteenth century was characterized by a three-tier participatory structure. At the top is group of large-scale entrepreneurs dealing in imports and exports, consisting mainly of Europeans and later on in the case of Singapore, some Chinese. This group, backed by huge capital, dealt mainly in vast bulk of wholesale items. The second group is made up of medium-scale bazaar-type traders, situated usually in the ports in the form of small import-export firms. Chinese merchant houses, and to some extent limited Indian companies, performed many of these groups' activities goods collection and distribution and retailing.

The third group consists mainly of on-the-ground, small peddlers and market traders. This group, which comprises mostly of Malay and other indigenous peoples, operated throughout the Malay world in the ports as well as in the hinterlands of deep forests and jungles. Goods are usually primary products to be exchanged for small quantities of imports. Interdependence of the system is reflected in the finance and credit networks that filtered down from the top through banks and manufacturers (Drabble and Drake 1981). Over time, commercial activities of the lower tier became increasingly subsumed by the more prosperous traders from the middle and top tiers, resulting in the eventual detachment of Malays and other indigenous peoples from the mainstream of the capitalist economy (Drabble 2000, 45-46). Detailed discussion on this occupational structure, especially the impact of Chinese and Indian labor as well as the commodification of land and labor on the Malay peasantry, will be discussed in chapter four.

Conclusion

The absorption of the Malay world into the capitalist world economy brought on numerous complex changes within its social order. The Malay kingdoms had always established their governance centering on regional maritime commerce. The involvement of rulers and kings in trade was manifested in the state's political and social structures, which placed them in the forefront of both policy formulations and social prestige. But authority and revenue collection was not the monopoly of the sultan or ruler. The whole royal hierarchy had a system that distributed power and wealth somewhat generously amongst the ruling class.

The onset of British colonialism into the Malay States was a period of gradual disintegration of Malay economic domination as well as political restructuring to accommodate the emerging capitalist economy. Initial British presence in the area took not the form of a colonial state, but rather, that of treaties between private mercantile establishments, namely the British East India Company, and Malay rulers. The British

took advantage of the autocratic Malay feudal hierarchical structure to impose its indirect governance on the Malay States. By bestowing legitimacy on each particular ruler, they managed to directly deal with the rulers and impose laws and institutions that facilitated their economic interests and intensified their political influence in the region. Such a process marked the functional beginning of the Malay world's servitude to the material needs of core European powers.

The incorporation process of the Malay States into the capitalist world economy was coercive; hence the repressive nature of the emerging capitalist administration. The transition from the tributary pre-capitalist social structure to capitalism under colonialism had been a forced compromise between the new capitalist class, represented by British entrepreneurs, and the old ruling class represented by the Ruler, which included members of his close aristocratic circle. But to the benefit of the Malay rulers, their esteemed positions were not abolished by the British Residential system. On the contrary, under the residential system, the royal institution of the sultanate was strengthened by its legitimacy as undisputed ruler of Malay society. At a time when various Malay rulers were facing dissentions and revolts from rival chieftains and pretenders, the British stepped in to salvage their sovereignty in exchange for rights to 'trade.' Indeed, such an arrangement became a convenient method of indirect rule for the British.

Singapore's incorporation into the capitalist world economy was synonymous with its 'founding' as an important center for regional trade and British colonial expansion. The role of Singapore as a mercantilist port was in itself a continuation in the pattern of shifts taking place between centers of trade in the region. As its mercantilist economy grew, the demand by the new capitalist class for greater administrative efficiency also became more aggressive. The political importance of Singapore as a growing British commercial bastion in the Malay world was its creeping detachment from the larger Malay world. Devoid of an established Malay royal household, the island's exposed circumstance to colonial rule inevitably came quicker than the Malay states. As the decades passed, Singapore became less and less identified with its Malay social cultural heritage.

Capitalist incorporation of the Malay States and the northern Borneo regions was expedited by two kinds of social process under the Residential system. One was the redefinition of land in terms of capital in order to generate revenues for both individual entrepreneurs and the state. As such, laws were formulated to enable the efficient transfer of landed property into the hands of individual capitalists. Not only was land now legally owned as individual property, the state also managed its transactions through laws that secured its expropriation of minerals and resources. Two, labor had to be organized under a wage system for purposes of extracting surplus value to facilitate the newly emerging capitalist production in the Malay States. The shortage of labor compelled the British to recruit labor from overseas, the impact of which is discussed in chapter four. These processes were significant landmarks in Malay political economic history since they became the crucial transitory factors that ushered the feudal Malay world into the world capitalist economy. They also became the turning points of active Malay involvement in the regional economy.

It is obvious that unlike western European societies, the social transformation of Malay society as a result of colonial encroachments was not a process resulting from internal dynamic forces but rather from coercively external, top-down factors. In the late nineteenth century, further consolidation of British capitalist interests was realized through the unification of some of the more affluent Malay States into a formal and autocratic colonial state. This topic will be examined in the next chapter.

CHAPTER 3

THE COLONIAL STATE IN MALAYSIA AND SINGAPORE

This chapter examines the colonial state in Malaysia and Singapore as a result of increased penetration of capitalist development into the region. In light of increased expansion of German and French colonial forces into Southeast Asia, disparate treaties between Malay rulers and representatives of the British state had become politically insufficient in dealing with the protection of British capitalist interests in the region. Also, as market demand for tin soared, a consolidated political structure of Malaya and Singapore was constructed to expedite British capitalist production and protect British interests from internal as well as external disruptions. In such a political structure, relations between the British and Malay rulers had to be institutionalized and the needs of capitalist production were prioritized.

In the face of indigenous revolt, and to ensure smooth functioning of export–oriented economic activities, the colonial state's primary concern was to maintain order (Shannon 1996, 81). Therefore the essence of the colonial state remained centered on a common theme – the establishment of political institutions that catered to the needs of the capitalist class, both European and Chinese (mainly British subjects of the Straits Settlements), in the emerging capitalist economy. Colonial governance varied between Malaya, Singapore, and northern Borneo in the form of indirect rule to direct rule to private administrations, each according to their respective placements and functions within the wider regional division of labor. As far as the British were concerned however, the protection of capitalist interests remained in the enforcement of repressive colonial policies of the colonial state. Since the incorporation of the periphery into the capitalist world economy was mainly through oppressive colonial forces, the intrinsic nature of colonial administration was inevitably dictatorial and repressive. The exploitative and repressive character of the colonial state would later provide the foundation upon which modern statehood is built as a means to facilitate capital investments of core countries.

The Character of Colonial State in British Malaya 1896-1941

By the late nineteenth century, new challenges had emerged in Europe to threaten British hegemonic power in the capitalist world system. One was the rise of Germany, which by the late 1890s had become a powerful industrialized nation with a strong and capable military. The other was France, which had already established huge colonies in Indochina and Africa. Sensing that German and French influences were threatening to flow into the Malay States, the British began to consider embarking on a more effective approach to consolidate their interests in the region.

A formal state apparatus was established in order to fortify British colonial administrative power and facilitate colonial capitalist development in Malaya and Singapore. The result was the centralization of British influence in the Malay States under a Federation in 1896. The eventual incorporation of the other 'unfederated' Malay states in 1909 into the colonial fold, created a larger regional entity known as 'British Malaya.' As the colonial state developed, the nature of Federal governance was still

subject to much deliberation in London as to whether a centralized or decentralized political system was the more desirable form of effective governance.

At the heart of the problem for the colonial state in Malaysia was the consistent problematic synthesis between preservation of traditional pre-capitalist Malay structure, which had been a key to the control of the Malay and indigenous peasantry, and the need to build a modern state, a fundamental feature for efficient capitalist production. The tensions created by this dilemma became a contradiction in itself. On the one hand, as illustrated in the previous chapter, the Malay rulers played a crucial role in legitimizing British rule. As Simon Smith (1995, 7) asserted: "The reciprocity of the relationship between Britain and the Malay Rulers can be drawn into the wider debate on the extent to which such indigenous monarchs can be seen as a collaborative elite upholding British interests." On the other hand, Malay traditional structures also posed a barrier to greater economic efficiency, namely in policies relating to land and agriculture.

Hence, for the colonial state in Malaysia, the two competing elite classes that demanded the British colonialists' constant attention were the Malay ruling elite for reasons of political expediency, and the emerging European and Chinese capitalist class, for reasons of economic rationalization. Such a situation is not inconsistent with the arguments put forth by Badie and Birnbaum (1983, 97) that in view of the cultural characteristics of the periphery, colonial state formations generate types of political centers other than the modern state. In handling such a problem, the colonial state had to juggle its policies to accommodate the interests of the two classes.

Centralization of colonial administration in Malaya

Frank Swettenham, the engineer of the residential system mentioned that the system aimed to "preserve the accepted customs and traditions of the country, to enlist the sympathies and interests of the people in our assistance, and to teach them the advantages of good government and enlightened policy" (quoted in Sadka 1968, 105). Bestowing British recognition to the respective rulers also greatly enhanced their political legitimacy among the indigenous Malay population. Swettenham (1906, 282) acknowledged that such a policy had been to "conciliate or overawe" the chieftains, many of whom were more powerful than the sultans or rulers. By asserting heavy influence on each individual ruler under the residential system, the British also began to successfully tailor each state policy toward strengthening their imperial interests in the Peninsula. But the residential system had its limitations. As the British colonial economy expanded, there came a necessity for a closer political alliance among the four separate British-protected Malay states of Selangor, Perak, Pahang, and Negri Sembilan.

The streamlining of regulations dealing with land, labor, taxation, communications, and criminal justice was imperative to more efficiently carry out British administration in the Malay States. The vision of a coalition between these states materialized in a rather expeditious fashion through a treaty signed in 1895 to incorporate the four Malay states into a Federation the following year. Thus the Federated Malay States was born in 1896. The unchallenged and formidable power of the new colonial rulers swiftly set in motion the road toward facilitating an export-led capitalist development, in which private enterprise could burgeon. Simultaneously, the pace of changes within the social and political landscape in the Malay states was

dictated by the goals of establishing a British-style colonial society, where relations between Europeans, Asian immigrants and indigenous Malays became increasingly regulated.

Andaya and Andaya (2001, 183) noted that none of the Malay rulers had been adequately 'advised' on the implications of such centralization of British power. The Federation Treaty that produced it was said to be both ambiguous and confusing in its articulation. Despite the treaty's condition it would not be "diminishing the powers and privileges which the rulers now possess nor be curtailing the rights of self-government which they now enjoy," its implementation certainly took away any glimmer of conviction that the rulers were actually governing through the advice of their residents (Andaya and Andaya 2001, 183; see also Emerson 1964, 503). With the formation of the federation, the rulers soon realized they were beginning to lose whatever little power they had previously enjoyed. The respective state councils, which had been established in each state to allocate the Malay rulers' political participation, became virtually defunct.

The new Federation operated through a Federal Secretariat and was headed by a Resident-General, who had power over each of the four respective residents in the Malay states. A capital city was established in the tin mining town of Kuala Lumpur, where all federal departments of police, public works, telegraph and post, railways, and treasury came to be located (Drake 1979, 274). A colonial civil service bureaucracy and a new system of courts, filled by Europeans, were also created to better dispense English laws throughout the new political entity. In 1909 the Federal Council was formed to galvanize colonial financial and legislative processes (Thio 1969, 200). It was headed by the Governor of the Straits Settlements in Singapore, who also now functioned as the High Commissioner of the Federated Malay States, and assisted by the Resident-General in Kuala Lumpur. This Council included European and Chinese representatives from the plantation and mining industries, and in effect operated as an extension of the Governor's powers. The Council was highly attractive to Singapore, which considered any move toward a merger between itself and the Malay States to be a financial safety net in times of recession (Andaya and Andaya 2001, 184). The realization of this ambition became nearer at hand when the Resident-General position was abolished and replaced by a Chief Secretary, further reducing the Malay sultans' powers and prerogatives (Sadka 1968, 379).

At the local level, the British District Office, which had functioned as the Resident's delegated representative before the Federation, was maintained and strengthened. The District Officer's task was mainly to oversee law and order, supervise justice and public health as well as the enforcement of tax collection at the District level. As intermediaries, the British preserved the role of the *Penghulu*, or chief of the parish called *Mukim.* Now part of the colonial administrative structure, the *pengulus* were salaried personnel and assumed a crucial role in their explanation of British laws to the very fabric of Malay traditional life. Due to the closeness of ties between *penghulus* and the local community, which averaged around a population of 2000, the colonial system became more efficiently absorbed (Hua 1982, 30).

Although called a federation, there appeared to be no sharing or division of power between the states and the federal government. In effect, it was a highly centralized union of states with the Resident-General, and later Chief Secretary, calling

the shots in policy matters. Prior to the federation, the respective sultans manifested their sovereignty, albeit more ceremonial than real, through their positions as heads of their respective state councils. British residents also used to 'advise' the respective sultans on administrative matters. Now the sultans, through their membership in the Federal Council, were in practice advising the British and emblematically bowing to the authority of the Governor. As Ryan (1976, 175) noted "In this Federal Council the sultans were no longer the rulers of their own states but advisers to others who were ruling their states for them." The sultans were not amused nor were they fooled by the creation of this council. As the Sultan of Perak remarked at the Second Rulers' Conference (Durbar of Rulers) in 1903, "A Malay proverb says there cannot be two masters and one vessel; neither can there be four rulers over one country" (Colonial Office Records 1930, 76).

Apart from the four states of the Federated Malay States, there were also the four other Malay states of Perlis, Kedah, Kelantan, and Trengganu located in the northern portion of the Malay Peninsula, which came under the suzerainty of Siam, and the southern independent state of Johor. These five states were referred to as the Unfederated Malay States (UFMS). The British recognized that while it was important to maintain friendly relations with the Siamese in order for it to function as a buffer state between British Burma and French Indochina, the time had come to seriously prevent other western incursions into the Malay states. Asserting British influence in these states not only served as a shield for the tin producing states but also an opportunity to officially expand their interests into the area. British merchants had begun to complain about the lack of protection and support for investments in these areas, cautioning that such a posture would allow other Europeans to seize the opportunity instead (Andaya and Andaya 2001, 196). The Germans had already attempted to open up business concessions in Kedah while the Americans were reportedly interested in the islands off the coast of Trengganu (Ryan 1976, 178). Hence, a treaty was signed in 1909 with Siam, in which these four states came under British protectorate with a special British advisor attached to each state. The effect of this treaty was similar to the Anglo-Dutch Treaty about a century earlier. By allowing Siam to retain the rest of the Malay regions in the southern part of its kingdom, the treaty effectively partitioned the northern Malay world into two spheres, the British and the Siamese.[28]

Perhaps the biggest issue for the British to handle was the incorporation of Johor into the realm of its protectorate. The British had for a while, accorded a special position to Johor and its Sultan in order to safeguard their interests in the state since the royal family was very much open to modernization and were themselves extremely westernized (Thio 1967, 95-115). In fact, Sultan Abu Bakar, who died in 1895, had been dubbed the 'Father of Modern Johor.' The sultanate had a well-organized bureaucracy that skillfully managed an emerging but vibrant agro-based capitalist economy. In fact, the Sultan devised an efficient agricultural production system. Thus justification for intervention on grounds of mal-administration could not stand. On many occasions, Johor ignored the colonial wishes of the British pertaining to matters of both politics and

[28] The Malay kingdoms of Pattani and Liqor were centers of great Islamic scholarship. Their incorporation into what is now Thailand bequeathed future Thai governments huge problems in absorbing a culturally and ethnically distinct Malay Muslims into a predominantly Buddhist Thai state.

the economy (Andaya and Andaya 2001, 199). Partly, Johor's celebrated standing as a legacy of the Malacca heritage as well as a glorified historical past in the Johor-Riau Empire, which flourished in the seventeenth and eighteenth centuries, strengthened its reputation as a highly regarded independent state.

Contentions between the British and the Sultan of Johor over administrative controls frequently surfaced out of the latter's refusal for his state to be treated in the same standing as other Federated Malay States. Before his death, Abu Bakar promulgated a constitution that clearly defined the relations between Johor's ruler and the state council that would effectively render his action *ultra vires* should he attend any of the British-initiated meetings of Malay rulers and sultans (Allen, Stockwell, and Wright 1981, 77-100). Exasperated and pressured into seeing the formation of a complete 'British Malaya' before his tenure was up, Governor Swettenham resorted to criticizing Sultan Ibrahim for his 'un-Malay' qualities (Sinclair 1967, 100). It was not until 1914, out of debt and the inability to secure financial support from London, that Johor finally agreed to accept a British adviser accountable to the High Commissioner in Singapore and to open up its government machinery to European administrators (Andaya and Andaya 2001, 200). A map of British Malaya in 1935 is shown in Figure 3.1 on the following page.

By the beginning of the First World War, all the Malay States had accepted some form of British advice, enabling Britain to secure a sphere of influence against any trespass or incursions by any other European power in the Malay Peninsula and North Borneo (WInstedt 1968, 240). Despite the increasing power and influence of the colonial state's executive branch of government in state matters, the British sustained the traditional and ceremonial status of Malay rulers (Hashim 1972, 33).[29] It was beneficial for the British to accord political recognition to the Sultans and wield their power within the advisory system in order to control the Malay masses (Stockwell 1979, 74).

By the 1930s however, the separate but co-existing entities of the Federated Malay States with the UFMS became a source of many disputes not only between the various Malay Rulers and the British but also among British officials themselves. The Sultans of the Federated Malay States were persistent in their demands for decentralization of power. The Sultan of Perak declared in 1932: "We urge most strongly that without delay the relations between our four states be converted into a true federation and that full authority be restored to ourselves and our State Councils in all matters that are not agreed to be truly federal" (Colonial Office Records 1932, 2). Some British officers, particularly new High Commissioner Cecil Clementi, supported this call and even proposed for the disbanding of the federation to reincorporate all Malay states of the Peninsula under a looser coalition (Sidhu 1966, 17-25).

The Colonial Office in London became quite uncomfortable with this suggestion since raising the Rulers' position would entail administrative inefficiency as well as prove unpopular with the growing non-Malay population (Smith 1995, 29). Indeed, many

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[29] In the cases *Mighell vs. Sultan of Johor*, and *Duff Development Company v. Government of Kelantan*, the British certified that the respective rulers enjoyed legal immunity in the eyes of Her Majesty's Government, thereby recognizing these states as sovereign entities (See Hashim 1972).

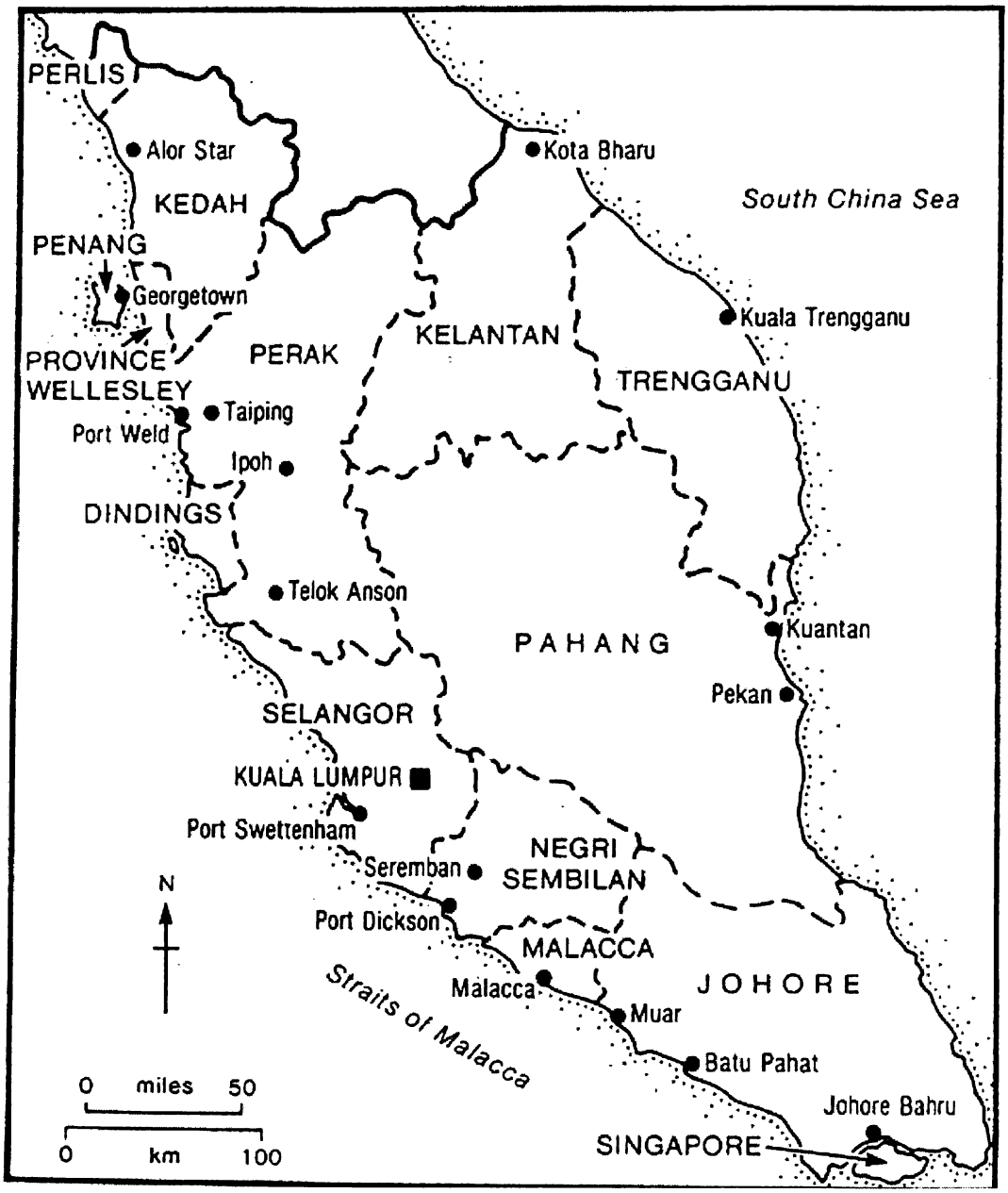


Figure 3.1: Map of British Malaya 1935

European and Chinese capitalists had expressed their anxieties and lack of confidence in a decentralized political entity to safeguard their wealth. Also joining the British conservatives against any move toward a new form of coalition with the Federated Malay States were the rulers of the UFMS, who had perceptibly enjoyed relative autonomy under the present status quo.

Despite these deep reservations, the British began to realize that given the complexities of the Malay States, a middle path between centralization and decentralization became necessary to satisfy all parties concerned. Decentralization was seen to function as a measure to uphold indirect rule, which has been the core concept of British colonial goals to reconcile emerging capitalist economies with societies that had already established a strong pre-capitalist political structure (Fisher 1991, 440-441). Any effort to dislodge the Malay sultans of their position, authority, and prestige was seen as detrimental to British policy and interests (Ryan 1976, 213-214; Mills 1942, 60). Furthermore, issues of huge expenditures and declining efficiency of the central government to administer complex matters had earlier been questioned. But uniformity of laws was necessary as a means to consolidate colonial rule. For the British, as long as their power was entrenched in the coordination of the Federated Malay States' finances and revenues, the devolution of power to the states would not have been a major concern.

In this respect, the reversion to the old ideals of indirect rule, but with the solidification of the federal government's powers through the High Commissioner and the Federal Council, was seen to be the most pragmatic step to take. This move would satisfy both the rulers as well as those who advocated for stronger British governance. Hence, 'decentralization' came into effect with the abolition of the Chief Secretary post in 1935, and its replacement with a Federal Secretary. The respective State Councils were enlarged with additional non-Malay members, and each state took upon themselves matters of health and public works (Andaya and Andaya 2001, 243; Mills 1942, 63-66). The Federal Secretary's powers would be confined only to federal matters and to acting as the High Commissioner's chief adviser, who in turn would take over advisory powers held previously by the Chief Secretary (Smith, 1995, 30). In spite of having disappointed the supporters of a truly unified and centralized British Malaya, this 'decentralization' move was a clever way of appeasing local rulers, while accommodating to the needs of a growing capitalist economy. Unification, it was thought, would inevitably emerge from the waves of a strengthened economy.

But decentralization instead turned to enhance state particularism, rather than a move toward closer political affinity between the various Malay states, something the British had hoped to eventually result from the new arrangement. The Second World War interrupted the ensuing debate on whether indirect rule was an effective governing mechanism for the British in light of its declining hegemonic role in the world economy. All relevant and powerful opinions seemed to point toward direct rule. Consequently, a plan was on the horizon for a full union of British Malaya through direct colonial rule, the details of which were being worked on in London during the period that British Malaya and Singapore were occupied by the Japanese.

The colonial state and capitalist class interests in British Malaya

Capitalist development in British Malaya was helped by the colonial state largely through its structural facilitation of an export-driven economy. The state systematically intervened on behalf of the increasing number of European merchants and capitalists in order to stimulate export production. A clear example was the colonial state patronage in the tin industry.

Tin mining became the driving force for capitalist expansion in the Malay States. But as the industry expanded, so did competition among a multitude of forces. While the British secured the macro-managerial and marketing aspects of tin production, Chinese capitalists controlled labor and methods. The various Malay aristocrats, as a product of British indirect colonial governance through local rulers, eased the political facet of production by smoothening the process of land legislation. According to Swettenham, "the progress made in development (in the Malay States) was due to local effort and Asiatic capital" (Swettenham 1948, 351). Before 1895, both European and Chinese investors, mostly based in the Straits Settlements had been reluctant to part with their capital in the Malay States unless protection could be secured. The development of the tin industry was correlated with incessant armed violence between competing Chinese gangs and their Malay allies that disrupted the tin trade, and which provided justification for British intervention in the Malay States. Thus British colonial rule was synonymously famous with the introduction of its military force to maintain internal security and peace. Consequently, investments in the tin industry during this period especially soared.

In the early years of the twentieth century, Europeans controlled only about 15 per cent of tin production, the large share being the domain of the Chinese (Harper 1999, 24). Since there had been no net inflow of capital into the Malay States, most production processes were pretty much labor-intensive (Drabble 1974, 203). As industrial manufacturing in the world economy grew, so did the demand for tin, especially from the canning industry. Together with newly found peace, the introduction of efficient technology contributed to a tremendous surge in tin production. By 1898, the steam engine and centrifugal pump helped control the problem of flooding in mines while hydraulic slicing and gravel pumping contributed to a total yield of about 40,000 tons, making British Malaya the largest tin producer in the world (Lim 1967, 4). At the turn of the century, Chinese miners accounted for 90 per cent of output from mines in the Federated Malay States (Yip 1969, 140-141). So exploitative was the technology that readily accessible deposits were depleted to cause tin production to decline from 49,000 tones in 1895 to 39,000 in 1899 (Wong 1965, 199).

As the tin production intensified to meet world demands, a more efficient means of tin production, both in extraction and in marketing were needed. Further investments in tin production required expensive capital investments in large areas of tin mining, in which the all-encompassing and technologically advanced dredges could be utilized to extract the mineral in a more profitable capacity. The colonial government responded by readily providing leasing licenses to lucrative investors in the Federated Malay States it controlled, which also happened to contain rich mining areas (Andaya and Andaya 2001, 210). Meanwhile, financial backing, especially in the capitalization in technology was secured through funds drawn from agency houses in Singapore, which eventually converted many private estates into joint–stock companies (Parkinson 1996). Finance

was also carried out through reinvested profits of local Chinese businesses and Indian moneylenders, who also supplied loans to individual Europeans (Brown 1994, 79). Bigger conglomerates and merchant houses from Singapore such as Straits Trading Company, Guthries, and Boustead managed the marketing of tin and even bought over some Chinese-owned mines for larger profit generation (Harper 1999, 25). Between 1870 and 1900, consumption of tin tripled, and between 1900 and 1930, it doubled. The United States provided the main market for Malayan tin, purchasing at an average of 2,450 metric tons per year in the 1920s (Lim 1967, 3-5).

Soon, European mining conglomerates with more effective tin appropriation methods took over the tin trade from the Chinese to complete the Europeanization of the tin industry in the Malay States and Singapore. Large-scale production methods also favored investments from joint-stock European companies, which possessed better organizational stability than the smaller Chinese firms (Drabble 1991). As such, the first two decades of the twentieth century marked an enormous volume of foreign direct investments in Malaysia (Drabble 2000, 59). In 1914, a sum of $194 million was pumped into the country in the form of portfolio investments, which accounted for $44 million, and entrepreneurial investments, which accounted for $150 million (Brown 1993). From 1913 to 1920, returns of profits by tin companies totaled about £11.09 million to £5.35 million on capital invested (Khor 1983; Yip 1969, 141-143). Without the 'capitalization' of the political system in the Malay States, investment opportunities by the British could not have flourished as it did in the years to come. By 1937, Europeans owned two-thirds of all British Malaya's tin concerns thanks to the assistance meted out by the colonial state to use its influence with London financiers in internationalizing the tin industry (Allen and Donnithorne 1957, 150-157).

The tin industry almost single-handedly contributed to economic infrastructure development in British Malaya. The colonial government increased public utilities works by providing networks of highways and railroads that soon connected major cities and ports with tin fields. In 1901, the Federated Malay States Railways (FMS Railways), the precursor to the existing Malayan Railways, was born. The port of Singapore was linked to the Siamese border by both highways and rail lines in 1928 (Andaya and Andaya 2001, 207-208). Also constructed were electricity, telegraph, and telephone lines as well as wharves and docks to accommodate the rapid demand in both land and sea communications (Kaur, 1985, 135-137). As a result, migration was made easier and settlements expanded to turn mining camps into cities and towns along the western coast of the peninsula. Urbanization in Malaysia was indeed a product of the tin boom, and by the late 1920s, capital machinery imports into the Federated Malay States reached its pre-World War Two at $14.6 million, indicating increased overall domestic activity (Abdul Khalid 1981, 325-327).

By the turn of the twentieth century, the western land tenure system had already been enforced to replace customary Malay land rules, mainly with the aim of transforming virgin jungles into vast European settlements and plantations. A major industry to come to the forefront was rubber. First experimented in 1888, the colonial state introduced special land regulations in 1897 to encourage rubber cultivation as a way to promote long-term land use and settlements by Europeans. Soon, the growth of the automobile industry in the United States and Europe caused a rubber boom in the years 1905-1908, increasing total area of rubber plantation five fold to about 110,000

hectares (Andaya and Andaya 2001, 214). Again, the colonial state drew up various policy steps that were encouraging to rubber planters in the form of capital and labor flows, and land alienation, which greatly contributed to the growth of the industry. European companies such as Guthrie's and Harrison & Crossfield began to purchase Malay lands and old Chinese tapioca and gambier plantations for replanting of rubber, as did many Malay and Chinese smallholders begin to plant rubber with the aim of selling their lands to Europeans. The number of land acreage and estates dedicated to rubber rose by more than 100 per cent between 1909 and 1913, and by 1916, rubber overtook tin as Malaya's main export revenue, and made Malaya the world's largest rubber exporter (Jackson 1968, 6).

In 1922, return of profit by all registered sterling companies dealing in rubber in Malaya reached £47.22 million on capital investments worth £35 million (Voon 1976, 164-165). But the depression years that followed threatened to place the big conglomerates in dire straits, already causing many European companies to falter on their production costs. One of the more obvious assistance programs by the colonial state to plantation owners and big rubber companies was the Stevenson Scheme in 1922 (Drable 2000, 128). The Scheme provided a quota system for a fixed period of four years to stabilize the price of rubber. In the 1930s the worldwide depression again took a toll on the rubber industry, following which an International Rubber Regulation Agreement was signed in 1934 among rubber producers in the region (Drabble 2000, 130-131).[30] Such schemes were internationalized, but their original stimulus came from the colonial state, whose intention was to protect European capital in Malaya.

While such schemes and agreements had been beneficial to the big European conglomerates, they were harmful to Malay and Chinese smallholders (Yip 1969, 264-284). The big companies were able to switch their attention to palm oil, a new plantation crop, but the smallholders lacked capital to do the same. Despite peasant smallholders accounting for 217,000 tons of rubber production compared to the estates' 260,000 tons, no smallholder representative was included in committees that dealt with these schemes. Instead they composed almost entirely of Europeans. At the end of the first duration of the restriction, smallholders' share of production leaned to nearly 113, 000 tons, while that of estates' was practically unrestricted, as shown by their 246,000 ton production figures for the same period (Lim 1967, 144). In the long run, such protections were self-defeating and detrimental to Malaya's rubber industry. American corporations, rubber's main consumers, were equally hurt by the sustenance of rubber prices and began opening their own estates in Latin America. Soon, synthetic rubber was manufactured to eventually displace natural rubber in American markets (Drabble 1991, Chap. 6).

As the colonial state poured out all its available resources to aid European concerns in the tin, rubber, and palm oil industries, there was a contrasting relationship when it comes to colonial state relations with Malay peasants. With the coming of the capitalist economy, many Malays in the agricultural sector remained as rice farmers and fishermen (Mahmud 1980). A Malay Reservation enactment passed in 1913 sought to keep specified tracts of land, mainly rice lands, under Malay ownership (Hua 1982, 35).

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[30] The Signatories were Malaya, Netherlands East Indies (Indonesia), Thailand, Nigeria, and Bolivia.

Such forceful legalization of land proprietorship ensured Malay economic specialization of food production for the colony. With much of the labor now absorbed into the newly emerging industries, labor for food production became insufficient. Initially, Chinese and Indian laborers were not interested in the long-term profitability of rice farming, since the majority came as contract workers searching for quick monetary reaps and return home. But as the demand for food became more intense and migrant residential patterns became increasingly settled, many Chinese showed keen interest in rice cultivation. In order not to upset the economic specialization balance, the reservations, functioned to prevent Chinese ownership of rice lands (Lim 1977, 187). Other than Chinese involvement in operating the more lucrative rice mills, the British practically ensured that rice farming became a Malay preserve. The racialization of labor in colonial Malaysia and Singapore will be discussed in more detail in chapter three.

Despite this policy, British assistance to the Malay peasantry was very much lacking. In Kedah, known as 'the rice bowl of Malaya,' the Sultan himself initiated a policy to expand rice-growing areas in the state (Andaya and Andaya 2001, 217). Finally, an irrigation scheme in Krian was built by the colonial state in 1906, but far from being a form of assistance, it instead burdened the peasants with increased taxation as part of payment for the project (Lim 1971, 59). It was not to be another until 1932 when the Department of Drainage and Irrigation Department was established that the British provided any further aid to rice farmers (Hua 1982, 37).

A severe rice shortage problem during the inter-war years heightened the colonial state's cognizance of the importance in adequate food supply from rice production. Although the state helped with the construction of an irrigation system, it was basically Malay effort that increased rice production and acreage. From 1920 to 1924, rice production averaged 224.000 metric tonnes per year and constituted only 38 per cent of total consumption (Drabble 2000, 134; Goldman 1974, 27). Ironically, the majority of rice comes from the UFMS, with 60 per cent grown in Kedah, Perlis and northern Perak, and another 20 per cent in Kelantan and Terengganu (Hill 1977, 197). Soon after the emergency, peasant interest waned, and rice production dropped to 206,00 metric tonnes per year (Cheng 1973). The depression soon encouraged some state help in establishing a couple of irrigation schemes in other parts of the Federated Malay States, especially in Perak and Selangor, increasing production to 337,000 metric tonnes in the 1930s (Drabble 2000, 134; Lim 1977, 184). But overall, since the colonial state focused its priorities on serving European capital in plantation industries, rice farming suffered from the lack of structural attention.

Furthermore, the restructuring of the land tenure system under the capitalist mode of production detached Malay peasants from their traditional sources of credit, against which labor or produce had been used as collateral. Increased commodity production and exchange brought on a corresponding reliance on circulation credit that was usually identified with usury capital (Jomo 1986, 42). Since the dealing of interest was against the tenet of Islam, most peasants chose to deal with wealthier classes of Malay creditors, usually drawn from the upper echelon of the social hierarchy, who used a money-lending idiom centering on the denial of usurious activity (Abdul Rahim 1973, 399). The Islamic prohibition on interest was conveniently circumvented through collection of hardship payments, service fees, or other value-added costs that financially benefited the creditor (Wilson 1958).

The Malay Reservations, enactment of 1913 provided the social conditions within which these creditors operated. For those peasants who went outside this circle, as a matter of survival, credit was contracted from non-Malay money-lenders operating at the primary levels and frequently transacting on 'Malay terms' as well (Jomo 1986, 49). Either way, expansion of capital circulation contributed to major social economic transformation among the Malay peasantry and the further dislocation of Malay peasantry from capitalist development. While the law protected Malay ownership of reservation land, circulation credit also placed tremendous pressure on Malay non-reservation landowners to charge their lands as collateral, since non-Malay creditors began to express interests in such an arrangement (Abdul Rahim 1973, 413). According to Jomo (1986 52) "The unity of peasant interests, as against those of circulation capital, has been undermined by the state policies which in effect, generally favor wealthier peasants over poorer ones." The state's stress on Malay specialization of food sufficiency, manifested in the Rice Lands and Coconut Preservation Enactment of 1917, barred the replacement of rice by rubber, thereby creating an inescapable route to poverty for Malay peasants by having them remain on the land.

English 'Real Estate' in Borneo

The best way to describe British involvement in Sarawak and Sabah is that of an expanding private landownership by the Brooke dynasty and the British North Borneo Chartered Company (BNBCC) respectively. Despite signing a treaty with Brunei, the British government did little to stop Brunei's forced cession of its territories to the Brookes and the BNBCC. The Sultan of Brunei remarked that his empire had been reduced to "a man, with only his head and feet left" (Crisswell 1978, 160). In 1906, A British adviser was instituted in Brunei, preventing the now tiny kingdom from being totally absorbed by Sarawak, thereby stopping further dismemberment of the Sultanate (Tarling 1992, 14-19). In 1888, although Brooke remained the head of state for Sarawak, the British government accorded him formal protection. Similar to the BNBCC in Sabah, where British protection and support became a precautionary measure against 'intrusive foreign interest,' the British indirectly held Sarawak as a colony (Wright 1970, 146-148). In 1912, the British government and the Dutch entered into a treaty to define the borders between British and Dutch Borneo, which secured the frontiers of the Brooke government and the BNBCC from future encroachments by other European powers.[31]

Despite treating Sarawak as a 'private feudal domain', the Brooke system of administration was quite similar to the style of indirect rule in British Malaya that co-opted local ruling structures into colonial English governance (Fisher 1963, 101-106). The Brookes also sought to protect native lands against foreign incursions while simultaneously prohibiting natives from gaining fresh lands (Hong 1987, 38-42). In the 1930s under Vyner Brooke, the third White Rajah, there was a move toward professionalizing Sarawak's civil service. Like the Malay States, decentralization became the method with which state administration was carried out. In each sub-territories known as *Divisions,* a Resident was appointed along with his own council of local

[31] This border remains today to delineate the Malaysian states of Sarawak and Sabah from the Indonesian Kalimantan provinces.

chiefs.[32] A state Chief Secretary's post was created to work closely with the Council Negeri (State Council) to formulate the various enactment and codes as well as coordinator for the various Residents (Pringle 1970, 335). One of the major effects of Brooke's administrative modernization was the imposition of civil order and allegiance to a central authority in Sarawak (Kedit 1980, 58-59). The complexities of an emerging capitalist economy required the Brooke dynasty to develop well-organized state structures to manage revenues and expenditure and safeguard commercial transactions.

Territorial administration of Sabah by the BNBCC was less efficient as compared to Sarawak. Lack of an effective bureaucracy and poor knowledge of local cultures proved to be astronomical handicaps the Company had to endure in their effort to administer a geographically vast and ethnically diverse land. Being a business organization, the BNBCC governed as 'a purely administrative company' (Tregonning 1965, 52). At the top of its political hierarchy was the Governor, responsible to its Board of Directors in London. Sabah possessed a type of Advisory Council, but unlike the Malay States and even Sarawak, save for an occasional Chinese merchant or two, the council was virtually an all-European affair. Sabah was divided into various 'residencies,' each with its own resident but dependence on local feudal structures for administration somewhat perpetuated further fragmentation instead of allegiance to the state authority. Its administration was harsh and impersonal, and resentments by local peoples against the Company were high. Unreasonably high taxation and the engagement of coercive measures to extract revenues by the colonial authorities became the source of antagonisms among the local people toward the British. The Company's extreme insensitivity to local customs further aggravated the problem. The consensus was that life was comparatively easier for the locals under Brunei Sultanate rule, in which fines and taxation were negotiable. Under the rule of the 'white man,' every penny was promptly demanded and punishment for non-payment was carried out in quite brutal ways (Black 1968, 184-185).

Although outside capital was restricted and resources were not as abundant and intensively extracted as in British Malaya, by the end of the nineteenth century, Sarawak recorded a trade worth $13.5 million, mostly as trade channeled through Singapore (Ryan 1976, 184). Tobacco, coffee, sago, pepper, gambier, and later rubber became main export crops, with the last two generating the most income (Sutlive 1978). Later, with the decline in rubber prices, Sarawak's economy was sustained by the discovery of oil in Miri. In contrast, Sabah under the Company was on the verge of bankruptcy, only fortunate to be saved by revenues from local collection of jungle produce for the China trade. Later, the development of the timber industry contributed to massive increases in state revenues. By 1937, timber exports reached around 178,000 cubic meters, which pushed the eastern coastal city of Sandakan to become one of the most important timber ports in the world (Andaya and Andaya 2001, 220).

By the end of the Second World War, political economic realities and unending internal bickering compelled both the Brooke dynasty and the Company to surrender their authorities to the British government. Such surrender to the British Crown

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[32] In fact, Hugh Low, who perfected the residential system in the Malay states, had learned of its concept from Rajah James Brooke, especially on the administration of large territories cheaply with a handful of Europeans (see Harper 1999, 19).

exemplified a necessity under capitalism for a formal colonial state to manage and accommodate an increasingly complex form of commercial and trade transactions. After the war, both Sarawak and Sabah became Crown Colonies, each ruled by a Governor, and remained so until their merger with Malaya and Singapore to form the Federation of Malaysia in 1963.

The Colonial State in Singapore 1867-1941

As mentioned in the previous chapter, the emergence of colonialism in Singapore came through the exploitation of the island's strategic free port status and cheap labor. Since the state catered mainly to implement policies beneficial to the merchant class, who did not initially intend on making Singapore their permanent residence but rather a marketplace for profiteering, social policies on the island-colony did not really reflect a concern for the long-term development of democratic statehood.

From 1873 to 1902, Singapore's trade volume expanded six-fold from an annual average of $67 million to $431 million (Huff 1994,11).[33] Its main import-export specialty shifted from exotic tropical wares to primary agricultural products such as rubber, tin, and palm oil, and later to smelting and processing (Turnbull 1989, 89). The opening of the Suez Canal in 1869 and the advance of steamship technology notably contributed to the growth of Singapore's economy. The Straits of Malacca came to the forefront of international shipping to the orient, as ships no longer sailed around the Cape of Good Hope through the Sunda Straits in Java.

However, the colony's economic growth could not have taken place had early 'internal problems' not been straightened out. As a free port, Singaporean society had been relatively free from government restraints. Since the island's takeover by the Colonial Office in London from the Indian government in 1867, the colonial authorities have concentrated on basically catering to the needs of its business class, who had become main players in the colony's economic development. A main uneasiness among the merchant community had been the social lawlessness and violence created by the increasing Chinese population, who organized their lives around secret societies and gangs. Another pressing need for the merchants was a more forceful British policy in the Malay states to enable the expansion and protection of their commercial interests into the Malay Peninsula.

At the head of the colonial government in Singapore was the Governor of the Straits Settlements (of which Singapore was also the 'capital'). He was also the High Commissioner to the Federated Malay States. As head of the civil service, the operational aspect of colonial administration was the responsibility of the Colonial Secretary (Ryan 196, 204). Leading businessmen and merchants had pressed for more power sharing in government. In meeting the demands of a 'liberal society' the state introduced a legislative body in the form of an Executive Council. Headed by the

[33] Volume was calculated in Straits Settlements Dollars.

Governor, the Council comprised of 13 British officials and 13 'unofficials,' which included three Chinese, and one each of Indian, Malay, and Eurasian.[34]

Although there was some significant extent representation of the various communities, the Council had been constructed in a way that a heavily weighted European presence could ensure western dominance in governance. Members of this Council, all of whom came from prominent and wealthy backgrounds, were nominated by their respective business and cultural organizations. In spite of the Council's function to legislate, it was not uncommon for dictatorial and non-consultative decisions to come from the Governor, whose role was to oversee British national and security interests in the region. Tensions between private commercial and state political interests often manifest in the relationship between the Council and the Governor. Singapore's Governor Sir Harry Ord, commented that "the mercantile community...takes hardly any interest in anything beyond their own immediate interest" (quoted in Turnbull 1989, 83).

However, realizing the significance of addressing these merchants' grievances and needs in relation to their contribution to the development of the capitalist economy, successive governors began to work more closely with them. But issues regarding the Chinese population's activities often placed the state in a dilemma of political economic contradictions. For instance, taxes on opium had until 1937 been the monopoly and main income earner of the state. But opium was also the source of many social ills that were closely tied to social disorder and criminal activities among the Chinese, greatly disrupting peace on the island. Health-wise, it greatly affected the poor among the Chinese. A research in the 1850s showed that nearly half of Chinese adults, mostly low wage laborers, were addicts (Cheng 1961; Braddell 1857, 66-83; Little 1848, 1-79). Ironically, Chinese businessmen feared that a total prohibition on opium smoking would deter immigration, thereby reducing much needed labor (Cheng 1961, 52-74). Hence, when the state acted to solve the problems associated with opium smoking and sale, an outright ban was not in the books; the state only enforced a mandatory registration for all smokers. It was not until after the Second World War under severe Japanese occupation that opium smoking began to significantly diminish.

In 1877, a Chinese Protectorate was established by the state with William Pickering as its head, and in 1890 the Societies Ordinance was passed (Jackson 1965, 95-98). These were important steps in managing the Chinese population in relation to monitoring criminal activities, deemed crucial to the smooth and peaceful operations of commerce. Chinese labor was badly needed to work the mines and plantations in the Malay States as well as in Singapore's growing economy. But the Chinese migrants had brought with them their traditional triads that contributed to astronomically high rates of armed violence, gambling, prostitution, and labor abuses (Campbell 1971, 1-15). During the 1870s a significant portion of the 30,000 annual Chinese migrants into Singapore had been made up of professional gangsters, whereas the small number of women had mostly been drafted to work as prostitutes (Turnbull 1989, 81; Lim 1967, 58-110). The Protectorate became initially responsible for protecting Chinese labor from secret societies and employment abuses, but soon extended its authority to generally

[34] During the colonial period, Eurasians, mainly Christians, usually identified themselves with Europeans, although they were never fully accepted by the latter as social or political equals (see Shennan 2000).

controlling the Chinese community at large. The Societies Ordinance, which was enacted to regulate secret society activities, did not entirely eliminate gangsterism among the Chinese; rather, it effectively reduced their large-scale riots that had previously immobilized businesses on the island for long periods of time (Ng 1961, 92-97).

The modernization of Singapore came at a time when sea communications technology and commercial expansion into the Malay states brought enormous opportunities for trade and growth for its businessmen. In many ways, the colonial state became responsible for stimulating the drive toward modernization. Continuous civil strife for the most part of the nineteenth century created an atmosphere of uncertainty for traders on the island. Hence, the colonial state's iron rule brought with it a significant measure of control and stability that Singaporean merchants had longed for. Many new 'visionaries' appeared in the Singapore colonial government like Sir John Anderson, who served as Governor from 1904 to 1911. Anderson was a proponent of pulling Singapore and the Federated Malay States politically closer together, and was responsible for many policy proposals that could have drained much of the Malay States' revenues into the island. Although a full merger was not attained, Singapore's British connection served well enough to forge an economic linkage between the two political entities, enabling Singapore to handle most of the Malay States' exports, thereby contributing to the prosperity of its businessmen. It did not take long for Singapore to reassert itself as the indisputable metropolitan center for the Malay States, which in turn served as the regional periphery for its expanding capitalist economy. By 1903, Singapore was the seventh largest port in the world.

From 1910 to 1927, trade expanded four-fold to reach $1.8 billion (Huff 1994, 11). With capitalist development came the mushrooming of private enterprises and commercial houses, mostly belonging to Europeans. Guthrie's, founded in 1821, was Singapore's oldest company and one of the most successful. During the turn of the twentieth century, Guthrie's business flourished in areas of commodity trade, banking, and insurance. It later ventured into rubber plantations in the Federated Malay States. Holding monopoly on shipping services for exports of commodities were the merchant houses, which initially started with five; Boustead & Company, Borneo Company, Adamson, Giilfillan, & Company, Paterson, Simmons, & Company, and the German Behn, Meyer, & Company (Huff 1994, 122). These houses virtually controlled the estates that produced the commodities, namely rubber, through their representations in the various estates or companies' boards of directors. Through agreements with shipping agencies, they also gained full management in the exports of these commodities. Not surprisingly, these houses grew to be among the most thriving companies in Singapore.

Others such as the Oriental Telephone and Electric Company and the Straits Trading Company were formed to take advantage of new opportunities in the growing communications and tin-smelting industries respectively (Turnbull 1989, 90-95). Fraser and Neave expanded into a range of businesses from its original soda drinks manufacturing, while Malayan Breweries and Diamond Metal Products concentrated respectively on beverages and household consumer items (Makepeace, Brooke, and Braddell 1921, 194). Singapore's position as a seaway hub also attracted many shipping firms including the German Norddeutscher Lloyd and the British Ocean Steamship Company. Closely related, Singapore's rapidly intensifying sea trade also required badly

needed dock reconstruction and services. Firms such as the P & O Company and Tanjong Pagar Dock Company, which was taken over by the state and turned into a statutory body known as the Singapore Harbour Board in 1917,[35] soon took advantage of these new prospects to venture into wharf construction and port expansion projects. In banking, The Chartered Bank, Shanghai Banking Corporation, and Mercantile bank, all British-owned, pioneered the road toward financing of new enterprises in the expanding economy (Lee 1990, 77).

Chinese businesses in Singapore were mainly owned by wealthy families from the Straits Settlements of Penang and Malacca. Most of these families had already made immeasurable fortunes in the Malay States, and initially sent much of their earnings back to China. A number of them, such as Tan Kah Kee, Tan Beng Swee, and Tan Kim Ching even expanded their Singapore-based commodity trading and rice-milling businesses into other parts of Southeast Asia as well as China (Feldwick 1917, 836). In 1890, three Malaccan Chinese, Tan Jiak Kim, Tan Jeong Saik, and Le Cheng Lam, together with a few Europeans, founded the Straits Steamship Company, the first large Chinese conglomerate in the shipping business (Turnbull 1989, 92). In 1903, Kwong Yik Bank, the first Chinese bank, was opened (Lee 1990). Although Europeans began to increasingly dominate the capital-intensive manufacturing and processing industries, these Chinese merchants continued to hold on to many of their commercial forte in retailing, property, and banking. As the prosperity of the Chinese merchants increased, so did their influence in politics. In 1906, the Chinese Chamber of Commerce was formed. From here, prominent members of this community participated in many political and social works, especially in the funding of Chinese schools, clinics, and community centers.

Singapore's urban-port economy soon expanded into a proportion that required reformation of its municipal administration. The original municipal committee was reorganized after a commission in 1909 found squalid living conditions in many parts of the city had given rise to many social problems including high mortality rates and crime. Municipal elections were virtually a non-entity since many of the city's inhabitants either had no confidence in the system or simply had no knowledge whatsoever of the political process. In 1913, the Municipal Ordinance enabled the autocrat Anderson to take financial matters into the power of the Governor, who also obtained the privilege of nominating commissioners for the Municipality. Consequently, he successfully managed to have the elections abolished. Surprisingly, while Europeans opposed this move, a supporting voice came from the Chinese Commercial Association (Turnbull 1989, 115). Perhaps the wealthy Chinese elite had realized that the nomination mechanism would better serve their interests, since democratic electoral processes would potentially oblige them to hand over political power to the workers. The political line between Europeans and Asians were clearly demarcated by the racial consciousness imposed by colonialism. Within the Chinese community, intra-ethnonational class struggles were seen to be more realistic. As a result, this municipal structure remained the same up to the Second World War.

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[35] As the port expanded, many new facilities were in need of improvements, on which the company was reluctant to embark. The colonial government was forced to intervene and expropriated it into a public-owned Board (see Turnbull 1989, 93).

Brief Colonialism under Japan 1941-1945

The Japanese invasion of the whole of Southeast Asia was quick and decisive. The Japanese imperial army invaded Malaya from the northeast in 1941 by courtesy of Thailand. At Singapore, the British miscalculated a naval attack from the south, and had their artillery power pointing toward the sea. The Japanese army surged ahead to Singapore from the north on bicycles (Swinson 1970). With the flight of the British, the Japanese took over the administration of British Malaya, Borneo, and Singapore, which they renamed Shonan.

The municipal structure of Singapore was preserved under the Japanese. The city was ruled as a colony with a mayor placed in charge. It also functioned as a regional military administrative center that included Sumatra, known as the Southern Region (Harper 1999, 36). The Federated Malay States, along with the UFMS, Penang, and Malacca, was incorporated into a single political unit headed by a Governor. The ultimate goal was to establish a permanent colony in Singapore and a protectorate in the Malay states. In Sarawak and Sabah, separate Japanese military governments were installed. In 1942, as a reward for its declaration of war against the United States and for the use of its territory for advancing Japanese troops into Malaya, Thailand was given the northern Malay States of Perlis, Kedah, Kelantan, and Trengganu. The administrative machinery of the Japanese colonial state was to accommodate the Malaya and Singapore into the wider policy concept of its "Greater East Asia Co-prosperity Sphere," designed to unify all of East Asian peoples under Japanese hegemonic leadership (Lee 1961, 33).

As part of its propaganda, the Japanese sought to inspire the indigenous peoples of Asia to join Japan in a new era of regional political confederation with promises of self-governance and political autonomy. Such a vision was hindered by two factors. First, the ongoing war necessitated the Japanese to concentrate on siphoning resources and strategic planning of Malaya and Singapore toward their war efforts. For the duration of the war, Malaya under Japanese occupation served as the supplier of raw material for the home country and its other possessions. For example, about 60 per cent of Malayan rubber went directly to the military, while the remainder found its way into the hands of Japanese firms (Harper 1999, 38). Japanese *kaishas* exerted monopolies over production, supply, and distribution of these materials, which led to black-marketing and rapid escalation of prices (Horner 1980). Overall, the increasing isolation of the Malayan economy and the retreat of European capitalists during the war restricted its export capacities. Iron ore production dropped about 45,000 tones from 1942 to 1943, coal by 285,000 tonnes from 1943 to 1945, and tin by two-thirds of 1940 production levels in 1945 (Yip 1969, 291). In Borneo, oil became a precious war resource to enable its output to recover to nearly half of prewar levels (Cramb 1993).

The Japanese colonial state was initially headed by the military sector of the government, which had been engaged in a rather contentious relationship with its civil counterpart. Even when the military soften its grip on the state, its existence had been very much felt in the many militarization programs evidenced in the formation of auxiliary police wings and self-defense corps that recruited mainly young Malay men. Meanwhile, the civilian branch embarked on a coercive *Nipponization* policy that took on the agenda of bonding together the people with the state through a new Asian-based political

ideology, which emphasized Asian supremacy under Japanese leadership. Yet, such vision was always tempered by the needs of war and the urgency to appease local opinion in the face of the new colonial state's many unsavory policies (Elsbree 1953, 44).

Economic policies, for instance, were often tainted with disastrous experimentation in food growing and drastic supply controls that brought on crop failures and astronomically high consumer prices (Gullick 1989, 7; Van 1948, 121-122). Famine and malnutrition were the most extreme of consequences of failed Japanese economic policies in Malaya, while profiteering and hoarding were common. Unsurprisingly, the Japanese also embarked on a racial division of labor with Malays recruited into the local armed force and agriculture, and the Chinese, although treated badly, allowed to carry on a significant portion of retail and trade. But war efforts required heavy taxation, and the Japanese colonial state passed a mandatory $50 million military contribution from Chinese capitalists to help in their war campaigns (Tan 1946, 1-12). Many Chinese and Indian-owned banks were liquidated and funds transferred to Japanese banks (Drabble 2000, 151).

Unemployment brought on by a stagnant economy created an abundant labor pool. Thousands of young men of all ethnonational backgrounds were forced to work on the warfront projects, such as the *Death Railway* between Thailand and Burma, while some were even conscripted into the Imperial army (Turnbull 1989, 207). There were approximately 20,000 Chinese evacuated from Singapore to various destinations in Asia, and about the same number of Malays deported to construction sites and labor camps in Thailand and Indochina. From the roughly 80,000 laborers sent abroad, nearly 30,000 died there, and thousands more were left stranded (BMA Report, 1945). The display of state repression under Japanese colonial rule could best be seen in the activities of the *kempeitei*, a military police constabulary formed to ferociously weed out any local resistance to the state (Lee 1977, 99). Subjugation of and atrocities toward the Chinese had been an accompanying fact of Japanese war policy, tracing its origins to the bitter war with China since the early 1900s. As a result, many Chinese became the brunt of *kempeitai* brutalities. For example, between February and March 1942, an estimated 10,000 to 20,000 Chinese were reported to have been systematically massacred by the Japanese in Singapore (Chin 1976; Purcell 1965, 259).

The second factor that disabled Japanese attempts at encouraging the Malays to join them in their new 'Asiatic' confederation was the colonial nature of their relationship with Malays. As the war drew on, *Nipponization* took the form of encouraging local nationalism among the Malays as a way to detach them from the Sultans and rulers, who although were allowed to remain in their positions, were not accorded the prestige and recognition previously enjoyed under the British. The program's main aim was to stimulate an anti-western drive aong the locals in order to mobilize their support for the new Japanese colonial state. Thus the Japanese also began to sponsor new groups and associations among both the Malays and Chinese that tailored to this program. These new 'nationalist' organizations were also established to disconnect Malays and Chinese from supplying information and material to local resistance movements, an initiative later emulated by the British in their war against local communist insurgents (Lee 1961, 39). Gradually, even hostility toward the Chinese relaxed, as many Chinese capitalists were actually engaged to bolster a war-torn economy (Harper 1999, 38; Andaya and Andaya

2001, 251). But in the end, the commanding and repressive nature of Japanese direction in these associations drove many Malay nationalists to form either their own groups or join existing underground movements (Harper 1999, 32-33).

The aftermath of the Japanese occupation was an arena of intense racial tensions and communal violence. For political convenience, the Japanese colonial administration had maintained the patronage policy the British had adopted toward Malays while taking on a generally hostile attitude toward the Chinese. In other words, the Japanese implemented its own version of a racial division of labor. Many Malays were recruited into the local police force. On the other hand, the bulk of the resistance movement fell with the Malayan People's Anti-Japanese Army (MPAJA), which although contained some armed Malay units, was principally dominated by the Chinese.[36] In the absence of a strong local armed police, and as a reward for its organized struggle against the Japanese, the MPAJA was initially relied upon by the British Military Administration to maintain law and order immediately after the war.

Such a move proved catastrophic as the MPAJA took laws into their own hands to assert vengeance upon anyone whom they suspected of having collaborated with the Japanese (Salmon 1989, 160-165; Cheah 1983, 173). Many Malays, on suspicion of having collaborated with the Japanese, received the brunt of violent reprisals through a system of 'kangaroo court' justice (Cruickshank 1983, 195-210). Seeing these events in terms of Chinese brutalities toward Malays, many Malays in turn formed armed groups for purposes of self-defense and counter-attacks (Stockwell 1979, 146-148). It was interestingly noted that instances of violence were most often precipitated in areas where close economic proximity fuelled latent tensions. Under an atmosphere of uncertainty and pent-up antagonisms, rumor mongering became a primary source for such clashes, and the killings and counter killings, which claimed thousands of lives, continued well into the early 1950s (Burridge 1957).

In general, the Japanese colonial state caused three significant impacts in Malaysia and Singapore. One, it re-invigorated Malay ethnonationalism, which had been cautiously stifled under the British. Resistance against the Japanese also contributed to the rise in Chinese ethnonationalism, which later on played a crucial role in the politics of both Malaysia and Singapore. Two, whatever racial 'balancing act' the British manipulated under its colonial rule practically boiled over under Japanese occupation, which violently pitted one ethnonational group against another in the quest of controlling Malayan and Singaporean societies. These issues will be further examined in chapter four. Three and related to the above, ethnonational tensions that arose under Japanese occupation convinced future Malayan and Singaporean leaderships that a strong national state seemed to be the solution to the prevention of racial violence as well as to achieving ethonational integration under a single nation-hood. These topics will be discussed further in chapters four and five.

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[36] Andaya and Andaya (2001, 253) note that there had been a percentage of pure bandit and secret society elements within the MPAJA. The MPAJA had also often used ruthless tactics of intimidation among the civilian population to attain their aims.

Forging Ahead with State Centralization in Malaya and Singapore

The defeat of Germany and Japan, the devastation of Europe, and the rise of the Soviet Union, compelled the United States, the new hegemonic power, to rearrange a new world order that would accommodate its political and economic needs abroad. The signing of the Atlantic Charter, declaring the rights of nations to self-determination, was a principal tenet of American foreign policy intended to detach European powers of their colonial possessions (Hoogvelt 1997, 33). British policy toward its territories, including Malaya and Singapore, now had to cater to the demands of its newly rich and powerful ally (Andaya and Andaya 2001, 254).

The surrender of Japan to the Allies in 1945 brought the British back unceremoniously to Malaya, Borneo, and Singapore. Despite the very few who had stayed behind to endure the Japanese occupation, most Europeans had scuttled back to their homelands and other 'safe-havens' to escape the war (Chapman 1951). The War enlightened the people of Malaya that European supremacy was not all that it had been made out to be, since they witnessed first-hand the indignities suffered by Europeans at the hands of fellow Asians. Thus all Malayans held the return of the British in even higher contempt than their presence before the war.

Upon their return, the British had four main problems to deal with in their mission to prepare the framework of an independent Malayan state. First, a relatively strong Communist Party of Malaya (CPM), which formed the pillar of the MPAJA, had surfaced to dominate the local political scene. Second, the influence of left-wing Malay nationalism had gained significant momentum in calling for a Pan Malay-Indonesian statehood. Third, increasing ethnonational violence and tensions caused national administration to become troublesome, and fourth, the economy was in ruins. In an expedient move, the British instituted a military administration known as the British Military Administration (BMA), under Lord Mountbatten, the Supreme Allied Commander of Southeast Asia, immediately after the war (Latiff 1977, 120). During this time, the British hoped that some investigation could be pursued in order to gauge the best alternative government to lead an independent Malaya.

From the Malayan Union to the Federation

To the British, the economy was a priority above the rest (Latiff 1977, 90). But the economy could not be restarted if the other problems were not equally addressed. An independent Malaya must be one that could safeguard their commercial interests through a modern, liberal, and western-based government (Donnison 1956). Consensus in London pointed toward a plan devised in 1944 by Sir Edward Gent, Assistant Permanent Under-Secretary of Colonies, to incorporate the Federated Malay States, UFMS, Penang, and Malacca into a *Malayan Union*, with Singapore administered as a separate colony.[37]

Under this Union, Malaya was to be centrally administered by a Governor, a legislative council, and an executive council. The Sultans and Rulers were to retain their

[37] The 'gift' by Japan to Thailand of the Unfederated Malay States of Perlis, Kedah, Kelantan, and Trengganu was declared illegal by Britain.

positions, but with their sovereignty ceded to the British Crown. Most importantly, citizenship and equal rights would be open and accorded to all ethnic groups, regardless of national origin. In the words of Andaya and Andaya (1982, 255), "All previous treaties signed over the years in which the British had acknowledged the sovereign rights of Malay rulers were annulled. The pretence that the British were merely assisting the Malay rulers to govern their lands was finally removed." As preparation for self-determination, such a structure would be an ideal set up for an independent pro-British state.

The British were surreptitious with their plans. In 1945, the British managed to procure from all the Sultans and rulers, a new set of treaty agreements that abrogated all previous ones.[38] In January 1946, a White Paper was submitted to the British Parliament to introduce steps toward the Union's immediate implementation in Malaya (Bedlington 1978, 70). But the British miscalculated political realities in favor of economic expediency. Although the Malays had always maintained a politically apathetic predisposition, such proposals touching upon the reduction of sovereignty and citizenship inflamed their passion onto a higher level of nationalist sentiment. In March 1946, about 200 Malay delegates from 42 associations together with hundreds of other Malay protestors took to the streets of Kuala Lumpur to demand the repeal of the Union (Hua 1983, 77). The Malays had threatened to disown the sultans should they continue to maintain their stand, which signaled that a big scale revolution could have been the imminent choice of action (Cheah 1988, 1-25).[39]

For the British, such an event was quite an awakening. To avoid revolutionary warfare, a serious reconsideration of the plan had to be taken. In London, several former officers who had served and advocated for decentralization in Malaya including Swettenham, Maxwell, Winstedt, and Clementi, opposed the Union by petitioning protests to the Parliament and the Prime Minister (Andaya and Andaya 2001, 256). The strong lobby against the Union provided enough evidence for the British to seriously reconsider their plans. Despite its official implementation in April 1946, the Union never actually got off the ground, and in 1948, it was completely revoked for a Federation of Malaya (Harper 1999, 84). Requirements for citizenship for non-Malays were restricted to at least fifteen years residence in the last twenty-five years, a declaration of permanent settlement, an oath of allegiance, being of good character and some degree of competence in Malay or English (Hasan 1974, 1-7).

Throughout this whole episode, there emerged a new group of Malay nationalists, with whom the British finally saw a solution to the leadership issue. England-trained and elitist in origin, leading members of the new *United Malay National Organisation* (UMNO), under the leadership of Onn Jaafar, impressed enough upon the British to renegotiate an independent Malayan proposal. Through mediations with UMNO, the British went ahead with plans for a Federation of Malaya, in which

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[38] The sultans had been eager to show loyalty to the British after they had been used by the Japanese to formalize their administration. Much threats were directed to the rulers by the British representative, Harold McMichael to obtain their consent (Hansard 1946, Vol 240)

[39] The famous shout "that the rulers either pay heed to the people's will or be swept into the dustbin of history" became a rallying cry by the Malays against their Sultans for their role in the Malayan Union. (See *Utusan Melayu*, 12 October 1945.)

sovereignty of the Sultans and Rulers were guaranteed and Malay special privileges upheld (Bedlington 1978, 75). A central government with legislative powers was created but the respective eleven states continued to have jurisdiction over a number of issues.

The late phase of colonial state in British Malaya from 1948 to 1955, in the form of a new Federation, was marked by the state's prioritization of economic reconstruction, war against communists, and nation-state building for an independent Malaya. A new Malay elite surfaced from the social disorder brought by the war, to forge a coalition with emerging Chinese and Indian elite groups, a topic that will be discussed in the following chapters. Such an alliance proved a satisfactory step to ensure a smooth transition from British rule to independence, safeguarding the structures and institutions that could accommodate Malaya's role in the world economy.

Late colonial state in Singapore 1945-1963

As in Malaya, the British were prepared for the eventual independence of Singapore. But Singapore's value as a regional strategic political and economic center for the British influenced them to leave the island-state out of the Malayan Union package. Different problems were also prevalent in the island that distinguished it from Malaya. Singapore's historical trajectory from Malaya and Borneo was manifested in its long working and middle class existence, a product of its relatively more advanced industrial functions under the region's division of labor. Industrial unrest and militancy correlated with the nationalist aspirations of the working class population in Singapore.

Singapore's strategic role in the military and economic affairs of the British could not be compromised. Aware that a move toward Singaporean political autonomy was unavoidable, the British embarked on a plan to nurture 'friendly parties,' with whom they could pass down their leadership. While the British concentrated on fighting the CPM in the jungles of Malaya, the first step in Singapore then, was to foster an atmosphere in which such parties could grow (Sweeney 1977, 203). The first of these, the Progressive Party (PP) and the Singapore Labour Party (SLP) had memberships made up of English educated individuals with the former consisting mainly of middle class professionals, while the latter lower middle class unionists. The British favored the Progressives, but a 1955 electoral victory went to the Labour Front instead (Turnbull 1989, 251-252).

The structure of the colonial state was still evident in the heavy presence of the British starting with the High Commissioner and down to the many representatives in the Legislative Assembly as well as the local police and army. While local Singaporeans held the various Ministerial positions, including the Chief Minister, their power was extremely restricted. Throughout the 1950s, the British had not been ready for the release of Singapore since the turbulent political atmosphere did not warrant a group of capable proteges to come forth. Eventually, internal struggles and political back-stabbing within another party, the People's Action Party (PAP), saw the emergence of a pro-British Lee Kuan Yew, who went on to become Chief Minister, and play an important role in the island's independence through a merger with Malaya to form Malaysia in 1963.

Conclusion

Colonialism's top-down process was contradictory, harsh, and undemocratic. In both countries, the colonial state that resulted from the strengthening of the capitalist economy was repressive and discriminatory. Colonial states are products of artificial and forceful impositions of capitalism, created over a previous social structure to cater to specific capitalist class interests both in the colony and in the homeland. The dictatorial policies of the colonial state were derived from its most offensive function – exploiting local resources and labor for the benefit of foreign capitalists, local collaborators, and merchants. To enhance the efficiency of this organization, the borders of the state had to be drawn and its citizenry had to be mobilized and integrated. The fact that Japanese occupation in Malaysia and Singapore also functioned along the lines of the British illustrates the point that regardless of the colonizers, the aims of colonialism remained the same.

Owing to the two countries' different role functions within the world economy, the British were presented with rather distinct sets of problems in pushing their capitalist interests into Malaysia and Singapore. In Malaya, once the colonial state was established, the dilemma was not whether democratic institutions should dictate political patterns, but whether a direct and centralized form of colonial state would be a more effective preference. The introduction of democratic political processes had not been a viable alternative since it would have led to a whole myriad of 'westernizing' projects from education to political empowerment of the Malays.

The same can be said for Sarawak and Sabah. Initial British lack of interest was superseded by the realization that the region had to provide a buffer against expanding rival French and German interests into Southeast Asia. Hence, geopolitical and military factors played crucial parts in keeping these two states under any form of British influence. Colonial rule for these Sarawak and Sabah was even more restrictive under the respective private domains of the Brooke dynasty and the BNBCC. But as the economy of these states became more entangled with that of Singapore, and to a lesser degree Malaya, these 'private administrations' had to give way to formal and direct colonial governance. Unlike Malaya however, there had been no strong indigenous ruler that claimed a political stake in any of these two states. This made British direct control after World War Two a logical and easy action to undertake. The separate development of colonial political structures in these two Bornean states from Malaya was to later influence the political problems in both these states as well as their relationship with Malaya in Malaysia.

In Singapore, an absence of a strong and established Malay ruler allowed the British to set up direct colonial governance, whose objective aimed at controlling the island's commerce and at securing their political influence in the region. The similarity between Singapore and Malaysia ends in the island's greater strategic importance and its more rapid pace of capitalist development, which necessitated a stronger urgency for a direct-ruled colonial state. Despite the unimpeded establishment of capitalism there, democracy did not emerge with capitalist development. Instead, as Singapore's capitalist economy grew, an increasingly repressive colonial state began to surface, and whose priority included imposing harsh labor restrictions and clamping down union activities. Gradually, as in Malaysia, preparation for independent statehood meant that the political

structure must accommodate a leadership that would preserve and maintain British interests in the region.

In Malaysia, and much later in Singapore, at the heart of the social issue was the problem of conscripting the various ethnonational groups toward a sense of loyalty to the colonial state. The Malayan Union fiasco was more of an attempt at cementing state sovereignty and state power than anything that was related to the implementation of liberal practices of common nationhood, as the British had asserted. The most important political goal of the colonial state in both these countries was the fostering of the bond between statehood and citizenship, through which capitalist production could be more efficiently transacted - the effort of which proved to be extremely difficult.

Under colonization, direct or otherwise, the social and political institutionalization process became instrumental in consolidating the political structure toward servicing capitalist production. Investments in land, labor and technology could only be enforced if the political structure could facilitate the smooth flow of capital. The consolidation of political power through the formation of a colonial state provided an environment within which such activities could expediently take place. Hence, despite impending decolonization, the nature of the colonial state would inevitably become a blueprint for successive state practices in these two countries in order for them to effectively adapt to the world economy. Therefore it is not solely the institutional structure of the colonial state that mattered. After all, the colonial state was modeled after a democratic *beau ideal* of representative government. What matters is the nature of the state in its value to capitalism, under which repressive policies are formulated and autocratic governance is carried out. In this regard, British protectorate and colonial rule had set the stage for future authoritarian trends in Malaysia and Singapore when both countries emerged as peripheral capitalist states in the modern world system.

The repressive character of the colonial state became a primary variable in inhibiting social and political development toward democracy in Malaysia and Singapore. It laid out the basic framework of modern governance for both these countries as they later sought to actively engage in the world economy. But other important factors also emerged within the process of colonialism, to stifle the attempts by anti-systemic forces against the oppressive rule of both the colonial rulers as well as their political protégé within the newly independent states. In the next chapters, the focus will be on the inability of these various ethnonational movements to form a sufficiently strong popular alliance for democratization, due to the social inequalities and diverse ethnonationalisms that existed among the various groups.

CHAPTER 4

COLONIALISM, UNEVEN DEVELOPMENT, AND ETHNONATIONAL-CLASS INEQUALITIES

Social economic inequalities present one of the major constraints to the development of popular democracy in any particular country. According to Bob Jessop (1990b, 178), "there are real obstacles to effective political participation owing to the unequal distribution of resources and the uneven incidence of opportunities for collective action." Indeed, the failure to establish effective popular coalitions has been a persistent problem in both Malaysia and Singapore during the course of their capitalist development.

This chapter concerns the extent to which capitalism through colonialism has provided a blueprint for a social structure that, until today, has been rigidly stratified along ethnonational-class lines. Capitalist development in Malaysia and Singapore, facilitated by the colonization process, worked in two main directions to create severe inequalities between and within each ethnonational group. One, the stratification process was based on the identification of certain sectors of the economy with a particular ethnonational group. Such a process caused different rates of development among the different groups in the emerging capitalist economy. In addition, British preservation of Malay traditional pre-capitalist structures as a mechanism to impose indirect rule also guaranteed Malay peasants' entrapment within an impoverished and marginalized agricultural sector. Two, colonialism functioned according to different regional specialization of labor that brought on different rates of capitalist development between Malaya, Singapore, and northern Borneo as well as between the rural and urban areas. Such uneven development served to further reinforce and perpetuate ethnonational-class disparities.

Ethnonational-Occupational Formation in Malaya, Singapore, and Northern Borneo Under British Colonialism

Capitalist development during colonialism necessitated the import of labor from China and India to meet shortages faced in the tin mines and plantations. British divide and rule strategy served not only to efficiently organize labor along ethnonational lines, but also consequently caused significant levels of social, economic, and political inequalities among as well as within the main ethnonational groups. In order to understand these inequalities, it is important to analyze the historical stratification process brought on by British colonialism in both Malaysia and Singapore.

Pre-capitalist Malay entrepots had always attracted visitors and settlers from abroad. The first Chinese migrants to the Malay Peninsula and Borneo were traders and merchants. From A.D. 400 to 1400, Chinese residents in the Malay world had been the result of 'practical relationships' established between the various Malay chieftains and rulers of China with the objective of maintaining trade ties between the two regions (Wolters 1963, 540-552). During the Ming Dynasty's imperial voyages to the sultanate of Malacca in the fifteenth century, the Chinese historian Fei-Hsin recorded that there had

already been "fair-skinned Chinese people living in Malacca among the people with skin like black lacquer" (Wheatly 1961; see also Groeneveldt 1960).

The Chinese had been discouraged from making other countries their permanent home since Confucian principles dictated the significance of filial piety and ancestral worship. But the political turmoil in China during the reign of the Manchu dynasty, compounded by famine, crop failures, and abject poverty compelled many to seek better living conditions in the *Nanyang* (Chinese reference to Southeast Asia) in the seventeenth century (Hoyt 1993, 23). These Chinese migrants consisted of five major dialect groups, the Teochew and Cantonese from Kwantung, the Hokkein from Fukien, the Hakka from the mountainous areas of Kwantung, Kwangsi, and Fukien, and the Hainanese from Hainan island (Andaya and Andaya 1982, 137).

By the time of the Dutch administration of Malacca in 1678, the Chinese had constituted about 17 per cent of Malacca's population (Purcell 1965b). Known as *peranakans*, many made Malacca their home and gradually assimilated into the Malay culture, adopting the Malay language and customs, and a good proportion accumulated enormous wealth.[40] When Malacca's prosperity began to slide however, a large proportion of them emigrated to Penang and Singapore. While many were contracted to work in these ports, the lure of urban areas for the Chinese lay basically in the advantage of commercial openings that came along with British capitalist establishments. During the early years of the nineteenth century, Chinese migration to Penang from both the Straits provinces and mainland China increased at a rate of 2,000-3,000 a year (Purcell 1965b, 297). By 1868, Penang was practically a Chinese city, having formed the majority of the island's 70,000 people (Parkinson 1960, 6-7).

In Singapore, the Chinese population greatly overwhelmed the native Malays. By 1867, it constituted 65 per cent of the population of 55,000, and between 1881 and 1901, it doubled to reach 142,000 making it the largest single community on the island (Huff 1994, 57;Turnbull 1989, 16). Unsurprisingly, the bulk of Chinese immigration to the Malay States via Singapore was related to the growth of the mining industry. Both immigration and production volume simultaneously peaked in 1895 at 150,000 persons and 50,000 tons respectively (Wong 1965, 63-80; Pountney 1911, 64).

From the Straits settlement colonies, most of the Chinese migrants made their way to the mining areas in the Malay states, which later grew into main urban centers (Ryan 1976, 135). The cycle of urban growth was reinforced when many Chinese who were either freed from their contract or possessed sufficient capital flocked to the towns in search for employment and investment opportunities. This pattern of migration continued into twentieth century Malaya, characterizing a demographic phenomenon associating Chinese residences with cities and towns.

The predominant dialect group was the Hokkien, who dominated trade and commerce and who rivaled the Teochews for business. The Cantonese and Hakkas, on the other hand, were laborers, miners, and manual craftsmen, and many passed through to the Malay States to work (Yen 1986, 117-118). The Straits-born Chinese, who arrived

[40] These 'peranakans' or 'Straits-born Chinese were to constitute a major portion of first tier wealthy capitalists in the Straits Settlements and the Malay States.

in the city from Malacca and Penang and settled down as merchants, became naturalized British subjects under Straits Settlement laws.

The Indians by 1860 became Singapore's second largest community with a population of about 13,000 (Turnbull 1989, 37). Most were Tamil speakers, who came as laborers and convicts while others such as the Benggalis and Gujeratis were traders. The Malays, having lost their hegemonic position on the island became increasingly marginalized under the new capitalist economy. Gradually, the *orang laut* vanished as a distinct communal group, as many blended in the many Malay groups who had settled in the various villages. Capitalist economic growth also took its toll on the Malays, who participated marginally in the new economy as hawkers, as many of their settlements either became excluded from economic growth or were physically demolished for modernization projects (Turnbull 1989, 37; Andaya and Andaya 2001, 133). According to Cameron (1965, 35) "Their one day of glory was in the New Year's sports in Singapore when the Malays and *orang laut* in boats of their own design invariably triumphed over Europeans, Chinese, Bugis, and all other competitors,"

The opening of European plantations in the Straits Settlements in the early years of the nineteenth century for export crops did not yield the expected profits. Instead, the Chinese proved that their agricultural efforts had become a successful endeavor. Available capital, abundant human resources, technical ingenuity in planting contributed to prosperous returns in the tapioca, pepper, and gambier industries. Begun in the eighteenth century, the Chinese had developed commodious pepper and gambier estates in Singapore by the 1830s, expanding their exports from China to Europe (Purcell 1965a, 216). The same accomplishment in tin mining ensured their hold in the production processes of this industry (Andaya and Andaya 1982, 136).

Significantly, Chinese entrepreneurs who provided investments in these industries reaped huge returns to become the newly rich bourgeoisie. By 1937, the magnitude of Chinese capitalists' holdings in Malaya was estimated around $200 million compared to western investments of $453 million, of which 70 per cent was British (Callis 1943, quoted in Hua 1982, 55). By 1938 Chinese capital was invested in more diverse industries such as pineapple, which accounted for 1.2 per cent of Malaya's export trade (Hua 1982, 55).

An important part of the economic success of the Chinese lies in their well-organized labor distribution networks and family organization of trade. The structure of rights and obligations tied together family members, clansmen, and friends into an efficient system of commerce that was highly adaptable to and facilitative of the capitalist system (Lee 1991, 250). Chinese workers not only were willing to work under capitalist wage organization, they also introduced new technological innovations that facilitated capitalist production (Yip, 1969, Allen and Donnithorne, 1957).

But as the character of the plantation and tin mining industries became increasingly 'capitalized' by larger British and European companies, many Chinese workers later found their way into relatively independent wage earning occupations such as retail and wholesaling, light industries and petty trade. Despite the enormity of fortune accumulated by many Chinese in Malaya, there was a significant portion that remained trapped within the confines of harsh labor conditions and therefore suffered from utter

poverty and destitution. As an immigrant community, the Chinese were driven by social and economic hardships that enabled them to be easily absorbed into the capitalist system, through which they rapidly rose to economic supremacy over the Malays. In 1941 alone, Chinese migrants in Malaya sent back nearly $110 million to relatives in China (Ongkili 1985, 6;Purcell 1965b, 241-242).

British attitudes toward the Chinese were inherently racist in nature, and the Chinese were often depicted as diligent and thrifty but lacked discipline and integrity (Andaya and Andaya 2001; Bedlington 1978, 128). To the British, such a perception was in line with the Chinese's emergent roles within the colonial division of labor as both comprador capitalists and the local working class (Rahim 2001, 239; Harper 1999). Among the Asian ethnonational groups, the British admired the Chinese for their adaptability and aggressive participation in the capitalist economy. The high level of communal organization among the Chinese also overtly impressed the British that they implicitly left them alone to handle their own affairs (Enloe 1973, 22). To the British however, only European racial supremacy was worthy of directing and controlling the Chinese. In a comparative relationship between Malays and Chinese, William Pickering, the first Chinese Protector concluded that the possibility of Chinese being governed by the Malays was "like white settlers of America submitting to the rule of the Indian chiefs" (Emerson 1974, 503).[41]

Although migrants from India had been trickling into the Malay states through Penang since the late eighteenth century, the demand for their labor began to pick up when the 'direction' of Chinese workers proved to be an increasingly arduous responsibility.[42] Satisfied for the time being in using Chinese labor to generate revenues, but increasingly anxious at their lack of discipline and respect for authority, the state turned to an alternative source of labor for European plantations. British experience in Ceylon (Sri Lanka) and India persuaded them to believe that the inexpensive and manageable nature of Indian labor was most suitable for work in the tropical climate of the Malay States (Loh 1969, 146).

The Governor of the Straits Settlements, Sir Frederic Weld was particularly enthusiastic about the import of Indian labor, seeing that British protected Malay States had a population of only about 1 million with vast areas of untapped resources to be exploited. Weld added, "(the Indians) are a race eminently suited to the country, and fitted to develop its resources, not only as coolies but small landowners, which they would speedily become" (PLCSS 1881, 187). Weld was also of the view that Malays were ready to receive the Indians as newcomers to their land because of the historical ties that bound the Malay States with India (Loh 1969, 146). But the most important reason for favoring Indian workers was the fact that they came from British India, making

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[41] Such perceptions ignored the fact that in the relatively prosperous sultanate of Johor, Chinese labor not only were well-organized under Malay political administration, but also relations between the two groups were not as tensed and distanced as under the colonial areas of the federated Malay States (Andaya and Andaya 1982)

[42] A huge problem for the British was the secret society activities of the Chinese miners that created armed skirmishes and disrupted social order. Although British labor and land laws provided the needed social order that they were looking for as well as the revenues that they sought from Chinese labor, Chinese industry and creativity did not seem compatible with European management.

the recruitment process a less difficult task (Parmer 1960, 19). In 1883, the Government of India consented to the emigration of Indian labor to the Malay States (Loh 1969, 147).

An interesting condition in the recruitment of Indian labor was its prohibitive use in the mining sector (SSFS 1883, 1). Such a stipulation was meant to preserve the stability in the mining industry, which had come under the domain of the Chinese. The recruitment of Indian indentured labor was undertaken by private organizations in Madras.[43] But many also came by way of the *kangani* system (Andaya and Andaya 1982, 179). This method involved the hiring of workers via a village headman in India, who received a specified amount of commission for his effort.

This 'free labor' system became more intensive during the opening of rubber plantations in the Malay States. During the rubber boom in 1899, 5,247 indentured migrants and 15,176 *kangani* laborers came to the Malay states, and after this period most Indians came on their own through the latter system (Harper 1999, 24). Later in 1907, a Tamil Immigration Fund was set up to subsidize Indian migrants, that facilitated the mass recruitment of Tamil Indians from southern India to the estates and plantations of Malaya as cheap wage labor (Tinker 1974, 57).

Like in Singapore, not all Indians came to the Malay States by way of indentured labor. Some came by way of trade, and among them were the Hindu and Muslim traders from the Malabar and Coromandel coasts of southwestern India, Sind, and Punjab, and also from the northern parts of India (Hua 1982, 56). There was also a stark contrast of fate between lower caste Indians who arrived to work in estates, plantations, and public work projects and those who belong to the upper castes, who sought employment in the civil service and commercial retail (Andaya and Andaya 1982, 180). The latter group controlled many of the textile and money lending *chettiar* fields in urban centers around the Malay States as well as in Singapore, and had little or no contact with their lower caste counterparts. In fact, many of the upper castes made extra effort to disassociate themselves from the Indian laborers of the lower castes. As Arasaratnam (1970, 88) mentioned, "These (upper castes) people would use the word 'coolie' in the same derogatory sense as the Europeans in Malaya."

Overall, the conditions in which the Indian laborer endured were oppressive and harsh. The Indians had brought with them their rigid social caste system that facilitated the suppression of workers, most of whom fall into the lower castes and uneducated, who became easily submissive to the authorities of the estates. But if there has been any positive impact of Indian migration to the Malay states however, it was the ability for some from the lower castes to gradually penetrate social barriers through English education and successfully attain higher status by becoming lawyers, teachers, doctors and other professionals (Bedlington 1978, 129). But although many Indians managed to escape initial poverty, the majority has become trapped within the impoverished confines of their estates and plantations. Poverty, disease, and alcoholism plagued much of their

[43] Indian is used, in colonial demographic terms, to denote every ethnic group from the Indian sub-continent, which includes Sikhs, Benggalis, Gujeratis, Malayalees, Telegu, and Tamils. Most of these who migrated to work in the plantations and public works were mostly the Tamils from southern India.

living conditions in the estates, despite stipulation in ordinances for the provision of medical services (Andaya and Andaya 1982, 180).

Perhaps the group that was most affected by the incorporation of the Malay States into world capitalism was the Malay peasants. Malays in general became eclipsed by the emergence of the new economy, as the majority had been traditional subsistence farmers, fishermen, and craftsmen. The common Malays were unable to appreciate the newly introduced British laws and wage system. Their resistance to wage labor practically left them out from meaningful participation in the emerging capitalist economy (Loh 1969, 154).

As the alien world of large-scale mining and agriculture rapidly encroached into the Malay world, the whole tributary-peasantry based Malay economy began slowly to disintegrate. But the rigid social delineation between nobility and peasants somewhat incapacitated the lower class from gaining any upward mobility. Furthermore, British policy of extending recognition to the Malay ruling institution only reinforced this deferent attitude the Malays had for their leaders (Bedlington 1978, 37). Politically powerless and economically dysfunctional, the Malay peasantry in time found themselves in perpetual poverty and social disenfranchisement.

In Sarawak, the Brooke government embarked on a similar stratification policy it considered vital for consolidation of its authority. Immediately after its suppression of the Malay rebellion against the Sultan of Brunei, the result of which he obtained Sarawak, the first Brooke 'rajah' pardoned the various chiefs and gave them some limited form of authoritative positions. He went on to divide the peoples of Sarawak into three basic groups; Malays (including other Muslim indigenous groups), indigenous non-Muslims, and Chinese (Bedlington 1978, 44). In so doing, the state broke up the centuries-long social alliance between the Muslim Malays and the non-Muslim Ibans (sometimes called Land Dayaks). Such divisions paved the way for further British territorial expansion. The most effective method of swallowing up more Malay and Iban lands was the war on 'piracy.' Under the cover of combating piracy, many suspected Malay and Iban villages or strongholds were indiscriminately attacked. A ruthless campaign was launched in 1846, resulting in the killing of about 800 Ibans by bombardments from four British ships and seventy boats belonging to Iban allies (Andaya and Andaya 1982, 126).

This crusade justified the removal of Malay leadership from Ibans, which the state claimed was the basis of pirating raids (Bedlington 1989, 42). Soon afterwards, the state began a process resettlement of Malay communities away from Iban areas, which opened the door to the annexation of vast Iban territories. As in the Malay States, Malays and non-Muslim indigenous peoples in Sarawak were seriously discouraged by the British from participating in trade due to their significant social attachment to land. Thus if they were not occupationally involved in the lowest rungs of the civil service, they were bound to work as subsistence farmers or small holders (Andaya and Andaya 1982, 128). The Ibans, known for their warrior status, were mostly drafted into the police and other units in the armed forces under Brooke's personal military.

Under the Brooke administration in Sarawak, Chinese migration was also encouraged to fill in the need for labor in the various mining and plantation fields, as well as the expanding agricultural sector (Purcell 1969b, 367). Soon their trading skills

afforded them the domination of commerce, produce distribution, and operation of the highly lucrative timber industry. As in the peninsula, major cities and towns sprouted from around the newly found industries. By 1840 the Malay fishing village of Kuching, which Brooke had turned into his capital, became a predominantly Chinese town (Andaya and Andaya 1982, 136). Many of the Chinese took part in the active trading life of the city as well as the gold mines in nearby Bau (Ryan 1976, 121).

But, as in the Malay States, the Chinese had been quite troublesome for the British through their frequent secret society network and rioting. Furthermore, the incursions of Chinese settlers into the rich forest areas became entangled with the complex traditional landholdings of the non-Muslim indigenous peoples, particularly the Ibans. Many violent clashes erupted between these two groups, especially where large tracts of Iban jungle were being rapidly deforested by appetent Chinese settlers (Pringle 1970, 313).

In Sabah, the BNBCC followed a similar policy of separating the coastal Muslim groups from the non-Muslim groups of the interior (although these two did not have the similar close alliance as in Sarawak). Most Muslims remained in fishing villages and non-Muslims such as the Kadazans and Muruts occupied the interior to live largely as subsistence farmers in wet rice and sago. Some from these two groups found recruitment into the civil service (mainly the elite) and armed constabularies respectively, with the Chinese left alone to carry out mining and agricultural work in plantations and timber production (Lee 1965, 16). Chinese labor was also directed to areas near the Brunei border in the pepper and gambier plantations as well as in the newly discovered timber industry.

The indigenous peoples of Sarawak and Sabah were more heterogeneous than in the Malay States. For all of these groups however, the new capitalist economy resulted in similar social circumstances with their brethren in the Malay States. Their economy centered on subsistence farming and inland gatherings of tropical products. An absence of a unified identity among these groups enabled the Brooke government and the BNBCC to easily subjugate them into full recognition of colonial authority. Brooke's rigid policy of ethnonational labor stratification was reinforced by vast geographical separations of the various ethnonatioal groups into definite social enclaves.

Uneven Regional Development

Colonialism ensured that both countries became heavily entrenched within the periphery of the capitalist world economy through the demographic specialization of labor. This means that structural transformation during the British colonial period also resulted in disproportionate development patterns in Malaya and Borneo, and between the Malaysian region and Singapore, each performing its specific roles in the emerging capitalist economy.

It is important to note at this point in the discussion of future divergent developmental patterns of the Malaysia and Singapore in the world economy. As a result of a demographically distinct labor division taking shape in the world economy, the three

colonial entities of British Malaya, Northern Borneo[44], and Singapore experienced disproportionate rates of economic development. The growth of the Malayan and Singaporean economies, based on their respective status as the world's leading producer and exporter of tin and rubber, was by no means balanced. As Huff (1994, 68) noted, "Development began with rapid growth in one sector – mining, and this led to response in others – transport, processing, and trade. The result was to shift the whole Western coast of the Malayan economy onto a higher development plane, with Singapore as its communications, commercial, and financial center." A significant characteristic of this uneven development defined the general development pattern and relationship within and between the modern Malaysian and Singaporean states today. The role of Singapore as a regional service center enabled it to experience a greater developmental growth than British Malaya and the Northern Borneon states of Sarawak and Sabah, with which it enjoyed a rather advantageous one-sided relationship.

Naturally, among the three British protected states and colonies, Singapore stood to benefit most from the new capitalist economy. Its role as a regional trading and communications center pushed its economy higher than the other areas within the region. Its primary exports alone, constituting staples and produce from the Malay States, Borneo, and the Dutch East Indies, increased from an average of $117 million in the 1911-13 fiscal years to about $313 million in the 1935-37 fiscal years. Total primary imports of manufactures and foodstuff for the same period increased from $91.5 million to $147.4 million (Huff 1994, 91).

By the 1957-59 fiscal years, Malaya constituted 19 per cent of Singapore's imports and 20.7 per cent of its export market, with Indonesia providing 27.3 per cent and 7.3 per cent, and Sabah and Sarawak, 5.1 per cent and 4.9 per cent respectively (Singapore Department of Statistics, 1960). Singapore's growth as a mercantile staple port for the surrounding areas as well as its newly found status as an international capitalist entrepot also led to surges in shipping tonnage and vessels. About 5,326 large merchant vessels[45] weighing an annual average of 6.2 billion tons entered the port in 1904/1905, and in the 1928/29 fiscal year, it rose to nearly 10,000 vessels with an average tonnage of 15 tons (Straits Settlements 1940).

Singapore's municipality began to grow as an international cosmopolitan center, with all the furnishings of modernity and affluence. Having consistently held four-fifth of the island's population, its boundaries have remained unchanged until today (Huff 1994, 157; Hallifax 1921, 339). By 1936, it had a population of nearly 500,000, with the Chinese constituting 76.3 per cent, Indians, 9.7 per cent, Malays, 9.1 per cent, and Europeans and others 4.8 per cent (Huff 1994, 158). Despite its prosperity, it was obvious through its divisional enclaves, that Singapore was a haven only for a few. As Emerson (1964, 306) captured it "The colony is run by a small group of insiders living a life in comfort and luxuries of which are rarely impaired by too close contact with the sordid poverty that has set its stamp on the great bulk of the population....government is run by those who have won through to power and wealth.."

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[44] Northern Borneo used to denote both Sarawak and Sabah.
[45] Vessels registered at weighing 5 tons and above.

Even within the former Federated Malay States of Malaya, there was a stark contrast in economic development between the two top mining states of Selangor and Perak, and the other two states of Pahang and Negri Sembilan. Paved highways and rail lines were mostly built along the Selangor-Perak corridor. Singapore, Kuala Lumpur, and Penang served as main artery points of all communications (Dick and Rimmer 1989). Development in the other states of the Federation did not progress as rapidly. It was not so much the absence of prized resources that held back development as the uncertainty associated with geographical and infrastructural barriers. For example, Pahang, the largest state in what used to be the Federated Malay States, was almost entirely covered by virgin jungle and cut off geographically by a high mountain range. The building of modern transportation did not take place there until the 1920s, before which transport was mainly by river (Kaur 1985). By the time development took place, it had already been too far behind the more advanced states on the western coast (Andaya and Andaya 1982, 181-182).

Within Malaya, a multiplier effect of tin and rubber industrial growths benefited only particular sections of society. The greater economic growths of mainly urban centers in Malaya and the corresponding economic marginalization of rural areas created disproportionate urban-rural income distributions. Rice farming and subsistence agriculture were not the prime economic activities the British were concerned with. Thus although the peripheral areas of the countryside provided the urban centers with needed food supplies, it experienced extremely disproportionate development compared to the urban centers (Nonini 1992).

Tin mining, the industry that propelled Malaya's economic development, tended to be concentrated in Selangor and Perak where rich alluvial deposits were found. To accommodate the tin industry's needs the development of social and economic infrastructure was similarly confined within these areas. As a result urbanization, which largely attracted the Chinese population, was also most intensive in tin mining areas (Lee 1994 112-114). Hence, when rubber and oil palm later came about as lucrative export prospects, their plantations were also more likely to have been established around tin-mining areas due to the readily available communication network of good roads, telegraph services, rail lines, and other urban amenities (Evers 1983, 333-336).

Cities such as Ipoh, Seremban, and Kuala Lumpur on the western coasts of Malaya grew out of the tin and rubber industries. Urbanization also converged mostly in Selangor and Perak, in line with growths in trade, housing, retail and administrative centers to supply the needs of a growing population base (Gullick 1990, 15-20). Concentration of public sector investments in towns also contributed to the rural-urban drift for much of Malaya, growing at an average of 5.84 per cent per annum in the years 1947-1957 (Sharif 1982, 85; Evers 1983, 331). In 1957, there were 36 urban centers with a population of 10,000, constituting 26.6 per cent of the total population of Malaya). The Chinese, up to the present, makes up the majority of the urban population on the west coast, despite greater Malay migration rates to the city after the war. Urbanization rates for Malays from 1947 to 1957 averaged at 7.1 per cent as compared to Chinese with 5.9 per cent, and Indians, 4.6 per cent (Taib and Ismail 1982, 106; Sharif 1982, 86).

By contrast, in the predominantly Malay-based agrarian economies of the UFMS,[46] there was a severe lack of economic growth compared to the kind their federated counterparts had experienced. The main economic activity in these states was subsistence agriculture, namely rice farming. Furthermore, in these states, civil strife and political tensions arising from internal Malay rivalries and anti-British presence pretty much persisted into the early part of the twentieth century (Andaya and Andaya 1982, 197-198).

Investments into the hinterland were inevitably inhibited by the lack of support by the colonial state or British government. As such, there was a corresponding lack of interest by related funding agencies to venture further into these areas. Apart from Johor, which had already entered into an emerging capitalist economy with a modern bureaucracy, there were direct linkages between the ruling elite and state economic activity in the former states of the UFMS. But as Talib (1984, 221) noted, the privileges these elite received in terms of land concessions and revenue collections placed them not as a genuinely entrepreneurial class but "merely as a consuming class." These states remained very much agricultural in their economy and tributary-peasantry in their political structure.

In both Sarawak and Sabah, the bulk of the population hardly gained any social or economic advantages since the framework and infrastructure for a capitalist economy did not really develop (Reece 1988, 25-27). And where it was available, basic provisions of healthcare and education were beyond the common citizen's reach. In Sarawak, while older cities such as Kuching, Miri, and Sibu grew largely out of Chinese-centered trade activities in timber, pepper, and rubber, newer towns were slow to develop due to poor communications infrastructure. Roads were virtually non-existent save for the few kilometers that linked the few major towns, severely marginalizing the majority of the peripheral population from modern capitalist development (Chew 1990, 68-70).

In Sabah, capitalist development was far slower. The attempt to construct railways and bridges across a wide and rugged geographical landscape incurred massive losses (Kaur 1998 86-88). Relatively few urban areas sprouted around intensive economic activities, specifically the timber processing centers and trading ports along both the South China Sea and Sulu Sea coasts. New towns such as Jesselton and Sandakan, along the coasts, grew as a result of their trade with the interior (Johari and Sidhu 1989, 158-159). In both these states, the rate of urbanization had been significantly dragging considering their relatively sizeable land mass, sparse populations, and harsh geographical terrain. In 1957, Sarawak's urban population constituted only 12.6 per cent of the state's total population, while Sabah's urban areas make up 12.9 per cent (Masing 1988).

Contradictions in British-Malay 'Special' Relations

Unlike Singapore, Sarawak and Sabah, where the native social structure lacked a formidable and established ruling class, British colonial policy in Malaya centered on an indirect administration. As a result, a 'special relationship' developed between the British and the Malays. Understanding the contradictions within this British-Malay

[46] Specifically referred to here of Perlis, Kedah, Kelantan, and Trengganu.

relationship is essential in exploring a significant source of racial tensions in Malaysia and Singapore as well as comprehending the extreme impoverishment of Malays under the capitalist system.

British-Malay political relations were embedded within colonial rule's 'moral forcing' system that pitted perceptions of European cultural supremacy against inferior Asian traditions (Kratoska 1983, 224-229). The propagation of racial ideologies played a strong part in morally justifying racial divisions in colonial Malaysia and Singapore. At a time when Social-Darwinist thoughts permeated the very heart of colonizing campaigns, there was inevitably a genuine perception that different Asian groups were genetically suitable for specific functions within the racialized capitalist economy.

In this case, the British seriously believed that Malays and other indigenous groups of Sarawak and Sabah such as the Melanaus, Dayaks, Ibans, and Kadazans, were culturally and even biologically unsuitable for the modern economy (Esman 1994, 49; Ongkili 1985, 2-7). To the British, the Chinese and Indians were more adaptable, but were however, transient workers, who and as most initially did, would return to their homelands with their newly found fortunes (Esman 1994, 50). In order to legitimize their rule in Malaya, the British colonial state had to ensure that the Malays were accorded legitimate status as indigenous peoples of the land. This meant that the Malays had to be guaranteed against any encroachment into their 'sovereignty.'

British social policy was very much programmed toward the goal of retaining the majority of Malays within the peasantry class. Malay political subservience to the Sultans was a vital precondition of British indirect rule. Therefore preserving Malay traditional life was essentially the basis of British colonial legitimacy. Safeguarding of such 'Malay sovereignty' came through a declamation of 'special rights' for Malays. Under these 'special rights,' Malays as the indigenous people of the Malay Peninsula formally received special protection against political infringement by the other ethnic groups. These rights were entrenched through several mechanisms. One was the preservation of the Sultans and rulers as undisputable ceremonial leaders of Malays, second was through official recognition of Malays as original inhabitants of the land, or *bumiputeras,* and third was through the preservation of Malay rice tracts in the form of Malay Land Reservation Enactment of 1913 (Lim 1977, 112-113).

In 1917, the Rice Lands Enactment was passed stipulating that Malay land originally appropriated for rice production had to be cultivated only for rice. Penalties for transgression included confiscation of crops and fines (Lim 1977, 119). The effect of this enactment prevented shifts in agricultural away from rice for Malays in many States (Nonini 1992). Since British colonial legitimacy drew upon Malay traditional-structural legitimacy, which in turn was contingent upon the maintenance of their agricultural functions, such preservation policies performed a rational colonial function.

And here is where the contradictions began. To ideologically legitimize their governance, the colonial authorities exploited on the moral necessity to bring modernity to indigenous societies, and liberate them from their state of 'backwardness.' Hence, there was a need to adhere to their 'civilizing mission' to educate and modernize the Malay population. The formation of various state councils opened up some limited opportunities for a few notary Malay aristocrats in modern state administration. But

although these positions performed merely a ritualistic function they served to radiate the notion that there had been Malay involvement in the administration of their own country. On the other hand, it also became economically imperative to keep Malays on their occupational positions as agricultural workers. Thus opening up extensive educational opportunities for the Malays would be both financially unprofitable and politically destabilizing for the British, and continued to remain a cautious endeavor.

Hence, one method of justifying the marginalization of Malays from modern-type educational setting was to exhort the notion that Malays in general would be better off living on the land; shifting outside the world of husbandry and farming could 'disrupt' their customary way of life. Such a notion was repeatedly emphasized under the facade of British 'non-intervention' policy, a primordial condition embedded into earlier treaties with Malay rulers (Roff 1995, 122). As the Director of Agriculture recorded in 1934," Our trusteeship for the Malay people demands that we administer the country on lines with their welfare and happiness...that end will be attained rather by building up a sturdy and thrifty peasantry living on the lands they own and living by the food they grow than by causing them to forsake the life of their fathers for the glamour of new ways....the market for which depends on outside world conditions beyond their orbit" (quoted in Haynes 1933, 293).

To complement these laws, the systematic effort of keeping Malays within the ambit of poor quality vernacular education also successfully worked toward the social and economic marginalization of Malays. In Perak for example, from the nearly 3000 Malays who left the vernacular schools in the state in 1903, only one found state employment as a clerk (Annual Report Perak 1904, 11). As E. Birch (1912, 444), then Resident of Perak commented "It is very satisfactory to know that this system does not overeducate the boys...who almost all followed the avocations of their parents or relations, chiefly in agricultural pursuits." Overeducation was a term used to denote the creation of an educated class of malcontents who may potentially challenge colonial authority (Roff 1995, 25).

In 1920, the Director of Education (Federated Malay States Report 1920, 20) commented, "The aim of the Government is not to turn out a few well-educated youths, nor a number of less well-educated boys; rather it is to improve the bulk of the people, and to make the son of the fisherman or peasant a more intelligent fisherman or peasant than his father had been, and a man whose education will enable him to understand how his lot in life fits in with the scheme of life around him." By 1931, more than 85 per cent of the 241,754 working Malays in the FMS had remained peasant cultivators and rubber smallholders living in rural areas (Roff 1995, 123).

Another practical way to overcome the paradoxical predicament in their relationship with the Malays was for the British to perpetuate the presumption that Malays were genuinely unprepared to deal with the complexities of modern life (Alatas 1977). British patronage was made out to radiate the perception that the British were assisting the Malays in adjudicating the responsibilities of civil administration. Glimpses of this worldview can be captured in the body of literature about life in Malaya that reinforced stereotypical profiles of Malays. Frederick Weld, Governor of Singapore and Straits Settlements from 1880-1887, asserted: "I doubt if Asiatics (Malays) will ever learn to govern themselves; it is contrary to the genius of their race, of their history, of their

religious system, that they should" (quoted in Sadka 1968, 17). Another prominent figure, Frank Swettenham (1913, 2-3) wrote: "The real Malay is courageous.....extravagant, fond of borrowing money....venerates his ancient customs and traditions and has proper respect for constituted authority....He is a good imitative learner (but) lazy to a degree....and considers time of no importance." Unsurprisingly, 'scholars" who depict Malays in such light had held at one time or another, high ranking colonial positions in the Malay States. Such stereotypes remained right up to the early years of Malaysian independence, and became a source of reference for other ethnonational groups to justify the marginalization of Malays in commerce and education.

At the same time, the British had been very wary of the increasing prominence of the Chinese in the economy that imperiled to submerge Malays into political oblivion. Also, by the turn of the century, the Chinese had already formed the largest majority non-Malay ethnonational group. Table 4.1 below illustrates that between 1891 and 1901 the Chinese population expanded by 83 per cent, placing them numerically at par with Malays, whose population only grew at 34.9 per cent (Chai 1964, 127). While the non-Malays were needed to work the economy, the threat that their economic superiority over Malays would be potentially accompanied by its political strength became increasingly real for the British. Furthermore, an important vehicle of social and political mobility for non-Europeans was English education, in which Chinese and Indian students easily outnumbered Malay students. As it stood in 1900, of the 1,629 students in the 24 mostly state-sponsored English schools throughout the FMS, a great majority was non-Malays, namely Chinese, Indians, and Eurasians (Parliamentary Papers 1905,12-15).

Detaching Malays from the capitalist economy had become a paradox. In other words, the British failed to foresee how such a policy of keeping Malays out of their westernizing projects could lead to a political backfire. At the same time, increased expenditure relating to the recruitment of British officers into Malaya became somewhat of a pressing crisis (Federal Council 1923). Suggestions were now being seriously weighed for the possibility of including more Malays in civil service employment as part of the effort to equip Malays "to take their proper place in the administrative and commercial life of their country" (Guillemard 1937, 65). Unfortunately, limiting Malay access to English schools also effectively limited their employment in government.

Table 4.1: Population Increase in the Malay States (Perak, Selangor, Negri Sembilan, and Pahang) between 1891 and 1901.

Ethnonational Group	Number	Percentage increase
Malays*	312,456	34.9
Chinese	299,739	83.4
Indians	58,211	188.8
Europeans	1,422	98.3
Eurasians	1522	169.8

* including some 20,000 *orang asli* (non-Malay indigenous groups).
Source: Chai, H.C. 1964, p.127.

Malay leaders' vocal concern over their loss of governance, due to the relegation of State Councils to the Federal Council, also compelled sympathizers of British decentralization to press for more Malay involvement in Federal administration. In response to this as well as to the shortage of Malays in government positions, the colonial state began to upgrade efforts to facilitate English education for the upper class Malays as a means for them to be recruited into the lower posts of public services. As Roff (1995, 24) noted," the twentieth century was to see the development of a new and more purposive policy, based on the old, but designed unashamedly to create from the traditional elite a new class of colonial civil servants whose association with the British might, on the one hand, satisfy the myth of continued Malay sovereignty and on the other, serve as a bulwark against possible political encroachment from the resident non-Malay population in the future."

Previously, the few English schools in urban areas had only 'reserved spots' for Malays of royal blood (Gullick 1965, 102). In 1907, an Eton-style residential school was established in Perak, which catered exclusively for Malay aristocratic children. Called the Malay College, the school was designed to equip Malays 'of good birth' the skills and opportunities for civil service jobs as clerks, surveyors, and court interpreters (Drennan 1995, 7-10). Graduates from this college would likely have ended up in the Malay Administrative Service or *MAS*, a junior branch of the European-dominated prestigious bureaucracy, the Malayan Civil Service or *MCS*. Unsurprisingly however, calls by various Malay district chiefs to establish similar schools in the rural areas were rejected (Andaya and Andaya 1982).

Lifting of stringent admission and transfer requirements for Malay students into English schools enabled more Malays to receive English education (Cheeseman 1938, 36-37). In ten years from 1923 to 1933, Malay enrollment rose from about 700 to 2,464 (Legislative Council 1933, Appendix III). But even then, Malay employment in state services lagged behind the other groups. In 1938, only 1,742 Malays were employed in key departments as compared to 4,936 Indians and Chinese (Federal Council 1938, 21). Table 4.2 below illustrates the breakdown of occupation according to ethnonational groups in the various sectors of government employment.

Overall, Malay under-representation in both English schools and state employment was still obvious. Additional factors can be attributed to the fact that most English schools were located in the urban areas and that many were jointly run by Christian missionaries. Both these factors effectively further limited the Malay student's accessibility to English education, the former for geographical reasons and the latter, cultural. But more than anything else, it was extreme poverty that restricted Malay mobility to English schools. Lack of resources rendered Malay vernacular schools ill equipped and poorly structured for preparation to the higher-grade English education (Roff 1994, 110-111).

The combination of these factors served to entrench the Malay psyche into a social dislocation away from the wider economic development (Alatas 1965). Having been marginalized from the modern economy, for example, Malays were totally unaware of the importance of English education as a vehicle for upward mobility. Furthermore, motivation to venture into urban occupations was absent, since in general Malays were encouraged by the colonial state to remain farmers and fishermen. Isolation from urban

Table 4.2: Employment in Key State Departments by Ethnonationality, FMS 1938

Occupational Type	Indians	Chinese	Malays	Others
Lower level administrative & clerical services	137	465	336	97
Public works supervisors & supervisors	175	3	55	7
Teachers, in public English schools	102	64	24	35
Technical assistants	419	73	329	78
Railway administrative staff	1,277	302	485	263
Postal and Telegraph administrative staff	414	175	408	81
Hospital services	257	87	105	27
Total	3,181	1,169	1,742	588

Source: Adapted from Federal Council Proceedings 1938, p. B21.

areas as well as modern lifestyles only worsened the situation for a majority of Malay parents, who found it difficult to comprehend the usefulness of English education for upward mobility (Roff 1994, 112).

In general, British relations with Malays were complicated by the contradictions that served not only to hold back the Malays within the agrarian world, but also later to promote Malay impoverishment vis-à-vis the other communities. While a few members of Malay aristocratic families gained limited concessions from their 'special privileges,' the majority was condemned to a rural life disconnected from the economic progress that was taking place in their own land. The few educated commoners, who benefited from some form of government vernacular schooling, were drafted back into the Malay education system with no prospect of upward social mobility. From this group of Malays emerged the core of Malay nationalists associated with Islamic and socialist groups, who were fiercely anti-British as well as anti-traditionalist, but whose number was extremely small. A majority of those from this educated class formed the bulk of conservative and pro-traditionalist Malay nationalism.[47] A detailed discussion of this takes place in the next chapter. From this policy of isolating Malays from the commercial sectors of the capitalist economy, the perpetuation of Malay poverty continued into the independent years of both Malaysia and Singapore, which only served to further place the Malays in severe disadvantage within the ethnonational-occupational divide. In the long run, such patronage was not only actually detrimental to the social economic welfare of Malays, since it sought to keep them on the land, but it also became a source of intractable disdain among the immigrant groups toward Malays. Such perceived preferential treatment of Malays brought on repercussions that ran deep to affect future ethnonational relations in both Malaysia and Singapore. On the whole, British patronage of the Malays' 'special position,' while preventing them from becoming a landless people, was for the most part, beneficial to the elite class and detrimental to the peasant majority (Nonini 1992, 73).

[47] Traditionalist Malay nationalism recognized the preservation of Malay sultans and the Malay hierarchical traditions (Roff 1995).

Ethnonational Economic Inequalities

The unsettling element within the delicate ethnonational balance as well as in the uneven demographic development in Malaya and Singapore was the rigidly unequal economic structure, which channeled along particular ethnonational alignments. In chapter one, the dissertation discussed how incorporation of the Malay world into the capitalist world economy began to generally display a three-tiered occupational hierarchical structure, with Europeans at the top, the Chinese in the middle, and Malays and indigenous groups at the bottom. By the first decade following the end of the Second World War, the intensification of capitalist development in Malaya and Singapore resulted in this primary structure developing into a set of rather statically institutionalized identifications of class with ethnonationality.

Ethnonational economic structure 1945 – 1955

By 1941, Malaya's ethnonational balance stood at 2,418,615 Chinese; 2,248,579 Malays; 767,693 Indians; 30,251 Europeans; and 80,035 other groups including the non-Malay indigenous groups, Eurasians, Pakistanis, Arabs, and Sri Lankans (Harper 1999, 35). In 1947, Sabah and Sarawak indigenous groups still constituted the majority of its 331,000 and 546,000 populations respectively (Drabble 2000, 90-1; Tate 1979). By 1947, 60.8 per cent of the 'immigrant' population had been born in Malaya, and the ratio of women to men among the Chinese rose to 837:1000 from 513:1000 in 1931 (del Tufo 1949, 58). A pattern of more permanent and diverse Chinese settlements, with growing numbers of women, and with their inhabitants involved in agriculture and retail trade, began to appear (Loh 1975, 93). A social survey in 1947 estimated that 72 per cent of Chinese on the island had never returned home and only 40 per cent had sent some form of monetary remittance to China (Singapore Department of Social Welfare 1947, 112).

While the majority of all the Asian ethnonational groups were located at social strata lower than British and Europeans, income and wealth between them also varied. Involvement of Chinese and Indians in the capitalist economy gave them the advantages of higher income, access to English education, and social mobility as compared to Malays. The respective Chinese and Indian bourgeoisie also benefited from and held a common interest in the new capitalist economy. In Malaya and Singapore, Chinese and Indian capitalists predominated the small industrial, retail and wholesaling, and banking fields (Lee 1990). And although these groups were disdainful of the close British relationship with the Malay elite, the political relationship between their elite groups and the British was not dissimilar. It was not uncommon for leading Chinese capitalists to be involved in the state political machinery through the various State Councils. Indian money-lending associations too for example, were ever eager to foster close relations with the state, which sometimes resulted in some members being rewarded with administrative appointments (Arasaratnam 1970, 86).

Ownership of rubber estates during the lucrative boom period, for example, manifested the proportion of wealth among the various ethnonational groups in Malaya. In the FMS, Europeans owned 665 estates covering a size of 821,049 acres, followed by the Chinese with 299 estates and an area totaling 92,389, the Indians, with 119 estates and an area of 26,927 acres, and finally Malays, most of whom were part of the nobility,

owned just 23 estates with an acreage of 4,883 (Drabble 2001, 161; Silcock and Fisk 1963). In the Straits Settlements, Chinese ownership outnumbered everyone else with 162 estates covering an area of 52,864 compared to Europeans and other foreigners, with 87 estates, but with a bigger area of 146,809 acres (Malayan Statistics Handbook 1932, 15). By 1947, the income distribution among the three main ethnonational groups in Malaya had clearly reflected the occupational stratification structure that culminated from the previous decades' capitalist production. Malays, with their concentration in primary sector received an income per capita of $258. The Indians, mostly engaged in wage and salary jobs in estates and government services, received an average per capita of $560. The Chinese, more evenly distributed between the two sectors but derived a heftier portion of profits, generated an income per capita of $656 (Drabble 2000, 159-160). Table 4.3 below illustrates incomes by ethnonational group in the year 1947, while Table 4.4 on the next page illustrates the breakdown of job categories between Malays and Chinese in 1957.

The income disparity between Malays and Chinese was reflective of the way both groups become increasingly polarized within the agricultural and commercial sectors respectively as a result of the colonization process. By 1957, the year Malaya gained independence, the occupational structure between these two ethnonational groups became entrenched in Chinese predominance of higher-income job categories, and in Malay prevalence within the agricultural sectors as well as the lowest ranks of the armed forces and state bureaucracy (Tham 1983,59-89). Such disproportionate representation by the Chinese in commerce and Malays in government has continued quite significantly into the early decades of Malaysia's independence.

The extent of poverty and social disenfranchisement among the three main ethnonational groups in Malaya can be captured in their respective infant mortality rates. In 1947, the Malay infant mortality rate was 259 per 1000 live births, while the Chinese recorded 141 and Indians 199 deaths (Palmore, Chandler and Fernandez 1975). Ten years later in 1957, overall rates declined but for Malays and Indians, the numbers were still relatively high at 191 and 151 deaths per 1000 live births respectively (Department of Statistics Malaysia 1976). Both Malay and Indian infant mortality rates were affected by socioeconomic and demographic factors such as lack of healthcare and basic modern amenities in rural areas and estates. Colonialism's uneven capitalist development across urban centers, rural areas, and estates caused massive discrepancies in the provision of clean water supplies, sanitation services, medical facilities, and educational development (Sharif 1982, 68-69).

Table 4.3: Incomes by Ethnonational Groups in Malaya 1947

Ethno-National Group	Wages/salary (%)	Own account (%)	Profits (%)	Income per capita ($)
Malays	28.35	68.60	3.05	258
Indians	64.69	26.41	8.90	560
Chinese	36.93	36.81	26.25	656
Overall				519

Source: Drabble 2001, 160, table 9.2; calculated from Silcock and Fisk 1963, Table 1.1

Table 4.4: Job Categories in Malaya by Ethnonationality (Malay and Chinese) 1957 (in 000)

	Ethnonationality	
Selected Job categories	Chinese	Malay
Agricultural workers & fishermen	98.6	482.0
Hawking, vending, & stall-keeping	35.5	9.4
Owners of small businesses	34.9	14.2
Sales and related occupations	120.4	28.9
Upper Managerial positions	18.0	1.6
Armed Forces and police	8.5	97.8
Bureaucracy positions	0.9	2.9

Source: calculated from Government of Malaya *Census of Malaya 1957*, Table 14

Table 4.5: Population of Singapore by Ethnonational Group (percentage) for Selected Years

Year	Chinese	Malay	Indian	Others
1824	31.0	60.2	7.1	1.7
1836	45.9	41.9	9.9	2.6
1931	75.1	11.7	9.1	4.2
1947	77.8	12.1	7.4	2.8
1957	74.7	13.6	6.4	4.2

Source: Department of Statistics, Singapore, 1991

In Singapore, the breakdown of ethnonational groupings was far more weighted toward the Chinese. Already by 1870, the Chinese made up more than two-third of the population, and by 1914, it consisted of more than 75 per cent, a proportion it has relatively sustained since (Tremewan 1994, 8-9). The Malays, who formed the majority group in 1824, were surpassed by the Chinese by 1836. In 1947, Malays constituted only 12.1 per cent of the island's population, and in ten years' time increased lightly to 13.6 of the total population (Saw 1983, 41). Table 4.5 above shows the increase in population by ethnic group for selected years.

The island's stratification process mainly took shape along similar lines as in Malaya. The business class comprised mainly Europeans, Chinese, and a few Indians (Hua 1982, 56). On the other hand, Malays have faced consistent social-economic problems as a disadvantaged group, thus ethnic relations in Singapore have been structured mainly by socioeconomic differentiation between the Chinese majority and Malay minority (Lai 1995, 16-17). The development of the Malay community in Singapore was very much related to its peripheralized existence in the overall capitalist economy. By 1931, the Chinese had dominated all aspects of the capitalist economy, comprising 73 per cent of the labor force compared to the Malays 8.5 percent, and Indians, 13.9 per cent, and 3.9 per cent others, mainly Europeans and Eurasians (Chiew 1985, 52). Among the Chinese, a major portion of its labor force were involved in commerce, finance, and professional services, while Malays dominated transport and

agriculture, and Indians the clerical services. Table 4.6 below illustrates the breakdown of the labor force by ethnonationality in Singapore in 1931.

Although the trajectory of Singapore's ethnonational-stratification history was marked not so much by inter-Chinese inequality as it was by the marginalization of Malays, a brief knowledge of class formation within the Chinese community is helpful in understanding the dynamics of working class opposition to colonial rule after World War Two. As mentioned earlier, the Chinese population was divided into four different dialectical groups, with the Hokkien and Teochews dominating commercial life, among them the *peranakans*, or Straits Chinese, who migrated by way of Malacca and Penang, forming the early Chinese capitalist class. The second distinction is seen between the English and Chinese educated merchant classes. The former, mainly composed of the Straits Chinese, initially became involved in the capitalist economy as an intermediary merchant class, managing much of the island's labor supply and entrepot trade. As British subjects, this group embraced the spirit of the Empire by having their children enrolled in English schools and successfully becoming professionals and civil servants within the state colonial administration. Having partially assimilated into Malay cultural life, few had complete eloquence in Chinese. The China-born Chinese, on the other hand, had little interest in colonial rule, preferring to direct their attention instead toward developments on the Chinese mainland (Tremewan 1996, 11).

The class distinction between the two groups was standardized in two major organizations, the Straits Chinese British Association and the Chinese Chamber of Commerce (Chui 1991, 72-76). The former identified closely with the British even during the Anglo-Chinese wars in the 1850s, hence posing no threat to the British. As Turnbull (1989, 55)suggested of the Straits-born Chinese, "the Chinese merchants leagued themselves with the ruling elite against the rank and file of their own countrymen." The China-born merchants, who initially intended to return to China, distanced themselves from colonial administration and focused on politics and philanthropy within the circles of

Table 4.6: Occupational Sector by Ethnonationality, Singapore 1931

	Per cent			
Sector	Chinese	Malay	Indian	Others
Agriculture, fishing, mining	11.6	30.5	5.4	2.6
Manufacturing, utilities, construction	18.1	9.2	7.9	10.1
Transport & communications	15.2	31.2	15.6	5.8
Commerce & Finance	23.6	7.0	17.2	20.5
Public administration	0.2	2.5	3.6	20.2
Professional & clerical services	31.2	19.6	50.3	40.8
Total	100.0	100.0	100.0	100.0

Source: Vlieland, C.A. 1932, pp. 256-279.

their own local community. This distinct Chinese social pattern continued into the decades and impacted heavily on the political struggles of the island after the War (Regnier 1991, 270). Rapid industrialization eventually gave rise to a substantially strong working class, constituted by mainly Hakka and Hainanese Chinese (Turnbull 1989, 100).

Hence, while class distinctions among Malays became quite obviously divided between the aristocrats and the peasantry, the class alignment patterns among the Chinese was more complex. The Chinese had been socially restructured along new class lines through their residence in both Malaya and Singapore (Esman 1994, 58-59). Cleavages existed between the propertied class and the successful merchants on the one hand, and the impoverished and non-skilled workers on the other. Further social divisions also appeared between the educated and uneducated and between the Chinese-schooled and the English-schooled. With the Indians, a small wealthy and educated urban group would remain distanced from their fellow brethren in the estates and plantations.

Ethnonational inequalities in northern Borneo 1945-1963

As in Malaya, the colonial stratification process produced a social structure that was delineated by a distinct ethnonational-occupational division. In Sabah, the mainly Christian Kadazans of the western interior and coastal areas occupied the farmlands, while the English educated go on to enter the state bureaucracy as clerks and low-ranking officials (Sack 1971, 43-46). The Bajaus and other indigenous Muslims that resided on the eastern coastlines also partake in agricultural and fisheries as well as in cattle herding (Sather 1997). The Muruts, partly due to inhospitable terrain, were the most neglected by the British, and thus suffered from low education and health levels (Bedlington 1978, 135). The Chinese, like in Malaya, dominated the local economy with their active participation in commerce as well as agriculture, and through English education, also fill various governmental clerical positions (Bedlington 1978, 136).

There has been more intense ethnonational stratification in Sarawak due to its more diverse and larger population than Sabah. In 1960, Ibans (Sea Dayaks) constituted 31 per cent of the total population in Sarawak, which stood at the time at 744,529, with the Chinese making up close to another 31 per cent. Malay share of the population was about 18 per cent, with the Bidayuh (Sea Dayak), Melanaus, other indigenes, and Europeans contributing the rest (Bruton 1993, 61). The occupation-ethnonational structure was also biased toward the Chinese, who were employed in the more lucrative sectors of the economy. The general breakdown of industry-related sectors illustrates the Chinese dominating commerce and manufacturing in 1960 with a total of 26,404 workers, while Malays followed suit with 8,167 workers. The Chinese also control the production and marketing of agricultural products, principally rubber, pepper, and the remunerative timber industry (Leigh 1974, 5). Table 4.7 on the next page illustrates the breakdown of worker population in the Professional and Technical job categories by ethnonationality. Out of a total 6,220 workers, Chinese and Malays eclipsed other groups in this field with 3,194 and 1,017 workers respectively, (Bruton 1993, 74). The majority of the indigenous peoples remained in the lower sections of agriculture, fisheries, and also the armed constabulary services, and therefore constituted the larger portions of the impoverished sectors of the economy in the state (Bruton 1993, 62-75).

Table 4.7: Professional and Technical Workers
by Ethnonationality in Sarawak, 1960

Ethnonationality	Number of workers
Bidayuh	319
Chinese	3,194
Iban	712
Malay	1,017
Other indigenous communities	764
Total	6,220

Source: Bruton 1993, 74.

Racism and the division of labor In British Malaya, Singapore, and northern Borneo

One of the most glaring contradictions in capitalism was manifested in the relationship between colonial masters and their subjects. There are two aspects of capitalism that need to be understood in order to further discuss this point. First, the rise of capitalism in Europe had been ideologically accompanied by so-called modern enlightenment principles of universal equality and human rights. For the European bourgeoisie, their eventual rise to positions of privilege and power in society was justified by a meritocratic ideology that people were rewarded for their skills and abilities to compete over others. Second, the accumulation of wealth and capital under capitalism required the continuous commodification of labor, land, natural resources, and everything else that pertained to production and marketing of goods and services. Only through this process could factors of production be quantified in terms of their value so that profits could be extracted. Therefore it was imperative that the production-exploitation process not be disrupted.

Colonialism was a process that placed these two aspects of capitalism into a contradiction. Under a colonial administrative system, European colonial masters should have been compelled to apply universal humanistic principles onto non-European subjects but the *de facto* practice of this ideology clearly excluded non-Europeans as well as women. Thus *Eurocentrism* created a disposition that excluded non-Europeans from their human moralist principles because they were very much dissimilar from Europeans in the civilizational elements that they (Europeans) cherished as highly supreme – religion and culture. In fact it became a moral duty for Europeans to 'Europeanize' others, even if they resisted, before these people could be accorded some form of equalities. As a result, colonialism became a process that justified violence, repression, and discrimination against indigenous peoples as a morally righteous civilizing project (Young 1995, 30-36).

However, an expanding capitalist system needed all the labor and resources available. In the case of colonialism, total violence against non-Europeans would not have been efficient and profitable since it would have kept away valuable labor and caused continuous social disorder, disrupting the capitalist production process. Maximization of profits and efficient production needed the minimization of costs, and as

such, indigenous labor needed to be absorbed through a system that would maintain a disproportionate hierarchy benefiting the colonial masters. Thus by according and maintaining a myth that colonized people were inferior in status, European colonizers dispensed the notion that guidance, direction, coercion, and even repression were necessary elements of colonial administration. Through colonial social and political institutions, racist indoctrinations of European superiority were effectively disseminated, inculcated, and to be accepted among non-Europeans. As long as non-Europeans were perceived to be less civilized, subjugation and repression was necessary to impose social order. The contradiction became more visible when even 'Europeanized' indigenous peoples remained subjected to or treated as second class. This was so because labor under capitalism needed to be controlled and divided, and racism was conveniently used as an ideological justification for such treatment of labor among colonized people. According to Wallerstein (1987, 7), "racism operationally has taken the form of what might be called the 'ethnicization' of the work force, by which I mean that at all times there has existed an occupational-reward hierarchy that has tended to be correlated with some so-called social criteria. But while the pattern of ethnicization has been constant, the details have varied from place to place and time to time, according to what part of the human genetic and social pools were located in a particular time and place and what the hierarchical needs of the economy were at that time and place."

In British Malaya, Singapore, and northern Borneo, such a process helped maintained the capitalist system for the benefit of the British, and to some extent, the Chinese capitalists. The British had hierarchically ranked the division of labor according to certain criteria that were beneficial to the production process. Racism served the colonizers in several ways. Philosophically there was an obligation to 'modernize' Malays, but the danger to the colonial state was an educated Malay mass that could later disrupt the colonial economy. Thus the British sought to explain 'shiftlessness' of the Malays and other indigenous peoples of northern Borneo as the reason behind their suitability and eventual predominance in the agricultural sphere of capitalist production. The 'warrior-like' qualities of many Malay and indigenous men also saw their recruitment into the lowest ranks and units of the colonial state's armed forces and police constabulary. Racial discrimination in education further ensured that Malays remain within these fields to serve the colonial state in food and agro-related production. Racist perceptions of Tamil Indians also served to justify their placements in the hard labor occupations of the rubber estates, plantations, and public construction projects. That social opportunities such as education were in a neglectful state for Indians was not a concern since their economic role was restricted to hard labor. Also, due to their circumstances as organized immigrants, the Chinese were perceived as diligent and innovative, enabling them to function as comprador capitalists and economic intermediaries between the Malay aristocrats and European capitalists. Meanwhile the lower class Chinese, uneducated and coming mainly from different sub-ethnonational groups, provided the basis for an emerging working class. Finally, social inequalities among ethnonational groups became a self-fulfilling prophecy for the system's benefactors - the British, their collaborators, and 'Euro-Christian' cultural protagonists, whose coordination and administration of the Asian groups within the colonial state became justified.

The racial division of labor under such a 'divide and rule' strategy emphasizing British racial superiority enabled the British to strengthen their position as colonial

masters. The British came to this region and employed a policy that kept the various ethnonational groups apart for several important reasons. One, it sought to impose English laws and institutions, perceived as meritocratic and fair, as measuring standards under which all groups could be stratified. Racist explanations became the logic of stratification in order to provide and maintain the efficient production and marketing of tin, rubber, rice, and other natural resource-based export commodities. As such, any inequalities could be justified as a natural outcome of meritocratic practice, and thereby justified. At the same time, rising demand for land and resources kept racist sentiments alive among the various Asian groups as well. Keeping the various ethnonational groups apart, functioned to prevent any formation of class-consciousness and opportunities of forging popular alliances between these groups against the British.

Conclusion

The colonial state's immediate concern was the expediency of capitalist production, which required the sustenance of social order and the strengthening of colonial institutions and infrastructure. The extent to which a particular ethnonational group was engaged in, or a certain region was economically valuable to, the capitalist economy would determine the degree of its development experience. Such disproportionate development was justified by self-fulfilling British racist prophecies that were premised on a perceived notion of a natural hierarchy of races. The higher mobilization rate of Chinese and Indians in the emerging capitalist economy entailed greater involvement in wage labor, education, health services, and occupational mobility. But even within these groups, favorable income and wealth distribution depended on particular caste or linguistic-ethnonational locations. Among the Malays, social stratification also flowed mainly along pre-existing class lines, with the privileges and benefits the nobility had enjoyed preserved under capitalism. Capitalist development in Malaysia and Singapore created a small privileged class within each ethnonational group that served the interests of the British capitalist class through the colonial state. In both these countries, groups that were dependent on the capitalist system for their survival monopolized the accessibility to resources through the help of a racist and repressive state system that insulated them against mass resistance.

Capitalist development also brought about uneven patterns of economic progress between various regions of Malaysia and Singapore. To a significant degree, the urban areas of the resource-rich states of Perak, Selangor, and Negri Sembilan together with Penang and Malacca received higher infrastructural investments than other regions within Malaya. The heavily Malay-populated agrarian-based states of Perlis, Kedah, Kelantan, Trengganu, and Pahang on the other hand, suffered from underdevelopment owing to geographical and economic constraints. As a result there was a disparity in economic development between the west and east coasts of Malaya. Such disproportionate regional development, which gravitated toward different demographic and ethnonational lines, tended to further polarize Malays and non-Malays as well as rural and urban populations.

Finally, Malaya, Singapore, Sabah, and Sarawak belonged to different regional tiers within the capitalist economy. Serving as a financial and trade center for the other areas, Singapore fast developed into a modern urban-based economy. The Malayan hinterland provided the natural resources as well as markets for commodities imported

through Singapore, as did Sarawak and Sabah, thereby creating a network of metropolitan-periphery relationship between Singapore and these areas. As we shall see in the following chapters, such an unequal commercial relationship between these economic zones became the primary reason for the maintenance of a separate political system for Malaya and Singapore, the end result of which translated into different developmental rates of worker consciousness.

Inequalities arising from the capitalist stratification process were to be a long-standing structure, which plagued ethnonational relations and prevented formidable alliances to emerge after the war. The inequalities that serviced the British colonial economy would later serve their neo-colonial objectives when social and political disparities between the main ethnonational groups, namely the Malays and Chinese, generated into conflicting worldviews and forms of ethnonationalism.

CHAPTER 5

THE RISE OF COLLABORATIVE ELITES AND POST-COLONIAL STATES IN MALAYSIA AND SINGAPORE 1945-1965

This chapter discusses the failure of a popular democratic alliance to emerge that enabled the rise of the elite class in Malaysia and Singapore. Significant economic disparities between and within each ethnonational groups, as discussed in the last chapter, resulted in each group's social and political alienation from the other, impairing the crystallization of a unified nationalist movement. These ethnonational inequalities had given rise to incompatible and particularistic political worldviews between these groups. For democracy to develop, formal democratic institutions must be backed by a commitment to soften particularistic demands in the light of broad popular-democratic objectives (Jessop 1982, 250-251). Malay and Chinese wealth disparities, especially, have produced divergent ethnonational trajectories that have not only made broad popular objectives unclear but also a workable democratic coalition between them difficult.

The first portion of this chapter deals with the difficulties of nationalist movements in forging a popular revolution against the British after the Second World War. According to Wallerstein (1986, 149), anti-systemic consciousness as displayed by nationalism, requires the "stretching of the interpretation of the historical evidence in ways that disinterested observers would consider partisan." In the case of Malaysia and Singapore, Malay and Chinese ethnonationalism developed from each group's distinctive response to the harsh experiences of colonial rule, thereby placing a barrier on a cohesive form of consciousness needed to launch a successful revolution.

The second part of this chapter examines the rise and strengthening of the local elite class in both countries. The problematic circumstances surrounding the establishment of a viable united democratic front opened up for the elite class the political vigor to emerge as political leaders in an independent Malaysia and Singapore. In Malaysia, the elite class of all three main ethnonational groups, and later of Sarawak and Sabah, formed an elite-based 'consensual alliance' that has sought to extend their hegemonic role through their control of the state apparatus. In Singapore, the English-educated elite class established its political dominance by ruthlessly weeding out its opponents, particularly among the radical Chinese-educated working class.

While the struggle for democracy did take place, the comparative histories of Malaysia and Singapore illustrate that the early democratization process in both these countries could not move beyond the lowest levels of bourgeois democracies. For the popular movements, there was the inability to move past their own particularistic ethnonational concerns. In both these countries, state repression and ethnonational-class differences have continued to distract the various groups away from a unified political front that could otherwise subdue the state into instituting popular democratic reforms.

Fragmented National Consciousness

Decolonization of the periphery after World War Two was the result of the proliferation of nationalist ideologies and movements that aggressively promoted the rights of each nation to self-determination. Despite the overwhelming superiority of European military forces, nationalist movements in the periphery managed to mobilize mass anti-systemic struggles to launch effective political opposition against colonial rule (Shannon 1996, 92). These liberation movements often premised their struggle upon universal concepts of nationhood, freedom, and equality. In Southeast Asia, David Martin Jones (1997, 23) wrote, "mass organization further introduced millennial ideas of liberation through collective action that clearly threatened not only colonial rule, but also traditional practices.... The new ideologies introduced into politics a new identity and a democratic principle."

Nationalism and the notion of nation-statehood are complex issues often complicating the process of nation-building. In Malaya and Singapore, there were problems in aligning the various ethnonational demands toward a common national consciousness. Rosa Luxemburg (1976, 141) once posed the question "The nation should have the right to self-determination. But who is that 'nation' and who has the authority and the right to speak for the nation and express its will?" Gellner (1983) consigns nationalism, from which nations are created, as a political principle, which maintains that the national and political unit should be conformable. Anderson (1983, 15-16) argues that a national imagination precedes any notion of nationalism and nationhood. The nation then is an imagined political community because its very entity is entrenched in the common historical bonds of language, culture, or religion. Under subjugation and suppression, nationalism seeks to turn the imagination into political reality. Anderson continues (1983, 19), "It is the magic of nationalism to turn chance into destiny." The differences in the type of imagination of the Malayan nation, and the question of who should lead and speak on its behalf, were at the very heart of Malay-Chinese discord in the popular struggle for independence against colonialism. Malays saw an independent Malaya as a continuation of Malay nation-statehood dating back to the pre-colonial era, viewing colonialism as a politically interruptive period in an otherwise longer period of Malay historical predominance in the region. For the Chinese, Malaya was a new political unit carved out from an historical transitional period, in which common citizenship should apply equally to everyone.

The opportunity was ripe for a solidarity-based revolutionary front to surface in Malaya and Singapore after the Second World War. But three main factors prevented the formation of national democratic alliance among the various ethnonational groups. One, as explained in the last chapter, British 'divide and rule' policy produced a stratification structure that fell along ethnonational lines, creating an unequal wealth distribution between the various groups. Ethnonational-class inequalities between the Malays and Chinese in particular, presented an exigent political position in which the Chinese possessed economic power over the other while the Malays sought to preserve their newly found political strength. Unequal relationships in this case served to stultify attempts at democratic alliances between the two groups, since deep mutual distrusts and divergent political aims resulting from political economic inequities prevented a unified national consciousness between them. Two, the segregating nature of British colonial policy, exacerbated by a brief but highly segregating Japanese colonial

occupation, evoked a mutually hostile and retributive relationship between Chinese and Malays. This kept these two dominant groups politically and culturally apart. Both these factors caused the third - the division of Malaya and Singapore into 'Malay and Chinese preserves,' which provided a problematic environment for a unified national imagination or consciousness to emerge. An examination of Chinese and Malay ethnonationalism illustrates these problems.

Chinese ethnonationalism in Malaya and Singapore

The initially transient nature of Chinese labor meant that Chinese political interests were not 'Malayan' in scope, but rather within the orbital interests of their homeland. Chinese print media and schools in the Malay States, northern Borneo, and Singapore were tailored specifically to inform of developments in China. In the absence of state aid for Chinese education, Chinese schools here were often financed by the various *kongsis*, clan-based organizations (*hui guan or guanxi*),[48] and community associations (Trocki 1990, 10-12).

As the political atmosphere in China grew more intense, Chinese schools in Malaya and Singapore gradually catered to political propagandizing rather than intellectual pursuits as Chinese communities in these countries closely followed the debates between the reformers and revolutionaries in the mainland. Representatives from each side came to Malaya to generate political and financial support for their respective causes. Unfortunately schools became breeding grounds for political mobilization, and less on rudimentary education. In the process, classical Confucian education emphasizing disciplinary aspects of Chinese culture and often associated with Manchu rulers was undermined and sequentially edged out (Harper 1999).

The 1911 Republican revolution in China brought the standardization of Mandarin as the Chinese *lingua franca*, and Chinese schools in the Malay States took no exception in implementing it as their medium of instruction. The political stand of the Chinese, as engendered by the events in China in which European and Japanese armies were increasingly subduing its government into treaties, became staunchly anti-foreign and anti-western. Such hostile attitudes were cultivated and reinforced in the schools among the young, evident in the fanatically anti-foreign and xenophobic text and reading material that almost all the Chinese schools were using. With the power struggle taking place in China between the *Kuomintang* (KMT- Nationalist Chinese Party) and the Communist Party of China (CCP), Chinese ideological indoctrination reflected a parallel contest in Malaya, Singapore, Sabah, and Sarawak. It became glaringly obvious to the British that Chinese education had turned into a hotbed of ideological recruitment.

By the late 1930s, the import of Chinese labor had virtually stopped with the mechanization of European tin enterprises. Concerned with anti-western sentiments brewing in Chinese schools and the nature of Chinese residence becoming more enduring, the British took the initiative to control Chinese education through a registration process as well as endowments of federal grants. In 1935, the Education

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[48] *Kongsis* and *hui guans* were often associated with secret society and triads. Such organizations included everything from business partnerships to regional associations of triads and cultural preservation groups (See Trocki 1990 and Yen 1986).

Department introduced progressive changes in Chinese education through a teacher-training program and recognition of Mandarin as language of instruction (Andaya and Andaya 2001, 226).

But Chinese distrust persisted, and many schools rejected any form of British aid or support. Meanwhile, KMT influence reigned supreme, not only in Chinese schools, but also in Chinese political activism. The Chinese, mobilizing behind the KMT, formed the most organized and financially stable political communities. In fact, KMT party branches grew throughout Malaya and Singapore to become the largest political organization in prewar Malaya. By 1948, its branches reached a total of 219 with a membership of nearly 30,000 (Harper 1999, 33).

Driven by deep-seated attachments to their ancestral homeland, a huge part of Chinese ethnonationalism in Malaysia and Singapore was motivated by an overwhelming sense of ethnocentrism. Confinement within one's own community and inheriting the traditional Chinese parochial sentiments, which emphasized the greatness of Chinese culture over every other, ethnocentrism provided the platform from which Chinese ethnonationalism surfaced. Western invasions of and victories in the Chinese mainland further aggravated any-preexisting antagonisms the Chinese had for the British. In addition, British patronage of Malay rulers and colonial policy that seemed to politically marginalize the Chinese only served to heighten an already rancorous stand toward colonial rule. With the rise of the communists in China, many Chinese in Malaya and Singapore found inspiration in the new movement's egalitarian principles.

Yet, despite this, Chinese ethnocentrism remained embedded in the belief that the Chinese were the best people to spread revolutionary ideals into Malaya and Singapore. For the Chinese in Malaya and Singapore, a problematic political worldview was manifested in the difficulty to reconcile the distinction between a territorial nation-state, *guojia*, and a nation as a cultural community, *minzu* (Harper 1999, 87). Chinese revolutionary thought, although succeeding in merging these concepts to unite mainland China under the Kuomintang banner, failed to elucidate the Chinese in Malaya and Singapore on the larger political realities of their existence in southeast Asia. Therefore, efforts by various Chinese cultural establishments as well as the CPM to instill a unique pride in being a 'Chinese-Malayan' and to reorient the popular struggle for freedom away from China toward Malaya and Singapore were intensified (Tan 1988).

Yet, even within the leftists, whose politics were more grounded to local and non-communal conditions, the issue of the extent of Chinese domination in the struggle and the position of the non-Chinese as potential equal partners in a new republic was clear. The Chinese, as they saw it, were the most advanced non-European community in both Malaya and Singapore, thus a visionary Malayan People's Republic was to be inevitably led by them. Internationalist approaches to anti-colonialism, although localized, were still not able to effectively distinguish for the Chinese, the politics of race with that of the Malayan nation (Harper 1999, 88).

As a result, according to Esman (1994, 59), there emerged three different political categories of Chinese, each related to their respective social economic situation at the time. The poor and the Chinese-educated, angered by British political marginalization and 'preferential treatment' of Malays, opted for the creation of a

theoretically egalitarian communist state as the only viable solution to colonial rule. The second group comprised those who believed that the future of the Chinese in Malaya was dependent on their ability to successfully become full-fledged Chinese-Malayan citizens, similar to their countrymen in any other independent capitalist state. Their view lay on the premise that only Malayan citizenship would enable the Chinese to acquire the rights to resist the threat of institutional subordination in a country that was destined to attain national independence. Many commercial associations, occupational guilds, and cultural organizations took on this political stand (Esman 1994, 60). Finally, there was a small group of Chinese, who were English-educated, middle class, and extremely committed to seeing a Malaya in the reflection of a western secular state. This group adamantly dismissed Malay indigenous status as a 'myth,' and was extremely derisive of the other two groups' political beliefs and accommodations (Esman 1994, 61). In due course of Malaysia and Singapore's later history, the second and third group would respectively represent the Chinese ruling class within the larger national political scene. A major reason for this was the economic power they possessed over the first group.

Politics of desperation: origins of Malay Ethnonationalism

To the Malay rulers, the coming of the Chinese and Indians to the Malay States as temporary laborers was similar to that of guests to their homes – they were expected to leave when the time came (Andaya and Andaya 1982). Unfortunately, the few interactions that existed between Malays and Chinese usually centered on impersonal economic relations. For the Malay peasant, social-economic engagement with the Chinese was either through a middleman, who had often been perceived as greedy profiteers, or the village retailer, who sold goods unreachable to most Malays. The increasing number of permanent settlers attracted to the abundance of opportunities in the Malay States worried not only the rulers but also the common peasant, who saw these immigrant communities as "colonial parasites" working together with the British (Cheah 1983, 15-16).

After many Malays were attacked and murdered by armed Chinese members of the Malayan People's Anti-Japanese Army (MPAJA) on suspicion of being Japanese collaborators, social distance between the two groups took a turn for the worse. Malay apprehensions of and antagonisms toward the Chinese was further fuelled by wealth imbalances that favored the Chinese and an enormous migrant population that was swallowing them into minority status. Such a situation gave in to fears that the Chinese in particular would overrun the *tanah air* (homeland) and enslave Malays not only economically but also politically. In 1947, the Malay media in Kuala Lumpur and Singapore made efforts to raise such awareness and called for a unified identity of all sub-ethnic Malay groups under a greater Malay ethnonational consciousness (Harper 1999, 86, Utusan Melayu 1946).[49]

The subjugation and impoverishment of Malays through colonialism drove some segments of the emerging Malay literati to form various Malay organizations as a way to improve their conditions and assert their cultural identity. Roff (1995, 254-257) identified

[49] The Malay press urged for all Malays, who settled in from other parts of the *Nusantara* as well as those residents of Malay-Arab and Indian mixed backgrounds to consider themselves as Malays rather than Malayan citizens, (see Harper 1999, 86).

three main Malay ethnonationalist groupings. The earliest anti-systemic Malay group sought to reform Malay traditional society through Islam. The second group constituted of Malay-educated intellectuals recruited mainly from vernacular colleges and schools, and the third, an English-educated circle drawn from the Malayan bureaucracy.

Malays who had gone through the Islamic *madrasah* schooling system found their way to the universities of Cairo, Jerusalem, and Baghdad. Upon their return, they brought with them the Islamic concept of science and philosophy, including the concept of egalitarian statehood under the notion of *ummah,* that had been deprived to Malays both through colonialism and their strict adherence to traditional pre-Islamic customs. Referred to as *Kaum Muda* (reformers), these scholars urged for the cleansing of Malay Islamic practices from the corruption of the existing Malay feudal structure, especially the so-called paramount and infallible identity of the ruler, which served to stand in the way of Malay social economic progress (Roff 1995, 254). Debates concerning Malay future development along these lines ensued between, but not limited to, the *Kaum Muda* and the more firmly incorporated *Kaum Tua* (Traditional establishment). Although the *kaum muda* lacked the effective support from a tradition bound Malay populace, its roots as an anti-establishment movement was carried on by its more radical disciples, who later sought political platform through secularist channels (Tregonning 1962, 165).

By the 1930s political developments in Indonesia, largely propagated by revolutionary Islamic and leftist youth groups, began to spill into Malaya and Singapore. Before long, a significant number of Middle-eastern educated Islamic intelligentsia began to team up with a small group of radical Malay-educated activists (Milner 1995, 257-281). Led by members of the *Kesatuan Melayu Muda* (KMM - Young Malay Union), these Malay ethnonationalists fought their struggle on a leftist platform and advocated independence through a union of Malaya with Indonesia or *Malaysia Raya (*Greater Malaysia/Indonesia) (Andaya and Andaya 1982, 249). Drawn largely from the peasant class, this group was extremely critical of all existing establishments, particularly of the special relationship between the British and Malay rulers (Yaacob 1957, 24).

Just before the Second World War, the British interned many of the KMM members under its Defense Regulations for their extremist views (Yaacob 1957, 26). During the war, the Japanese disbanded the KMM, and created their own patronage organization *Pembela Tanah Air* (PETA – Defenders of the Motherland) to monitor the Malays, and through whom they promoted for a greater Indonesia concept (Cheah 1979, 85-120). The tragic events of post-war inter-communal riots kept many Malays from any association with Chinese left-wing groups. Apart from a small band of Malay urban intellectuals, the KMM's following among the conservative traditional rural sector was extremely minimal (Roff 1995, 255).

The third Malay group that became increasingly aware of the pathetic plight of Malays vis-à-vis other ethnonational groups was the Malay officers of the colonial civil service. Highly knowledgeable and in touch with current events, Malay bureaucrats became the most sensitive group to any form of 'alien incursions' manifested through Chinese claims of equal rights. In the 1930s, various Malay associations cropped up from among this circle in response to their alarm at the rapid rate of domiciled Chinese in the Malay States (Adam 1991). These associations professed support for the traditional

Malay institutions and even for British colonial rule as a temporary buffer against the 'rapacious demands' of the non-Malays (Roff 1995, 235-237; Hamidi 1961, 1-6).

Malay anxiety of increasing non-Malay political empowerment came to full alert with the 1946 Malayan Union proposal that threatened to lodge the future of the Malay States in 'foreign hands.' For Malays, the term of 'Malayan' as a designation for the people of Malaya was itself a misnomer (Harper 1999, 92). As far as many Malays were concerned, Malaya was the land of Malays as China was the land of the Chinese, and the status of the sultan represented the symbol of Malay nationhood (Firdaus 1985, 57-59). To the majority of Malays, British plans to reduce the status of the sultans and subordinate them to the Crown of England under the Malayan Union offered the prospects of de-legitimizing Malay sovereignty. Furthermore, the Union's liberal citizenship laws seemed to open the door for non-Malays to gain equal political power (Omar 1993, 49-56). It was hardly surprising then that many Malays, bent on upholding Malay social institutions as a way to preserve Malay nationhood, became inspired by the third group of ethnonationalists. Thus If Malay ethnonationalism before the war had seemed diversified, the Malayan Union plan served to unify many conservative and traditional-oriented Malay organizations under a defensively ethnocentric outlook. It was from this struggle that the conservative-traditionalist United Malay National Organization (UMNO) emerged as the dominant party with whom the British engaged for discussions on Malayan independence.

Failure of Democratic Front in Malaya and Singapore: The CPM and Anti-Federation Movement 1930-1947

The years leading up to the Second World War witnessed a politically igniting period in Malaya and Singapore largely due to the involvement of the Communist Party of Malaya (CPM) in these countries' politics. The CPM was born in 1930 out of the General Labour Union (GLU). The depression years gave the CPM the opportunity to gain mass support from among the mainly Chinese workers engaged in the export industries (Andaya and Andaya 2001, 251). While it maintained a commitment to a visionary international communist political order, the CPM gradually became a Chinese based organization, much to the concern of visiting COMINTERN leaders (Harper 1999, 89).

The war with Japan in China unified the Chinese in Malaya across all social categories. In 1936, it allied with the KMT branch in Malaya and Singapore to form the National Salvation Movement - in emulation of the United Front in China, which was an alliance between the Chinese KMT and the Chinese Communist Party against the Japanese invasion of China. It is through this allied movement, however, that the CPM began to extend its organization (Yong 1992, 203-254). Although originally oriented toward events in China, the successful anti-Japanese struggle gave the CPM the confidence needed to turn their attention toward self-determination in Malaya. Advised by its patrons in China, England, and in the COMINTERN, the CPM withheld its plans for an armed revolution by taking on a less aggressive path for Malayan independence through its infiltration of labor unions (Brimmel 1959).

The CPM and trade union activities

The CPM's objective for an independent Malaya was based on the inclusion of Singapore. Its strategy for insurrection was three-stepped; provocation of strikes to cripple the economy, followed by complete communist control of inland areas, and then the use of armed force to secure important bases (Stenson 1970, 217). In 1946, the Pan-Malayan General Labour Union (later PMFTU - Pan-Malayan Federation of Trade Unions) was formed. By the following year, it had a cross-ethnic and cross-occupational membership of 263,598, constituting nearly half the labor force in Malaya and 85 per cent of all unions (Stenson 1970, 104). The British were bankrupt after the war and acquired an external debt in excess of £3.4 million. Malaya's tin and rubber provided them the only source of gold and reserves, while the US provided cheap markets for these commodities; and this meant that wages had to be suppressed (Hua 1982, 73).

Taking advantage of the depressed conditions of the workers, the CPM organized nationwide strikes at various factories, estates, and mines. Shipyards, factories, docks, plantations, and even public transportation were systematically paralyzed in the first few months after the call. Clashes with police were sometimes violent and several people were reported killed throughout the country. The CPM's armed unit, the MPAJA, had taken over several urban administrative centers. In contrast, there were instances, as in the Malayan Collieries and Singapore Traction Company cases, in which workers succeeded in their demands for better wages and improved working conditions (Stenson 970, 145, 199).

At the same time, the CPM also helped galvanize the various unions into the Singapore Federation of Trade Unions (SFTU) (Sweeney 1977, 200-201). It was not unexpected that the CPM, already acquiring a strong working class base on the island, became heavily involved in the early politics of Singapore. Initial strikes organized throughout Malaya and Singapore had been quite successful. In February 1947 alone, 171,000 man-days were lost in Singapore, while 96,000 were lost in Malaya (Stenson 1970, 198).

Anticipating trouble, the state was ready for trouble and issued a "shoot to kill" ordinance to stifle any further thought of a strike (Stenson 1970, 179-180). State suppression of union activities was complemented to some extent by waning activism among members as well. By 1948, working conditions in most occupations had improved. The colonial state also played their communalist cards well when an increasing number of Malay industrial workers, who had begun to pour into urban areas, were taken advantage of to fill in worker vacancies during strikes. Soon, with no major claims being presented and in the absence of extreme worker discontent, interest in mass union activities gradually died out (Stenson 1970, 193-197).

The PMFTU also grew more detached from the CPM. The need for revolutionary action became more distant as the CPM itself was hesitant in completing their insurrection strategy. Membership within PMFTU, especially the rank and files, soon preferred the adaptation of the new opportunities that developed before them through the Federation rather than in the pursuit of proletariat goals (Stenson 1970, 199-200). As the economy improved and Malaya and Singapore recovered significantly from the war, interest in trade unionism soon waned. In 1949, the fall in trade union membership in

Singapore was by 25,000 while the reduction in Malaya was even more - from 70,037 in January 1949 to 42,288 in December of that year (Morgan 1977, 191).

Trade union activities, which had been fervent before the war and reached its peak in the strikes after the war, were seriously curbed with the banning of the SFTU and PMFTU under a 1948 Trade Union Ordinance (Stenson 1970, 48-51, Onraet 1946). Incapacitated and politically ineffective, future union activities became state-sponsored and confined to purely economic matters until today.

Infiltration of CPM into the anti-federation movement

Singapore provided the setting for the attempt at a unified Malayan nationalism with many fragmented groups converging together on a political front known as the All-Malaya Council of Joint Actions (AMCJA), formed in December 1946 (Means 1970, Chapter 7). This front was made up mainly of non-Malay groups that had opposed the manner in which the Federation of Malay plan was drafted exclusively between the British, UMNO, and the Malay rulers (Silcock and Aziz 1953). Among the more prominent associations were the Malayan Democratic Union (MDU), led by a group of English-educated westernized non-Malays advocating for a modern Malaya, the SFTU, and the Straits Chinese British Association, and the Malaya Indian Congress. Its affiliates included the MPAJA and Pan-Malayan Federation of Trade Unions (PMFTU). The AMCJA's leadership was held by its Chinese-Malayan Chairman, Tan Cheng Lock, and included some distinguished personalities such as Gerald De Cruz, Philip Hoalim, and Lim Hong Bee of the MDU. By 1947, it drew a membership of 400,000 (Ongkili 1985, 60).

Meanwhile, Malay radicals in the newly formed Malay Nationalist Party (MNP) disagreed with the conservative approach of UMNO as well as the scant regard the UMNO-led groups had for leftists within the organizational structure (Boestamam 1972, 87). Drawn from the leadership of Malay leftist groups including the now-defunct KMM, the MNP was led by Dr. Burhanuddin Al-hilmy, and other Malay leftists such as Ahmad Boestamam and Ishak Haji Muhammad. Refused by the British to join in the Working Committee for the Federation of Malaya, the MNP mobilized other Malay-Muslim groups such as the *Angkatan Pemuda Insaf* (Liberated Youth Corps), the Peasants Union, the Islamic *Hizbul Muslimin*, and the *Angkatan Wanita Sedar* (Women's Liberation Corp) to form the *Pusat Tenaga Raayat* (People's Labor Center) or PUTERA (Ongkili 1985, 63).

In March 1947, with a membership of more than 150,000, PUTERA joined forces with AMCJA to provide Malaysia and Singapore with their first popular inter-communal alliance. Although at first glance, AMCJA-PUTERA portrayed itself as a coalition of strange bedfellows, both sides eventually worked well to come up with their ten principles of constitutional self-government for Malaya. They were as listed below (PUTERA-AMCJA, 1947, 2-3):

1. A United Malaya, inclusive of Singapore;
2. A fully elected central legislature for the whole of Malaya;
3. Equal political rights for all who regarded Malaya as their real home and as the object of their loyalty;

4. Malay rulers to assume the position of fully sovereign and constitutional rulers, accepting advice not of British 'advisers' but of the people through democratic institutions;
5. Matters of Muslim religion and Malay custom to be under the sole control of Malays;
6. Special attention to be paid to the advancement of Malays;
7. Malay as official language of the county;
8. Foreign affairs and defense of the country should be the joint responsibility of the Government of Malaya and His Majesty's Government (Britain);[50]
9. The term 'Melayu' should be the title of any citizenship or national status in Malaya; and
10. The national flag of the country should incorporate the red and white of the Indonesian national flag.

At best, these principles reflected the compromises of the various factions within this coalition. Both sides not only made concessions to parts of their own ideological manifestos, but also took into account the position of the dormant Malay peasantry, whose political awareness had not yet been awakened. Principles (4) and (6) were drafted with this in mind. The AMCJA clearly wanted western-type governance, while the MNP faction of PUTERA insisted on a more socialist state with close ties to Indonesia.[51] Besides the ten principles, the coalition emphasized that eligibility for citizenship was open to all, and that citizens were to "enjoy equal fundamental rights and opportunities in the political, economic, educational and cultural spheres, regardless of race, creed, colour, or sex" (Ratnam 1965, 150). The socialist elements within this coalition could be seen from the spectrum of demands for better and fairer working conditions that included minimum wage, the right to strike, and social security (PUTERA-AMCJA 1947, section 12-17). The concept of *Malay* was also somewhat de-racialized and extended to be inclusive of the other ethnonational groups (Omar 1993).

These principles were embedded into the draft constitution for submission to the British. In fact, the leading newspaper Straits Times commented that the draft constitution prepared by the AMCJA-PUTERA as far-sighted and idealistic (Stenson 1970, 177). Unsurprisingly, the British rejected them on grounds that they never were interested in negotiating with elements that they had sought to exclude, such as the various CPM-led trade unions and the Malay leftists (Stenson 1970, 177). Left leaning groups, both Malay and non-Malay suffered from the colonial state's repressive anti-Marxist policies. Furthermore, the British had just found in UMNO, a very reliable pro-capitalist and western group that would make the ideal neo-colonial ally.

In response, the AMCJA-PUTERA, through its link with the Associated Chinese Chamber of Commerce, proceeded with a *hartal* (stoppage of work for a specified period) on October 20, 1947. The *hartal* was extremely successful and caused an estimated loss of £4 million (Purcell 1954, 8). Despite the effectiveness of the *hartal*, the British carried on with the declaration of the Federation. When a second *hartal* was called, the fragmented vision of the AMCJA-PUTERA coalition reared its divisive

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[50] This was deemed a temporary provision, (PUTERA-AMCJA 1947).

[51] It was highly anticipated that the socialist faction of the Indonesian Revolutionary Army would ultimately influence the direction of Indonesian independence, (Suryadinata 1989).

elements. The turning point began in the defection of Chinese right-wing groups such as the ACCC's for political and economic gains to be made from the improving economy, mainly baited by British promise of representation in the Legislative Council (Harper 1999, 91; Blythe 1948). Even the CPM, realizing the futility of *hartals* in the present atmosphere, called their trade unions not to participate, and instead contribute their earnings to its 'struggle fund' (Monthly Review of Chinese Affairs 1948, 16 quoted in Stenson 1970, 179). In 1948, the AMCJA-PUTERA coalition met its demise.

The failure of the coalition has rarely been attributed to other factors outside the diverse factional aims of the various component groups; the MNP, with their Malay socialist greater Indonesia concept; the CPM-dominated PMFTU with their Chinese-based worker state ambitions; the Chinese Chambers of Commerce with their capitalist outlook and citizenship issue agenda. The ideological pursuits of the main groups within this alliance, PUTERA's MNP, AMCJA's MDU, Chinese Chamber of Commerce, PMFTU, and the CPM, manifested the structure of ethnonational-class tensions that had permeated the coalition from the very beginning (Cheah 1983, 299).

At the core of the coalition's division was the inability to agree on a common notion of what was *Malayan* or *Malay* within the imagination of a new and independent nation (Rahman 1985). The MNP, through PUTERA, was basically espousing a Malay-based socialist Malaya. Its belief in the *nusantara* as homeland to all Malays had been entrenched within the Malay ethnonational worldview that sought to keep Malaya from foreign political domination, including Chinese and Indians (MNP 1946, 2). To the MNP, the concept of *Malayan* followed the colonial mould, which overwhelmed the *Malay* identity in quite degrading terms (Said 1992, 271).

To the Malay leftists, *Malay* constituted the correct political labeling for the citizens of Malaya and Indonesia, implying that the requisite of some degree of assimilation of non-Malays to *Malayism*, specifically through a significant level of adoption of the Malay language and culture (Said 1992, 264; Boestamam 1971, 131). The MNP's intended affiliation with Indonesia was to serve a two-fold benefit for Malay socialists. One, it would demographically enlarge the Malay population, and two, it would place Malaya in an advantaged socialist superpower position within a new world order. As Dr. Burhanuddin Alhelmy declared," there is no room in this world of the atomic age for small isolated countries and that the free Malaya of the future should become part of Indonesia as it was before" (quoted in Said 1992, 264 and Stenson 1980, 124)

Despite its left-wing appearance, the MDU basically commanded a Singapore-based English-educated, non-Malay professional membership (Harper 1999, 85). Within a socialist agenda, their main struggle was for equal citizenship and access to political power for non-Malays. Although initially there had been agreement by the MDU on the propagation of 'the Malay language' as the basis of national consciousness, at least among the top leaders (Boestamam 1971, 131), such an understanding became fragile at best and would have unlikely sustained itself into political permanency (Cheah 1983, 300). Behind its political correctness, the MDU was well aware of the coalition's potentially disadvantaging implications on non-Malays in an independent Malaya (Yeo 1973, 38).

The Chinese-dominated ACCC and the CPM, despite struggling on opposite ideological platforms, shared similar sentiments for a Chinese dominated Malaya. The CPM attempted to conspicuously inject a Chinese ethnonational flavor into Malay or Malayan socialism along the lines of the *Sinoization* of Communist China or *Russification* of the Soviet Union. But more worrisome for Malays had been these organizations' exuberant attitude of emphasizing Chinese superiority over Malays, which caused Malays to consistently hold them in suspicion and contempt. Such ethnocentric posture can be captured by a statement made by the former Chairman of the AMCJA, Tan Cheng Lock's (1949, 2) regarding the economic position of Malays and their beneficial cooperation with the Chinese: "inferior races are raised by living in political union with races intellectually superior."

Another reason for the failure of this coalition was the inability of the Malay left to influence the Malay peasantry. The role of the Malay peasant in this democratic alliance had been severely lacking the reason being not so much for their deep allegiance to the rulers as to their experiences with and misperceptions of the left. Despite the strict feudal structure, Malay peasants were not a fixedly passive class. James Scott (1985, 298) documented that in the pre-colonial Malay States, peasant resistance was mainly deployed in the form of 'weapons of the weak' against more formidable authorities. Such resistance included willful and massive non-compliance with laws as well as demonstrations and sit-ins (Talib 1982, 114-174). Although swiftly suppressed, a few of such forms of resistance have been quite violent (Nik Mahmud 1974, 65-75).

In fact, Malay peasant sympathy for the CPM had become increasingly significant in the predominantly Malay states of the East Coast, where the all-Malay tenth Regiment of the CPM had quite a significant following among villagers in these areas (Short 1976, 209). Malay leadership in the CPM itself was quite significant. Its central committee chairman Musa Ahmad was Malay as were prominent members Abdullah C.D, Rashid Maidin and Shamsiah Fakeh (Caldwell 1977, 225). Many of the Malays who joined the ranks of the CPM were "disgruntled local boys opposed to the Colonial Administration because they felt that under it their race was being deliberately impoverished...they were not alone in this view and so enjoyed widespread support in the surrounding countryside" (Abdul Razak quoted in Shaw 1976, 97).

But generally for the Malay peasants, particularly those who lived in states that were not predominantly Malay, the CPM-dominated union manifesto had no bearing on their personal lives. Memories of MPAJA vigilante justice shortly after the war were still hauntingly fresh for many of them and thus many stayed away from any association with communists. Accordingly, the Malay traditionalist elite through UMNO took advantage of this situation to remind Malays that the Sultans and rulers stood as symbols of 'Malay ownership' of the land. Deprived of capitalism's opportunities and subjected to political anxieties brought on by an increasing influx of non-Malays, the Malay peasantry preferred the security of UMNO. Incredibly, just like the British, these Malay traditionalists in UMNO rejuvenated the flailing prestige of the rulers as a source of rallying support for their cause.

Elitist Alliance in Malaya:
Forging an Elite-based Malayan Consciousness

With the gradual isolation of the Malay left as well as the CPM, the triumphant emergence of UMNO from the ashes of the Malayan Union debacle led to its dominating role in Malayan and later, Malaysian politics. Taking a conservative pro-western stance, UMNO gained the faith and confidence of the British to adapt well to the latter's neo-colonial designs on Malaya.

After the war, Malaya's economy was the most prosperous in Asia, constituting a vital part of Britain's economic revitalization plans. In 1951, Malaya's rubber exports to the United States alone were valued at approximately $405 million, while total exports from the United Kingdom to the US were less than $400 million (Tremewan 1994, 12). As seen from Table 5.1 below, Malaya's Gross Domestic Product per capita exceeded many other Asian economies in 1950 (Drabble 2000, 113: Van der Eng 1994). Malaya was indisputably the most vibrant economy in East Asia, clearly making it Britain's colonial 'bread and butter' (Li 1982, 169-170). In order not to disrupt the economy, the British were compelled to ensure Malaya attained a peaceful transition toward independence.

However, the hegemonic pressure from the United States' anti communist policies necessitated an independent, 'democratic,' and western-friendly Malaya. This meant that the British had to suppress left-wing political mobilization in Malaya and Singapore, which turned out to be harsh and brutal. By the end of 1948, about 13,000 people were arrested and many among them deported to China (Hua 1983, 95). Repatriation was legal since most Chinese in Malaya and Singapore were neither British nor Malayan subjects but rather had remained Chinese nationals (Tremewan 1994, 13).

The suppression of trade union activities in Singapore propelled the CPM to wage an armed revolt against the British in the jungles of Malaya through its military wing, the Malayan Races' Liberation Army (MRLA). In response, the British swiftly imposed in Malaya and Singapore, the Emergency Regulations 1948, outlawing the CPM and other left-wing organizations such as MNP's *Angkatan Pemuda Insaf* (Ongkili 1985, 88). The emergency laws empowered the colonial state among many things, to detain suspects without trial, ban left wing publications, impose curfews, and institute the death penalty for firearms possession (Khong 1984, 151-152). The MRLA launched an

Table 5.1: GDP per capita selected countries 1900-1950

Countries	1900	1929	1950
Malaya	600	1910	1828
Indonesia	617	1009	727
Philippines	735	1106	943
South Korea	568	945	565
Thailand	694	623	652
Japan	724	1192	1208

Source: Drabble 2000, p. 113; Van der Eng 1994.

equally brutal campaign, targeting civilians, villages, plantations, and public utilities throughout Malaya (Short 1976, 64-66). Unfortunately, many who joined the armed forces were Malays, and the campaign against the communists increasingly took on a communal flavor. The emergency period, also known as the 'war of the running dogs,' lasted a good twelve years, resulting in 90,000 communists deported and more than 20,000 detained (Josey 1980, 189; Barber 1987).

While the British were fighting the communists on one front, they were also drawing up plans to prepare an elitist coalition for independent statehood on another. Taking into consideration the significance of Chinese and Indian capitalist economic participation in the economy, one of the requirements for independence was the sharing of power with members of the Chinese and Indian elite class; there would be no independence until 'racial unity' was forged (Tan 1979, 30). The result was the founding of the National Alliance, which comprised UMNO, the Malayan Chinese Association (MCA), and the Malayan Indian Congress (MIC) as its main component parties (see Ongkili 1985, 75-94; Hua 1982).

The formative process of this elite coalition was neither smooth nor fully consensual. Underlying the problem was the significant amount of ethnonational distrust that prevailed between the Malay and Chinese elite class over the nature of nation-statehood and the distribution of power in an independent Malaya. Also, despite colonial rule having thrived on ethnonational divisions and exploitation of tensions, ironically the British now desired a western non-communal type Malaya. To the British, a political conglomeration of various ethnonational-based parties was both unreliable and unstable in safeguarding their neo-colonial interests.

Efforts were initiated by the British to encourage informal meetings between the elite of the various ethnonational communities in order to forge closer cooperation between them (Von Vorys 1975, 96-110). A series of low-profile elitist rendezvous led to the establishment of a Communities' Liaison Committee, with which the British hoped an ironing out of 'racial friction' to create a trouble-free and unified Malaya would materialize (Harper 1999, 173; Abdullah 1971, 165-168). The premise on which bargaining was to be made lay in Malay concessions on Chinese citizenship in return for Chinese acknowledgement of allegiance to the Malay Rulers and greater Malay economic participation *quid pro quo* (Harper 1999, 317; CLC 1949, 10).

Although the leadership helm of UMNO was basically in the hands of Malay aristocrats, the organization's membership now comprised staunch factions of Malay traditionalists and nationalists. Products of anti-Malayan Union reactionary rhetoric, which had induced Malay ethnonational consciousness to a more militant level, these people vowed to keep out Chinese political control of the country. Their complaints were reflected in the assertion by prominent UMNO stalwart, Panglima Bukit Gantang, that Malay economic woes lay in Chinese 'strangulation methods' that squeezed Malays out of not only urban and rural commerce, but also their agricultural and fishing livelihood (CLC 1949, 2). Increased political power for the Chinese, he pointed out, would complete the drive toward Malay political economic obsolescence. They also contend that the extent of *Malayanization* for non-Malays include significant recognition of Malay language and culture as dominant. European CLC members agreed that Malay social-

economic welfare must first be addressed before Chinese political power could be discussed and that *Malayanization* was synonymous with the adoption of Malay as the national language (CLC, 1949, 7).

Embodying leaders from the various Chinese Chambers of Commerce and representing the local *comprador* class, the MCA was adamantly opposed to any *Malayanization* plans that subjected the Chinese to assimilation into Malay culture or to recognize Malay as the national language. Most importantly, the MCA demanded more political power and a more liberal citizenship policy for the Chinese in the new Malaya. Furthermore, an independent Malaya, the MCA insisted, must remain within the British Commonwealth to guarantee the maintenance of Straits Chinese privileges (Lee 1960, 69). Unsympathetic to Malay social economic disenfranchisement, the MCA leadership also felt that the cause of Malay poverty rested more on Malay cultural shiftlessness rather than on Chinese structural control of the economy (Von Vorys 1975, 97).

Unsurprisingly no clear compromise could be made between the two parties. British anxiety over the delicate political situation evoked another initiative to establish a multi-ethnonational ruling coalition. They worked their way through the two party leaders, Onn Jaafar of UMNO and Tan Cheng Lock of MCA, who were strong personal allies of the British. Advised by the British, Onn Jaafar dropped a bombshell by proposing to abolish the present structure and open up UMNO to non-Malays. But faced with mass opposition to his plan, Jaafar left UMNO and formed the Independence of Malaya Party (IMP), with Tan as its Chairman. Jaafar's overestimation of his position as supreme Malay leader as well as his underestimation of the ground support in UMNO manifested in the few members that followed him to his new party. Although the IMP did consist of formidable leaders, they were, as the newspaper *Melayu Raya* described, "just like a factory with a manager.... but without machinery or labor" (quoted in Harper 1999).

Within UMNO a new leader appeared in Tunku (Prince) Abdul Rahman, who promised Malays that Malaya's independence was his organization's top priority. Somewhat embarrassed by Tan Cheng Lock's tie to the IMP, the MCA sought rapprochement with UMNO. MCA wanted an independent Malaya, but one in which they could be an integral part. There was obvious tenacity in UMNO's pursuit of independence as was its energy to mobilize a huge portion of the Malay population. The IMP, although favored by the British, did not have a similar political capacity. Hence, they were playing their cards well when they approached UMNO to forge an alliance for the upcoming Municipal elections.

With the war against the communists gaining successful momentum, support for the MCA among the Chinese had grown quite substantially. The fight against the CPM entailed the controversial resettlement of the sporadic Chinese rural population into 'new villages' under the Briggs Plan (Ongkili 1985, 92-93; Thompson 1966). By 1952, over 420,000 squatters had been resettled into 410 new villages (Sandhu 1964, 152). Here, the MCA was encouraged by the British to oversee the welfare of these villagers and to 'reorientate' the Chinese proletariat in general toward a capitalist Malaya. As General Templer, the commander of Malaya's armed forces, was quoted as saying "The answer (to the Communist problem) lies not in pouring more troops, but in the hearts and mind

of the people" (cited in Clutterbuck 1967, 3).[52] Helped by new opportunities in a rejuvenated economy that brought improved infrastructure to these settlements, the MCA made substantial inroads into winning over many of these new villagers (Harper 1999, 150-155;Lim 1971, 31-47).

After Onn Jaafar's departure, UMNO reorganized its internal structure, and did its fair share of purging those they considered potential threats, especially those who had critically challenged the leadership. The feudal-tributary type elements that existed in traditional Malay politics began to appear within UMNO, seen in its increasingly autocratic nature both in its management as well as in its assumption of paternal leadership among Malay professionals and peasants alike. Its attraction to its supporters remained in its political platform, which asserted the unconditional attainment of Malay hegemonic rule and increased Malay economic participation. Dissenters were often associated with unpatriotic and pro-colonist labels.

By 1951, UMNO claimed 903,682 members, while the MCA 204,906 and the IMP only 2,200. An UMNO-MCA Alliance performed well in the 'experimental' Municipal elections from 1952-1953. Out of a total of 119 seats, the Alliance won 94, with the IMP only 3. These successes spurred UMNO and MCA to demand that two-thirds of the existing Federal Legislative Council of Malaya be composed of elected representatives. When the British rejected their demand, the Alliance withdrew all their members from the Council in protest.

In order to avert a political crisis at a time when Malaya's economy was picking up and the fight against communist insurgents was not quite over, the British finally relented. In the 1955 Federal Elections, the Alliance routed the opposition, who won only one seat through the Pan Islamic Party (PAS). Onn Jaafar's new Party Negara did not win a single seat. Results are as shown in Table 5.2 below. Added to the ruling National Alliance was the Malayan Indian Congress (MIC), who previously had sided along Jaafar's camp.

Table 5.2: Results of 1955 Federal Elections in Malaya

Party	No. of Candidates fielded	No. of Candidates successful	Votes	Percentage of Votes
Alliance	52	51	818,013	79.6
Party Negara	33	-	78,909	7.6
Pan Islamic Party	11	1	40,667	3.9
NAP	9	-	20,996	2.0
Perak Malay League	3	-	5,433	0.5
Progressive Party	2	-	1,081	0.1
Labour Party	4	-	4,786	0.4
Independents	18	-	31,642	3

Source: Election Commission, 1956, and Harper, 1999, pp.345.

[52] The Briggs Plan was intensively implemented under General Gerald Templer, in order to demographically sever the CPM away from the support of the Chinese rural population.

In 1957, Malaya gained independence with the Alliance firmly in control. The 1959 elections saw greater participation throughout the country, although registration and voting requirements still prevented many from going to the polls. There was greater voting among the Chinese and Indians, who in 1959 constituted 35.6 per cent and 7.4 per cent of the electorate as compared to 11.2 per cent and 3.9 per cent in 1955 respectively (Ratnam 1965, 188). The 1959 elections also displayed a referendum of the constitutional contract that initiated vertical mobilization between the UMNO and MCA (Von Vorys 1975, 146-150). Table 5.3 below shows the voting breakdown according to ethnonationality for the 1955 and 1959 Federal Elections.

The events leading up to independence was an illustration of power struggles and contradictions among various elite circles, including the British. The British had called for a 'democracy that must be built from the ground up' (Von Vorys 1975, 107). But fearful of grassroots empowerment, the British actually wanted an elite-based, English-educated non-sectarian leadership that was western-capitalist in outlook, and one that could secure their interests in an independent Malaya. The British attempted to rope in their individual allies and build a leadership circle around them. Onn Jaafar and Tan Cheng Lock, intending to prop their own interests, both believed in a delay of independence, the former for the sake of enhanced Malay economic development, the latter for fortifying and sustaining Chinese capitalist privileges vis-à-vis Malay political development. In this, the British shared similar aims since postponed independence would mean more time to fully quell the communists as well as to oversee the development of a secular state that was 'Malayan' in scope.

However, nationalist fervor among Malays for independence overrode political considerations from other quarters. UMNO had by now become a bastion of Malay political power. Also, the MCA found a potential source of support in the Chinese population that was slowly turning their focus away from China toward Malaya. Leaders of UMNO and MCA, with the newly found grassroots base of their respective communities, took advantage of pushing the independence agenda more diligently. Both had much to gain from being part of the ruling class through independence; for UMNO it was political hegemony; for MCA it was the enlargement of their commercial opportunities (Heng 1988, 64-67). The magnitude of the desire for a piece of the political pie in an independent Malaya was illustrated in the willingness of the CPM to seek a dialogue with the Alliance in 1955 in Baling, northern Malaya, for possible political bargaining. The truce talks failed when the CPM 's condition for ending the struggle, which was political recognition of the CPM, was rejected by the Alliance (Clutterbuck 1985, 227).

Table 5.3: Ethnonational Composition of the Electorate in Federal Elections of Malaya in 1955 and 1959.

Ethnonationality	Electorate	
	1955	1959
Malays	1,078,000 (84.2%)	1,217,000 (56.6%)
Chinese	143,000 (1.2%)	764,000 (35.6%)
Indians	50,000 (3.9%)	159,000 (7.4%)
Others	9,000 (0.7%)	4,000 (0.3%)
Total	1,280,000	2,144,000

Source: K.J. Ratnam 1965, pp.187-200

In 1955, Malays made up 80 per cent of the national electorate, and it was apparent that the Alliance, through UMNO, had become extremely dependent on Malay votes to establish their rule (Ness 1967, 57). Harnessing its victorious challenge against the Malayan Union, and having rid itself of radical factions, UMNO established its reputation among the Malay peasantry as the champion of Malay rights (Chee 1991). UMNO had grown into an efficient organization, mobilizing its support base among the Malays through its efficient hierarchical machinery and a rallying battle cry – the unconditional protection and promotion of Malay interests in a new Malaya (Milne 1986, 122-123).

The results of the 1955 elections were somewhat heartening for proponents of a pluralist Malaya, since for a short while, the Alliance seemed to serve as a *modus vivendi* among the three main ethnonational groups (Andaya and Andaya 1982, 270). The excitement of independence and the disillusionment with communist insurgency tactics that disrupted civilian life had induced the hopefulness among the people of a new democratic nation. The success of the 1955 elections for the Alliance seemed to actually reflect a multi-layered support that the parties initially enjoyed (Gomez 1998, 232).

But the realities of ethnonational differences soon surfaced to affect the potential support base for the Chinese in MCA. In 1959 new citizenship laws increased the Chinese electorate to a significant 35 per cent (Sothi Rachagan 1993, 111-112). An ethnocentric leaning faction behind Dr. Lim Chong Eu took over the MCA leadership from the moderately conservative Tan Cheng Lock group, and presented an ultimatum to UMNO for an increase in its allotted 28 out of 104 electoral seats to 48 (Andaya and Andaya 1982, 268). When UMNO threatened to go to the polls alone, MCA withdrew its proposition and ousted its Sino-centric elements within the party. A majority of the Chinese then began to look for political direction in other leaderships they believed could help prevent their total submergence by Malays (Andaya and Andaya 1982, 268).

The UMNO and MCA partnership reflected the convergence of ruling class interests that enabled them, despite divergent short-term goals, to forge political alliances. Both parties believed in the significance of capitalist autocratic governance as a means to sustain the system that has nourished their economic needs and interests (Harper 1999, 323-324). Thus both parties adopted similar kinds of paternalistic platforms, on which popular support was generated through the narrow confines of ethnonational sentiments. Nevertheless at the leadership level, there was a common awareness of political realities. For those in UMNO, there was recognition that Chinese assimilation into Malay culture was idealistic but impractical. For the MCA leadership, there was a realization that reduction in Chinese-Malay disparities should be acknowledged for the sake of their own long-term economic future (Von Vorys 102-104).

The MIC, a political party whose leadership base constituted mainly of upper class professionals, joined the alliance right before independence order to secure its elitist interests. Commanding only a small fraction of Indian support, which itself constituted only 8 per cent of the total electorate in 1955, meant that survival of the organization and the Indian elite class could only be ensured through the National Alliance (Arasaratnam 1980). The MIC nevertheless, later managed to work through its

National Land Finance Cooperative Society (NLFCS), which gained substantial interests in the plantation sector, to garner political support from the Indian working class (Gomez 1998, 232). To further control Indian workers, the MIC developed strong links with the National Union of Plantation Workers (NUPW), whose leader P. Narayanan was also chairman of the Malayan Trade Unions Council (Vasil 1971, 91-93).

The basic accord between UMNO, MCA, and MIC was an informal one put together between leaders of each of these ethnonational organizations around three sensitive issues – citizenship, education and Malay special rights. UMNO agreed to citizenship for non-Malays on the basis of *jus soli*, in which everyone born in Malaya would be conferred automatic citizenship, in return for the other groups' recognition of the official status of Malay as the national language, as the indigenous people enjoying basic rights and privileges, and the favorable ratio of Malays to non-Malays in the civil service, the traditional bastion of Malay elitist power (Andaya and Andaya 1982, 269). Termed 'consociational alliance,' this political economic arrangement required enormous trust and good will between the leaders of each ethnonational community (Von Vorys 1975). The ability of each elite group to enforce this agreement on its constituents became pivotal for the effectiveness of such a political compromise (Esman 1994, 65).

The National Alliance, registered in 1958 as a political party with one vision, one manifesto and one direction under the UMNO leadership, was undoubtedly treading on unstable mass support. Apart from UMNO, it became obvious that the elite class within MCA and MIC were hitching a ride to secure their capital interests. Each group's endeavor to generate support from their respective electorate, whose aspirations and ethnonational visions had been diverse and fragmented, impeded the formation of a cohesive and common 'national' political ideology between them (Gomez 1998, 233). But the ability of the three main parties' leaders, who share a common class and educational background, to negotiate and bargain on political issues had been central to the Alliance's survival. The paramount agenda binding the three main parties together lay in their leaders' prioritized consensus that Malaya always remained a pro-western capitalist state (Jomo 1986, 247; Beaglehole 1969, 218).

Outwardly however, there was a need for each to protect its political turf through the patronization of the lower classes by propagating to act on behalf of 'ethnonational interests.' In other words, while understanding the need for cross-party political cooperation, each party stood firmly behind the ethnonational character of their political ideologues. Problems arising from the failure to address these contradictions would later erupt in political turmoil. In the next chapter, the dissertation partly discusses the volatility of this situation. For the meantime, as the Alliance began to prove its political mettle, the British became increasingly convinced of its ability to perform the *comprador* role in a newly independent Malaya.

Formation of Malaysia: Regional Elitist Consolidation

The formation of Malaysia in 1963 through the merging of Malaya, Sarawak, Sabah, and Singapore, was in part, a consolidation of elitist rule in the region in light of

expanding communist rebellion taking place in major parts of Southeast Asia.[53] Threatened by Singapore's potential collapse under leftist anti-government subversions and the increasing pendulum swing toward greater communist influence in Indonesia, both UMNO and the British initiated the Malaysia Federation as a bulwark against further leftist incursions into the British sphere of influence (Bedlington 1978, 103-104).

Incorporation of Singapore into the federation (to be discussed in the next section) would place its internal problems, if spiraled out of control, into the hands of Malaysia's more organized and better-trained military and police. And the inclusion of Sabah, Sarawak, and Brunei into the Federation would also serve as an effort to appease Malay ultra-conservatives within UMNO, repulsed by a predominantly Chinese Singapore addition, that the ethnonational balance would be corrected by extra indigenous populations from the two states (Andaya and Andaya 1982, 271).

For the British, the formation of Malaysia was a convenient solution to anti-communism efforts in Southeast Asia. Post war reconstruction for northern Borneo was too daunting a task to undertake considering the benefits to be derived did not seem to be worth the costs. But communist insurgency and political influence was heavy in the Philippines, Indonesia, Vietnam, and Malaya. Indirect economic aid and military advisory through Malaysia would have been the best method to contain the spread of the red armies into northern Borneo, where oil and gas fields in Brunei had been helping replenish British coffers. The main fear of course, came from Indonesia, where the *Partai Komunis Indonesia* or PKI (Communist Party of Indonesia) faction looked comfortably strong in gaining full control of the state (Jones 2001).

The Malaysia merger, which served as a decolonization of Sarawak and Sabah, also accelerated the development of political parties in these two states (Ongkili 1985, 169). The leading political groups in both Sarawak and Sabah consisted of members mainly from the privileged class, who had served either under the previous colonial governments or had come from traditionally established families involved in various businesses. In Sarawak the two biggest parties were the Sarawak National Party (SNAP) and the Sarawak United People's Party (SUPP), while in Sabah the United National Kadazan Organisation (UNKO) and the United Sabah Organisation (USNO) maintained the largest following. The National Alliance extended its coalition to include the Sabah and Sarawak Alliance, joined by all the parties in Sabah and all but the SUPP in Sarawak (Bedlington 1978, 96-98; Ongkili 1972).

The Sabah and Sarawak Alliance won the 1963 elections in their respective states to earn the mandate of setting the terms of entry into the Federation. Due to the special circumstances surrounding their membership, these two states were enticed with greater freedom and sovereignty than their counterparts in Malaya (Andaya and Andaya 1982, 272). The terms and conditions for agreeing to join the federation included:

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[53] At the advise of the British, Brunei rejected the offer to join the Federation when the Sultan realized the potential lowering of his status and substantial personal loss of his oil revenues. In 1962, a leftist rebellion led by Azahari of the Partai Rakyat Brunei, although crushed, had sufficiently antagonized the British.

a) Both states given exclusive authority over immigration, including Malaysian citizens from other states;[54]
b) Malay would be recognized as the national language but English (colonial language in both these states functioning as the lingua franca) would continue as a medium of instruction in education and state government until the State Legislative decided otherwise;
c) Islam as the official religion although other religions could be propagated;
d) Indigenous peoples of these two states would benefit from similar privileges that the Malays enjoy in Malaya;
e) The guarantee of Federal funds for economic development; and
f) The separate Federal public service for these two states to train local officers.

The small ruling classes of Sarawak and Sabah, channeled along ethnonational lines, stood to defend their political turf from Malayan elitist encroachment. Most staunch in its opposition to Malaysian proposals were the Chinese-based parties such as the Sarawak United People's Party (SUPP), on grounds of dissatisfaction with policies regarding Chinese education and land allocations (Bedlington 1978, 98-99; Leigh 1974). But since the nature of elite groups in Sarawak and Sabah was itself diverse, each group did not possess an adequately formidable support base to assert a serious challenge to the federal elite.

Furthermore, since ethnonational groups in Borneo share the indigenous status with the Malays, there has been more political accommodation between these groups and the Malays as compared to the situation in the Peninsula. Most importantly, decades of paternalistic British governance have managed to politically subdue these groups into accepting colonial deference that accepting Malayan elite patronage went without much contention, especially in Sarawak (Bedlington 1978, 93). As Michael Leigh (1974, 39) stated "Rather than making racial blocks more rigid, as occurred elsewhere in Malaysia, this political division within racial communities provided a ready basis for compromise, forcing factions to seek allies outside their community in the quest for political power."

Despite the Alliance's flexibility and relatively minimal intervention in relation to dealing with these two states, any 'out of line' secessionist hint coming from the latter was not tolerated. In 1966, Sarawak Chief Minister Stephen Ningkan of Sarawak National Party (SNAP) was replaced by another Iban politician, Tawi Sli, who appeared to have been more amenable to directives from Kuala Lumpur (Andaya and Andaya 1982, 277). In 1967, Sabah Chief Minister, Mohammed Fuad Stephens, of the UNKO having displayed boldness in calling for more state rights, was pressured out of office. He was replaced by the philanthropic and charismatic Sulu chief Datu Mustapha Harun of USNO, who later on would also be eased out of office due to his rampant abuse of power.

Internationally, the formation of Malaysia was staunchly opposed both by Indonesia, on grounds that it was a western neo-colonial plot to re-govern Southeast Asia, and by the Philippines who claimed that Sabah was historically part of the Sultanate of Sulu, now a province of the Republic (Subritzky 2000; Andaya and Andaya

[54] Includes the restriction in the sale of land and property in the two states to Malaysian citizens from Malaya.

1982, 274). On both these countries' demands, a United Nations plebiscite was held for the people of Sarawak and Sabah in 1963 to gauge their sentiments on the Malaysia issue. When the plebiscite went in favor of a merger with Malaysia, Indonesia and the Philippines repudiated the results of the survey (Means 1976, 316). Malaysia was formed on September 16 1963, evoking the severance of diplomatic relations by these countries with the new state.

Indonesia pursued a *konfrontasi* (confrontation) policy against Malaysia, in which its 'Crush Malaysia' campaign became a key strategy to ultimately dismember the federation (Subritzky 2000). During this conflict, sporadic and low-intensity skirmishes took place mostly along the Borneo border, all of which resulted in Malaysia successfully repelling the aggression of its larger neighbor. The confrontation finally ended and diplomatic relations resumed after a bloody campaign against the communists and its supporters from the state took place in Indonesia in 1965. The Philippines, despite recommencing of diplomatic ties with Malaysia in 1966, has yet to officially drop its claim on Sabah. Mutually cooperative, peaceful, and friendly relations between the two countries and Malaysia only gradually steadied and strengthened with the establishment of the Association of Southeast Asian Nations (ASEAN) in 1967.[55]

The Strengthening of the English-educated Elite Class in Singapore

The failure of the AMCJA-PUTERA alliance did not mean the complete withdrawal of the leftist from Singaporean politics. The CPM (now banned), while fighting a war in the jungles of Malaya, also began to infiltrate into the most potent hotbeds for recruitment in Singapore – the Chinese secondary schools. Chinese school students were particularly vulnerable to propaganda since there had already developed high levels of indignation among them against their English-educated counterparts, who enjoyed greater access to social privileges and mobility (Clutterbuck 1985, 75). Furthermore, their Chinese language education was often injected with ethnocentricities of Chinese culture, prompting them to identify more with China than to Malaya or Singapore. By the early 1950s, these schools provided the training ground for the CPM for its warfare in Malaya (Hanrahan 1954).

Class subterfuge in the PAP

In 1953, the British drafted the Rendel Constitution, which recommended the transfer of a large degree of power into local hands (Yeo and Lau 1991, 127). CPM inspired riots comprising of student-labor movements presented instabilities to the new Singapore Labor Front (SLF) government of David Marshall, who assumed the colony's Chief Ministership through the 1955 Municipal elections. Although declaring to be a left wing party, the SLF was very much molded in the image of Britain's Labour Party and was governing under severely limited powers ascribed by the Rendel Constitution (Tremewan 1994, 23). Despite the protection and nurturing of center parties by the British, left wing radicalism flourished under the provisions of the Rendel. Furthermore, the British were reluctant in unnecessarily using armed force to suppress left-wing riots

[55] Initial members of ASEAN were Malaysia, Indonesia, the Philippines, Thailand, and Singapore, but now includes Brunei, Vietnam, and Cambodia.

since the island's confined area would render such drastic measures harmful to British interests. Thus the way was paved for a resurgence of CPM dominated groups found in the labor unions and Chinese students unions. It was only a matter of time that the SLF would collapse.

Meanwhile, another faction of leftists was working within the newly established People's Action Party (PAP). It was also through the PAP that an English-educated bourgeois class was also attempting to extend its political role in the independence process. Under the leadership of Lee Kuan Yew, a British university graduate, the PAP was a two-sided coin. The left-wingers, led by Lim Chin Siong, controlled the grassroots branches, in which mass support of the Chinese-based left movement had been particularly active. But to mask its pro communist inclinations, a huge chunk of leadership positions within the PAP's Central Executive Committee (CEC) were held by members of the English-educated class (Tremewan 1994, 22).

There were no pretensions of plans between the two factions of PAP, as each had been well aware that both they and the other were really together in a marriage of convenience, utilizing the PAP for their own political ends. Lee Kuan Yew's national aspirations were well known.[56] He revealed his class interests in a speech delivered to a group of students shortly before returning home from college in England in 1950, "We, the returned students, would be the ideal type of leaders that the British would find relatively the more acceptable...But if we do not give leadership, it will come from the other ranks of society, and if these leaders attain power, as they will with the support of the masses, we shall find that we, as a class, have merely changed masters" (quoted in Minchin 1986, 48).

In May 1956, Marshall led a delegation, which included both Lee Kuan Yew and Lim Chin Siong, to London for constitutional talks on self-government. The British colonial office declared that it was too early and that they did not wish for Singapore to be a communist outpost and a 'colony of Peking' (SLA 1956, 31). The British were only prepared for a fully elected legislative assembly with British power retention in matters of internal security and defense. Inspired by the rapid pace toward independence in Malaya, and disappointed for having failed to initiate one for Singapore, Marshall resigned in 1956 and was succeeded by Lim Yew Hock (Turnbull 1898, 257).

In a general campaign to control subversive activities, Lim Yew Hock, perhaps flexing his political muscle to prove to the British of his seriousness in dealing with the communists, dissolved seven communist 'open' front' organizations, including the Singapore Chinese Middle Schools Students' Union. In 1956, the administration managed to quell a wave of student-labor protests organized by Lim Chin Siong, which turned into a riot that killed fifteen and injured more than 100 (Clutterbuck 1985, 128-129). In spite of its scandal-ridden image, the SLF administration did straighten out some internal policies dealing with education, language, citizenship as well as the Malayanization program (Turnbull 1989, 258).[57] When Lim and Lee headed the all-party mission for the third time in 1958, the British were impressed enough to award them the

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[56] Lee Kuan Yew is an English-educated Straits Chinese, who initially spoke only Malay and English.

[57] In Singapore's term, referring to localization of administration program.

State of Singapore Act, which opened up direct preparations for political independence (Turnbull 1989, 261). The upcoming 1959 elections would decide which party was to form the government.

Against party policy, Lee had earlier agreed to the British in London on the condition that for independence to be achieved, of an Internal Security Council (ISC) was to be established that would empower the British to pin down leftists throughout Malaya and Singapore (Tremewan 1994, 22-23; Minchin 1986, 84). This angered the leftists in PAP, and in the party's CEC elections, they decided to unseat him. With half of the seats taken by the left faction and backed by almost the entire grassroots population, they nearly did. But soon after the elections five of the left-wing members were arrested under the Preservation of Public Security Ordinance, a move in which Lee denied having involvement (George 1984, 43; Pang 1971, 4).

Lee's double-faced political drama continued to manifest itself when he cooperated with the British and the Labour Front administration to weed out leftists from even his own party. When the Labour Front government attempted to negotiate full political independence, Lee chastised it for being a stooge of the British (Tremewan 1994, 23). The plan was clear. Lee and his faction needed to navigate uncharted waters by 'riding' on the leftist tiger, in order to garner mass support, and then 'dismount' when the time was ripe to rid Singapore of the left (Bedlington 1978, 199-201).

The 1959 elections saw the PAP sweep to power. Prior to the elections, the Labour Front government had been discredited for its corruption scandals involving misuse of funds (Turnbull 1989, 263). The PAP exploited the issue with promises of better living conditions through an 'honest and efficient government' that would turn Singapore into an industrial society 'to obtain for the general masses of the people a happy, full and secure livelihood (Toh, quoted in PAP 1959, 8). The PAP won 43 out of the total 51 seats, with the Singapore's People Alliance (Lim Yew Hock's new party) obtaining 4, the UMNO-MCA Alliance winning 3 seats, and the final seat won by an independent (Ong 1975, 68).

Although the PAP showed administrative dynamism in their first years in office, its handling of internal rival groups and challengers was autocratic. Lee personally purged his party of dissenters, ambitious individuals and potential challengers, both within the left as well as within his circle (Bedlington 1978, 204). Lee's exceptional tardiness in implementing 'socialist' programs, his dictatorial disposition, nonchalant attitude toward improving Chinese education, and insistence upon keeping the ISC angered the left in PAP (Pang 1971, 9-10). The final drift from the left faction came when Lee pushed through for a merger with Malaya to form Malaysia. For the PAP, a unified Malaya with Singapore was always the paramount goal and a 'historical necessity,' one in which Lee's vision encompassed a Malaya serving as a periphery to the core in Singapore (Turnbull 1989, 267;Rajaratnam, quoted in PAP, 1959). But the left and communists found the prospects of subjugating to a conservative Malay government in Kuala Lumpur quite reprehensible; they desired a separate Singapore in which they could willfully exert their influence (Bedlington 1978, 205).

In 1961, thirteen members of the PAP left wing led an exodus of dissidents to form the *Barisan Sosialis* (Socialist Front) on the opposite side of the legislature

(Osborne 1964, 16-20). On the verge of near collapse, the PAP learned to strengthen its administrative machinery and vetted future entries into the party. The CEC was empowered to suspend, demote, or expel any member. The party virtually became a rigid hierarchical organization with Lee wielding tremendous power (Bellows 1970, 24). Finally, the PAP managed to outperform the left and the Barisan Sosialis using two approaches. One, it used the state apparatus to systematically harass its leaders and to de-register its grassroots organizations and its affiliated trade unions. Two, it enhanced its effort in implementing much needed social programs in housing, education, and health through its own community organizations (Tremewan 1994, 27). For example expenditure on education increased from 1960 to 1963 from $600,000 to $10,000,000 and its development plan was ahead of schedule (Ministry of Finance, Singapore 1964). Once the left had been dislocated, the stage was set for the 1963 elections. Next, the PAP engineered a 1962 public referendum to join with Malaya, Brunei, Sarawak, and Sabah to form a Federation of Malaysia. The implementation of the referendum was, in Bedlington's words, a "Catch-22 Referendum" (Bedlington 1978, 207). Gerrymandering in the execution of this referendum enabled the PAP advocacy for a merger into Malaysia returned in its favor.

PAP's English-language centered and western capitalist oriented policies did not go down well with the Chinese educated segment of the population. Despite receiving similar amounts of funds and aid from the state, Chinese education proponents resented being drafted into the state system. They also felt that many of the privileges of self-government benefited the English educated, while they saw themselves as bearing the brunt of discrimination and increasingly lacked the power to influence policies (Wang 1968, 210-225). While the PAP gave some leeway and compromises were made, Chinese educationists were steadfast in preserving a pure Chinese system. Backed by funds from the Chinese Chamber of Commerce, the Barisan Sosialis vowed to defeat the PAP (Turnbull 1989, 277).

To ensure a victory in the 1963 elections, the PAP made the campaign and voting registration process extremely difficult for the Barisan and its supporters (Starner 1967). It also detained without trial, 111 opposition leaders and members under *Operation Cold Store*, and refused the candidacy of incarcerated political figures (George 1984, 65-69). The result was staggering. Through the help of the state-owned media, a series of legal persecutions of the opposition as well as the British political system that emphasized one-member constituencies, the PAP won 73 per cent of the seats with only 47 per cent of the votes (Minchin 1986, 130-131). Barisan won 33 per cent of the total votes. The success of the Lee faction lay in its ability to transform a left-wing PAP into one that was nationalist bourgeois in political orientation and pro-west capitalist in its economic philosophy. From an anti-imperialist party with a majority membership consisting of lower class Chinese, PAP became a political vehicle for a small pro-British English-speaking capitalist class. Through the years his elite class managed, through repressive as well as pragmatic means, to generate the support of nearly Singapore's entire population. Its success in Singapore however, could not be repeated in Malaysia (Tremewan 1994, 29).

Brief Malaysian experience 1963-1965

Unlike the PAP, the UMNO-MCA 1963 Malaysia Agreement had been rankled with extreme haggling over taxation, finance and trade, with Singapore unbending over attaining the best bargain. Singapore was interested in Malaysia as a common market for the products of its rapidly growing industries. By 1960, manufacturing, trade, and finance constituted nearly 40 per cent of the Gross Domestic Product, totaling almost S$1.2 billion (Ministry of Finance, Singapore 1981, table 1.2). The terms arrived in 1963 were highly assenting to Singapore, including the potential for a single market to be gradually imposed throughout the following twelve years (IBRD 1963). On the other side, Singapore refused to abandon its free-port status until the effective enforcement of the market, which greatly benefited Singapore.

Another factor that brought discomfort to the Malaysian elite was the economic prowess as well as relatively huge population of Chinese-Singaporeans. Malays, in particular, had always identified the Chinese with the brutalities of the postwar period. It was also a common perception among the Malays that a majority of Singapore's Chinese population had been staunchly leftists and highly chauvinistic. The Malayan leadership was particularly worried over the Chinese population tipping the balance against Malays, thus the inclusion of Sabah and Sarawak.

However, the Malaysian elite was also concerned about the increasing momentum of the Singapore communists. Tunku Abdul Rahman, the Malayan Prime Minister, retorted that an independent communist Singapore would be worse than a hostile Chinese-dominated state within Malaysia (Turnbull 1989, 270). Thus Singapore's entry benefited both the Singapore and Malayan elites since a stronger Malayan army and police force could be used to control and suppress subversive left wing activities in the city-state. Neverthelesss, the PAP's 1963 elections victory, which politically marginalized the left, did little to allay the fears of the Malays since the its ethnocentric tone proved to be no different. PAP's advocacy for a "Malaysian Malaysia" call, which basically trumpeted for an end to Malay and indigenous privileges, upset many Malays and only reinforced their distrust of the Chinese-dominated PAP.

Even more displeased with the PAP's entry into Malaysia was the MCA. The PAP strategy involved displacing the MCA as the Chinese partner in the ruling coalition. In 1964, it entered its candidates in the federal elections in the Peninsula. The PAP managed only one victory, but went ahead to establish its branches throughout Malaya. This move infuriated the MCA and brought them closer to UMNO in their suspicion of PAP ambitions in their backyard. In the same year, a series of UMNO-PAP tussle for power, both exploiting on ethnonational frictions to deliver their message, instigated a number of Malay-Chinese riots in Singapore that killed 12 people and injured 109, with another 240 arrested (Clutterbuck 1985, 321). Increasingly frustrated at the failure to dislodge the MCA or win over UMNO, the PAP formed a united coalition in 1965 in the form of Malaysian Solidarity Convention that attempted to gather all Malaysian opposition parties under its leadership (Bedlington 1978, 209). This Convention turned out to be a mainly non-Malay front, thereby impairing the PAP plan to generate as many Malays under its wing.

The PAP's unrestrained assertiveness in exploiting communal issues increasingly heightened racial tensions in both Malaysia and Singapore. Its explicit intents in usurping the MCA to represent Chinese interests in Malaysia within a new political coalition had agitated many Chinese Malaysian capitalists, who dreaded the encroachment of their commercial sphere by Singaporean capitalists. To avoid further communal bloodshed as well as upsetting the traditional UMNO-MCA alliance, Malaysia unceremoniously expelled Singapore and the PAP from the Federation in 1965 (Tremewan 1994, 29; Fletcher 1969, 36).

Conclusion

Both Marx (1972, 112-113) and Engels (1967, 10-11) documented the significance of the industrial proletariat as forces of anti-systemic struggles. The unity of Malaya and Singapore was not only a matter of economic rationality, but it also served as an antecedent to a unified working class popular alliance. As such, a unified Malaya and Singapore was detrimental to British interests. Separate political entities not only served to keep away any threat of a united opposition front between the two colonies, but they also ensured the cultural distance of the two countries from each other, thereby reinforcing the existing political economic obstacles to an effective mass alliance between them.

An independent Singapore without Malaya seemed to many as an unfeasible political economic existence. Since the Malayan and Singaporean economies were inextricably linked, anti-colonial efforts had to involve popular uprisings on both the island, where the Chinese working class was formidable, and in the 'peninsula,' where Malay peasants could be mobilized for effective mass support. The state of Chinese-Malay relations was crucial for social and political stability as well as for prospects of democratization in Malaysia, and Singapore. In Malaysia, both groups respectively dominated the economic and political spheres, thereby injecting significant influences in the political economy of the country. Singapore's historical process involved a similar path with Malaysia, but its urban-based economy and Chinese-dominated population produced a working class that was heavily urban Chinese in membership. In order for anti-systemic groups to function as potent energy of social revolutions, their mass mobilization through a unified vision of national liberation and democracy had to be ideologically clear as well as perceptibly pragmatic.

However, the urban working class in Singapore and the peasantry in rural Malaysia were divided in terms of ethnonationality and sense of worldviews. As a result of the inherent historical complexities emanating from within the colonization process as well as external global factors, Malay and Chinese ethnonationalism were mutually antagonistic and divergent in their aims and objectives. Each group had developed distinct experiences of racial and class exploitations by British colonialism. Thus the promise of political liberation for each group was developed along ethnocentric forms of social identifications. It comes as no surprise that a major reason for the failure of any popular democratic class alliances in Malaysia and Singapore has been the inability for the Malays and Chinese to effectively foster political consciousness beyond their respective ethnonationalism to move toward concerns of democracy of the greater national community.

Neither the Chinese-dominated CPM nor the Malay leftists succeeded in establishing a cohesive class-based national vision. Despite advocating the ideals of equality and justice, the political realities of the capitalist system that functions on the principles of competition over resources compelled these factions to place ethnonational concerns over communitarian ones. At the mass popular level, political mobilization seemed to succeed on issues of culture and language. These are social institutions that serve to represent the character of national identities. According to Reicher and Hopkins (2001, 122), "the nature of institutions: the buildings and rules and regulations which govern our social exchanges and in which we live our everyday lives.....differ from country to country and could well explain national differences." National identities are especially significant to those who do not enjoy class privileges and power. This is because the nation is always conceived in terms of deep, horizontal comradeship, in which all members stand as equals at least as far as nationality is concerned (Anderson 1983, 15-16). In Malaysia and Singapore, the concept of nation had difficulties moving beyond a singular identity due to the multitude of conflicts over power and resources, which happened to also fall along race and ethnonational lines.

Furthermore, structural forces in the form of world systemic transformations also contributed to the failure of popular movements in Malaysia and Singapore. Abiding by American hegemonic demands to suppress popular anti-systemic movements, the British succeeded, through armed means, in preventing further mobilization of such forces. The failure of a popular democratic alliance to surface enabled the British to facilitate the elites in Malaya through UMNO, and in Singapore through a 'revamped' PAP, in forming the future governments of both countries. Structural theorists contend that the capitalist class is divided along a variety of dimensions, and competition and private property within capitalism make it inevitable that this class would also be fragmented due to short-range conflicts of specific interests (Hurst 2001, 140; Aldrich and Weiss 1981; Poulantzas 1973). To a significant extent the underlying conflicts between the British, UMNO, MCA, and PAP served to illustrate this point. On the other hand, the realization between them that their survival necessitated a political coalition also evidenced that a ruling class alliance was the answer to their political survival. As William Domhoff (1998, 72) asserted, "Social cohesion is important from a class-dominance perspective because the most socially cohesive groups are the ones that do best in arriving consensus when dealing with a problem." The fact that the Alliance managed to smoothly package a deal in light of advancing political adversity showed the usefulness of common social economic backgrounds as a vehicle to arrive at a consensus.

When wealth and privileges are concentrated within the hands of a few who consolidate their power through the state machinery, the opportunities for a popular alliance to emerge become slim. To add to the complexities in Malaysia and Singapore, the class structure is heavily channeled along ethnonational alignments, making cross-ethnonational alliances problematic. In the next chapters, it becomes obvious that both the states in Malaysia and Singapore found it convenient to accentuate and exploit class and ethnonational tensions as a means to strengthen state power against popular-national democratic forces.

CHAPTER 6

CAPITALIST PERIPHERAL DEVELOPMENT: STATE, CAPITAL ACCOMODATION, AND INEQUALITIES IN MALAYSIA AND SINGAPORE 1960-1990

This chapter examines the interactive relationship between dependent state capitalist development and the rise of the UMNO-led National Alliance (renamed the National Front after 1970) in Malaysia and the PAP in Singapore.

For the state, capitalist development now serves as an impetus for economic growth as well as a source of political survival. A crucial element of peripheral development is the dependence on foreign capital. In order to secure capital investments and maintain linkages with the world economy, without which it could not survive, it becomes imperative that the state consolidates its political power over civil society by forcefully intervening in the national economy (Kamrava, 2000). It does this either by building alliances with foreign capitalists or by patronizing its own capitalist class. Over and above this, the state ensures the sustenance of the capitalist system by providing physical infrastructure and a political environment conducive to business transactions.

In comparative perspective, the nature of peripheral capitalist development in these two countries is distinguished by two factors. First is the distinctive role of each state in the world economy reflected by their respective location along the demographic-technological commodity chain of East Asia. Second is the type of internal tensions that have threatened to destabilize the social-political order and jeopardize capitalist investments. In resource-rich Malaysia, the state has been performing a balancing act between the sustenance of its political legitimacy through Malay electoral support and the formulation of policies favorable to capital investments, which has always threatened to further marginalize a majority of Malays from the economy. The state embarked on an affirmative action policy to protect Malay interests, a crucial element in political stability, while courting foreign capital remained imperative. The result has been the formation of new forms of inequalities in a newly industrializing Malaysia.

In Chinese-dominated Singapore, its limited resources have forced the state to rely heavily on foreign capital in striving toward a metropolitan-type capitalist development. Given its 'Chinese' existence within a Muslim-Malay region, the state's survivalist approach to development has been accompanied by social control policies that subjugate and weaken the working class and Malays, thereby widening ethnonational-class disparities. To prevent internal tensions from disrupting its political stability and the health of its economy, the state pursues a policy of heavy intervention in both its industrialization drive as well as its domestic affairs.

In both these countries, the maintenance of the capitalist system through the patronage of the state becomes the main policy approach. In this process, the state accumulates political power at the expense of a fragmented proletariat, peasantry, women, and in the case of Malaysia even the middle classes.

State, Capital, and Ethnonational Balancing in Malaysia 1957-1969

Injection of US investments into capitalist Asia with its center in Japan created rippling effects throughout the region. The flow of commodity chains across Asia has enabled the industrialization process to gradually take place in systematic and temporal as well as demographic stages. A consequence of this US policy was the development of Japan into an industrial powerhouse, whose products had privileged access to US markets, as well as the rise of South Korea, Taiwan, and Hong Kong as semi-peripheral regions that served to oblige Japanese industrial needs and products (Gereffi, 1998).

Low labor costs and the relatively stable political environment provided Japanese industries with a suitable investment climate in these countries. The accessibility of US markets was also extended to these countries' products, and as a result, these countries were able to benefit from an export-oriented manufacturing economy that fuelled the remarkable economic growths of these 'Asian miracles' in the coming decades (Cho and Kim 1998, 125-127).

Malaysia's location in a dynamically changing Asian industrial division of labor within the capitalist world economy has provided it with opportunities for extraordinary economic growth. But for the period of the 1950s and 1960s, its natural resources were the only lifeline to the world economy. While an import-substitution economy was taking place, Malaysia's growth strategy emphasized expansion of commodity exports (Rao, 1980).

The first decade of Malayan/Malaysian independence was a period in which the elite classes solidified their positions and utilized the state apparatus to advance their political economic interests. It was also a phase when foreign capital accumulation through import-substitution strategies was the state's economic lifeline and source of political sustenance. The effect of both these complementary phenomena was a politically strong one party state and an economic structure marked by social inequalities.

The National Alliance functioned in a cabal-style political agreement premised on the constitutional rights of Malays and other indigenous peoples to special privileges, in return for recognition of non-*bumiputera* citizenship. But to the Malays, the actual framework of governance within the Alliance was based on the preservation of Malay political hegemony; UMNO drew its legitimacy from its guardianship role of Malay interests (Chee 1991). For the Chinese and Indian elites, this arrangement for the time being was convenient since political reality emphasized Malay electoral support as crucial for the Alliance's political survival. This meant that their capital interests had been fastened to the political existence of the Alliance. At the same time it also became evident to UMNO that although foreign investments were crucial for Malaysia's survival in the capitalist world economy, the party's political sustenance was dependent on Chinese, and to a lesser extent Indian, capital and industry (Zakaria and Alatas 1999).

While Malay and non-Malay capitalist interests have been struggling for policy prioritization, there has been scant disdain for foreign capital by both Malays and non-Malays. At the onset of independence, both Malay and non-Malay elites had become aware that survival of a peripheral capitalist state depended on the constant supply of

capital investments. Local commerce, traditionally under the control of the Chinese business community, drew their finances from the apex of the commodity circulation structure, usually controlled by a few but large European monopolistic firms (Puthucheary 1960).

Hence, along with foreign capital, a small but quite significant portion of investments came from local Chinese capital, which could be categorically distinguished into two groups. One is capital connected to national economic production (national market), and the other is capital directly involved in the international commodity circuits (Jomo 1986, 215). The first group comprised mainly Chinese capital neither tied to the import or export of trade. Such capital is invested in the production of goods for local consumption such as foodstuff and building material, and in the provision of local services such as transport and real estate (Lee 1978, 218). The second group consisted mainly of Chinese capital invested in production chains that are dependent on the export or import sectors (Lee 1978, 221; Wheelwright 1963, 214). Although initially constrained by the domination of British capital, Chinese capital had little conflict with British or foreign capital (Jomo 1986, 237).

It is also quite useful to note that concentration of capital has been a prominent feature in the Chinese commercial capital structure. For example in 1968, a competitive atmosphere prevailed within local commerce, in which 93 per cent of retail outlets in Malaysia were sole proprietorships compared to only 6 per cent partnerships (Lim 1968). But 7 per cent of these firms employed only 18 per cent of all workers despite accounting for nearly 55 per cent of all sales. The smallest 60 per cent took in about 30 per cent of employees and engaged in 30 per cent of transactions (Sieh 1974, 51-53).

For the Alliance, Chinese capital through MCA commercial networks was increasingly becoming its financial lifeline. But for UMNO, over-reliance on the MCA threatened to weaken its institutional independence. The opinion among the Malay ruling elite had been that an UMNO based Malay capitalist class was the key to complete self-sufficiency of the political organization. UMNO members were aware that the British had not been serious in their effort to aid Malay capitalism. The British had founded the Rural and Industrial Development Agency (RIDA) as a token promotion of Malay economic development. But the lack of state support and the half-heartedness in colonial efforts to actually enhance Malay economic development had caused this agency to perform miserably. In light of this, as early as 1957, efforts by UMNO to create a Malay entrepreneurial class had already taken root (Jomo 1986, 247).

Under the Alliance, RIDA was reformed to cater toward assisting Malay capital accumulation through Malay participation in and ownership of commercial enterprises. But UMNO had not yet attained a sufficiently dominant position within the Alliance during the first few years of independence to 'infringe' upon issues relating to commerce and finance, a stranglehold of the MCA and MIC. Despite the state's seemingly increased commitment to aid Malay business participation, these efforts were ultimately unfruitful. Apart from the advantaged few at the top echelon of Malay community, Malay advances in capitalist sector remained unimpressive (Jomo 1986, 246- 248).

Fearing that Malay industrial failures would trigger faltering Malay expectations of UMNO, RIDA in I965 was re-instituted into a trust agency in the form of the *Majlis*

Amanah Rakyat or MARA (Indigenous People's Trust Council) (Gomez and Jomo 1997, 21). Through MARA, the state planned to procure and hold indigenous capital with the aim of increasing *bumiputera* equity shares. In the same year, a nationwide dialogue on Malay private interests were held through a Malay Economic Congress, and a state backed equity financial institution, the Bank Bumiputera Berhad was set up to service Malay capital investments (Tham 1973, 45-56).

Despite these promising efforts for Malays, the spirit of Alliance compromise, which had thus far inspired its cohesion, disabled any further effectiveness of these undertakings (Jomo 1986, 249). Class consensus was based on Malay elite stronghold on political hegemony and Chinese capitalist control of the private sector. Such Malay-based projects required some degree of cooperation from local Chinese businesses. But organized largely along kinship distribution networks and ethnocentric associations, Chinese commercial entities were virtually impenetrable fortresses. Furthermore, both foreign and non-*bumiputera* capital had been strongly embedded in the country's manufacturing industry (Drabble 2000, 244).

But with independence came a somewhat different relationship between foreign capital and state-led development. The Malaysian state now possessed some degree of effective policy dictation as far as investments direction was concerned. The World Bank had 'advised' for a diversification of the economy through import-substitution industrialization, in which the state would provide foreign corporations with social and economic infrastructure as well as the 'open' markets for imported goods, including favorable tax incentives (IBRD 1955). State nationalization of industries and trade barriers, on the other hand, were highly discouraged. Although the Alliance incorporated most of the Bank's recommendations into Malaya's industrial policy, it was fairly unbending on fixing tax holidays for the country's 'pioneer industries' (Lo 1972, 74-77).

In 1958, the Pioneer Industries Ordinance was formulated, which allowed pioneer status companies tax relief measures for varying periods depending on size of investments (Jomo 1986, 220). In 1960, the Malayan Industrial Development Finance Limited (MIDFL) was established by the Alliance government as a step in attracting foreign investors in the import-substitution industries. From 1962 to 1966, the state nurtured manufacturing growth behind considerably excessive tariff and quota protection, which bestowed great advantages to foreign firms (Edwards 1975, Lim 1973, 261; Wheelwright 1963, 214). Effective protection rates rose from 15 percent in 1962 to 45 per cent in 1966 (Edwards 1975, 293). Furthermore, according to Raja Mohar (1976, 4), "Foreign investors were allowed to own one hundred percent of the equity even when they had full protection of the domestic market for their products."

Over the period of the 1960s, the timing and volume of foreign direct investments (FDI) became crucial determinants of the pattern and rate of national growth (Drabble 2000, 240). Much of the earlier investments were directed toward the resource-based industries, but Malaysia's import-substitution strategy facilitated by the Pioneer Industries Ordinance enabled large foreign manufacturing firms to flourish under tariff protection (Gomez and Jomo 1997, 16). Investments in light manufacturing, chemicals, consumer products, electronics and capital goods, gave rise to the growth of private and public limited companies, which grew respectively from 38.5 per cent and 6.95 per cent

of all business concerns in 1959 to 54.76 per cent and 23.7 per cent in 1971 (Hoffman and Tan 1980, Table 11.2).

Due to the lack of state support, local development in manufacturing and technology remained small, with domestic capital, mainly involving Chinese commercial investments in light industries, contributing only a small share to import-substitution efforts (Khor 1983, 24-25). The state had political reasons not to be seen encouraging Chinese industries, thus the opening of investments to foreign companies. Nevertheless, the Chinese capitalist community was able to exploit whatever opportunities were available especially in areas such as construction, government contracts, and finance (Drabble 2000, 243). In Sarawak and Sabah, the largest groups of capitalists were also Chinese, primarily accumulating their wealth through the profitable timber industry, light resource-based manufacturing, real estate, and retail. Nevertheless, their scale of business was relatively labor-intensive and technologically less complex (Jesudason 1989, 64-65; Leigh 1988; Lee 1976).

Most lacking was *bumiputera* capital participation. Despite the setting up of state initiatives to encourage indigenous capital investments in pioneer status companies, *bumiputera* capital could not move beyond the traditional cottage industries, transport, and contracting. Import-substitution tended to benefit those Malay entrepreneurs who had political links with the ruling Alliance, and who together with their Chinese counterparts established joint ventureships in pioneer status companies (Crouch 1994, 20-21). The various state-sponsored programs had failed to stimulate the growth of successful Malay entrepreneurs and capital. In 1970 Malay ownership constituted only 2.5 per cent of total assets held in the corporate sector, compared to the Chinese at 22.5 per cent, and foreigners at 60.7 per cent (Gomez and Jomo 1997, 19).

Malaysia's gross domestic product (GDP) grew an average of 4.7 per cent from 1961 to 1965 and about 5 per cent during the period 1966 to 1970 (Drabble 2000, 186; Rao 1974, Table 8). Although the import-substitution strategy tended to encourage foreign firms' investments in the 1960s, a huge portion of these had been carried out through their local subsidiaries, which handled component assemblies, and packaging, with capital and technology imported from the parent companies overseas. Despite rises in wages, there was limited capability in the local markets to absorb these products. Furthermore, these industries had little linkages to the local economy, resulting in no reduction of unemployment (Jomo 1990, 12-13).

That all these factors contributed to the maintenance of social inequalities is hardly surprising. With foreign capital dominating the national economy and Chinese capital picking up the left-over resources, income gaps between the various ethnonational groups increased. Table 6.1 on the following page illustrates income distribution by ethnonational groups. In 1957/58, the mean and median household incomes of Malays were $140 and $112 respectively. In 1970, Malay mean and medium incomes both rose to $172 and $122 respectively. In contrast, Chinese mean and median household incomes in 1957/58 were $302 and $223, while Indians $243 and $188. These rose to $349 and $261 for Chinese households in 1970, and $260 and $191 for Indians (Shari and Mat Zin 1990; Snodgrass 1975).

Table 6.1: Household Income by Ethnonational Group, Cohorts 1957/8 and 1970 (percentages), in Peninsula Malaysia

	Malays		Chinese		Indians	
Share of Income	1957/8	1970	1957/8	1970	1957/8	1970
Mean Income	140	172	302	381	243	301
Median Income	112	122	223	269	188	195

Source: Shari and Mat Zin 1990; Snodgrass 1975.

Table 6.2: Infant Mortality Rate (per 1,000 live births) by Ethnonational Group and Sex in Peninsula Malaysia 1957 and 1970

	Malays		Chinese		Indians	
	Male	Female	Male	Female	Male	Female
1957	108	83	51	43	83	68
1970	54	41	32	25	51	41

Source: Sharif 1982, 71; Department of Statistics, Malaysia 1976.

Meanwhile, intra-ethnonational disparities increased sharply for the predominantly rural Malays as compared to the heavily urban Chinese, by about 40 per cent and 15 per cent respectively (Pang 1983, 317). Many of the Malays whose income increased were urban residents. Although a rural development program was developed in the first decade after independence, the state's expenditures for public infrastructure to accommodate foreign capital benefited mostly the urban areas in terms of communications, transport, and power supplies. This was equally true for Sarawak and Sabah (Leigh 1979). In fact, half of all public expenditure developments under the First and Second Malaya Plans (1955-65) and First Malaysia Plan (1966-1970) were routed toward infrastructure (Schatzl 1988, 35-36). Such disproportionate share of development toward mainly urban areas contributed to unequal social services across the urban-rural divide. For instance, although health services delivery had become more widespread as compared to the colonial period, rural areas and plantations still lagged behind cities and towns in quality improvements (Sharif 1982, 71). For example, infant mortality for Malays was still higher compared to Chinese and about equal to that of Indians in Peninsula Malaysia in 1970, despite improved rates for all groups, as Table 6.2 above illustrates.

The incidence of poverty in 1970 in Peninsula Malaysia was 65 per cent for Malays, 26 per cent for Chinese, and 39 per cent for Indians. While the figures for Sabah and Sarawak are not available for that year, the 1976 data show 67.1 percent and 68 per cent poverty rates for *bumiputeras* in Sabah and Sarawak respectively. For the Chinese, it was 22.2 per cent and 29.6 per cent in the respective states (Drabble 2000, 278; Malaysian Government 1991, Table 6). The consequences of these inequalities were to exacerbate ethnonational tensions by the end of the decade.

It seemed apparent that the 'ethnonational compromise' to foster Malay economic growth and increased non-Malay political participationwas not successful. In 1968, Malays still made up the bulk of the agricultural workforce in Peninsular Malaysia with 65.8 per cent of all employment, compared to Chinese 31 per cent and Indians 51.8 per cent, with these two groups predominantly found in the higher production scales.

The Chinese still dominated the commercial, manufacturing, mining, and services sectors with 64 per cent of all employment in these areas, while Indians constituted 37.8 per cent, and Malays 30.2 per cent (Salleh and Osman 1982, 135-137, Malaysian Government, 1971, 98). Even within the government sector, which had been the traditional Malay employment stronghold, the number of non-Malays actually exceeded the number of Malays in the highest paid management position categories. In 1968, non-Malays made up nearly 64 per cent while Malays 36 per cent (NOC 1969, 22-23).

End of Fragile Balance: May 13 1969 Racial Riots

The period of the late 1960s was a politically vulnerable stage in Malaysia. Sustained impoverishment of the majority of Malays led to their disillusionment with UMNO and the Alliance, and many began cozying up to the opposition Pan-Islamic Party (PAS). For the Chinese, although the PAP had left the Federation, the impact of its 'Malaysian Malaysia' ideals lingered on in the aspirations of many, who now place their support behind the Chinese-based Democratic Action Party (DAP). Frustrated by pro-Malay educational policies, Chinese cultural and educational groups as well as Chinese schools' associations also began to openly question Malay privileges and special rights. A recurring issue was their demand for the establishment of the Merdeka University, aimed solely at promoting Chinese culture (Von Vorys 1975, 270-275). Such a demand simultaneously served as a symbolic protest against the state policy of introducing Malay as the national language.

Angered at the pathetic plight of the Malay community, Malay extremists blamed the Alliance for being 'too soft' on the Chinese. Along the same note, Chinese chauvinists twithin the DAP pointed to the MCA as traitors, proclaiming that Malay privileges were intolerable, as was Malay political hegemony a travesty, and Malay cultural pre-eminence a banal joke (Von Vorys 1975, 279). Interestingly, both the Malay and non-Malay factions most dissatisfied with the Alliance belonged to groups that had begun to harvest the fruits of state economic policies (Zakaria 1982, 95). Many urban middle-class Malays were annoyed at the slow pace of economic participation of Malays. In their view, modernization was the result of state nurturing of Chinese businesses. The fact that many of these businesses had consistently been reluctant to open their doors to Malay employees only heightened their antagonisms toward the Chinese (Funston 1974, 23-24). Similarly, those who complained most among the non-Malays were those who had gained from the economic growth, who had also become frustrated at their lack of political power. For the more militant factions, solutions to each of their political grievances culminated into simplistic formulae - for the Malays, ' to send the Chinese back in the slow boat to China,' and for the Chinese, ' to teach the primitive Malays a lesson and send them to their proper place (in the jungle)' (Von Vorys 1975, 280-285).

Meanwhile, three separate incidents served to aggravate tensions between both these groups and in their relationship to the state. In 1968, the state succumbed to political pressures, both internal and international, to commute the death sentences of six Chinese men, allegedly members of the Socialist Front, who had been charged with treason during the Indonesian Confrontation (Straits Times August 17 1968). Many Malays saw this as a big let down by the state since many who served in the armed forces were *bumiputeras*. Then in April 1969, a Malay UMNO worker in Penang was murdered by Chinese youths as he attempted to stop them from vandalizing election

posters. To avoid aggravating racial tensions, the state arranged a quiet funeral and prevented extensive media coverage on the murder (Straits Times April 25 1969; Koh 1970, 71-73). Later in May, a Chinese secret society member, who was also a Labour Party member, had been killed by a Malay police officer outside the capital city when the former and his accomplices attacked a police patrol (Straits Times May 5 1969). In contrast, his planned funeral procession of nearly ten thousand turned into a political statement by the opposition, outfitted with ethnocentric slogans, anti-government banners, and chants of provocation against the police with messages of "returning violence with violence" (Von Vorys 1975, 286-287). For the Chinese, such extravagant display of public force enhanced their political confidence that the 'Malay' state was actually weakening. For the Malays, such 'weakness' of the state became a matter of serious anxiety.

The results of the 1969 Elections were disappointing for the Alliance. Although it managed to retain a slim two-thirds majority of Parliament, the margin of victory had been heavily reduced. Compared to the 1964 elections, in which the Alliance had won 89 out of a total of 101 seats, the 1969 victory was on a 66 out of 104 seat leeway (Vasil 1972, 20-25).[58] Elated opposition supporters in Kuala Lumpur, all of whom were Chinese and Indians from the DAP, Labour Party, and Gerakan, organized a 'victory procession' that was marked by provocative taunts, slinging of racist slurs, chants of obscenities against Malays, and aggressive challenges to the police (Ongkili 1985, 204; Von Vorys 1975, 334-337).

UMNO supporters, outraged at the behavior of the Chinese and Indians, in turn organized their own victory procession. Although on police orders these processions took separate routes, the two bands eventually collided into armed confrontations. Malay composure over the previous months' events exploded into uncontrolled rampage. Intensified by speculation and rumors, mob violence took over the streets. After four days of rioting, approximately 800 people were killed (mostly Chinese), thousands more injured and millions of dollars' worth of property damaged (Von Vorys 1975, 337-338). For the next few days, the city came under a military curfew with sporadic violence, looting, and arson occurring throughout. Isolated battles took place well into the next few months (Andaya and Andaya 2001, 280).

The riots revealed the delicateness of the ethnonational balance throughout the decade, and how deep the undercurrents of distrust had been running between the Malay and non-Malay communities (Andaya and Andaya 2001, 281). The 1969 elections were contested on highly passionate questions of education and language, made worse against a backdrop of persisting inequalities. At this point, the ethnonational balance was shattered with the Alliance suffering a credibility problem. UMNO received fewer Malay votes and the Prime Minister withdrew from political office. The MCA, who had won solely on Malay votes and sought to distance itself from the Alliance after the results, heightened Malay suspicion of their loyalty in the days before and after the riots (Von Vorys 1975; Ongkili 1985, 203).

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[58] Elections for Sabah and Sarawak were suspended and held in July 1970, in which the Allaiance won only 23 out of the 40 parliamentary seats (Ongkili 1986, 203).

In order to restore order, Parliament was suspended for over a year and the country was administered through a National Operations Council (NOC), headed by the new UMNO chief Tun Razak Hussein.[59] Consensus among the leadership was that in order for social stability to be attained, Malay welfare had to be earnestly dealt with. Such assessment was to materialize into one of the world's most extensive affirmative action programs for indigenous people in the form of the New Economic Policy (NEP). The NOC refuted allegations by non-Malays that they had been excluded in the political economy of the country. Instead, in light of the wealth disparities and income differentials in both private and public sectors tilting favorably toward non-Malays, the Council (1969, 22) concluded that: "the Malays who already felt excluded in the country's economic life, now began to feel a threat to their place in the public services. No mention was ever made by non-Malay politicians of the almost closed-door attitude to the Malays by the non-Malays in large sections of the private sector in this country."

New Economic Policy (NEP) and State Industrialization 1970-1990

The 1970s period onward witnessed an expansive role of the state in economic planning and restructuring. The state, through its technocrats in the bureaucracy, became the single most important institution in the national economy. It was also in the state that the attainment of NEP goals was expected (Zakaria and Alatas 1999). The NEP aimed at the eradication of poverty through national unity and the restructuring of society through economic parity between the *bumiputeras* and *non-bumiputeras*. One of the most important 'readjustment mechanism was education, especially through ethnonational quotas favoring *bumiputeras* in higher institutions. But the underlining interest for Malays was their greater participation in the country's commercial life, in which Malays as a group were to attain 30 per cent of the country's corporate assets by 1990. To target these goals, the state sought to increase its role in public expenditure allocations and in ensuring sustained economic growth (Gomez and Jomo 1997, 24).

Foreign direct investment and economic growth

In the 1970s, the Asia-Pacific area was transforming into a newly emerging division of labor within the world economy. The light industrial commodity chains of both producer and buyer driven manufacturing were rapidly shifting from the second tier countries of South Korea, Taiwan and Hong Kong toward the third-tier ASEAN (Association of Southeast Asian Nations) nations of Indonesia, Malaysia and Thailand (Bernard and Ravenhill 1995, 171-175). Partly due to higher labor costs in the first group of countries, which at this point began focusing on attracting capital-intensive investments, many TNCs needed appropriate investments in low and semi-skilled labor for apparel production and electronic component assembly (Numazaki, 1998, 70-73). Thus many Japanese and American TNCs were in the hunt for both labor-intensive industrial manufacturing and low cost capital-intensive production needed for these growing industries (Numazaki 1998; Gereffi 1998).

[59] The NOC comprised of Alliance members, but also included the National Consultative Council, represented by various social organizations seeking the obtainment of racial harmony and nation-building through forums and dialogues (Ongkili 1985).

Under the NEP's Second to Fifth Malaysia Plans, the foci of the economy were on continued rural development and commercialization of agriculture, regional development, ancillary policies to enhance access for *bumiputeras* to education and commerce, and the promotion of industry through export-oriented industrialization (EOI) (Drabble 2000, 197). The flow of capital toward Southeast Asia provided the state the opportunity to absorb these investments through FDI, which was utilized to jump-start the NEP programs. The Industrial Coordination Act (ICA) was passed in 1975 to facilitate the funding of NEP projects through state-coordinated capitalization, centered within the Capital Issues Committee (CIC) (Low 1985, 87-88). But since the Chinese, as main domestic savers, were reluctant to allocate their capital for such projects, FDI became its principal source of capital accumulation (Drabble 2000, 240; Fong 1989, 203).

The state laid down various restrictions on investments within the ICA as well as other numerous legislations such as the rejuvenated Investments Incentive Act 1968 that aimed at requiring at least 30 per cent *bumiputera* participation in ventures. Many Chinese and foreign investors were initially turned off by the NEP's investment guidelines (Low 1985, 80-83). While several chose to solicit their capital within the new policy, many others took theirs elsewhere. From 1975 to 1985, Malaysia experienced a total of almost $12 billion in Chinese capital flight (Tan 1993, 88). In 1977, the Act was amended to allow some realistic leeway for investments. Despite that, the ICA had an overall depressing effect on investments due to its 'bumiputera equity requirements,' which estimated a 30 per cent fall effect for Chinese equity share, and around a 30 to 40 per cent for foreigners (Jesudason 1989).

Despite the ICA, many foreign investors came to do business in Malaysia; it had been obvious that the state remained firmly in control after the riots, therefore FDI was not adversely affected. To accommodate low-wage manufacturing in electronics and apparel, the state established export-processing zones (or Free Trade Zones - FTZ) for semi-conductor assemblies as well as production incentives under the Promotion of Investments Act in the mid-1980s (Jesudason 1989, 180-189). Motorola, Intel, Hitachi, Monsanto, Ericsson, and Nippon Steel Glass were among the major transnationals that either provided production in Malaysia solely for exports or for sale in the Malaysian domestic market (Anuwar and Wong 1993).

From 1961 to 1990, Malaysia received nearly 30 per cent of all investments coming into the ASEAN region, second only to Singapore (Chia 1993, Table 2). From 1960 to 1980 total investment approvals approximated at US$4.5 billion, while from 1981 to 1990 it nearly tripled to UD$12 billion (Drabble 2000, 240;Chia 1993). The rise can be explained by a second capital surge across Asia in the 1980s, when Japan and the NICs of East Asia experienced higher production costs especially in semi-skilled labor. Malaysia was deemed attractive due to its political stability, well-developed infrastructure, growing markets, and state-supported industrialization programs (Phongpaichit 1993). The state had earlier embarked on a quite insightful 'Look East' policy to attract such capital, which eventually actualized in Japan, Korea, and Taiwan displacing the US and Europe as principal investors during the later part of the 1980 (Bowie 1991, 115-17; Chia 1993, Table 3).

The recession of the 1980s slowed down investments for exports, but a short period of import-substitution coincided with the Industrial Master Plan, which aimed at developing and gearing industrial labor, technology, and infrastructure toward heavy industrialization. This period saw investments, mainly Japanese, in the domestic engineering, automobile, cement, petrochemical, and steel industries. The Heavy Industry Corporation of Malaysia (HICOM) was set up to facilitate capital intensive infant industries in these areas, and tariffs were strengthened for the protection of these industries (Lucas and Verry 1999,199-202; Alavi 1996,175-178).

By 1987, manufacturing surpassed agriculture as the primary sectoral earner in Malaysia, which together with services grew at an average of 18.1 per cent from 1978 to 1993 (Lucas and Verry 1999, 205). The growth of manufacturing alone, as percentage share of GDP increased from 9 per cent in 1965 to 24 per cent in 1990 (Watanabe and Kim 1996, 69). Foreign direct investments had been crucial for these transformations. But although increased foreign earnings helped stabilize Malaysia's balance of payments, huge amounts of repatriated profits tended to offset any growth of domestic investments toward technological development (Jomo 1990).

State-party-capitalist network

Malaysia's state industrialization under the NEP not only stood out for its dependence on FDI. Another important feature was the increasingly fine line between the state and business, characterized by the National Front (formerly the Alliance) parties', namely UMNO, easy access to corporate decision making and wealth accumulation. The linkage between the state and capitalism can be seen in the ways in which capital was accumulated under state patronage. One way has been through the creation of non-financial state enterprises to facilitate *bumiputera* commercial participation, including trust agencies. The second method has been the establishment of investment companies related to political parties, while another method involved the privatization of statutory bodies into private hands. In all of these cases, individuals with close ties to the state and ruling political parties obtained effortless entry into powerful positions of these new organizations (Gomez and Jomo 1997).

One of the earliest state business entities is the Ministry of Finance Incorporated, which primarily functioned as the state's holding company. It was used as an investment arm for the state in areas that were deemed to be in public interest. As Malaysia prospered, and the NEP goals were set, many state-owned enterprises flourished. Since these enterprises are non-budget entities, a large number of them receive heavy funding through revenues from Malaysia's growing oil and gas production. The largest ones have been the Permodalan Nasional Berhad (PNB - National Equity Corporation) and Perbadanan Nasional Berhad (Pernas - National Trade Corporation). Through these corporations, the state managed to purchase the largest British agency houses and plantation companies such as Guthrie, Harrison and Crossfield, London Tin, and Sime Darby, thereby completing the 'nationalized' control of the natural resource-based industries in the country (Saruwatari 1991, 384). Later, subsidiaries of these companies proliferated and diversified into real estate, manufacturing, investments, and even banking (Barlow, Jayasuriya and Tan 1994; Hara 1991, 358). PNB also held stocks under its twin-subsidiary *bumiputera* trust schemes, the Amanah Saham Nasional (ASN) and Amanah Saham Bumiputera (ASB). These trust schemes were aimed at generating

assets on behalf of *bumiputera* investors (Yusoff 1991). By 1992 PNB had held RM22.7 billion (US$7.5 billion) in corporate stock, making it the second largest stockholder in the Kuala Lumpur Stock Exchange (KLSE), second only to the state's Ministry of Finance Incorporated (Malaysian Business December 1 1993).

The state also established various economic development corporations and public enterprises that dealt in a spectrum of areas ranging from agricultural product marketing, investment credit, housing, to land development and light manufacturing (Mehmet 1986, 46-47). Although many of these enterprises originally aimed at improving rural and regional development as well as poverty eradication, their organizational growth and employment have been increasingly tied to political connections and corporate interests. An example is FELDA (Federal Land Development Authority), one of the most successful land and regional development bodies in the world. By 1992, it had turned more than half a million hectares of idle jungle land into rubber and palm oil plantations, worked by a total of 119,000 resettled peasant families (Drabble 2000, 221). FELDA has also contributed to sustaining Malaysia as the world's largest palm oil producer. As an anti-poverty instrument, it has managed to upgrade the quality of life for many of its settlers by providing social amenities and land titles (Bahrin and Muhamed 1992). But FELDA also functions as a plantation corporation, which in the long run, has exploited its settlers into low-wage labor. At the higher end of this enterprise are the politicians, who not only ensure settler loyalty to the ruling party, but also control decisions regarding its assets and interests. As Malaysia industrialized many state enterprises such as FELDA, which by 1992 totaled 1,149, reflected a tendency to engage in areas of finance, manufacturing, and commerce - slowly leaving behind their original poverty eradication goals (Mohamed 1995). Table 6.3 below illustrates this point.

A prominent feature in Malaysian industrialization has also been the heavy involvement in corporate business of political parties through their companies and affiliated business circles (Bowie 1988, 182). UMNO, in its attempt to move away from financial dependence on the MCA, created Fleet Holdings as its main holding company. In the early 1980s, Daim Zainuddin, then Finance Minister and formerly appointed

Table 6.3: Number of State Enterprises in Malaysia by Industry 1965-1992

Type of Industry	1965	1970	1975	1980	1985	1992
Agriculture & resource-based	6	13	44	108	157	178
Transport & construction	22	17	60	110	184	189
Manufacturing & services	17	53	208	350	547	636
Finance	9	17	50	78	116	137
Others	0	0	0	0	6	9
Total	54	109	362	656	1,010,	1,149

Source: Mohamed 1995.

UMNO trustee, abused his position to channel much of UMNO's assets into his personal companies. Former Trade Minister Razaleigh Hamzah's fallout with UMNO pushed corruption issues, which all this while had been disregarded, to the fore. Having narrowly and suspiciously lost to incumbent Dr. Mahathir in the 1987 party presidential elections, Razaleigh's faction filed a lawsuit against UMNO for improper registration procedures. This resulted in a court judgment against UMNO, proclaiming it an illegal entity and ordering the transfer of its assets to the official assignee (Gomez and Jomo 1997,122-123).

To prevent its assets plunging into rival factions, the surviving UMNO leadership, purged of its challengers, arranged for them to be placed into the hands of nominees. This way, while UMNO is seen to physically detach itself from its assets it could still control their transactions. Many of the nominees, such as Halim Saad, Tajudin Ramli, and Wan Azmi Hamzah, closely linked to Zainuddin, went on to consolidate their power in UMNO related companies such as United Engineering, TRI, and Land and General (Gomez and Jomo 1997). By the late 1980s, it had become obvious that UMNO had been using this wealth to finance prominent leaders' campaigns, generate electoral support, and patronize prominent business circles. Meanwhile, Finance Minister Anwar Ibrahim, who had had an unfavorable relationship with Zainuddin, frequently spoke out against 'money politics' and the monopolization of corporate commerce by UMNO politicians (Far Eastern Economic Review June 6 1991). It was not surprising that when he assumed the Deputy Prime Minister's post in 1993, the interests of his own financial backers, mainly non-UMNO Malay businessmen, collided with that of Zainuddin (New Straits Times November 3 1993).

The other National Front parties were also not to be left behind. The MCA pooled its own resources to generate capital through its Multi-Purpose Holdings Berhad (MPHB), which by the early 1980s became the second largest company in terms of shares held in the KLSE, and the largest company in the country in terms of paid up capital (Mehmet 1986, 144). MPHB participated in a wide array of businesses ranging from gambling, real estate, land, banking, and plantations to manufacturing and trade (Gomez 1994, 215-219; Gale 1985). An example of cross-party business coalition is illustrated in the UMBC-MPHB affair in the early 1980s. To prevent political discord arising from business transaction within the ruling National Front, UMNO and MCA brokered a deal in between MPHB and Pernas. Previously competitors for a controlling stake, each eventually shared a 40 per cent equity in the country's third-largest bank the United Malayan Banking Corporation (UMBC) (Mehmet 1986, 146; New Sunday Times March 22 1981). The benefits of the NEP were not exceptionally a bumiputera elitist domain, but that of the other groups as well.

The MIC followed suit with the founding of Maika Holdings, which became its investment arm. MIC President Samy Vellu had proven to be a reliable political ally of UMNO President and Malaysian Prime Minister Dr Mahathir, and although not a listed company, Maika received substantial benefits in numerous state corporate ventures (Gomez 1994, 245-280). Even the Gerakan, an opposition party before 1971, has had business connections through many of their leaders, who have increasingly emerged from the non-bumiputera professional class. One of them was Alex Lee, son of Henry Lee, former MCA leader and Malaya's Finance Minister in the late 1950s. Alex Lee inherited the D&C Bank from his father and was in the process of facing legal action for

financial irregularities in handling his personal company Roxy Berhad, only to be saved by his political connections to UMNO stalwarts. Roxy was later acquired by one of Daim Zainuddin's prospective billionaire understudy Tajudin Ramli and renamed Technological Resources Industries (TRI) (Gomez and Jomo 1997, 61).

Despite the flow of Chinese capital abroad, a significant number of Chinese took advantage of the NEP to embark on new commercial ventures. Many Chinese capitalists began to recruit *bumiputera* politicians and ex-civil servants into their Boards of Directors and other top positions in their corporations. Some of the main corporations included Berjaya, Genting, Malayan United Industries (MUI), and Malayan Flour Mills (Cheong 1993, 165-78). Many Chinese capitalists were also known to personally finance individual UMNO politicians and form beneficial alliances with prominent Malay patrons (Heng 1993, 132). Two of the best examples are the Kuok family of the Kuok Group and Quek Leng Chan of the powerful Hong Leong conglomerate. The Kuoks' business concerns range from sugar, shipbuilding, and hotel chains to real estate and newspapers. To maintain an empire that spanned across the Pacific, close ties needed to be forged with UMNO (Jones 1997, 129). Meanwhile, Quek of Hong Leong was noticeably a financial backer of Anwar Ibrahim during the latter's rise to Deputy Presidency in UMNO (Gomez and Jomo 1997, 48, 66).

Another important strategy of strengthening state-party-capital alliances has been the privatization of public companies. In line with the current business and political logic of the conservative 1980s that had filtered into Reagan's America and Thatcher's Britain, huge public spending became the focus of the Malaysian state during this period. A mid term review of the Fifth Malaysia Plan quoted that by 1987, state investments in public enterprises reached RM5.7 billion or 78 per cent of total paid up capital for such bodies (Malaysian Government 1989; Ali 1988, 120-125). Salih and Yusoff (1989, 22-25) reported that from a sample of 269 agencies, there had already been accumulated losses of RM137 million (US$42 million). Like many other public bodies throughout the world, management inefficiency was much to blame. But that many of these enterprises reported losses were also not surprising since many of the successful ones were bought or taken over by the bigger conglomerates (Gomez and Jomo 1997, 29-39).

In 1983, Prime Minister Dr. Mahathir announced the privatization plan. From 1983 to the early 1990s privatization of various public bodies through buy-outs, corporatization, public listings, equity sales, and licenses to build and operate or own megaprojects went underway. Among the many privatization projects included the National Electricity Board (renamed Tenaga Nasional), HICOM, Pernas Hotel Chains, Malaysian Shipping Lines, Peremba (a subsidiary of the Urban Development Authority), Satellite Services Network, TV3, Metrovision TV4, Malaysia Airlines, Malayan Railways, and Telekoms (renamed Sistem Telekom Malaysia) (Drabble 2000, 200-201; Rugayah Mohamed 1995). Many of these privatizations have also benefited non-*Bumiputera* capitalists such as Vincent Tan of Berjaya, billionaire Ananda Krishnan, and timber tycoon Ting Pek Khiing, whose Ekran was granted permission to build the environmentally disastrous Bakun Dam project in Sarawak (Far Eastern Economic Review March 3 1994; Mohamed 1995).

Finally, mergers of corporations have enabled the consolidation of assets and capital within a few politically connected hands. An excellent example of this has been

the mergers and acquisitions of banking and financial institutions by UMNO-related companies to control capital and assets. In 1970, Malay share of ownership in the banks and financial institutions accounted for only 3.3 per cent, but by the mid-1980s it reached more than 60 per cent (Hing 1987 410-411). The ownership structure of the banking industry indirectly placed these capitalists over other sectors of the economy.

NEP inequalities and education

The positive element in the Malaysian industrialization drive under NEP has been its ability to lessen the economic disparity between *Bumiputeras* and non-*Bumiputeras* during this period. For example, income differentials ratio showed decreased inequality between Chinese and Malays with ratio of mean income of 2.23 in 1970 to about 1.9 in 1989. The ratio between Indians and Malays also improved from 1.70 to 1.29. In east Malaysia income differences between Chinese and *bumiputeras* in both Sabah and Sarawak decreased respectively from 3.46 to 2.50 and from 3.40 to 1.88 from 1976 to 1989 (Wee 1995, Table 5.3; Perumal 1989).

However, such quantitative indicators can be misleading. Despite *bumiputera* equity share rising from 2.3 per cent in 1971 to 20.3 per cent in 1990, non-*bumiputera* share also rose for the same period from 34 per cent to 54.6 per cent (Lucas and Verry 1999, 185-186). Although the NEP aimed at facilitating *bumiputera* parity with non-*bumiputeras,* income distribution for the period 1970 to 1990 showed that overall benefits actually favored *non-bumiputeras*. Interestingly, intra-ethnonational disparity also widened, and was greatest for Malays. The Gini coefficient on income inequality for Malays actually increased from 0.46 in 1970 to 0.47 in 1987 (Shari and Mat Zin 1990).

There was also uneven regional development for this period. On the western coast urban manufacturing areas of the Malay Peninsula (west Malaysia), there had been marked rises in per capita income and lowering of poverty rates. But in the Malay majority states of Kelantan and Kedah, which had been less industrialized, high poverty levels remained as they were before the NEP implementation (Drabble 2000, 279). Trengganu, the oil rich predominantly Malay rural state on the eastern coast scored highest in per capita income but its poverty level was surprisingly also among the highest. Across the South China Sea, the Borneo states of Sarawak and Sabah, increasingly precious for their oil, natural gas, and timber, also reflected high incomes and high poverty rates (Wee 1995). Such uneven regional development tends to reinforce the evidence of wealth concentration among a few capitalists and wealthy elite.

Perhaps education was the one field in which Malays and *bumiputera*s generally benefited under the NEP. One important 'adjustment mechanism' was in the disproportionate award of state scholarships to *bumiputera* students (Munro-Kua, 76-79). Another was the ethnonational quota for *bumiputera* groups in state higher learning institutions. For example, a study of four main local universities revealed that in 1970 *bumiputera* students constituted 40 per cent of all students, while non-*bumiputera* made up nearly 57 per cent. In 1980, ten years after the NEP was implemented, *bumiputera* student enrollment increased to 63 per cent while non-*bumiputeras* decreased to 37 per cent (Tham 1983 150-153). In the 1980s, several new state universities were established to promote greater Malay student enrollment. More importantly, another mechanism through which the learning capabilities of Malay students were enhanced

was the institution of Malay as the national education language. By 1980, the Cambridge University 'O' level equivalent *Sijil Pelajaran Malaysia* (SPM) was fully prepared in Malay (Hashim 2001).

Scholarships and state facilities were open to all *bumiputeras*, and not limited to only those from the lower income group. Thus it was not uncommon for example, for *bumiputera* children from privileged backgrounds to take full advantages of state assistance such as enrolling in well-furnished state residential schools meant for the lower income. In fact, economic growth in general, which provided access to better learning environments and influential networking within the top circle, had worked favorably toward students from the elite class of each ethnonational groups. According to Ozay Mehmet (1986, 123), "the method of awarding scholarships is heavily biased in favor of richer Malay households. To a lesser extent, it also favors the richer Chinese and Indians." It is essential to also note that economic growth enabled many non-*bumiputeras* to pursue their higher studies through private-run institutions. In terms of total university enrollment, both local and overseas, the proportion of non-*bumiputeras* to *bumiputeras* was pretty much balanced. In 1985, Malays and *bumiputeras* constituted 51 per cent of all student enrolment in both local and overseas tertiary institutions, while non-*bumiputeras* made up nearly 49 per cent (Malaysia 1986, Table 19.3).

Unequal development and disproportionate income levels illustrate the consequences of dependent development of capitalist peripheral countries. It is no doubt that the NEP has succeeded in pushing many *bumiputeras* to a much higher development level than they had been in 1970. But benefits of industrial development still favored those who had already been privileged with comparably greater economic resources and social advantages. It is not incorrect to state that the while NEP has managed to reduce inequalities between ethnonational groups, to a significant degree, it has also further enriched the privileged class, the existing capitalists, and those connected with the ruling class.

Foreign Capital and Social Control in Singapore 1965-1990

The nature and path of Singapore's political economic development slightly differs from Malaysia. As mentioned earlier, Singapore's economic function in the world division of labor as an entrepot as well as regional financial and service center have enabled it to develop a pool of relatively skilled industrial labor and a sound social and economic infrastructure. When Singapore was expelled from Malaysia in 1965 following two years of bloody racial riots, the PAP was at a loss on the issue of governing a small island without resources or natural markets. The PAP had striven hard to forge a political alliance with the Malay elite in Malaysia, but its brazenness in calling for the removal of Malay-*bumiputera* privileges and in attempting to usurp the MCA capitalists was considered too much too quick for Alliance leaders (Chew 1996, 94-98). For Lee Kuan Yew, chief architect of PAP policies, the expulsion was a personal failure (Far Eastern Economic Review June 20 1996).

However, a great advantage the PAP possessed was in the fact that despite the country's unequal ethonational-class structure favoring the Chinese, unlike Malaysia, the Chinese in Singapore were also the overwhelming majority of the island's population. Such a situation would later facilitate both the political domination of minorities and the

formulation of policies that sustained the well being of its more affluent majority group. Furthermore, consolidation of state power started off on an advantageous footing for the PAP, since through Singapore's short merger with Malaysia the leftists had been heavily defeated, and with its expulsion from the Federation, the party had emerged with indisputable reputation as patron of Singapore independence (Barr 2000, Minchin 1986).

The PAP's underlying dilemma was how to sustain capitalist development through a national economy that lacked natural resources. In this, the PAP's strategy in sustaining manifested in two major policy approaches. First has been state alliance with foreign capital as an effective method to harness existing resource base, namely labor and economic infrastructure, toward industrialization (Tremewan 1994, 29). Second was the consolidation of state power through the control and subjugation of the working classes as well as the minority Muslim Malays in order to suppress potential opposition to the state (Tajuddin 2001, 66-67; Rahim 2001). The PAP has always viewed the Malays with political contempt, since it had mainly been the 'Malay privileges issue' that prevented their access to greater state power in Malaysia. Furthermore, Singapore's precarious geographical location as a 'Chinese' state in a larger Muslim Malay world has been made increasingly flighty by its traditional dependence on mutual trade with both Malaysia and Indonesia.

State, capital, and political economic survival

Although impressive, there is nothing 'miraculous' about Singapore's rapid economic growth (Huff 1994). In the late 1960s, Korea, Taiwan, Hong Kong, and Singapore hooked on to the buyer-driven commodity chain for consumer production of apparel, toys, and footwear, mainly for foreign firms (Gereffi 1998, 104-105). This period was also one, in which the first wave of capital flow searching for low value-added labor costs for re-export manufacturing of electronic components and assemblies, made its way to East Asia (Borrus 1994, 134-136). With its developed infrastructure and relatively low cost but adequately skilled labor pool, Singapore naturally attracted such capital. American firms were highly prized as investors since the United States had made special tariff provisions for offshore assembly (Arendt 1987, 23). By 1969, Singapore emerged as the most competitive semi-conductor assembly production location for United States corporations (Huff 1994, 324; Helleiner 1973, 35-40).

The numerous small Chinese firms, whose activity remained pretty much confined within the regional commodity trading chain, had made up the bulk of Singapore's local capitalist class. But unlike the other countries, Singapore had not attained an import-substitution industrial economy strong enough to develop a local technology-capital base, and as such did not proceed to produce on the basis of exports by domestically owned companies. Instead, Singapore's capitalist development was marked by an ordinate reliance on multinational/transnational corporation (MNC/TNCs) investments rather than investments by its own entrepreneurs (Huff 1994, 35). The state envisioned an industrialized Singapore, whose economy was diversified and moved away from its traditional staple-port function. In light of its constrained domestic market, manufacturing as the engine of industrial development necessitated an export-led orientation. The absorption of TNC capital was, like Malaysia, an opportune spark for the export manufacturing drive. Interestingly, local capitalists assumed almost no role in this sector of the economy (Huff 1994, 330-331; Hamilton 1983, 60-63).

Since economic growth depended heavily on foreign capital, the state had to forcefully intervene in the economy in order to continue attracting investors. Social and economic infrastructure was vigorously tailored toward meeting the needs of foreign capital, and a stable political climate had to be maintained. To promote investment and manufacturing, namely in shipbuilding, chemical and electrical equipment, and engineering, the state founded the Economic Development Board (EDB). In 1967, the Economic Expansion Incentive Act was passed to facilitate TNC investments by providing efficient communication networks and the construction of industrial estates (Jones 1997, 92). According to former Finance Minister Goh Keng Swee "The government has to be the planner and the mobilizer...the free enterprise system, correctly nurtured and adroitly handled, can serve as a powerful and versatile instrument of economic growth" (The Asian August 20 1972).

In the absence of domestic private corporations, the state set up its own enterprises to enhance the local corporate base as well as to pump in public funding toward capital accumulation. These corporations came in the form of statutory boards and state enterprises. Statutory boards are colonial legacies of state participation in the shipbuilding and repair industry, whereas many of the state enterprises are subsidiaries of three state holding companies, Temasek Holdings, Singapore Technological Holdings, and Health Corporation Holdings. Among the big named subsidiaries supported by these holdings included such corporations as Singapore Airlines, Neptune Orient Shipping Lines, and Singapore Telecom (Jones 1997, 93-94; Low 1984, 253-275). These enterprises brought in efficient management of resources as well as surplus funds, which were channeled into public sector savings (Low 1985, 216-220). From 1974 to 1985, these savings rose from S$736 million to S$11 billion, translated into 22.8 per cent of Gross National Savings in 1974 and 66.8 per cent in 1985 (Singapore Department of Statistics 1986, 216). Much of these savings were invested in overseas stocks and bonds by the state.

Public sector savings, together with private sector savings were significant sources of capital formation in the Singapore economy. Private sector savings were mainly derived from forced savings through the Central Provident Fund (CPF), a social security scheme for retirees drawing on their pensions through amounts contributed from salaries and wages (Huff 1994, 334-336). Although not as high as public sector savings in terms of total gross national savings, private sector savings however made up the bulk of the capital formation process in Singapore. During the 1960/69 period capital formation from private sector savings accounted for S$974 million or 66 per cent of gross fixed capital formation. During the 1980/90 period, capital formation from this sector reached to about S$11.6 billion or 71.2 per cent of gross fixed capital formation, reflecting an eight-fold periodical increase (Singapore Ministry of Trade and Industry 1991, 103).

A good portion of capital was invested in public infrastructure such as state-of-the-art port facilities, telecommunications, airport, and expressways as well as public housing, which served to cater to TNCs through cheap and efficient production operations. Much capital was also invested in industrial training for workers (Lim 1982, 50-54). The state offered generous incentives such as tax holidays and full ownership of firms. In fact, TNCs were given freedom to bring in their entire operational package, from

capital, technology, marketing, and even management (Huff 1994, 36). Supplemented by flexible regulations from the state, such infrastructural projects tremendously induced TNC investments, contributing to high employment and high savings, thereby reinforcing the state-capital formation cycle. By the end of the 1970s, fully owned foreign TNCs produced more than half of all manufactured products (Rodan 1989, 130). Also, two third of key decision-making positions was filled by foreigners while large capital and labor contribution from TNCs nearly entirely constituted the country's manufacturing growth (Young 1992).

Singapore's strategy to aggressively attract foreign capital for export-based industrialization was not complete without the suppression of labor. The PAP's expertise in labor repression had proven itself before the merger with Malaysia, but total submission of workers was required to keep wages from spiraling upwards. Thus a low-wage labor policy was pursued through a National Wages Council, which regulated wage costs (Disney and Ho 1990, 637-638). In 1967, the Criminal Law (Temporary Provisions) (Amendment) Act virtually outlawed strikes and disciplined the country's labor unions (Vasil 1989, 154-155). The Employment Act and Industrial Relations Act 1968 further incapacitated workers from exercising many basic rights, while at the same time conferring management discretionary powers over industrial disputes (Bello and Rosenfeld 1990, 304). Shortly after its separation from Malaysia, the PAP had already nurtured a compliant labor force within the National Trade Union Congress (NTUC) (Rodan 1989, 29-31). To institutionalize a pro-state labor union, the leadership of the NTUC comprised several PAP members, while its top post became a government cabinet position (Tremewan 1994, 33).

By early 1970s, manufacturing had become the leading economic sector in Singapore. Maximizing labor employment meant that women and individuals with small-businesses were also geared toward industrial labor. Women joined the labor force in large numbers after 1970, and constituted 44 per cent of labor in the country by 1980. Similarly the proportion of hawkers and petty traders declined from about 21 per cent in 1970 to about 13 per cent in 1980, the reason behind this attributable to state policy in reorganizing and reducing the number of small businesses (Huff 1994, 326; Tremewan 1994). Finally, unemployment rates showed decreasing trends from 8.9 per cent in 1966 to 3.5 per cent in 1980, and further down to approximately 1.7 per cent in 1990 (Lau 1993, 21-37).

The state's industrial training program succeeded albeit to a limited extent, in adjusting its labor force toward higher value-added production. For instance, in the electronic industry, production of finished goods rather than mere component assembly soon became the primary specialization. By the 1980s, computer peripherals and disk drive production replaced semi-conductor assembly as the more significant part of the country's electronic industry (Sandilands and Tan 1986, 35-40).

However, the 1985 recession pulled the state back down to earth for a reality check. The recession caused significant declines in the demand for its products, while labor costs began to climb steeply. Despite state-sponsored labor upgrading initiatives, the state realized the limitations of an industrialization strategy hinging on the strict alliance with foreign capital. Many TNCS started looking toward Indonesia and Thailand for better priced labor, while other more technologically-inclined TNCs brought their

capital back home to the core countries for more sophisticated and efficient production processes (Rodan 1989; Jenkins 1984). Research and technological development, the exclusive domain of core countries, were the only methods of adjusting the production process to world systemic fluctuations through the enhancement of productivity. Despite the total reliance on and accommodation to foreign capital, technology transfer had not taken place in Singapore (Young 1992). Furthermore, its capitalist class had not even been actively involved in the country's export drive toward full industrialization.

The pointlessness of industrialization without technological development compelled the state to return to the island's traditional function as a regional service center. Inspired by Italian city states of the late Middle ages, Singapore sought to exploit its locational advantage to become a sophisticated offshore investment center servicing industry and businesses not only in Southeast Asia but also the rest of the world (Huff 1994, 40-41; Pang and Lim 1982, 7-33). By investing state funds in the core, the state hoped to obtain a portion of surplus distribution as well as attain some technological upgrading for its own economy (Jenkins 1984). Investment in the periphery, on the other hand was a way to link core capital to these countries through Singapore, thereby uplifting its regional role as a service center (Mirza 1986, 190-200).

The service industry in Singapore has been a formidable sector in the economy due to its commodity trading function since the colonial period, and had profited tremendously from the island's economic growth. In 1980 the real average monthly earnings from the services sector, which includes financing, real estate, and business services totaled S$1089 compared to commerce with S$792, and manufacturing, S$676. In 1990 services recorded a combined average income of S$1785, compared to commerce S$1294, and manufacturing S$1278 (Singapore Department of Statistics 1990, 23). In finance, the Development Bank of Singapore (DBS) and the Monetary Authority of Singapore (MAS) have both facilitated the growth of the financial markets as part of the state's efforts to pull investments into the country by providing high quality financial services and facilities. The Singapore International Monetary Exchange (SIMEX) was established to enable the convenience of futures currency exchange, especially for the merchant banks. At the local retail level, a conglomeration of banks provided highly efficient services in terms of a 'financial economy of scale.' Three powerful Chinese banks monopolized the industry - the Overseas Chinese Banking Corporation (OCBC), the United Overseas Bank (UOB), and the Overseas Union Bank (OUB) (Lee 1990, 73-77). By 1990, Singapore was home to 13 local banks, 68 merchant banks and 128 foreign and transnational banks (Monetary Authority of Singapore 1992, 81).

Also, it must be reminded that although the state has focused on export manufacturing, Singapore still remained the leading exporter of rubber exports and the world's third largest exporter of spices from Malaysia and Indonesia, contributing to the enormous wealth of several Chinese capitalists (Huff 1994, 311-312). In 1983, 85 per cent of trade within the ASEAN region, mostly in natural resources including oil refinement, was through Singapore (Mirza 1986, 193). A new form of resource exploitation has emerged in the state's role of exporting its service industry to other parts of ASEAN. Through the introduction of core transnational finance capital (TFC), which is the combined effect of industrial capital through TNCs and banking capital, Singapore business has made its way into the neighboring countries. Taking advantage of cheap

labor and land in these countries, Singapore's advanced service sector, particularly finance, has facilitated this process by providing infrastructure investments agreement with the country concerned to build production zones or promote tourism. Using Singapore as a base for finance, communications, and other services including export facilities, foreign capital could be safely invested for production of goods in these zones. The southern growth triangle linking Batam island in Indonesia, Singapore, and the southern Malaysian city of Johor Baru is one such example. The proliferation of production, finance and tourism services emanating from this triangle has led to tremendous profit margins for Singapore's services industry but at the expense of the other countries. In simple terms, Singapore has basically reinforced its role as 'middleman' of the region.

However, none of these services growth has contributed to domestic technological development. Many of the corporations that partake in such projects have mainly been Singapore subsidiaries of foreign companies. By 1988, 70 per cent of Singapore made goods for exports still come from MNC/TNCs (Far Eastern Economic Review Asia Yearbook 1988, 226). In this respect, Singapore's capitalist development has remained tied to foreign capital, rendering its industrial capacity to be technologically barren (Tremewan 1994 43; Yoshihara 1988).

Race-class reproduction through education

Singapore's historical process during this period presented two forces that posed as imminent threats to the political survival of the capitalist state. First is the socialist movement and second is the country's Muslim-Malay minority. Singapore's capitalist development could not have moved forward without successfully ensuring that these forces become institutionally crippled. An effective method of containing and subjugating these political threats to the state has been to formulate policies that would permanently stratify these forces into politically marginalized positions.

As discussed in the earlier chapter, the PAP's ascent to power had only been made possible with the crushing of the leftist movements and the purging of its leaders from the party. In view of the fragile circumstance surrounding the city-state's political economy, such as its lack of natural resources and its unstable ethnonational-class structure, the state becomes compelled to insure itself against any form of potential threat emanating from the working class, a hotbed for socialist movements. A bigger issue seems to be the state's extreme insecurity about its geographical and historical existence within a larger Muslim Malay region (Jones 1997). There has always been a persistent fear on the part of the state that the country's Malay minority could perform a subversive fifth column role. This fear is reflected in the state's deliberate omission of Malays in strategic positions in the Armed Forces. Responding to why there had been no Malay fighter pilots in the Singapore Air Force, Brigadier-General Lee Hsien Loong (son of Senior Minister Lee Kuan Yew) then Defense Minister and current Deputy Prime Minister, explained that: "religion and ethnicity might conflict with their duty to Singapore" (Far Eastern Economic Review Asia Yearbook 1988, 221).

In order to dislocate its ethnic Malay minority from the larger Malay world, the state has embarked on numerous policies to politically marginalize Malays in Singapore. One way to permanently submerge the Malays into political oblivion has been to

superficially build the country on a so-called notion of 'multi-racialism' that officially expunges Singapore's identification with the Malay world.[60] Singapore's official history as written in school texts even begins with the arrival of the British in 1819 (Lai 1995, 150). Blocking out the pre-British Malay history of Singapore or *Temasik* as part of the Johor-Riau Sultanate has been an advertent attempt by the state to reconstruct the origins of Singaporean history as part of the Malay world into that as a migrant society. Simultaneously, the state has vigorously pursued policies that favorably attached a strong 'Chinese character' to the country (Preston 1994, 213). This effort has been made relatively smooth considering the Chinese constitute the island's majority population. Table 6.4 below illustrates the ethnonational composition of Singapore, which by the year 2000 stood at 3,263,309 (Singapore Department of Statistics 2001).

The most crucial institution for state control and containment of Malays is education. In 1967, the PAP declared, "We will cease making the mistakes which nearly all developing countries are now making – overproducing unemployable numbers of educated white-collar workers and not turning out skilled artisans and technicians we need for industrial growth" (Singapore Ministry of Labour 1967, 1). Such a statement reverberates the frequent use of the economy as justification for intrusive state involvement into civil society. The overriding state agenda of controlling the working class and Malays can be captured in the state's deliberate channeling of distinct groups of people into specific labor positions through its educational policies. Randall Collins (1979) has argued that education in a capitalist society often serves to control minority and disadvantaged groups. This is evident in Singapore. As the country industrializes, increasing numbers of Malays have been streamed into the working class through the education process, making it easier for the state to successfully converge its race-class policies within a single approach.

The early stages of Singapore statehood were marked by state efforts to disarm Chinese education due to its close association with left-leaning anti-establishment political mobilization. After its separation from Malaysia, the state badly needed to direct its labor toward servicing foreign capital, making mastery of the English language its priority focus (Seah and Seah 1983). English education, which equips labor with international communication skills, has to a significant extent contributed to the country's competitiveness in attracting foreign investments (Huff 1994). The emphasis on English has also had several other policy impacts. One, it has broadened the state's support

Table 6.4: Population Breakdown in Singapore According to Ethnonational group for 1980, 1990, and 2000 (in percentage)

Ethnonational group	1980	1990	2000
Chinese	78.3	77.7	76.7
Malays	14.4	14.1	13.9
Indians	6.3	7.1	7.9

Source: Singapore Department of Statistics 1987, 2001.

[60] Manifested in the PAP's 'Malaysian Malaysia' platform during its merger with Malaysia

base to include a greater number of the country's majority Chinese through an English-speaking class, an effort that has increasingly relinquished the importance of Chinese education (Tremewan 1994, 91). Two, by requiring science subjects to be taught only in English, the state has managed to push vernacular education, particularly Malay, onto the outer margins of Singapore society. Such a policy has reproduced a class structure that disproportionately represents relative Chinese social affluence and Malay social disenfranchisement (Rahim 2001; Chiew 1991; Seah and Seah 1983; Arumugam 1975).

To prevent its assets plunging into rival factions, the surviving UMNO leadership, purged of its challengers, arranged for them to be placed into the hands of nominees. This way, while UMNO is seen to physically detach itself from its assets it could still control their transactions. Many of the nominees, such as Halim Saad, Tajudin Ramli, and Wan Azmi Hamzah, closely linked to Zainuddin, went on to consolidate their power in UMNO related companies such as United Engineering, TRI, and Land and General (Gomez and Jomo 1997). By the late 1980s, it had become obvious that UMNO had been using this wealth to finance prominent leaders' campaigns, generate electoral support, and patronize prominent business circles. Meanwhile,

The PAP has always been aware that their political mainstay lies with the majority Chinese. By stratifying schools into particular areas of study such as academic, technical, and vocational, the state is able to motivate Chinese parents into sending their children to English schools (Tremewan 1994, 86-88). The reason is clear. The Primary School Leaving Examination (PSLE), which streams students into various disciplines in secondary education, is largely based on student aptitude in English. Good scorers in the exam leave for the academic stream, where the prospect of entering higher education is bright (Lai 1995, 157-161). In addition, the core of these high-scorers would also be tracked into the special and express courses in secondary schools that could take them on a shorter route toward university and college education, where instruction is in English (UNESCO 1999). For those who do not perform sufficiently well, they find themselves heading toward the technical and vocational fields.

Needless to mention, under such a scenario students coming from more affluent social-economic backgrounds tend to perform better on exams than others due to their better access to economic resources and to conducive living conditions (Rahim 2001, 193-195 Blake 1991; Ahmad and Wong 1974, 7-9). Table 6.5 on the following page illustrates the percentage of Special/Express Course eligibility, 'O' Level (Cambridge Certificate) exam passes, and university enrollment by ethnonational group. Chinese students recorded the highest percentage rates in the eligibility for special courses as well as 'O' Level passes in both 1980 and 1990, while Malays lagged behind all groups for both years. The Chinese also displayed the highest rates of university enrollment in 1980 and 1990, while Malays again showed the lowest rates (Singapore Department of Statistics 2000; Singapore Ministry of Education 1998).

Low academic performance by Malays lies in the fact that Malays constitute the largest portion of the lower and working classes (Rahim 2001; Jesudason 1993, 16-18). Low income means less access to resources needed to perform well in a highly competitive school environment. Unlike Chinese and Indians, who can afford extra private tuition to prepare for examinations, Malay students usually do not enjoy such

Table 6.5: Student Eligibility for Special/Express Courses, 'O' Level Exam Passes, and University Enrollment by Ethnonational Group, Singapore, 1980 and 1990 (Percentage)

	Special/Express Courses Eligibility		'O' Level Passes*		University Enrolment	
Ethnonational group	1980	1990	1980	1990	1980	1990
Chinese	54.3	59.1	28.7	62.6	1.5	4.6
Malays	30.2	28.2	6.6	24.5	0.2	0.6
Indians	34.1	34.6	16.9	37.7	1.4	3.6

* With at least five 'O' level passes.
Source: Singapore Ministry of Education 1992, 1998; Singapore Department of Statistics 2000.

advantages due to their parents' inadequate resources. The use of English as the language of science and mathematics has further placed Malays at a disadvantage since a majority of Malay adults had attended only Malay schools, thereby creating a non-English speaking home environment for their children. In 1990, only 29 per cent Malay students passed Mathematics at the 'O' Level, compared to 73.2 per cent Chinese and 41.3 per cent Indians. Drop out rates for Malays at the secondary education level was 7.7 per cent in 1990 compared to 3.5 per cent for Chinese and 5.1 per cent for Indians (Singapore Ministry of Education 1998).

To secure the privileges of the mainly rich Chinese, the state has further privatized the top schools. Here, admission is tightened partly through high fees and costs as well as the prioritization of family network and residence as criteria for entrance (Rahim 2001, 143-146;Tham 1989, 493). Incredibly, despite its privatization rhetoric, the state had given these schools an added advantage by its provision of the latest facilities and construction of dormitories (Buchanan 1972, 290). Competition for admission has been so intense that corruption had been rife, with some schools soliciting up to S$15,000 from parents (Strait Times January 30 1992). Although the state has devised various schemes such as the Financial Assistance Scholarship (FAS) and Edusave, the profound effect of these programs have been to lower state funding costs for education. The FAS has served only a minimal number of people due to its low salary cut-off point, while the Edusave has not only been meager in quantity but its non means-tested requirements have benefited the rich as well (Rahim 2001 143; Straits Times Weekly December 29 1990). The Edusave functions as a precursor to a resource-saving and gradual autonomization of education, which will eventually hurt the lower and working classes.

As a result of the education policy, the impact of education on class reproduction is glaring. Table 6.6 on the next page depicts the occupational structure in 1980 and 1990, showing disproportionate representation of Chinese in the professional, technical, and managerial categories, with Malays and Indians constituting higher rates in the production category, with little changes over a period of ten years (Jesudason 1993, 17). To complete the suppression of Malays, the state has launched a 'Speak Mandarin' campaign as a way to unite the various Chinese groups under a single cultural banner

Table 6.6: Distribution of Occupation Categories by Ethnonational Group In Singapore 1980 and 1990 (percentage)

Occupational category	Chinese		Malays		Indians	
	1980	1990	1980	1990	1980	1990
Professional & Technical	9.0	17.5	4.8	6.6	8.8	12.0
Admin & Managerial	5.2	9.6	0.5	0.9	3.6	5.4
Clerical	16.0	13.4	14.3	15.3	13.8	11.9
Sales & Services	22.6	14.0	20.8	14.2	28.5	12.9
Agricultural & Fisheries	1.9	0.3	2.3	0.2	1.3	0.0
Production	38.6	38.3	54.2	54.8	36.0	51.3

Source: Jesudason 1993.

and to fortify PAP support among the Chinese educated (Huxley 1992, 292-293). Mandarin has become mandatory for Chinese students and has been developed into a high profile language in business as well as in public communication (Straits Times May 18 1992). Through this project, the state has reconciled its antagonistic relations with Chinese education and conspicuously mobilized Chinese chauvinism into an acceptable enterprise. By so doing the state planned to inculcate essential Confucian values of patronage and loyalty among the young as well as to strengthen the 'Chinese identity' of Singapore.

Racist position of the state

The state contends that the country's lack of natural wealth, population, and size has forced it to exploit the resourcefulness of its citizens in order to attain economic development (Seah and Seah 1983). As such, the state has often proclaimed that its 'meritocratic' education system has been the key to its survival by way of extracting the 'best and talented' to fill leadership positions and delegating the less skilled to the lower rung occupations (Buchanan 1972). By perpetuating the meritocracy myth, the state justifies the higher position of the Chinese as deserving and imputes the plight of the Malays to their 'biological and cultural deficiency.'

The PAP has often sidestepped structural factors when explaining Malay educational underachievement and instead ascribed it to cultural incompetence or poor parental discipline (Tajuddin 2001, 69). The racist overtones of the state is captured in its reduction of the cause of the economic disparity between Chinese and Malays to "four millenium's worth of Chinese cultural history in comparison to that of the equatorial peoples, who would go to sleep in the afternoons" (George 1984, 164). When Malays complained that the education system had not helped improved their standing in relation to the other groups, the state cautioned them against a 'psychological trap' of believing that they could be at par or better than the Chinese. Instead, the state has suggested that Malays measure gains made against earlier cohorts (Straits Times February 8 1991; Straits Times July 7 1987). The state has publicly announced that for biological and cultural reasons, Malays could never perform better than the Chinese in science and

mathematics, thereby justifying opposition to any move toward state assistance for the underprivileged (Tamney 1996; Straits Times June 26 1992). For the state, Malay 'shiftlessness and indolence' are innate traits that cannot be rectified. Such official explanations have inevitably generated a sense of self-denigration among Malays and growing discontentment toward the state (Li 1989; Busch 1974).

The state has utilized the education system to ensure Malays acquire minimal education in order to subject them into low-wage labor (Wilson 1978). The false stress on merit as the criterion for social economic success has served to reproduce the class structure and created a self-fulfilling prophecy that those at the top deserve their 'rewards,' while those at the lower end have their plight coming (Tajuddin 2001, 70). The state has been unapologetic and blatant in its racist policies, which are often resonated within the leadership's speeches and writings. For example, amidst laughter and applause, former Prime Minister and current Senior Minister Lee Kuan Yew addressed a National Day Rally in 1990: "I don't pretend I don't share prejudices, I do. If one of my sons had come back and said 'I've got this American lady whom I met in America,' my first question is, what colour is she?" (Straits Times Weekly September 1 1990)

State social engineering

The premise on which Singapore's social policy has stood has often been contradictory. On the one hand, it has staunchly abided by a meritocracy system to harness its population's 'skills and talents,' perceivably determined by factors ascribed to biology and culture. On the other hand, the state has formulated policies that practically assist the advantaged groups in their access to and maintenance of privileges, while it has allowed incredible barriers to exist for the lower classes and Malay minority.

One of the most controversial state policies has been its eugenics approach to population control and immigration. Anxious to sustain the 'Chinese character' of Singapore, the state has been persistently working to overcome the problems of decreasing birth rates among the Chinese population, particularly the educated. This is made all the more serious by the increasing rates of its Muslim-Malay minority as well as working class. In fact, in the mid-1980s, Chinese-Singaporeans had one of the lowest fertility rates in the world (Far Eastern Economic Review Asia Yearbook 1988). But the state's concerns date back all the way to the 1960s, when it introduced abortion and sterilization laws aimed at the poor and Malay minority. At a Parliamentary address, Lee Kuan Yew stated: "Free education and housing lead to a situation where the less economically productive people in the community are reproducing themselves at rates higher than the rest. This will increase the total population of less productive people... We will regret the time lost if we do not take the first tentative steps towards correcting the trend, which can leave our society with a large number of the physically, intellectually, and culturally anemic" (Select Committee Report 1969, 321, cited in Tremewan 1994, 103).

Based on the steadfast belief that the Chinese are superior to other races, the state has held on to the conviction that Singapore's economic success has been the result of the combination of positive Confucian traits and superior Chinese genetic pool (Rahim 2001, 56). Thus in order to increase the Chinese 'breeding stock,' especially among the educated class, the state introduced generous tax rebates, health benefits,

and quality schooling for educated couples to encourage their maximum procreation (Tajuddin 2001, 70; Quah and Quah 1989; Far Eastern Economic Review Asia Yearbook 1988). For the working class Chinese, incentives came in the form of tax relief for additional children. The state cleverly used the income structure to determine the implementation of these plans, since income would generally reflect class and ethnonationality. Conversely, not only are the poor encouraged to undergo sterilization or abortion but regressive costs of hospitalization and tax schemes have caused them potential hardship should they produce more children (Yap 1989).

Unfortunately for the state, economic growth and strict cultural patriarchy has produced an increasing trend of unmarried graduate Chinese women and graduate Chinese men 'marrying down' (Tremewan 1994 130-131). In response, the state improvised various methods of encouraging graduate women to raise families with graduate men, including a state-sponsored dating service of the Social Development Unit (SDU). Through this program, the SDU actually managed to place 240 couples under its patronage in 1988 (Straits Times Weekly April 29 1989). Despite its humorous undertones, the state's serious involvement in the project paralleled an earlier version of social engineering – Adolf Hitler's *Lebensborn* babies – the Nazi program of hooking up 'genetically suitable' couples of 'pure Teutonic origin' to procreate and eventually produce a superior 'Aryan' race for a greater Germany (Clay and Leapman 1995).

When such measures became too lethargic for the impatient state, the facilitation of educated Chinese from Hong Kong to permanently reside on the island was undertaken. By 1988, over 4,700 families were admitted, and in 1990, the state disclosed that it would grant admittance to another 25,000 families over the next eight years (New Straits Times February 24 1990). Immigrants from Hong Kong, Taiwan and Korea are new additions to Chinese-Malaysians as the 'traditional sources' of foreign labor. These workers are easily recruited in the higher paying service sector and have greater chances of permanent residence in the Republic (Lim and Pang 1986, 62).

To solve the low-wage labor dilemma, the state permitted a good number of workers from the 'non-traditional' sources of foreign workers (mainly from the Philippines, Indonesia, and Thailand) involved mainly in production and low-paid contractual jobs, to be fully incorporated into the country's working class sector. However, the state has placed stringent restrictions on both employers and workers to prevent these workers from obtaining permanent residency and from siphoning state resources. Overstaying would be subject to harsh punishments including caning. Marriage, which could entail children, would be non-permissible without state approval. Welfare benefits including health are the responsibility of the employer, while savings through the CPF are non-existent (Tremewan 1994, 134). Marriage to Singaporeans is forbidden and women workers have to undergo regular pregnancy tests (Wong 1996). Such a move satisfied the state in two ways. One, the working class reproductive capacity is no longer a state burden, and two, the working class itself becomes racially and ethnonationally fragmented to keep wages down. By mid-1990s, 300,000 of these foreign workers made up 19 per cent of its labor force (Huguet 1995, 525).

The categorization of traditional and non-traditional sources of labor itself underwrites the state's racist predilection. Workers from the Philippines and Indonesia for example, had been working in the Republic much longer than those coming from

Hong Kong and Korea. But the fact that people from these ASEAN countries are Malays in origin while the East Asian countries are determined to be 'Confucian states' renders the latter better treatment under the state's immigration policies. The eugenics approach to population control and immigration, whether successful or not, illustrates the state's keen commitment to secure Chinese predominance in Singapore as well as to de-link the accessibility of the working class to state resources.[61]

Inequalities in Singapore

Despite its relatively small population and inspiring economic growth, Singapore's social policies have created income inequalities wider than the rest of the 'Four Tigers' and for that matter, the United States. By 1992, the top 20 per cent of Singaporeans held nearly half of the nation's income, while the poorest 40 per cent received only 15 per cent. Compare this to the United States, which has one of the widest income gaps in the industrialized world and a much larger population. The top 20 per cent in the US received about 40 per cent of the country's income, while the bottom 40 per cent received 15.7 per cent. Table 6.7 below illustrates comparisons with Korea, Taiwan, and Hong Kong (World Bank 1993).

Income inequality actually rose from 1975, and by the late 1980s, about 30 to 35 per cent of households were poor (Clammer 1987, 190-200). Malays and Indians in general have seen their economic position, while improved due to economic growth, have remained stagnant or deteriorated relative to the Chinese between 1970 and 1990 (Lai 1995 154). In fact, Malay share in the higher income professional and technical occupations dropped from 7.5 per cent in 1970 to 7.3 per cent in 1990, while in the administrative and managerial positions, they dropped from 1.8 per cent in 1970 to 1.2 per cent in 1990. The Indians displayed similar trends, with reduction in the professional and technical job category share from 7.4 per cent in 1970 to 6 per cent in 1990, while having maintained a 5 per cent share in the administrative and managerial occupations for the same period. In contrast, there was relative increase for the Chinese in both these job categories from 82 per cent in 1970 to 82.7 per cent in 1990 (Lai 1995, 155; Chiew 1991). In the manufacturing sector labor market, Malays and women

Table 6.7: National Income for Top 20 Percent and Bottom 40 percent, Selected Countries in 1992 (percentage).

Country	Bottom 40 Per cent	Top 20 Per cent
Hong Kong	16.2	47.0
South Korea	19.7	42.7
Taiwan	17.4	41.8
Singapore	15.0	48.9
United States	15.7	41.9

Source, World Bank 1993

[61] Lee Kuan Yew stated that a minimum 76 per cent Chinese majority must be maintained before opening the door to Indian and Malay migrants can be considered (Straits Times April 23 1990).

disproportionately receive lower incomes across all categories of industry (Lee 2001). Overall, Malays had the highest rates of poverty due to their inability to cope with high living costs and also to their decreasing remuneration on the basis of low educational levels (Paul 1993, 294; Islam and Kirkpatrick 1986, 123-124). As in 1960s Malaysia, Malays have also been discriminated against in the appointments to higher income jobs in many commercial establishments (Tamney 1996; Li 1989).

Public assistance programs are limited in scope and the CPF does not cover sickness disability and unemployment. In fact these programs have not only been insufficient in meeting the needs of the impoverished, but they also operate on a bias toward the well to do, since they are the ones with the greatest capacity to save (Lee 2001). According to William Lee (2001, 57) "In comparison to other affluent societies, Singapore has little to offer in terms of social assistance to those living in or near poverty. Little is known of Singapore's poor and for that matter how Singapore deals with them." The main framework of these social or public assistance programs is built around the postulation that state money 'should not be wasted on the undeserving' (Asher 1991, Lim 1990).

Industrialization and Women

A brief discussion on women and industrial development in Malaysia and SIngapore is appropiate at this point. Industrial development in these countries requires the state to cater to the needs of capital investments, mainly in the supply of cheap and compliant workforce. The intersection of class, ethnonationality and gender could be seen in the way state policies in both countries have sought to absorb and incorporate female workers into their capitalist development through patronization and exploitation.

Historically, Hindu influences in pre-capitalist Malay social structure had placed women's role and status secondary to men. But under Islam women in the Malay world had freedom of movement and many prospered as traders, merchants, and even landowners. In some places such as Pattani and Perlak, there was a succession of queens instead of kings (Aliran Monthly April 1999). In Malay peasant societies, men and women's task allocation differed according to a social division of labor, but the value of work in relation to production was the same. Under British colonialism however, restrictive policies placed Malay women at a great disadvantage since males were usually given preferences in any threshold opportunity that came for economic mobility (Kaur 2001,15; Connelly 1978, 25-26).

Due to the contractual nature of Chinese labor, migration of Chinese women into Malaya and Singapore came much later than men. Participation of Chinese women in the economy had also been secondary to men. Other than those coming from affluent homes, who used the benefits of higher education for upward mobility, Chinese women in the economy were concentrated in the low wage categories of tin production and domestic-type occupations of family run businesses (Kaur 2001,17). Nevertheless, a number of Malay and Chinese women had been involved in political groups before the Second World War, especially as members of several progressive and socialist movements (Dancz 1987). After the war several women stood out as key political and social figures, and by the late 1950s, women's wings became a prominent organizational branch for many political parties in Malaysia (Andaya and Andaya 2001; Ongkili 1985).

Mass participation of Malay women in the capitalist economy was initially confined to cheap wage labor exploitation in free trade zones (Drabble 2000, 248; Hua 1983, 188). Aihwa Ong (1987), in her book *Spirits of Resistance and Capitalist Discipline* captured the plight of Malay women factory workers as an instrumental-biological representation of neo-colonial attitude toward capitalist development in the periphery. The position of Malays as low incomed agrarian workers presented a ready pool of cheap labor, from which Malay women were drawn to satisfy the needs of both TNCs and the Malaysian state. For TNCs, Malay female labor represented the profitability in absorbing 'dexterity' and compliance into low wage production. For the state, recruitment of Malay women into industrial wage labor is propagandized in its favor as emancipating Malay women from the traditional bondage of the village. In effect, free trade zones became labor control centers, whose exploitation of the female workforce merely extended Malay poverty from the rural sector to new urban areas (Ariffin 1983).

However, affirmative action programs under the NEP provided the turning point for Malay women as far as education and economic mobility were concerned. Availability of scholarships for Malay students was taken advantage of by many rural families, who envisioned realistic chances of better life for their children only through education (De Koninck 1992, 73-75). Furthermore, the return of a majority of Malays to more practical aspects of Islamic values in the post-colonial era seemed to have helped reinstate a more equal position of women in Malay-Muslim society, particularly in relation to education and work. Although a long way to go in terms of total equality with men, such development has resulted in increased rates of Malay women entering and occupying numerous professional fields as well as holding leadership positions. By the year 2000 slightly more than half of all state university students in Malaysia were women (Time December 3 2001). Muslim Malay women have also held prominent posts in the state machinery as Ministers, Deputy Ministers, Parliamentary Secretaries, Senators, Attorney General, Accountant-General, Secretaries-General of Ministries, and heads of departments in the civil service. Currently two women, Zeti Aziz and Rafidah Aziz (no relation), respectively hold two of the country's most powerful offices, the Governor of Bank Negara (Central Bank) and the Minister of Trade and Industry (Time Magazine December 3 2001).

In general, the industrialization process in Malaysia has marked the positioning of women in lower wages and exploitation. The increasing number of women entering the workforce and politics has not expedited their overall social progress as compared to men. Despite the advancements made by Malaysian women, there remains a lack of political power to push women's issues on work and rights to the fore (Ng 1999).

In Singapore, PAP treatment of women has been very much dictated by a strict patriarchal orientation of labor division that emphasized the subordinate role of women. The state's social engineering projects that attempted to control women's reproductive rights, the restriction of female entries into universities through policy regulations, and the housing-labor demographic policies designed to keep working class women in low wage jobs have been some of the clearest examples (Tremewan 1994 12-113; 840; Salaff 1988, 267-269; Pugh 1989). Similar to its racist suppression of Malays, the state has made no apologies for its sexist policies.

Conclusion

Lacking technology and capital, foreign direct investment from TNCs has become an important source of development strategy in both Malaysia and Singapore. To accommodate these corporations, the state provided economic infrastructure and flexible laws to expedite investments. The state also had to ensure its political climate was conducive for business. Most importantly, internal political tensions had to be suppressed. For both countries, the aim to industrialize led the state to assume an intense role in the direction of economic as well as public policies.

Although Malaysia and Singapore experienced unprecedented economic growth, dependence on foreign capital constrained the state in their development plans. Labor employment was basically restricted - usually confined to few selected higher professional-management positions and low-wage assembly. The early years of industrialization in Malaysia for example, resulted in some portion of rural labor, namely female, being employed in free trade zones and large industrial parks (Salih and Young 1989). That many of these factories were located in urban areas meant that although employment became available for a new set of population, its meager wages entailed a rural-urban transfer of poverty (Ariffin 1983; Young 1975). On the other hand, Singapore's regional labor division functioned differently from Malaysia, in which an urban-based economy made worker remuneration slightly higher. Also, the PAP effectively turned the whole republic into a large industrial estate resulting in better economies of scale; hence social amenities for workers were generally better furnished than Malaysia.

Malaysia's larger territorial size and plentiful natural resource, especially oil and gas, enabled the state to minimally develop a local industrial base and the nurturing of its own capitalist class. But the inter-directorate structure of party, state and capital has allowed not only concentration of wealth, but also consolidation of power to be in the hands of the ruling class, namely those belonging to the National Front party and the capitalists associated with it. While it may be easy to point out corrupt practices and the NEP as detractors of full industrial success in Malaysia, it may also be helpful to realize that a major reason lies in the nature of dependent development. Industrial development in both countries was typically marked by the lack of technology and expertise transfer from core to periphery, since crucial organizational positions were occupied by expatriate executives, and technology was often the privilege of TNC home countries (Lucas and Verry 1999; Yoshihara 1988; Mehmet 1986). In Singapore, the state's tireless effort to systematically upgrade labor skills to accommodate changing commodity chain production requirements did not materialize into meeting the needs of its full industrialization strategies. Singapore's total reliance on foreign capital dislocated its local capitalist base from the wider world technological development (Yoshihara 1988).

Owing to the different perceptions of political threats to state power, the rapidity in which each state needed to fully industrialize for the sake of political survival also differed. In Malaysia, preserving long-term capitalist development meant ensuring the removal of any future threat to the state or the stability of the capitalist system. History had proven that Malay contentment often became the determinant of state stability. While the state sought to maintain its legitimacy among the rural Malays, who claim

'ownership' of Malaysia through their 'birth-rights' as *bumiputeras*, it also needed Chinese capital and entrepreurship to survive. Dependent capitalist development resulted in gross inequalities. When state economic policies began to reward the Chinese, and when Chinese challenge to political power became stronger, Malay fear of being subdued to the status of Native Americans in the US reminiscent through memories of the Malayan Union fiasco, resulted in seemingly irreconcilable conflict between the two groups. The resulting racial riots of May 13 had been the culmination of pent-up emotions and frustrations on both sides, but particularly more so for the economically disenfranchised Malays. To the Malays, protection lies in the state's capacity to safeguard their political and economic well being. If the capitalist system were to survive in Malaysia, Malay welfare and security have to be well looked after (Far Eastern Economic Review June 20 1996).

Hence, the logic of capitalism would have driven the state, which was experiencing impressive economic growth, to invest in infrastructural projects that cater to both capital-intensive production as well as light manufacturing. This means that In light of the competition coming from other ASEAN countries, Malaysia could have allowed its resourceful Chinese capitalists to participate and develop both sectors of these industries. However, the NEP programs diverted much of the country's revenues and resources, primarily oil, toward state-sponsored NEP projects. While some local Chinese capitalists participated in the NEP, many went elsewhere. The NEP, with its *bumiputera* discriminatory requirements, had posed as a stumbling block to rapid capital accumulation (Bowie and Unger, 1997; Gomez and Jomo, 1997). The state practice of temporarily foregoing expeditious capital accumulation in order to implement its NEP projects is illustrative of state 'structural imperative' action. Here, the capitalist peripheral state may at times defy the rationale of capitalism in order to focus on gratifying a dominant group as a way to sustain both legitimacy and a more stable capitalist development (Alavi 1982).

Naturally, policies favoring *bumiputeras* are not well taken with the other ethnonational groups. Their acceptance of Malay political authority has been one of confusion at the very least, and non-existent at most, especially for the Chinese. As Lucian Pye (1985, 251) observes, "Confucian political culture does not contain any guidelines of minority leadership in a community dominated by a non-Confucian culture.....any Chinese who acts as a leader must be an imposter if he is subservient to the Malay majority leadership." Chinese ethnocentrism and Malay *bumiputeraism* have contributed to persisting mutual distrust despite relatively peaceful co-existence. Such antagonisms have culminated into recurring themes in Malaysian politics, and often exceedingly during times of political crisis or economic hardship. Ethnonational politics have become rife, and as discussed in the next chapter, it is not uncommon for the state to also play its part in simultaneously singing the Malay chauvinistic tune in order to garner declining Malay support for the bourgeois National Front.

In Singapore, the state's internal tensions were of a different nature. Labor and an urban-based infrastructure were its only resources. Its past troubles with a militant labor movement compelled the state to take advantage of its strength and the country's fragmented working class to co-opt and 'guide' existing unions under its wings. But the state's long-range anxiety fixated on its existence within a large and populous Malay geographical and cultural region. The absence of natural resources on the island and its

heavy reliance on the neighboring Malay countries exacerbated the state's extreme uneasiness of its geopolitical existence. This 'besieged mentality' is manifested in the way the state represses its Malay minority to socially dislocate them from the rest of the *nusantara*. Political mobilization for minorities has been proven to function as an effective instrument to assert and demand civil rights (Marable 1993). Singapore's Malay minority lacked the numerical strength for effective mobilization. A political consciousness energized through Pan-Malay nationalism provides more than thorny problems to the state.

It is not uncommon for a state under similar situations, as exemplified by state policies in apartheid South Africa, Israel and Australia[62], to respond by propagating dogmatic beliefs and racist myths against suspected ethnonational groups and minorities in order to justify its discriminatory policies especially in education, labor, and immigration (Collins 1991; Baker 1983). But resting on its so-called 'meritocracy laurel,' the Singapore state could not be seen to exclude or violently suppress Malays. Therefore education has become the most significant vehicle to perpetuate Chinese dominance and Malay political economic subjugation. Through an education process that benefits the rich and marginalizes the poor, the state perpetuates racist beliefs concerning Chinese superiority and Malay biological-cultural inadequacy.

Some similarities and differences are noted between Malaysia and Singapore. In both countries, dependent capitalist development has resulted in increased wealth concentration toward traditionally and historically privileged groups across all ethnonational categories. But in Malaysia, inequalities between *bumiputeras* and non-*bumiputeras* have been slightly reduced through the NEP, whereas in Singapore the absence of effective state efforts to attenuate inequalities reflected in the increasing income, wealth, and occupational gaps between Chinese and non-Chinese, especially Malays. Both states intervened in the national economy as a means to pursue economic growth as well as to formulate internal policies that would strengthen its support and maintain its political hegemony among important majority groups. In Singapore, the state has utilized racial and ethnonational issues as well as state institutional mechanisms to reproduce the class structure and fragment the working and lower classes. In Malaysia, structural changes through the NEP became attempts to fortify the state's electoral base among rural Malays. Such imperatives have strengthened state power over civil society and weakened prospects of popular alliances to challenge the state in both countries.

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[62] Australia's geographical position in the Asia-Pacific region was a primary reason behind its 'all-white' immigration policy up to the late 1960s (Collins 1991).

CHAPTER 7

ASCENT IN THE WORLD SYSTEM: GLOBALIZATION, AUTHORITARIANISM, AND LEGITIMATION

As illustrated in previous chapters, the interaction among a multitude of variables seen in the colonial character of the state, ethnonational-class inequalities, fragmented internal social forces, and dependent capitalist development, have contributed to the weakening of popular democratic forces and the strengthening of the state.

This chapter discusses the impact of globalization on the economic as well as political developments of both countries. Continued state survival hinges on its links to the world system and its control over civil society. But increased globalization has meant further vulnerability of these states' economies to external market forces, as well as increased exposure of the state political system to transnational anti-systemic forces. Already, the transnational forces of political Islam have had a mobilizing effect on a significant portion of the middle and working classes. Also, the increasingly powerful transnational Chinese business network has converged Chinese business and revivalism across Southeast Asia. There is a tendency for all these factors to widen wealth gaps between the various ethnonational groups in both countries. The diverging interests and widening income gaps between Malays and Chinese in particular, could further polarize and fragment the two groups, and weaken any chance for popular alliances between them.

In light of this new development in the world system, this chapter further looks at the increasing authoritarian rule by the largest and most dominant political parties in each country, the UMNO-led National Front in Malaysia and the PAP in Singapore. Finally, this chapter briefly examines the attempts by the state to impose national legitimation strategies to justify its authoritarian rule.

Impact of Globalization on Malaysia and Singapore 1990 - present

Since the 1990s, the integration of computer and telecommunications technologies has paved the way for a microelectronic revolution that expedited two significant historical processes. One has been the surge in global financial capital flow, marking a new age in economic globalization and growth as well as financial instability (Bello and Rosenfeld 1992). The other has been the instant accessibility to worldwide information as well as more expedient transportation, enabling social and political linkages to be instituted between groups and individuals across national borders (Castells 1996). As a result, there has been an increasing tendency for ethnonational and religious groups to identify themselves trans-nationally with each other, leading to what some scholars call 'revivalism' or 'tribalism' (Barber 1996, 204-215). Both these phenomena depict the penetrability of national borders by economic as well as social and political forces. For the Malaysian and Singaporean states, these developments highlight the contradictory effects of economic growth and state legitimacy taking place within a rapidly changing environment in the capitalist world economy.

Globalization and economic instability

Driven by a meticulously drafted Industrial Master Plan (IMP), the 1990s decade was a period of remarkable economic growth for Malaysia. To accommodate greater capital investments, a National Development Policy (NDP), with greater emphasis on rapid industrialization, replaced the NEP in 1991. By the mid 1990s export growth reached nearly 80 per cent of GDP, although greater industrialization demands and consumption patterns began to bring in heavy importation of goods and capital (Lucas and Verry 1999, 264). In 1995, about 12 per cent of all workers engaged in the professional, technical, and managerial sectors, about 15 percent were in sales and services, 30 per cent were in production and about 24 per cent in agriculture (Malaysian Government 1996). *Bumiputeras* now made up the majority of the professional and technical workers, while the Chinese still dominated the administrative, managerial, and sales groups. Intra-ethnonational disparity was greatest among *bumiputeras*, as manifested by their predominance as well in the agricultural and production sectors. However, share capital control was still dominated by the Chinese with 40 per cent total ownership. *Bumiputeras* held 30 per cent shares through individuals and trust agencies, and Indians at about 2 per cent, while foreigners still substantially controlled a good 28 per cent (Ministry of Finance Malaysia 1997). From 1990 to 1994, Malaysia sustained an impressive 8.4 per cent average real GDP growth rate, with a per capita income of US$4,027 and a savings rate of 34 per cent of GNP in 1996 (World Bank 1996, 208; Malaysian Government 1996).[63] As a middle-income country, Malaysia compared favorably to Ireland, Portugal, and Spain, and was placed ahead of many countries in Latin America and Eastern Europe (Kahn 1996, 50).

Singapore's urban-based economy continued to grow exponentially during the 1990s through state-led planning and policy intervention. Deprived of the ability to effectively compete in TNC-dominated domestic markets, Singaporean entrepreneurs were encouraged by the state to look to China for investment opportunities (Vasil 1993, 310). Using the advantages of Singapore's financial center status, many of these local capitalists were able to deploy their investments into neighboring countries. Thus while state-led investments concentrated in infrastructural development in the ASEAN countries, private investments flourished in property and tourism, especially in the Growth Triangle (Rodan 1993, 236-242). State initiatives to pour Singaporean capital into China materialized into a state-level agreement to develop the township of Suzhou, paving the way for a Singapore private sector invasion (Rodan 1996, 28). Rapid communications and internet technology have enabled Singaporean investors to forge closer links with China through their business ventures, and inspired many parents to respond to the state's call for a re-emphasis on Chinese-Mandarin education (Lam 1999, 268). Lately, China has become a second home for many of these capitalists and their families.

However, globalization of the economy also meant susceptibility to real-time fluctuations in global market and capital prices. Heeding US 'encouragements' of facilitating barrier-less economies in the developing world as well as IMF threats of economic castigation for failure to do so, many emerging industrial countries began to deregulate their markets since the 1980s (Bhagwati 2001). In the 1990s, advances in

[63] Although this figure was a decline from US$5,649 in 1990 (See Kahn 1996, 50).

computer technology enabled flows of international finances to move in and out of countries at lightning speed and on fractional differences in exchange rates, increasingly detaching currency flow from the physical economy. The volatility of currencies became central to ruthless speculators and investors, mainly from the core, seeking to exploit price differentials between markets for quick and astronomical profits (Bello, Bullard and Malhotra 2000).

The same mechanics function in capital investments. Capital has moved from one market to another in order to seek profit returns from interest rate differentials created by imperfect globalized market conditions (Eatwell and Taylor 2000, 30-39). Easy access to their capital markets exposed these newly industrializing countries' stock exchanges to a new breed of investors – the foreign portfolio investors (FPI) (Ellwood 2001, 76). Unlike foreign direct investments, which strap investors to the physical capital of the host country, FPIs have greater mobility to move in times of economic uncertainty. Differences between nominal value and real value of capital are created when stock speculation as well as heavy borrowing is used to inflate its value, and then selling them for fast profits. From 1990 to 1997, FPIs accounted for more than a third of all private investments, and in Argentina, Brazil, Mexico, Thailand, and Korea, FPIs had actually surpassed FDIs (UNCTC 1998).

Indeed, since the global deregulation trend took hold, short-term speculation has become the single largest flow of international investments worldwide (Bhagwati 2001). Short-term immediate profiteering had replaced long-term capital growth as priority goals for capitalists, likening the new world economy to that of a global Las Vegas. In the 1990s, short-term investment money to Malaysia and Thailand, two of the world's fastest growing economies and the darlings of IMF and World Bank economists, constituted more than 10 per cent of GDP. In Malaysia, like in other newly industrializing economies, heavy injections of funds into real estate, property, and massive state-led infrastructure projects, usually owned and operated by crony corporations, incurred huge unprecedented debts. In fact, the total combined debt for Malaysia, Indonesia, Philippines, Thailand, and Korea was US$274 billion, more than 60 per cent of which was in short-term liabilities, and the majority of which was owed to the private sector (UNDP 1999a).

In 1997, these rising debts forced Thailand to float and devalue its currency, and soon a contagion of fear spread among investors throughout the East Asian markets, which marked the spiral toward an Asian financial crisis. It was not long before foreign private investors started pulling out their assets while financial speculators sold off their *bahts, rupiahs*, and *ringgits*[64] to avoid losses and to transfer their funds safely back home. Uncontrolled debt and capital flight created stock market plunges throughout East Asia, while many local businesses, tied by dollar denominated contracts, could not furnish loan repayments, let alone replenish their reserves (Haggard 2000). As quickly as investments entered this region, they found their way out in pretty much the same fashion. For the same countries mentioned earlier, private inflows dropped from $93 billion at the end of 1996 to $12 billion at the end of 1997 (ILO 1998, 2).

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[64] The *baht, rupiah,* and *ringgit* are national currencies of Thailand, Indonesia, and Malaysia respectively.

Massive unemployment, bankruptcies, and consumer price hikes caused incredible hardships for many in these countries. Worse, the IMF method in resolving this crisis was akin to recommending antibiotics for curing a virus. To gain access to IMF bailouts, many of these countries had to cut back on social spending, severely disconnecting the poor from basic services. It also curbed the competitiveness of local firms and opened them up to foreign core ownership (Watkins 1998). Michael Kantor, US Trade Representative for Asia declared, "When countries seek help from the IMF, the US and Europe should use the IMF as a battering ram to gain advantage" (quoted in Ellwood 2001, 83). Sure enough, just as many of the lenders in the Asian financial gambling den had been European and American banks, the beneficiaries of collapsing Asian firms were European and American corporations, which bought out majority ownerships in many of these declining companies (Hahnel 1999, 50-67; Ellwood 2001, 81-84;Henwood 1998).

Although Malaysia's currency fell by 35 per cent and its equity prices by 53 per cent, the overall effect of the crisis was not as acute as its neighbors or Korea (ILO 1998, 8). Several factors have been attributed to this. One, Malaysia's exposure to short term foreign borrowing had not been that high as compared to Thailand or Korea. Therefore currency depreciation, which usually causes increased debt repayment and servicing to be an overwhelming burden, was still manageable in Malaysia. Two, the state quickly pegged its currency to the US dollar, cutting down on further financial losses. Three, Malaysia's petroleum and gas supply provided the collateral lifeline for shoring up the *ringgit* against an otherwise rapidly declining reserves. Fourth and to its credit, the state's defiance of IMF prescriptive measures on strengthening interest rates, austerity drives, and further capital market liberalization greatly reduced the severity of social impacts experienced by other countries. Instead, the state imposed restrictions on capital and monetary flows through taxes to discourage short-term portfolio investments and contain currency trading. The state also established a National Economic Action Council (NEAC) to draft out major corporate and structural adjustment measures. Carefully monitored and guided by the Bank Negara or Central Bank, two new state institutions were set up as operating agencies. One was *Danaharta*, which began acquiring and managing non-performing loans of the banking system, while the other was *Danamodal*, which worked on recapitalizing weak banking institutions (World Bank 2001). By the middle of 2001, *Danamodal* had successfully recapitalized eight out of ten companies, while *Danaharta* managed to absorb and restructure nearly US$10 billion or 82 per cent of total gross loans acquired up to that period (World Bank 2001; Mohamad 2001, 6).

Nevertheless, to conclude that the Malaysian state boldly undertook its own resolve to protect citizen interests is to understate the significance of the state-party-capital alliance. Enormous amounts of funds were pumped toward bailing out fledgling crony companies, especially those that belonged to close family circles of the ruling elites. For example, Renong, an UMNO connected corporation awarded to build and operate national expressway projects, received nearly US$3 billion in tax write-offs and zero coupon bonds that enabled it to pay off foreign creditors (Jomo 1998, 35). Other examples include firms that received colossal state aid such as the newly privatized Malaysia Airlines, the Bakun Dam builder Ekran, national car manufacturers Proton and DRB, and telecommunications firm Timedotcom (Aliran Monthly March 2001). Particularly distressing was the use of government companies to buy out some of these

companies' debts; in other words public sector funds were utilized to rescue private sector debt. For instance, RHB's US$1 billion obligations was financed by the Pahang State Economic Development Corporation and the country's top civil servants' pension fund, while national oil company Petronas was used to rescue Mirzan Mahathir's (Prime Minister's son) debt-ridden shipping conglomerate (Asiaweek December 25 1998). In 1997, the state took over the Bakun Dam project, 'reimbursing' Ting Pek Khing for work completed, simultaneously escalating the cost of the project to US$1.9 billion. Three years later, the state bought up 29 per cent of Tajudin Ramli's share in Malaysia Airlines (Asiaweek January 26 2001). The state's anti-crisis measures, while seen as protecting the citizenry from the IMF's social spending limits, actually saved the politically connected capitalists from impending financial catastrophe. For a good portion of the urban middle class, state relaxation of financial controls also enabled many to continue a lifestyle not typical of a society facing an economic crisis (Shameen and Healy 1999, 3).

The poor and underprivileged on the other hand, found it extremely difficult to cope with, if at all, soaring food prices and living expenses (UNDP 1999b, 29). For example the prices of garlic and onion, the basic food ingredients for rural household diets, tripled within a few months of the crisis (The Star December 23, 1997). The crisis's disproportionate impact falling on the poor revealed how weak Malaysia's social institutions had been in providing a safety net for those faced with sudden job losses and declining income as a result of economic downturns (UNDP 1999b, 29-30). The state's response in rescuing the rich and neglecting the poor, as will be discussed later, provided an intense political platform for public mobilization and opposition to the state in the coming elections. Dr. Syed Husin Ali, President of the People's Party of Malaysia asserted, "It is more important to build houses, hospitals, schools and universities than to waste on unproductive mega-projects; it is more in place to help rubber and oil palm smallholders as well as workers rather than bailing out corporate cronies and their big corporations" (Asia Times October 28 1999, 20).

Meanwhile, Singapore's urban economy, despite its huge foreign exchange and fiscal reserves, was not entirely spared from the crisis's contagion effects. Its stock market fell by 13 per cent and its currency depreciated by about 15 per cent (ILO 1998, 5). Wage and pay cuts for public sector employees, depressed property prices, and restrictions in access to employment funds were some of the social hardships brought on by the financial crisis. But a relatively high savings rates, current account surpluses, and negligible external debt were some of Singapore's economic fundamentals that managed to offset the crisis's more devastating impact (Ngiam 2000, 19).

Furthermore, Singapore's economy had been heavily pivoted on its position as regional center for intra-firm trade. TNCs and TNFs have historically used Singapore as a processing regional center for inter-subsidiary trade across Southeast Asia. In the new world division of labor, Singapore has functioned in higher-end production of components and parts for export to final markets in the United States and the European Union. As long as the demand for such products from these core countries was consistent and stable, Singapore's trade and finance was not too seriously affected. Also, like Hong Kong in the past and as a financial center for the region, many core firms and TNCs have developed sufficient confidence in the island Republic's stability as not to be swayed by the rippling paranoia created by investors in the other ASEAN countries. Singapore's close economic links with its ASEAN neighbors however, have

resulted in slower growths for the tourism and transportation sectors due to declines in the latter's economies (ILO 1998, 7-8).

By the new millennium, both Malaysia and Singapore emerged impressively from the ashes of the Asian financial crisis to chart average GDP growth rates of about eight per cent and ten percent respectively (World Bank 2001). Both countries seem to have endured the worst of the crisis, although they still remain subjected to the potentially predatory effects of globalization. Human development indicators as well as economic data for the year 2000, as shown in Table 7.1 below and Table 7.2 the following page, illustrate that both countries have recorded substantially strong progress toward recovery to maintain their semi-peripheral status in the world system. As far as the economy is concerned, there has been overall growth, and social indicators illustrate that quality of life in these two countries has not lagged too far behind that of high-income countries.

Islam and Chinese transnational business

A significant feature of this rapid capitalist development in both Malaysia and Singapore has been the growth and influence of a burgeoning middle class, whose members participate in a spectrum of white-collar occupations ranging from the professional-technical to the supervisory and managerial. Different theorists have

Table 7.1: Structure of Economy and their Growth Rates, Key Economic Indicators and their Growth Rates, Malaysia and Singapore 1999 and 2000

Structure of the Economy (% of GDP) and Growth Rate in parenthesis	Malaysia				Singapore			
	1999		2000		1999		2000	
Agriculture	10.9	(0.4)	8.6	(0.6)	0.2	(-1.1)	0.1	(-1.5)
Industry	46.4	(8.5)	45.1	(15.3)	34.6	(7.1)	34.3	(10.2)
Light manufacturing	31.5	(13.5)	27.7	(21.0)	25.1	(13.6)	26.5	(15.2)
Services	42.7	(5.0)	46.3	(3.1)	65.2	(5.2)	65.6	(9.8)
Key Economic Indicators								
GDP (US $billions)	79.0		89.7		83.8		92.3	
GDP (% growth)	6.1		8.3		5.9		9.9	
GDP per capita (% growth)	3.6		5.7		5.1		8.1	
Exports goods & services	13.4		16.0		na		na	
Exports goods & services/GDP (ratio)	121.7		125.4		na		na	
Gross National Savings/GDP (ratio)	38.2		34.9		58.3		na	

na = not available
Source: World Bank 2001.

Table 7.2: Selected Social and Economic Indicators for Malaysia and Singapore Compared with High Income Countries 2000.

Social Indicators	Malaysia	Singapore	High Income Countries
Population (million)	23.3	4.0	903.0
Population growth (%)	2.4	2.7	0.7
Labor force growth (%)	3.0	2.6	0.9
Urban population (% of total population)	57.0	100.0	77.0
Life Expectancy at birth (years)	72.0	78.0	78.0
Infant mortality (per 1000 live births)	8.0	3.0	6.0
Access to clean water source (% of pop.)	90.0	100.0	99.0
Literacy rate (% of population age 15+)	89.0	93.0	95.0

Source: World Bank 2001, *World Development Indicators 2000*

labeled this new group in a variety of terminologies such as 'new petty bourgeoisie' (Poulantzas 1978b), 'new middle class' (Mills 1983), or 'professional-managerial class' (Ehrenreichs 1977). For the purpose of this discussion, the importance of the middle class is seen in its time-specific relationship to the state. Within such an analysis, themiddle class becomes heavily varied in interest and identification, but their significance as a social force is determined by the extent to which they perform either as an ally or opposition to the state. Relative affluence and education have brought on increased political power to this social group, and although their interests may vary, a consensual point could be drawn along their common desire to retain or improve their social–economic positions (Burris 1986, 343-345).

In Malaysia, the NEP became the mechanism through which *bumiputeras* managed to attain a relatively comfortable lifestyle. UMNO has taken advantage of this to remind *bumiputeras*, especially Malays that without the state, many of them would have remained in the backwaters of their villages and rural areas (New Straits Times August 3 1997). While not downplaying the importance of the non-*bumiputera* middle class, historically it has clearly been their Malay counterpart's support that the state seeks to incite. Fearing the Islamic threat, the state had embarked on a 'guided' form of Islamization policy to pacify the Malay electorate and to coalesce basic entrepreneural elements of capitalism with Islamic values (Sloane 1999). But there have also been many middle class Malays who have become increasingly disenchanted with the manner in which the state has sought to attain industrialization at any cost, including corruption and suppression of human rights (to be discussed in the next section) – a view also shared by some portions of the non-Malay middle class (Muzaffar 1999, 5). This group sees in the state, a powerful generator of individual-materialist values that have slowly diminished the significance of communal spiritualism in daily life, which forms the basis of Malay-Muslim existence.

Similar to the way in which globalization has chipped away at the state's ability to control the flow of capital across national borders, global technological advances have also incapacitated the state's power to prevent the flow of information and ideas into their territories (Falk 1999, 52-55). As newly industrialized or industrializing countries, the new Singaporean and Malaysian middle class emerged in an age of greater

communication and information than their earlier cohorts. In Malaysia and Singapore, The political forces of Islamic resurgence have commanded a large following among Muslims. Through sophisticated communication systems and rapid modes of transportation, Muslims in Malaysia as well as Singapore have become better aware and increasingly conscious of global Islamic movements, which have taken root in many countries to challenge those respective states' socially unjust policies. Contrary to popular beliefs, Islamic resurgence have appeared not because of some doctrinal hatred toward the 'infidel' west, but rather against a backdrop of increasing social injustices brought on by capitalist state development, reinforced by the belligerent attitudes of western politicians, media and intellectuals toward Islam (Muhammad 2002).[65] In other words, Islamic resurgence, which had also served as an anti-colonial force in many countries, has become a catalyst for challenging the social failures brought about by the modern world system. For the educated middle classes, Islam reinstates a sense of intellectual and spiritual aesthetics, which have long been transplanted by the social impact of colonialism and consumerism (Muzaffar 2002). For the poor, political Islam provides opportunities for the re-assertion of one's self-dignity, equal status in society, and democratic rights to challenge a tyrannical state system. Robert Dannin (2002), in his book "Black Pilgrimage to Islam," argues this point to explain why African-Americans constitute 90 per cent of conversions to Islam, the fastest growing religion in the United States. Finally, for the state, the threat of Islamic resurgence lies in the Islamic movements' ability to forge trans-class alliances (Ayubi 1991, 175).

In Malaysia and in Singapore, many middle class Malay-Muslims have increasingly recanted their political hopes in western liberalism in favor of progressive Islamic principles of social justice and community development. Many who subscribe to these ideals and values are highly educated individuals, holding multiple degrees from overseas institutions, but increasingly disillusioned by the negative social impacts of capitalist development as well as the inhibiting effects of traditional interpretations of Islam. Globalization in this sense has threatened not only the state in its control of Islam, but also the conservative inward-looking clerics, by whose interpretations of Islam the masses have abided; Islam as a potent and progressive force threatens to destabilize the status quo (Halliday 1988). Professor Chandra Muzaffar in an interview with Public Broadcasting Station's *Frontline* (2002) on Islamic resurgence asserted, "In a sense, globalization and the changes that are being wrought in the larger environment would favor the progressives. ... As a result of globalization, societies everywhere are becoming heterogeneous. In other words, 'the other; is no longer some theoretical construct out there. The other is a living reality. You have to relate to the other. That's bound to change your thought processes."

However, globalization has also similarly allowed extremist and radical forces to penetrate into the political realm of the state. There have been significant proportions of middle class Malays in Malaysia who have become totally embittered with the present system's emphasis on material attainment and the consequences as captured in rising

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[65] Islamic movements have long been associated with anti-imperialist causes. But after World War Two, many such movements have appeared partly in reaction to the hostility generated by the west against Islam and Muslims, highlighted by the west's support of Israeli oppression of Palestinians, their deliberate non-intervention against the genocide of Muslim Bosnians by Christian Serbs, and the iUN sanctions in Iraq (see Muzaffar 2002; Ayubi 1991; Haydar 1987).

rates of corruption, crime, and autocratic laws. Furthermore, despite the NEP, many Muslim-Malays have strongly become aware of the state's policy prioritization favoring crony interests, as exemplified in the state's bailout programs, over that of the masses (Muzaffar 1999). Many of these people have turned to an assertive but radical version of Islam that perceivably provides a clear-cut alternative solution to social problems. For the oppressive state, whichever the brand of Islam, the capacity with which Islamic resurgence could mobilize the oppressed and minorities becomes the real danger to its hegemony. In a world in which Muslims are being increasingly alienated by the forces of capitalism, the prospects for this to occur is glaringly clear. In Malaysia, the less educated lower class Muslim peasants provide a ready mass base.

The Malaysian state has also been quick to blame the opposition Islamic Party, PAS, for the rise in Islamic extremism. One result has been the banning of the *Darul Arqam*, a self-help community organization consisting of mainly middle class Muslims and supporter of PAS, on the grounds of spreading 'deviationist' teachings (Hamid 1998). At the same time, to counter these influences, the state has portrayed itself as the real protector and cultivator of Islamic principles by launching its own Islamization drive through the establishment of state-sponsored organizations, introduction of Islamic laws in family courts for Muslims, and through the courting of state-sanctioned religious leaders (Mohamad 2000). Such tussle between the state and Islamic opposition for support among the Muslim-Malays has intensified the Islamization campaign and left many Muslims as well as non-Muslims further confused and polarized (Asiaweek January 26 2001).

The recent post-September 11 2001 'war on terrorism' has furnished the states in Malaysia and Singapore with blank checks to detain Islamic activists without trial for indefinite periods. Under each country's Internal Security Act (ISA), Malaysia has arrested more than 70 activists and radicals, while Singapore has detained 15 members of the *Jemaah Islamiya*, which advocates for a political union of several Muslim provinces in Indonesia, Malaysia, and the Philippines (Washington Post May 13 2002; January 18 2002). Details of the arrests and evidence of connection to terrorist groups are vague since the information has been kept secretly under the guise of national interest (Asia Times January 5 2002). On an official visit to the US in May 2002, Prime Minister Dr. Mahathir alleged that the US has sanctioned the ISA, affectionately comparing it to the US's Patriot Act 2001, as an effective tool to curb and dismantle 'terrorist' networks through intensive interrogation of suspects (New Straits Times May 12 2002). For the state, an aggressive approach to containing the threat of Islam is perceivably to insulate its middle classes from the inspiration of 'subversive' anti-establishment thoughts. But as an anti-systemic force, political Islam has already attracted many Muslim Malays into developing an increasingly transnational sense of identity.

Another transnational force that could flourish and permeate national boundaries through increased globalization is the increasing power of the regional 'overseas Chinese' commmercial network. Overseas Chinese is the term referring to the 'diaspora' of various ethnonational Chinese throughout Southeast Asia, distinguished from the citizens of the Chinese People's Republic through their citizenship and nationalities of the respective countries in the region (Suryadinata 1989). Intensified commercial transactions throughout this area have shown tremendous correlation with the rise in the

prosperity of cross-national 'overseas Chinese' business networks comprising numerous powerfully rich groups (Rauch and Trindade 1999). By the mid 1990s, according to Forbes magazine (June 1994), ethnic Chinese capitalists and investors had combined assets of US$1.14 trillion or 89 per cent of market capitalization in Seoul, Taipei, Shenzhen, Hong Kong, Bangkok, Kuala Lumpur, Singapore, Jakarta, and Manila.

In many of these countries, the Chinese make up only a small percentage of the population, but their wealth and entrepreneurial ownership exceed that of any ethnnational group in their country. Table 7.3 below shows the comparisons between each country in Southeast Asia in terms of ethnonational Chinese wealth and percentage of population in 1994. It is obvious that although the Chinese constitute a small minority in every country except Malaysia and Singapore, the concentration of national wealth has been securely placed within that particular community. Cross-border trade of Chinese businesses was enhanced and motivated by two main factors. First, these businesses have faced stiff competition from global players domestically; especially in the case of Singapore. Second, their home markets have become saturated and often their competitive advantages have dissipated through their deregulation. In Malaysia, *bumiputera* requirements in businesses became a push factor for Chinese enterprises to go elsewhere. In such cases, business practices and better opportunities lie outside the national borders of their home countries. The pattern of cross-trade is often through the hooking up with other Chinese suppliers or buyers for the marketing of particular commodities and services. Without such close cultural affiliations as well as the ethnocentric character of the *guanxi*,[66] such ventures would not have been possible (Lingle 1996, 71).

Although there is competition between various groups and families, long-term macro-business concerns, which are frequently tied to ethnonational sentiments, often override short-term profit-seeking goals, especially in economically hard times. Such networking has sustained professional relationships and commercial transactions between them (Yeung 1999, 104; Naisbitt 1994, 25). For many years, Hong Kong had provided the base for the cross-border trades between the various Chinese

Table 7.3: Ethnonational Chinese in Selected ASEAN Countries, Percentage of Population, National Wealth Ownership and Listed Company Ownership 1994.

Country	Chinese as percentage of population	Percentage of national wealth owned by Chinese	Percentage of nationally listed companies owned by Chinese
Malaysia	30	58	61
Singapore	76	80	81
Thailand	3	60	81
Indonesia	4	70	73
The Philippines	3	70	50

Source: figures compiled from Naisbitt 1996

[66] *Guanxi* refers to personal or family contacts mainly for business, but such business relationships pre-require Chinese ethnonationality, preferably within similar clan lineage.

conglomerates and family-based business concerns across Southeast Asia and Taiwan (Hsing 1996). With the rise of Singapore as a financial center, and the opening up of China to transnational business, there has been intensification rather than a shift in the flow of overseas Chinese commerce in the region. The emergence of the information economy has allowed these business networks to more efficiently link up with each other Chinese groups through clan-based associations, chambers of commerce and other linguistic-cultural based organizations (Naisbitt 1996, 23). According to Naisbitt (1996, 23), this 'overseas' or ethnonational Chinese business network represents the emerging globalized business trends, in which the importance of the nation-state has been superseded by the growing significance of individual and group networks. Already, a vast network of transnational Chinese cultural organizations, educational institutions, broadcasting corporations, and industrial associations has flourished throughout the region to facilitate communications and contacts between the various ethnonational Chinese groups in Southeast Asia (Yeung 1999, 106-110).

Although fostering cultural pride and expanding business transactions is a healthy development for any ethnonational group, the danger lies in further aggravating the disproportionate ethnonational-class arrangements between them and other ethnonational groups in their country. The political implication for such a massive ethnonational-based commercial and cultural network is huge. In Singapore, the state's efforts in emphasizing Mandarin education and in constructing a national Chinese-based identity would enhance opportunities for the Chinese population. As will be discussed later, such a climate also becomes conducive for the state to highlighting the authoritarian elements of Confucianism to justify its authoritarian rule. The emphasis on Sino-cultural hegemony could further alienate the other ethnonational groups, particularly the Malays, who have experienced discrimination and repression from the state. In Malaysia, a proliferation of Chinese commercial monopolies would prevent any further 'intrusion' of Malay-based businesses in the country as well as in other parts of the region, particularly in the emerging Chinese markets. The ethnocentric and closed nature of these *guanxis*, or personal and clan-based networks, could have negative repercussions that would lead to further consolidation of Chinese wealth in both countries. Consequently, such a scenario could bring back feelings of contempt and antagonism amongst Malays toward the Chinese, particularly in Malaysia.

Both Islamic resurgence and Chinese ethnonational revivalism through business networking have the effect of producing two important social consequences. One, it could further polarize Malays and Chinese in both countries toward greater ethnocentrism as well as wider wealth and power disparities. Two, antagonistic relationships that develop could weaken any opportunity for both groups to form future alliances to challenge the state and its authoritarian reign. It is no surprise that with increasing globalization, the prospects of democracy becomes difficult as the rich and capitalist classes consolidate their wealth while the middle and working classes become further fragmented.

Authoritarianism and Legitimation in Malaysia and Singapore

In the previous chapter, the dissertation discussed how capitalist development enabled the state to assume power over civil society through its control of the national

economy, thereby strengthening the social stratification and class reproduction processes. It must be kept in mind that in capitalist production, the type of efficient labor employed is disciplined labor. In such instances, the law is structured to maintain this disciplined labor in order for it to respect and obey the state, which is vital for sustaining capitalist production (Hall *et al* 1978, 202-203). In this section, this dissertation critically examines the way in which the state in both countries has attempted to discipline its citizens and deal with various anti-systemic forces through the control of the electoral process, subjugation of the judiciary, curtailment of free expression and monopolization of the media, and the use of harsh laws to punish dissenters. The social trepidations generated by these repressive and punitive state actions could be felt in other areas of social life, instilling public compliance. In the course of this analysis, there will also be discussion on how the state uses its nation-building ideologies to further reinforce and justify its authoritarian actions, thereby generating public disregard of state abuse of power.

Control of electoral process

Both Malaysia and Singapore inherited the British system of Parliamentary democracy. In Malaysia, the King is rotated between the rulers of the various states for a term of four years, functioning purely as a ceremonial figure. But unlike Britain, Malaysia is a federation and has three tiers of governments at the federal, state, and local levels.[67] Both the federal and state governments are elected through a contestation of party system, with the King (federal level) and Sultan (State level) officially appointing the Prime Minister (federal) and State Chief Minister (state) respectively from the victorious party (at the federal and state level). This system of government is quite similar in Singapore, with executive power resting in the Prime Minister and his cabinet, and an elected President performing a ceremonial Head of State role. [68]But unlike Malaysia, there is no multi-tiered elected government in the Republic. In both these countries, the government of the day is answerable to a bicameral and unicameral Parliament respectively. In Malaysia the legislative institution comprises both the King and Parliament, in which the power to pass laws lies with the latter's two houses and the final assent approved by the King.[69] The judiciary completes the check and balance mechanism of government. The same goes for Singapore, except for its single house in Parliament and the President giving the assent.

Since 1955, the ruling National Front (National Alliance before 1971) led by UMNO has dominated the political scene in Malaysia by winning all the national elections. Table 7.4 on the next page illustrates its performance from the 1955 to 1999 federal elections. In Singapore, there has been even less competition, with the PAP sweeping the elections clean from 1968 to 1984, as documented in Table 7.5, also on the following page. Victorious parties and coalitions need two-thirds majority in

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[67] Local polls were abolished in 1971.

[68] In an effort to show that the state is democratic, an elected Presidential office was introduced in 1991. However, the high financial and state-related occupational eligibility to stand for these elections favors the state, and renders the ineffectiveness of the Presidency as a check and balance mechanism I the legislature (Tremewan 1994, 175).

[69] In Malaysia, the lower house, *Dewan Rakyat*, comprises elected constituency Members of Parliament, while the upper house or *Dewan Negara* functions as a Senate consisting of appointed notaries and publicly respected figures.

Table 7.4: Malaysian Federal Election Results 1955-1999

Political Party	'55	'59	'64	'69	'74	'78	'82	'86	'90	'95	'99
National Alliance	51	74	89	74							
National Front*					135	130	132	148	127	162	148
Islamic Party (PAS)**	1	13	9	12		5	5	1	7	7	27
DAP				13	9	16	9	24	20	9	10
National Justice Party											5
Socialist Front		8	2								
PPP***		4	2	4							
Partai Negara		1									
Partai Malaya		1									
UDP			1								
PAP			1								
Gerakan***				8							
USNO***				13							
SCA				3		1					
SNAP***				9	9						
SUPP***				5							
Pesaka				2							
Spirit of 46									8	6	
Pekemas					1						
Partai Bersatu Sabah									14	8	3
Independents		3		1		2	8	4	4		
Total Seats	52	104	104	144	154	154	154	177	180	192	193

Source: The New Straits Times Malaysia April 23, 1995 and The Star December 3, 1999.

* The Alliance was enlarged and renamed the National Front. In the 1999 elections it comprised of 12 component parties.

** PAS was part of the National Front during the 1974 general elections.

*** These parties later joined the National Front.

Table 7.5: Republic of Singapore General Election Results 1968-2001

Parties / year	'68	'72	'76	'80	'84	'88	'91	'97	'01
People's Action Party (PAP)	58	65	69	75	77	80	77	81	82
Worker's Party					1		1	1	1
Singapore People's Party							3	1	
Singapore Democratic Party					1	1			
Singapore Democratic Alliance*									1
Total	58	65	69	75	79	81	81	83	84

Source: Singapore Election Department 2002.

* Coalition of the SDP, SPP, Singapore Justice Party, and the Singapore Malay National Party

Parliament to be able to pass legislation, a condition the ruling parties in both countries have had no problem meeting. One-party rule in both countries, as illustrated by these two tables, have become an apparent feature in these countries' politics.

Apologists for the Singapore state frequently claim that the election process in Singapore has been incredibly clean (Ooi 1998, 344). A closer analysis reveals that the main problems in its electoral process lies in its concealed structures, such as in the state appointment of a Registration Officer, its determination of the number and arrangement of electorates, its appointment of the Returning Officer, and its latent control of the press (to be discussed later). Furthermore, the capacity of any government to rule is influenced to a high degree by its ability to carry out and implement legislation. In a unicameral parliament it can easily result in authoritarianism (Muffet 2001). In other words, the state wields its power to determine various crucial aspects of the election process in order to ensure that its legislative powers are strengthened. As Senior Minister Lee justifies it, "This is hardball politics. But at the end of it all there is deep idealism to create a fair and just society, that's why we did what we did to get here....But we need hardball politics to win elections and then run our programmes" (Straits Times Nov 2 2001). Such programs, of course, pertain to the encouragement and accommodation of foreign capital flow.

Another way in which the state controls the electoral process is by manipulating constituent boundaries. After the loss of one seat and in the face of declining margins of victories since 1984, the state has established 'grassroots' linkages between housing value and state loyalty. Through Group Representative Constituencies (GRC), which formed the basis of Town Councils, the state has attained two goals. One, it has ensured that residents in the state's housing project, the Housing Development Board (HDB), have been closely monitored through PAP control mechanisms, with the setting up of state programs from PAP-run kindergartens to service maintenance in these areas.[70] Simultaneously, by using areas sympathetic to the opposition as examples, HDB residents are usually threatened into receiving poor services and funds if they don't exhibit PAP loyalty during elections (Sydney Morning Herald February 15 1997). Two, because boundaries have been gerrymandered to the PAP's benefit, it has become extremely difficult for opposition candidates and parties to win (Lim 1989, 185). Furthermore, new HDB legislations have prevented Malays and Indians from forming 'a racial enclave' within their housing areas thereby further weakening opposition strongholds (Tremewan 1994, 167-168).[71]

Similar to how it uses a 'meritocracy' façade to whitewash its racist education system, the PAP cleverly disguises its autocratic policies under the name of tolerance and openness. For example, the Non-Constituency Member of Parliament (NCMP) was introduced as a political contraption aimed at easing off mounting anti-PAP sentiments

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[70] GRCs were formed by combining several constituencies, usually opposition strongholds with traditional PAP areas, and producing two or three MPs with the highest votes. The result has been a dilution of opposition votes. (Lim 1989).

[71] Around 85 percent of Singaporeans live in state owned HDB high rises. The HDB stipulates that only a certain percentage of each ethnic minority group (not more than the national percentage, that is, approximately 25 percent for Malays, 5 percent for Indians and 1 percent for Eurasians) can live in a particular housing estate. Buyers and sellers of the flats must seek permission from the HDB before a transaction can be made (Muffet 2001).

during the 1980s, especially among the middle class. Here, an opposition member with the best performance would be nominated into Parliament in the event that less than a total of three opposition members won their seats in the whole elections. These NCMPs however are virtually toothless tigers, with neither the voting power nor legitimacy as elected officials. Also, since there had been a lack of strong opposition in parliament, the state devised a way to recruit non-elected members as Nominated Members of Parliament (NMP) to air the grievances and growing discontentment among the middle-classes (Rodan 1996 33). This reversion to the old style colonial appointed legislature has ensured that the educated middle and upper classes would fill up the positions in the state policy making process since most of these NMPs come from this particular social background anyway (Tremewan 1994, 63). These measures taken by the PAP secured their biggest win since 1980 in the last 2001 elections.

In Malaysia, the electoral system is less complicated and the body that oversees the process, The Election Commission is officially independent from the state. But despite its duty to oversee and ensure 'fair and free' elections, the Commission has been ineffective in preventing the state from placing barriers to a truly democratic electoral process. One of the reasons is that the Commission is made up of former top civil servants, aided by a secretariat that is part of the government machinery. A recent report by the Malaysian Citizen's Election Watch (PEMANTAU) highlighted concerns over the last election in 1999. [72] The report pointed out that, a) a large number of the adult citizens eligible to vote were denied the right to vote; b) the administration of the postal vote was highly questionable; c) certain groups were denied the opportunity to form political parties by the Registrar of Societies; d) opposition parties were not given reasonable opportunities to carry out their campaign e) the local broadcasting and print media were one-sided and blatantly biased toward the ruling coalition, and e) the secrecy and freedom to cast votes especially among the armed forces and police was highly questionable. In one particular case, the Sungei Siput constituency, Malaysian Indian Congress (MIC – one of the main parties of the National Front) President Samy Vellu won by a mere 5,000 votes. There were blatant discrepancies between registered and actual voters, giving rise to speculation that busloads of 'phantom voters' had been planted by the MIC chief (Aliran Monthly October 2000).

The 1999 election is especially pertinent to the discussion on state control of the electoral process in Malaysia and to the theme of this chapter. In the run up to this election, the state's handling of the Asian financial crisis, especially its bailout programs, was increasingly criticized (Aliran Monthly October 2000). Deputy Prime Minister Anwar Ibrahim had been in consistent disagreement with Dr. Mahathir over a host of matters (The Guardian November 15 1999). In particular, he had openly stated his preference for an IMF prescription on austerity measures; such a move would expose the inappropriateness of state-capital relationship within UMNO and the National Front. Whether Anwar had done this for political mileage is debatable, but his charisma, amiable personality, and popularity both locally and internationally, served him the

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[72] PEMANTAU's steering committee was made up of representatives from eight participating NGOs. They were *Pertubuhan Kebajikan* (Welfare Organization), BUDI Malaysia (BUDI), *Aliran Kesedaran Negara* (ALIRAN – National Consciousness Movement), *Angkatan Belia Islam Malaysia* (ABIM- Malaysian Islamic Youth Movement), the Human Rights Society of Malaysia (HAKAM), the International Movement for a JUST World (JUST), *Pertubuhan Jemaah Islah* Malaysia (JIM) and *Suara Rakyat Malaysia* (SUARAM –Voice of Malaysian Citizens).

support he needed to confront his boss and other UMNO figures on these issues as well as those pertaining to democratic reform.

A significant portion of middle and working class urban Muslims, through the internet and satellite television, had readily absorbed ongoing events in Indonesia, witnessing for themselves Muslim-backed opposition forces toppling long time dictator Suharto from power. Soon, similar cries of 'reformasi' (reform) spilled over from Muslim groups in Indonesia to their counterparts in Malaysia to activate the struggle for political reform across the Straits of Malacca. Tens of thousands of protestors took to the streets of Kuala Lumpur only to be brutally suppressed by the police, in which around 135 were arrested (Time November 2 1998; Human Rights Watch 1999). The state responded by swiftly arresting Anwar Ibrahim in September 1998, trumping him up with corruption charges. To further discredit his reputation among Muslims, he was handed an additional charge – sodomy involving his chauffeur and a prominent Islamic scholar; Anwar has denied all charges and argued that they are part of a move to politically disgrace him (Asiaweek October 2 1999). While in police custody, Anwar the former heir apparent to the Malaysian leadership, was badly beaten up by the Chief of Police. Such treatment of the former Deputy shocked Malaysians of all backgrounds, believing the order to assault him came from higher up (Time October 12 1999). This propelled even many staunch UMNO supporters to switch over to the Islamic party PAS as well as the newly formed National Justice Party (*KeAdilan*), led by Anwar's wife Wan Azizah, an ophthalmic surgeon (Time December 13 1999).

To maximize political opposition against the National Front, the Pan-Malaysian Islamic Party (PAS), the *Partai Rakyat Malaysia* (People's Party of Malaysia), the Democratic Action Party (DAP), and the National Justice Party (*Keadilan)* came together to form the Alternative Front (BA -*Barisan Alternatif)* coalition. Losing much Malay support, UMNO and the National Front desperately fought to split the new Malay-Chinese (traditionally DAP supporters) electoral pact to disable the Alternative Front. Utilizing the media and other state machineries, UMNO exploited PAS's 'Islamic state' agenda to scare away Chinese voters from the Alternative Front.[73] PAS, riding high on expanded votes in the Malay heartland, captured the oil rich state of Terengganu, maintained its hold on Kelantan, and nearly went on to take Pahang and Kedah (Time December 13 1999).[74]

Indeed, the state had utilized the resources at their disposal and played their cards well with Chinese voters, who were unduly worried about the possibility of a PAS dominated state. Despite the fact that it would have been impossible for PAS to emerge as single majority winners, even if it had taken all its seats, Chinese voters panicked and abandoned the DAP to vote instead for the National Front, giving it a slim two-thirds majority in Parliament (Time January 24 2000). Just when Malay voters had discarded their traditional support for UMNO and the National Front, Chinese voters saved them in the nick of time. Observed political analyst Maznah Mohamad, "The Chinese have become purely pragmatic voters, there was not enough of a sea of change among the Malays to compensate for the Chinese swing except in the Islamic heartland (Kelantan and Terengganu).In the Islamic heartland," she added, "the change has been

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[73] MCA President Ling Liong Sik went on the air to warn Chinese voters that a vote for DAP was a vote for PAS and the Islamic state (The Star December 1 1999).

[74] PAS has held the northeastern state of Kelantan since 1990.

progressive" (Asia Times December 1 1999).[75] In fact, the Islamic PAS governments in these two states have been highly respectful of the rights of its non-Muslim populations. In Terengganu, despite having its oil royalty payments severed by the federal government after the elections, the PAS state government has allocated generous amounts of funding and lands for pig farming, Chinese-language schools, and construction of Buddhist temples (Malaysiakini December 1 2000; Harakah December 8 2000).[76] Furthermore, in a statement supporting Chinese educationist group *Suqui*'s call for equal rights in education, PAS asserted that affirmative action should be based on poverty level and need, and not on ethnicity or religion (Malaysiakini August 18 2000).

Finally, to prevent the use of the electoral process as an expression of mounting discontent toward the state, the Election Commission rejected around 600,000 new (young) registered voters on grounds that it would have taken a long time to administer the large number of people in time for the elections! The 1999 general election was one of the most hotly contested, and one in which the state managed to abuse public resources to retain its political hegemony (Aliran Monthly June 2000).

Taming the judiciary

An impartial judiciary serving to address injustices and impartially resolving constitutional and political crises is a hallmark of a democratic society. But state-led capitalist development requires a smooth and unimpeded process through which the state could sustain the flow of capital. In Malaysia, the clamping down of a previously admired judicial system effectively began in the mid-1980s. When the incumbent Dr. Mahathir and his deputy Ghafar Baba narrowly won after a recount over challenger Razaleigh Hamzah and Musa Hitam in the 1987 UMNO presidential elections, eleven former UMNO members filed a suit questioning the legitimacy of the elective process. The High Court ruled that the ramifications arising from the discrepancies found in the registration of its branches under the Societies Act rendered UMNO an 'unlawful society' (Shamsul 1988; Far Eastern Economic Review February 18 1988). The case was then brought up by UMNO on appeal to the Supreme Court. Desperately hanging on to a thread for political survival, Dr. Mahathir had hoped for the judiciary to blow off the case in favor of his party. But when the country's highest judicial official, Lord President Salleh Abbas, motioned instead for the appeal to be heard by a bench of nine judges of the Supreme Court, the Prime Minister used the King to promptly remove the Lord President and five of the nine judges.[77] This case exemplified how the state was willing to sacrifice the sanctity of the federal constitution and the esteem of the judiciary for short-term political economic goals (Abbas and Das 1990; Harding 1989).

Gradual demise of an autonomous Malaysian judiciary began with the Mahathir administration closely scrutinizing appointments of every officer to the higher courts. In true corrupt fashion, less reputable figures went on to occupy high judicial positions. In July 1996, a High Court judge, Syed Ahmad Idid resigned from office after accusing colleagues on the country's highest benches of 39 incidents of corruption, 21 cases of abuse of power, and 52 acts of misconduct. An example of such misconduct was the controversial libel lawsuit, in which crony capitalist Vincent Tan was awarded RM 10

[75] Asia Times article can be also be retrieved at http://www.atimes.com/se-asia/AL01Ae01.html.
[76] The largest Buddhist temple in Malaysia is ironically located in PAS-ruled Kelantan.
[77] UMNO had no choice but to form a new party, renamed UMNO Baru (New UMNO).

million (US$ 2.6 million) in damages against journalist M.G.G. Pillai. It was later found that Tan's counsel, V.K. Lingam had sponsored holiday trips to Italy and New Zealand for Eusoffe Chin, the presiding judge who later became Malaysia's Lord President (Asiaweek July 26 1996).

State directives to influence the judiciary in constitutional and political matters also heightened. During Anwar Ibrahim's trial, presiding judge Augustine Paul had abused his position by threatening the defense team, amending charges, and expunging vital evidence from the court record over discredited allegations of sexual misconduct (Sydney Morning Herald March 27 2002). And in his second trial, Judge Ariffin Jaka refused to admit Prime Minister Dr. Mahathir as a defense witness. An international coalition of judges and lawyers raised their concern with the state of the judiciary in Malaysia, and in a report entitled "Justice in Jeopardy," it attributed the causes of miscarriages of justice and transgressions of rule of law, among other things, to the subsumed position of the judiciary toward the executive (International Bar Association et al 2000, 55-59; Asiaweek June 30 2000).

However, some glimmer of hope may be on the horizon and it would be interesting to follow future developments within the judiciary. On May 30, 2001 Hishamudin Mohamad Yunus, a High Court justice refused to bow to executive pressure and ordered the release of several opposition activists arrested under the Internal Security Act, citing the arrests were done in bad faith and had violated the detainees' constitutional rights. Later in June 2001, Justice Muhammad Kamil Awang nullified an election victory for Yong Teck Lee, a member of Malaysia's governing party in Sabah, and criticized an apparent attempt by Federal authorities to influence his decision, calling it an "insult to one's intelligence" (International Herald Tribune June 9 2001). New Chief Justice Mohammad Dzaiddin Abdullah has also attacked the judiciary's loss of independence, and has promised to reinstate public confidence in the institution (Asiaweek June 29 2001). But it might be a while before such an event could truly materialize, for as long as the state places its capitalist development as its ultimate priority, an independent judiciary would remain a hindrance to state objectives.

In Singapore, where opposition to the state's governing process is less formidable than Malaysia, court cases involving the state almost always end up in its favor. A favorite tactic for the state has been to file libel suits against any individual or organization that dare accuse its leaders of any wrongdoing or unfair practices. Singapore's lone opposition member of Parliament for many years, J. B. Jeyaretnam has had to face relentless persecution and court charges by the Singaporean state. In 1997, in a libel case filed by Prime Minister Goh Chok Tong, Jeyaretnam was ordered to pay him and 10 other PAP litigants a sum of about US$10,000 each in order to 'defend their reputations and maintain the respect of the electorate.' The suit was in response to Jeyaretnam's statement during an election rally that a police report had been filed against the PAP leaders by Workers Party colleague Tang Liang Hong for their calling him (Tang) an 'Anti-Christian Chinese chauvinist.' In the reverse, the judge found the PAP leadership justified in tagging Tang as such and ordered him to pay a total of S$1.4 million in damages (later reduced in half). Tang, who described the Singapore state as practicing 'legal terrorism,' later fled to Malaysia (South China Morning Post November 7 1997).

The legal approach suits the state well since in the age of globalization direct and conspicuous repression could well alienate Singapore in international circles, which is bad for investments. The latest case involves Chee Soon Juan, leader of the Democratic Party and Singapore's opposition, who is facing defamation charges filed by Prime Minister Goh Chok Tong and Senior Minister Lee Kuan Yew, arising from his claims that Singapore had loaned S$17 billion (US$9.2 billion) to former Indonesian dictator Suharto during the Asian financial crisis (New Sunday Times January 20 2002). If precedence is anything to go by, Mr Chee may soon find himself bankrupt, entailing expulsion from Parliament. Stuart Littlemore, Australian Queens Counsel for Jeyaretnam's case observed: "The Singapore leadership has a longstanding record of using the High Court as a mechanism for silencing its opponents by suing them for statements that, in any comparable jurisdiction, would be seen as part of the robust political debate inseparable from democratic freedoms, and by being awarded such unconsciounably high damages and costs as to bankrupt the defendants, forcing them out of Parliament. This is particularly relevant to Singapore where there are only four opposition members out of a total of 83 MPs" (quoted in New Straits Times October 3 1997, 20).

That Singapore's court system has been heavily biased toward the state is well known, especially among those who had been part of it. Francis Seow, the country's former Solicitor-General, and Devan Nair, former President, both of whom became critical of the state and entered opposition politics, faced its wrath through impending court cases against each of them. Both fled the country to the United States, knowing fully well that the judicial system in Singapore would not give them the light of day to defend themselves fairly. In an attempt to defame them, the state alleged Seow with tax evasion and subversion charges, and labeled Nair as an 'alcoholic with bizarre behavior' (Lingle 1996, 115; Sydney Morning Herald February 15 1997).

There are numerous other autocratic elements that distinguish Singapore's judiciary from that of other countries. The state abolished trial by jury in 1968 and constrained the discretionary powers of judges in 1973 (Jones 1997, 49; Seow 1994, 174-194). But the state has been extremely successful in lulling the world into viewing its judiciary as a highly impartial, incorruptible, and independent entity. For example, the state's accommodative approach in attracting investments and flexibility in enforcing contracts and property rights for TNCs, the International Institute for Management Development has awarded the country first placing for its legal framework (IMD 2000). As in the civil service and armed forces, the state uses a 'carrot and stick' approach to promote 'efficiency' of administration, throwing high salaries and promotions as incentives (Lingle 1996,92). Judicial efficiency is often mistaken for dispensing fairness and justice; it is almost never seen in terms of measuring loyalty to the state.

Curtailment of free expression and state control of media

Freedom of expression and association and the thriving of an open and free media are the cornerstones of a truly functioning civil society. But in both Malaysia and Singapore, freedom of expression has been a rare commodity, especially when it involves criticizing the state.

In Singapore, state control of the media began in the early 1960s with the state's British-sanctioned suppression of the left. Scores of journalists, editors, and writers were detained under the country's emergency laws. The editor of the Malay language *Utusan*

Melayu, Said Zahari, was detained without trial for 16 years under the Internal Security Act on allegations of being a 'Malay chauvinist' and a 'communist,' accusations which he steadfastly denied throughout his incarceration (Far Eastern Economic Review July 5 2001). The *Utusan Melayu* was finally driven out of the country in 1969. Closing of other newspapers included the Chinese daily *Nanyang Siang Pau* in 1983, and the English-language newspapers Eastern Sun and the Singapore Herald in 1971, the latter incriminated for being agents of foreign subversive elements (Straits Times May 17 2000). Finally, in the early 1980s the state laid effective seizure of Singapore Press Holdings (SPH), corporatized it, and held significant management shares to control all of the Republic's newspapers. Such a move not only enabled the state operative control of information, but its monopolization of revenues through advertising also made SPH a lucrative enterprise (Asiaweek March 24 2000).

Similar to the way in which the state has managed to bamboozle the world of its compliant judiciary, there also seems to be a deceptive concealment of the control of Singaporean media by the state. To complement Singapore's aspired role as a global financial center, the media has sought to play out its 'international-cosmopolitan' role by providing the latest information from around the world through the latest technology available, impressing on the world that its press is free and sophisticated. But as former journalist Ravi Veloo commented, "Yes there is press freedom (in Singapore) to publish sex and crime stories. Unfortunately it doesn't extend to local politics" (quoted in Asiaweek March 24 2000, 36)

There is an unwritten code of conduct among media personnel as to how news reporting and dissemination should function in Singapore. For example, when the editor of the Business Times was fined for covering information deemed 'secret' by the state, the newspaper ran no editorials protesting its editor's prosecution under the Official Secrets Act (OSA) (South China Morning Post April 29 1993).[78] In contrast, columnists have echoed politicians in decrying Western-style press freedoms. In effect, control of the press is carried out under security laws such as the Official Secrets Act (OSA) and the Internal Security Act (ISA) that permit media operation only through state licensing. Media laws inherited from the British require all newspapers to be licensed, which can be revoked at any time, thereby destroying the publication. Journalists must also be extremely cautious of the ISA, under which they can be detained indefinitely without trial. Eventually they can be fined or jailed upon conviction. As in Malaysia, the OSA can be used to charge journalists or publishers who disclose official statistics in their publications without prior permission, thus the Act effectively dissuades journalists from receiving leaks in any type of official data and information (George 2000).[79]

The Newspaper and Printing Presses Act (amendment) 1977 also empowers the Singaporean state to determine the composition of a newspaper company's board of directors. It is mandatory for a newspaper company to be publicly listed, and holders of its management shares are determined by the state. Through this process, the state

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[78] The OSA. prosecution of Business Times editor Patrick Daniel, together with four other individuals, one a civil servant, was not intended to crush either him or the paper but to signal to other civil servants that leaks of information would not be tolerated.

[79] The definition of official secret could even include data on trade and finance, which have to be cleared with relevant authorities before being publicized (South China Morning Post April 29 1993).

ensures journalists and editors are highly trustworthy for self-censorship. Once this structure is placed in motion, the state no longer needs to directly control the press. The same structural mechanism is replicated in the control of broadcasting and radio stations. The state demands that the media functions more than just disseminating information; it looks at the media as a tool to support its autocratic laws and policies (George 2000). For foreign press agencies, this act enables the state to regulate the circulation of their newspapers (Seow 1998).

Furthermore, libel laws oblige journalists to take extreme caution with information that could in any way impair state officials' reputations. In 1994, Senior Minister Lee Kuan Yew sued the International Herald Tribune for an article that implicated the existence of a dynastic ruling structure within the Singapore state (Lingle 1996, 18). That this was a fact was highly obvious since Lee's son, Lee Hsien Loong, who had spent only five years in the country's armed forces and climbed to the rank of Brigadier-General at age 31, was shortly after then elected to Parliament and rapidly appointed as Deputy Prime Minister. The report also implied Premier Goh Chok Tong as a 'seat warmer' for Lee junior's imminent grand entrance to top leadership. Lee junior and Goh joined the bandwagon, despite a forced public apology by the newspaper, and all three won their cases before a compliant judge (Lingle 1996, 18-22). It has become remarkable that international media firms in Singapore would actually toe the line and submit their professionalism to the state. But as TNCs, these agencies need to take advantage of the lucrative businesses that Singapore offers. Thus keeping silent about Singapore's despotic system is but a negligible price to pay for long-term profits.

Malaysia's media laws, like Singapore's, are a legacy of the British colonial state. In the age of globalization, the Malaysian state embarks on two different approaches toward media legislation. In line with its Multimedia Super Corridor project, a cyber industrial park stretching from the world's tallest buildings, the Petronas Twin Towers in Kuala Lumpur, to the new administrative capital in Putrajaya, the state has implemented new 'cyber laws' to protect software copyrights of TNCs such as Microsoft, Siemens, and Sun Technologies. On the other hand, the contradiction in Malaysia's desire to launch itself into the information age is evidenced by its refusal to repeal the Official Secrets Act (Amendment) 1986 and the Printing Presses and Publication Act 1984 (Asiaweek April 1 1997).

The Official Secrets Act (OSA) amendment in 1986, which imposes a one-year mandatory prison sentence regardless of the extent of offence, had met stern resistance from Malaysia's National Union of Journalists, Bar Council, and even former Prime Ministers Tunku Abdul Rahman and Hussein Onn, to name a few (Munro-Kua 1996, 124). Opposition leaders historically have accused the Government of using the OSA to cover up corruption. In January 2000 Ezam Mohammad Nor, youth chief of the opposition National Justice Party, was charged under the OSA with disclosing classified Anti Corruption Agency (ACA) reports to the press (Time January 24 2000).

Under the 1984 Printing Presses and Publications Act, domestic and foreign publications must apply annually to the Government for a permit. The act was amended in 1987 to expand the state's power to ban or restrict publications, and prohibit court challenges to suspension or revocation of publication permits. State power over license renewal and other publication related matters has created an atmosphere that inhibits investigative journalism and resulted in extensive self-censorship. The Deputy Home

Minister stated in Parliament that from 1996 through March 1998, action had been taken under the Act against 164 publishers and authors, including Irene Fernandez of women's group Tenaganita for 'malicious reporting' of maltreatment of illegal Bangladeshi workers in detention camps (New Straits Times April 19 1998; Amnesty International 2000). After the 1999 elections, the decline in Malay support for UMNO resulted in boycotts of mainstream newspapers by Malay readers, who took to the Internet and alternative media, especially the Islamic party PAS's *Harakah*. When *Harakah's* circulation shot up from 75,000 to 369,000 during the Anwar Ibrahim saga, the Act was used to curtail its circulation on a fortnightly basis. Soon, the paper's editor and printer were also arrested under the Sedition Act 1970 (Asiaweek January 28 2000).

Under the Sedition Act, any statement seen to potentially incite hostility toward the state or any ethnic or religious group becomes a criminal offence punishable by up to three years imprisonment or US$1300 fine, or both (Human Rights Watch 2002). In September 1998, a DAP opposition leader Lim Guan Eng was charged under the act for statements made against a former UMNO Chief Minister in connection with the latter's statutory rape case. Two years later, two other opposition members Karpal Singh of the DAP, who was also one of Anwar's counsels, and Marina Yusoff of the National Justice Party were arrested for making press statements implicating state involvement in separate criminal incidents (Asiaweek January 28 2000). But the hypocrisy of enforcement could be seen in the way the state gets away with publishing explicit advertisements of the 1969 racial bloodbath in the run ups to the 1999 elections as a morbid way to convince Malaysians that only the National Front could provide political stability (Human Rights Watch 2002).

The state has bought up majority shares in the largest printing agencies thus controlling the mainstream media. UMNO, through Fleet Holdings owns the New Straits Times, *Berita Harian*, *Shin Min Daily*, and The Malay Mail. The MCA in turn, controls The Star through its Huaren Holdings and controversially bought over the *Nanyang Siang Pau* amidst strong protests from Chinese Malaysians (Asia Times June 26 2001). The MIC owns *Tamil Nesan*, *Thinamani,* and *Tamil Osai*. The satellite TV corporation Astro is owned by Ananda Krishnan, an Indian-Malaysian capitalist with close ties to the ruling class (Asiaweek March 24 2000). Lately, the state has even put forward the idea of tightening some aspects of existing cyber laws to prevent 'irresponsible' use of the Internet in spreading 'false information' about the state (New Straits Times April 29 2001).

Defamation suits against publishing houses and foreign journalists have somewhat been minimized, at least in terms of amounts of damages. In a wake-up call for Malaysia's criticism fraught judiciary, Chief Justice Dzaiddin Abdullah urged judges to check the size of awards handed out in defamation suits. In a divergence from his predecessor, he also acknowledged that huge awards made against the print and electronic media would "tend to stultify and curb press freedom" (New Straits Times March 24 2001).

Association in social and religious organizations in Singapore and Malaysia is also subject to state monitoring and permits. The respective Societies Act in Singapore and Malaysia empowers the state to determine the types of groups and associations that could exist in each respective country. Internationally, Singapore has not ratified two UN covenants, one on economic, social, and cultural rights and the other on civil and

political rights, which cover a wide range of fundamental liberties. Therefore it makes no apologies when 29 members of the Jehovah Witness group were jailed for refusal to attend military service, with the religious organization itself banned. It also similarly rejected an application by gays and lesbians to form their own association on grounds that homosexuality is illegal (Amnesty International 2001). The state has also applied double standards in its decisions affecting religious practices. In February 2002, it suspended two Muslim elementary schoolgirls for refusal to take off their scarves, justifying its action on grounds of enforcing uniformity among students. In contrast, the state has never applied a similar policy toward Sikh schoolboys who wear turbans or hair buns to school (Aliran Monthly February 2002). Any type of punishment taken against a religious group for their beliefs and practices is a violation of basic human rights, and the Singapore state has never hesitated to undertake such action on a discriminatory basis.

In Malaysia, despite the setting up of a Commission (Suhakam) to address human rights issues, Malaysians have witnessed a rapid erosion of human rights and civil liberties particularly those relating to freedom of expression, assembly and association. There is a pattern since the banning of *Al-Arqam* Islamic group, to closely follow and monitor other Muslim groups in the country. The state has also been brutal in suppressing large demonstrations such as the one that took place near the port city of Kelang, in which loads of riot police attacked a 10,000 strong mainly Malay-Muslim crowd attending an opposition gathering in November 2000 (Aliran Monthly December 2000). Also, legislations such as the Police Act (Amendment) 1988 and Public Order Preservation Act 1958 have usually been combined with other laws to restrict or prohibit citizens' rights to assembly and expression (Anuar 2002). For example, the University and University Colleges Act 1975 prohibits students from participating in politics, a result of which 36 students and academics were arrested in pro-reform rallies in 1999 (Asiaweek July 14 2000).

An attempt by the Singapore Law Society in 1986 to present a different opinion on the state's Printing and Presses Act amendment proposals resulted in the entire organization being subjected to condescending lectures and interrogations by various state ministers, including the Prime Minister himself (Tremewan 1994, 197). Not more than two years later, the state established an Academy of Law headed by the Chief Justice, to which all members of the judiciary, law professors, and practicing lawyers must belong and to whose code of conduct they must subscribe (Straits Times Weekly August 14 1988). In Malaysia, such severe coercion has been taken less seriously, viewing them as nothing more than a frivolity of state policies. For example, in view of students providing a potentially large pool of anti-state activists, in March 2002 the state required all state university personnel and students to make a pledge of loyalty to the state and to distance themselves from political activism. The state justified this requirement as keeping students away from unnecessary distraction for better concentration on their studies. Many members of faculty and students have humored this effort as another bureaucratic exercise, but academician Dr. Rosli Omar (quoted in Aliran Monthly February 2002, 4-5) pointed out the contradiction of state policies with regards to its role in fostering academic progress in state universities: "(Mahathir) has often said that Islamic civilisation has regressed because of the ossification of knowledge and the lack of a spirit of inquiry.... in and of itself, the pledge of loyalty contravenes this open-mindedness and spirit of inquiry."

Harsh laws and capital punishment

Democratic societies should dispense justice through humane laws that take into consideration individual rights and liberties. Both Malaysia and Singapore have inherited repressive British colonial laws that sought to suppress anti-systemic organizations and movements. The 'mother of all punitive laws' in these countries is the respective Internal Security Act. Under this act, it becomes lawful for the state to detain a person without trial for an indefinite period of time as long as it reasonably believes that such persons are a threat to national interests. In Singapore, provisions of the ISA include the legality to extract information and confessions through intensive interrogations. Such methods more often than not have resulted in detainees succumbing to extreme physical pain and mental exhaustion. The provisions also authorize the police and Internal Security Department officials with a high degree of prerogative powers in conducting their investigations (Tremewan 1994, 201-203). Former opposition leader Chia Thye Poh of the Barisan Sosialis (Socialist Front) was held without trial for 22 years from 1966 to 1988 for allegedly being a communist without ever being formally charged in a court of law (Asiaweek December 11 1998).[80]

In Malaysia, there had been more than 9500 arrests made under the ISA up to 1993 (Munro-Kua 1996, 152). In 1987, in order to divert national attention away from the mounting challenges from factions within UMNO, Dr. Mahathir authorized the arrests and detention of more than 100 prominent figures, mainly opposition party members, social activists, and even several politicians from the ruling National Front parties. Named *Operasi Lalang* (Operation Round-up), the state justified its action in the name of national security (New Straits Times October 29 1987). In April 2001, ten opposition party members and pro-reform activists were detained under the ISA. They were National Justice Party Vice-President Tian Chua, youth chief Ezam Noor, supreme council member N. Gobalakrishnan, and youth executive member Abdul Ghani Harun as well as Islamic activist Dr. Saari Sungib and playwright Hishamuddin Rais (Asiaweek August 17 2001). The ISA has become a convenient instrument in weeding out political challengers and in deflecting state problems away from public awareness.

In both counties, the death penalty is mandatory for drug trafficking, murder, treason and firearms offences. The Singapore Home Affairs revealed that 340 people were executed between 1991 and 2000, giving Singapore possibly the highest execution rate per population in the world (Amnesty International 2001). In Malaysia, there had been a total of 349 executions from 1970 to 1996, with a decreasing trend coming into the new millennium. Nevertheless, according to Malaysian human rights group *Suaram,* these punitive laws have not been effective in deterring drug addiction and trafficking, as new addicts actually have risen by 18 per cent from 1995 to 1999 (Aliran Monthly December 1999).

In Singapore, the criminalization process goes right down to the nitty-gritty. Citiznes have to be extremely vigilant so as not to be fined for jaywalking, sporting long hair (for men during the 1970s), using the wrong type of TV aerial, chewing gum,

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[80] It was widely believed that the Singapore state released Chia at about the same time as South Africa's release of Nelson Mandela, to avoid the dubious distinction of being the remaining country maintaining a long serving political prisoner (see Lingle 1996, 114). Chia remained in restricted residence on an island off Singapore until 1997.

spitting, failing to flush public toilets, and littering, just to name a few. While it is agreed that these laws do benefit the whole of society, such magnification of trivial offenses is disproportionately targeted against the politically powerless. For it is usually the working class who are more likely to spit on the ground or pick fruits in a public park, and it is often the mentally challenged or emotionally unstable who would urinate in public places or loiter aimlessly around town (Austin 1988, 923-924). Worse, some of these laws present a nonsensical logic. For example, beggars who are caught twice by authorities are produced in court and are most likely to face jail term of up to 6 months if found guilty, considering the alternative punishment would be a fine of S$3000! (Jeyaretnam quoted on Radio Australia February 21 1989) Since many of the misdemeanors are connected to the poor and the disabled, the state has been unabashed in publishing detailed information, including photographs, about the offenders in its newspapers (Tremewan 1994, 217). Humiliating the poor and instilling fear upon the lower classes has been a prominent feature of state rule in Singapore.

However, as in drug laws, harsh and rigid rules have not retarded the frequency of violent crimes on the island. In 1993, the UN Commission on Crime and Justice reported that the rate for total assaults in Singapore was 34.12 per 100,000 people, while the rate for robberies was 56.3 and homicide, 1.77 per 100,000, compared to Malaysia at 14.54, 32.75 and 1.76 per 100,000 respectively. In 1997, total crime rate for Singapore was 1,833 per 100,000 population compared to 1,853 in 1981 (UNDCP 1998).[81] For all its strict enforcements of draconian laws, there has been no significant reduction in crime in the Republic.

State attempts at legitimation

As the world economy became increasingly globalized and the effects of transnational forces became more penetrable, the state began to lose some of its power to maintain its legitimacy. In order to reassert its supremacy, the state in Malaysia and Singapore has resorted to authoritarianism as a means to consolidate its power. In light of increased authoritarian rule, the question of legitimacy remained an issue to be dealt with delicately. An effective type of ideology in this situation is one in which state policies could be legitimized and extended against broader class interests (Poulantzas 1973, 143). In the case of Malaysia and Singapore, any form of such a legitimacy strategy must be centered on the notion of economic nationalism.

The strength of economic nationalist ideology arises from two historical-contextual premises that empower the state. One, peripheral capitalist development has produced class relationships in which the dominant classes emerged through state formation. The quest for state modernization reinforces the notion of economic nationalism, consistently projecting the state as the only agent capable of bringing social economic prosperity. Two, the British legacy of racism and classism has significantly filtered into the relationship between state and civil society, through which the state is able to assert its patronizing position upon its citizens.

Capitalist development brings with it a modernist project synonymously equated with westernization. The pursuit of industrialization and 'catch up with the west' has been

[81] Figures available from UNCJIN (United nations Criminal Justice Information network) at http://www.uncjin.org.

the *beau ideal* of peripheral statehood in the world system. In Malaysia and Singapore, the predominance of the English-educated elite within the state machinery heavily influenced the pro-western outlook of state policies, especially in its alliances with western capital. But as capitalist peripheral development increasingly introduced an authoritarian-type regime, these same elites find difficulty in reconciling the contradiction between westernization and authoritarianism. To cultivate legitimacy among a heavily Asian and tradition-bound populace, the state sought to find a socially acceptable and politically justifiable approach to its authoritarian rule in order to attain its capitalist development. The strategy was to sell the idea that western social decadence has been a result of unlimited individual rights as advocated by western liberalism (Lingle 1996, 49). Here, state leaders often associated individualism or individual rights with the flourishing of socially unprofitable practices and values found in the wastage of resources, conspicuous consumption, and manifested in high rates of crime, divorce, child illegitimacy and so on and so forth. In other words, to avoid going the deteriorating western path to development, Malaysia and Singapore needed to adopt western technology but discard western political notions of liberalism and individualism, adopting instead a sort of 'Asian-traditional approach,' emphasizing thrift, communal concerns, and loyalty to the state to attain its own brand of capitalist development (Chan 1993, 15-16; Mahbubani 1994). This way, the state could win legitimacy of its policies while simultaneously instilling among its citizens an urgent sense of loyalty to the state. That capitalist development, and not necessarily eastern or western philosophies or approaches, had been responsible for the rising rates of social instabilities and environmental destruction has rarely been mentioned.

Hence, in order to achieve this, the state reverted to the extraction of certain ideological aspects of 'Asian values' that were deemed compatible with state authoritarian rule, and which emphasizes the subjugation of individual interests to communitarian interests. In Malaysia, an 'Asian-based' economic nationalism became entrenched within UMNO's 'guided democracy' principle that has resonated through various previous state ideologies and culminated into a grand national vision aptly named, Vision 2020 (Hng 1998, 42). Vision 2020, etched out and introduced in 1991, functions both as an inspirational national dream as well as a serious overarching state policy with which all other policies must be aligned. The objective of this vision is "a Malaysia that is fully developed by the year 2020" (Mohamad 1993, 3). The official statement asserts: "We shall be a fully developed country in our own mould. We must be fully developed in terms of our economy, in terms of social justice, political stability, system of government, quality of life, social and spiritual values, national pride and confidence. There can be no fully developed Malaysia until we have finally overcome the nine central strategic challenges that have confronted us from the moment of our birth as an independent nation" (quoted in Hng 1998, 39).

The nine challenges referred to are a set of social, demographic, and political obstacles to industrial development revolving around issues of wealth distribution, national integration, social resilience, and educational as well as technological development. But pertinent to this discussion is a resolution to one of the challenges, that advocate the precedence of community interests over individual interests, indirectly implying the prioritization of state or national interests over other interests. The resolution to the third challenge reads "Fostering and developing a mature democratic society, practicing a form of mutual consensual, community-oriented Malaysian

democracy, that can be a model for all developing countries" (quoted in Hng 1998, 40). In his book dedicated to highlighting the state's ideological strategy in nation-building, Hung Yong Hng (1998, 41) writes "whether in good or bad times, the role of the supreme leader is always that of the grand unifier, the great motivator, the visionary. Vision is important because unless one can see and explain the Big Picture, one cannot move the nation from Here to There. Vision 2020 is Mahathir's Big Picture." Such understanding effectively presages a type of Vision 2020 not focused on genuine societal interests or those associated with popular democratic structures, but rather one that is related to state defined 'communitarian' goals.

For Malays in Malaysia, the monopoly of state power by UMNO since independence and its promises to correct the imbalances of ethnonational-class inequalities have numbed them into accepting state patronization. The customary Malay-Hindu reverence for leadership and respect for authority, embedded in the Sultan-*rakyat* (ruler-subject) relational structure, has transposed itself unto modern-day relationships between state and society. For UMNO, a conservative approach to development, stressing Malay traditional structures and playing up ultra-Malay ethnocentric sentiments, has given them, until 1999, the legitimacy and power over the Malay electorate. For the rest of the country, the desire for a chunk of the benefits of economic growth seemed to have overcome the aspiration for political change. At the same time, and as evidenced by the non-Malay votes that retained the National Front in the 1999 elections, there seemed to have developed a type of uncaring acceptance among non-Malays of the encroaching power of state over civil society so long as the economy continues to perform well (Aliran Monthly December 2000).

It is quite correct to maintain that the Asian financial crisis and the ensuing 1999 elections temporarily shelved the plans toward the attainment of Vision 2020 goals. The state has always relied on economic growth as the integral force against opposition to its authoritarian rule. With the economy still being started up, politically, the state has been occupied in attempting to win back its Malay constituencies from PAS. The state's nation-building strategy has co-opted its own modernist version of Islam as a method to pull away the Muslim electorate from rising anti-systemic influences of Islamic resurgence, whether it is connected to PAS or some progressive transnational force. Recently, UMNO declared that since Islam is the official religion of the country and that much of Islamic practices and customs have been accommodated into the secular system for Muslims, Malaysia could well be described as an Islamic state. PAS, on the other hand, insisted that democratic and political rights and full implementation of *syaria* laws were absent, thereby mooting the state's claim (Aliran Monthly April 2002). While many feel that such debates have leaned toward the realm of childishness, it is nevertheless a clear illustration of how desperate the state has become in attempting to reassert its position as 'champion' of Malays and Muslims. Without a strong ideological premise, the state now finds difficulty in mobilizing its support and reestablishing its legitimacy.

In Singapore, the state's perceived geo-political vulnerability induces it to ensure that capital flow remains uninterrupted. From the time of independence, the PAP has ruled with a unity of purpose – providing investment opportunities for TNCs and indirectly furnishing material benefits for the people through economic growth – but with a social cost. The state explains that due to its fragile position and limited territorial capacity, the state has to take lead in policy matters and that there would be no room for citizens to

argue or oppose state decisions if economic goals had to be realized (Chew 1995, 942-943). That the PAP found itself politically unopposed coming into independent statehood gave it the advantage to assert a heavily patronizing relationship with society. To justify one-party hegemony, the state promoted an official ideology of pragmatic survivalism (Lee 1990, 16). The state has managed to instill fear on the population that if the state did not take a hard-lined administrative approach, and if citizens did not respond accordingly, the island would end up in social and political chaos, enabling it to be swallowed up by hostile Malay-Indonesian peoples. In 1996, Senior Minister Lee Kuan Yew, in attempting to wake up young and wealthy, but 'complacent' Singaporeans, insinuated that if they did not emulate the diligence of their forefathers, Singapore would end up back in Malaysia (Far Eastern Economic Review June 20 1996).[82]

Thus 'pragmatism' and 'meritocracy,' as defined by the state and as a political and social approach to be subscribed in all its institutions, would ensure that the 'best and fittest' would lead and sustain Singapore's economic prosperity. At the same time, individual rights must be curtailed and submitted to the all-encompassing and more important 'national' rights of the state. The practices in this brand of democracy are subjected to the limitations of 'national' interests and needs, labeling it as 'communitarian democracy' (Scalapino 1992, 152-172).

However, as globalization began to facilitate information sharing and cross cutting communications, Singaporeans have become aware of the increased authoritarian trends that contradict the state's communitarian democracy. For it was not only the individual right to criticize the state that was being constrained, it was as though all other social and political institutions from marriage partners to reading material were being determined by the state. Citizen dissatisfaction was expressed through declining electoral victory margins for the PAP, and the state responded through suppression of political opposition and the maneuvering elections. But the state needed another form of ideology that sought to openly legitimize its undemocratic practices. The state found this in the 'Asian development model argument being concurrently propagated by many Asian analysts (Mahbubani 1994; Chan 1993; Dunn 1991, 27-28).

The 'Asian model' was a response to western commentators, who began to highlight the need to test the emerging economies of East Asia with the democratization of its polities (Chan 1993, 7). Many sources, including the World Bank, applauded the thriftiness and diligence of Asians and attributed the 'positive Asian-Confucian values' as being a crucial guiding factor to these countries remarkable growths (Lingle 1996; Naisbitt 1996; World Bank 1995). Led by China, many of these countries sought to insulate their citizens from what they perceived as 'culturally debilitating' effects of economic freedoms of the west. These states often equated protection of Asian-Confucian culture with sustaining economic growths. Antagonism toward western concepts of democracy soon found its home in many Asian leaders, who insisted that the west understand that there was a 'different form' of community-oriented' democracy

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[82] It is not uncommon for the Singapore state to use Malaysia as a punching bag. On many occasions for politically comparative purposes, it has labeled Malaysia as corrupted, chaotic, third world, and crime-infested. When opposition leader Tang fled to Malaysia after having accused Singapore of practicing legal terrorism, the PAP personally took offense and sarcastically remarked how of all places, Tang took refuge in 'crime-infested Johor Baru' (city cross the Straits from Singapore) to escape terrorism.

in Asia. Some, like Mahathir, resented the west's condescending attitude of confining post-colonial Asian development within a western ideological straitjacket (Jones 1997, 2;Straits Times August 31 1993). On the other side, western academicians joined the fray with their 'ends and clashes of civilization' theses, implying the west to prepare a confrontational relationship with the East (Fukuyama 1995; Huntington 1993).

The Singapore state took advantage of this trend to serve its political goals. It extracted the paternalistic elements of Confucianism to highlight to the people, the importance of abiding by and supporting of state expertise in economic and political matters. As far as the state was concerned, and this it consistently drummed into Singaporeans, the country's economic success has been sufficient proof of the state's justifying the means to attain the end - prosperity for its citizens. In such a case, abuses of power and authoritarian rule are justified if the goals are achieved. The autocratization of society that was inherited through colonialism is incredibly perpetuated by the state through the convenient interpretation of a traditional Asian philosophy. In pure classist manner, the state, whose positions are mainly filled by English educated elites, often assume ordinary citizens to be inadequate in their intelligence, capacity, and trustworthiness of making political decisions (Lingle 1996, 69). As Beng-Huat Chua (1995, 204) stated, "the pervasive strategy of rendering all government decisions as 'technical problems,' to be solved only by experts, reduces the space for political practice because the electorate as lay individuals do not posses the requisite knowledge to be trusted with making informed decisions."

With the coming of the Pacific century and the intense involvement of overseas Chinese businesses across the Asian economies, the state has also played upon Chinese ethnocentrism to strengthen the arguments for the Asian-Confucian development model. The state's strategy now is on the reverse. In the 1960s, the state fought hard to suppress Chinese education and cultural chauvinism (Tremewan 1994). Now, there seems to be a passionate promotion of Mandarin and Chinese education to exploit commercial opportunities in China. Even then, while the state encourages its citizens to foster and cultivate Confucian work habits, it reminds them that such cultural practices also encourage loyalty to the state and its leaders. To the state, it is important that citizens recognize that good government is based not on good structural framework or laws, but rather on good leaders (The Economist June 29 1991).

The effectiveness of these strategies has produced mixed results. In Malaysia, the bulk of the Malay electorate does not seem to buy into the Asian values argument since Islamic principles, in their view, tend to have its roots more connected with the western ideals of democratic statehood and individual political rights than 'Asian dictatorial paternalism.' Thus Malays were infuriated when the state lamented on the 'failure of Malays to learn from and acquire the work habits of the exemplary Chinese' (The Star July 18 2001). Such statements not only serve to distance the Malay masses from the state, but it implicitly demonstrated the state's propagation of Asian-Confucian values over Malay-Islamic values. To this effect PAS had the support of a good number of Malays from all classes with its incorruptible leadership and attractive political philosophies.

However, all that took place before September 11 2002. The one single incident that may have triggered a catalytic pressure against the democratization process in Malaysia was the September 11 2001 tragedies. The ensuing war on terrorism has

become a tool for autocratic states throughout the world to suppress insurrections and liberation movements at home (New Internationalist May 2002). When the Malaysian state arrested, mistreated, and jailed Anwar Ibrahim in 1999, the US condemned it and even threatened to reconsider investments in the country.[83] But as soon as PAS emerged the largest opposition party in the 1999 elections, the US instantaneously reduced the tone of disdain in its comments on the Anwar affair. Now the current war on terrorism has witnessed a complete reversal in American attitudes since 1999. Not only has the US kept silent on the Anwar issue during Mahathir's visit to the US in May 2002 but the US has even asked the Malaysian state for expert advise on effective counter-terrorism measures against Islamist militants (Time October 29 2002).

Indeed in Malaysia, Dr. Mahathir has manipulated the war against terrorism to justify the use of repressive laws against mostly Muslim groups and activists. According to Human Rights Watch, Currently, at least 105 people have been being detained under the ISA. Many of those targeted were minority Shi'a Muslims, supporters of jailed former Deputy Prime Minister Anwar Ibrahim, and youth leaders in the opposition PAS.[84] Furthermore, declarations of war by extremist quarters of PAS against the US for its attacks on Afghanistan seemed to have turned off many of PAS's supporters, many of whom have since left the party (Time October 29 2002). The debates arising from the attacks have played entirely in the state's favor. PAS seemed to have lost much ground, as are the other component parties in the Alternative Front. And it was just recently that the state seemed to have been left in political wilderness with the reduction of its Malay support. Now, the state has regained its confidence thanks to the turnaround of events, and at the time of writing, the call for snap elections seems to be on the horizon (Straits Times May 11 2002). This is bad news for the opposition since any party associated even in a tangential way with any type of militancy has no chance in Malaysia (Time October 29 2002).

In Singapore, the last elections highlighted the biggest win for the PAP since 1984. There is likelihood that as Singapore's economic health gets better, there would be a return to greater authoritarianism. The younger generation's great lack of interest in politics has created anxieties among both progressive analysts and the state (South China Morning Post April 21 2001). An apolitical generation would replete the future leadership pool that the state has striven hard to harvest. In this, the state has become a victim of its own policies since political discussions and activism had been out of bounds for young people. But an apolitical generation would also produce increased public apatheticism toward state authoritarian rule. In June 2001, a poll was carried out by a state-monitored human rights organization, *ThinkCentre*, on whether Singaporeans supported the death penalty. The survey was done amidst a young Malay woman's emotional plea of clemency for her gallows-bound drug addict brother.[85] The results of

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[83] Anwar Ibrahim had many close associates and acquaintances in the US and European governments, as well as in prominent non-government organizations. His personal close ties with US Secretary of Defense James Cohen branded him an American spy among ultra conservative members of the Malaysian state.

[84] Press statement by Mike Jendrzejczyk, Washington Director of Human Rights Watch's Asia Division from Human Rights Watch news, May 13, 2002. Available at http://hrw.org/press/2002/05.

[85] Zulfakar Mustaffa was charged in possession of 70 grams of heroin (Straits Times June 6 2002).

the poll showed more than 80 per cent favored the death penalty (New Straits Times June 6 2001; AFP June 7 2001).

Conclusion

Globalization and shifting global labor divisions have enabled Malaysia and Singapore to ascend into semi-peripheral status within the world system through increased industrial and commercial activities in the capitalist world economy. But globalization has made national economies even more vulnerable to market fluctuations through transnational commercial activities that could rapidly enter and leave the country in seconds. Transnational social forces could also penetrate physical territories of the state and undermine its authority. The effect of this is two-fold. One, the state has actually lost significant control of some portions of its citizens' actions be it through political or economic activity. The other effect is that in multi-cultural societies such as Malaysia and Singapore, globalization has enabled different groups to identify with sources transcending the states' borders. Politically, such circumstances can lead to increased social polarization, and economically, it could widen wealth gaps between different ethnonational groups, as it already has in Malaysia and Singapore. Prospects for popular democratic alliances in both instances for both countries would be less than optimistic.

Furthermore this chapter has shown that as both countries industrialized, there has been greater inclination toward state authoritarian rule. The pursuit of industrialization has been a matter of state survival that has propelled the state in both countries to prioritize the capitalist class. Anti-systemic forces in Malaysia seemed to have had greater chances of destabilizing the state and reforming its authoritarian rule. But racial politics and ethnonational-class conflicts have kept cross-ethnonational democratic forces apart. Neither the middle classes nor the lower classes have the mobilizing power to initiate an effective coalition. In Singapore, a politically weakened population, pacified by relative affluence has kept the middle classes politically docile. Repressive laws in this country have functioned as a campaign of terror against the poor and working classes, disconnecting them further from the middle classes by high degrees of racist and classist policies by the state toward these groups. Finally, world events motivated by the declining hegemonic power, as exemplified by the US war on terrorism, have also greatly influenced to curtail democratization processes in both countries, especially Malaysia with its Islamic opposition.

Due to similar historical backgrounds, there is an eerie resemblance in the way the states in Malaysia and Singapore control the electoral process, emasculate the judiciary, curtail freedom of expression, and impose drastic control measures through punitive laws. In both these countries, ideological legitimation strategies have centered on using national-cultural explanations for justifying authoritarian rule. The colonial heritage passed on by the British to both Malaysian and Singaporean states provided the social context within which state power over society had been shaped. Further conflation of economics and nationalism seemed to have been the most efficacious method of mobilizing the masses to abide by state policies and keeping them subdued through nation-building ideological indoctrination, especially in Singapore. Also, in vibrant economic times, there was a tendency, particularly among the middle classes, to overlook state authoritarianism and throw support behind the state. In general, both

extraneous world systemic factors and internal state-related variables have influenced the way state authoritarianism is formed, nurtured and strengthened.

CHAPTER 8

CONCLUSION – THEORETICAL FINDINGS AND PROSPECTS FOR DEMOCRACY

This dissertation has been a comparative research on state authoritarianism in Malaysia and Singapore. The findings of this research are discussed in this chapter in the following section.

Research Findings

As mentioned in the introductory chapter, the theoretical framework of this research is premised on the historical processes of four state-related developmental variables. They are, state institutionalization processes, ethnonational-class tensions, dependent and uneven development, and state ideological strategies. The historical formation of and interaction between these variables have constrained the democratization process in both countries.

In order to understand state authoritarianism in Malaysia and Singapore, it is essential to analyze the history of the two countries' state institutionalization process. This is the process in which the state has consolidated its power and prominence over civil society. The development of state political institutions in both countries has affected the degree and nature of democratization, particularly in the ability of the state, through its institutions, to form alliances with the capitalist and ruling classes. Thus it is crucial to begin the analysis of this research beginning from each state's incorporation into the capitalist world economy. Failure to emphasize this stage of capitalist development would have entailed weak understanding of the historical context from which the present political structures emerged. During this period, it was shown that while both countries were incorporated into the same regional economic network, each differed in their labor specialization function within the emerging capitalist economy, thereby affecting the character of colonial state formation.

Malaysia or rather the various Malay states at that time, possessed lands that were rich in natural resources while Singapore was an island highly prized for its natural harbor and strategic location between trade routes. The Malay states had been under the rule of various sultans and rulers. To avoid incurring heavy costs of prolonged wars with the Malays, the British indirectly colonized these states through a series of biased and one-sided treaties with individual sultans. Singapore, on the other hand, was purchased from the Johor sultanate by the East India Company and eventually turned into a British colony ruled directly from London. Both these countries' absorption into the capitalist world economy was forceful and coercive. The old Malay trading network was displaced, new territories were formed, official borders were drawn, and new legal systems were implemented to meet the needs of the new capitalist economy. Consequently, a dictatorial colonial administrative system emerged to displace the existing Malay political economic structure, implanting British hegemonic rule in the region. These historical events affirm the proposition in the second chapter that incorporation of the Malay states and Singapore into the capitalist world economy entailed oppressive colonial administrations in these countries that delineated the power

relations between the state and its subjects, giving rise to inequalities between those who would benefit and those who would be marginalized under this new system.

The formation of a formal colonial state in Singapore came earlier than in British Malaya due to its unique political-historical circumstances. A fully compliant and incompetent Malay ruler was instituted in Singapore by virtue of British intervention into the affairs and conflicts within the Johor royal house. The comparative advantage derived from such a situation allowed the British to eventually establish their *entrepot* commercial center on the island under the command of a British governor accountable to the colonial office in London. Unlike in the Malay states, in which the ruler possessed sovereignty over his subjects, Singapore's indigenous population had been effectively disconnected from the traditional social structure of the Johor Empire. Direct colonial rule facilitated the implementation of repressive laws, especially in labor regulation and crime prevention.

In the Malay states, the situation was different. The existence of Malay rulers and relatively large Malay population in the Malay states compelled the British to institutionalize the sultans and rulers into its colonial structure so that control over Malay society could be attained. By infusing the pre-capitalist Malay tributary structure into the newly established residential system, the British bestowed official recognition on the sultan or ruler, whom they backed through military means. The British colonialists found this kind of political synthesis advantageous since it subtly but effectively suppressed the Malays in a highly cost-effective manner. It also legitimately protected the British from ambitious Malay chieftains. Furthermore, it enabled the British to exert their authority easily through the sultan to uphold their political hegemony over Malay society. The effects of British political hegemony soon permeated into all other emerging institutions in the Malay states in areas such as education, legislation, law enforcement, and commerce. Finally, driven by the need to secure capitalist production, specifically the production and export of tin, the British sought to centralize the various Malay states into a unified colonial political-territorial unit.

In both Malaya and Singapore, the colonial state serviced the needs of the emerging capitalist class by ensuring smooth operative flow of capitalist production. The colonial state instituted laws that recognized and protected commercial transactions and private property as well as prevented political participation by the local population, thereby protecting the marketing of goods and services imported from and exported to Britain and Europe. As documented in the preceding chapters, prioritization of capitalist class interests soon pushed the state to establish its hegemony over other social institutions, since state survival depended on linkages to the capitalist world economy. Social and cultural organizations and emerging political movements were either closely monitored or suppressed. In both countries, the state's institutions ultimately reigned supreme. All legislative and financial processes as well as construction of social projects were tightly controlled by the state to tailor toward capitalist development. Malayan and Singaporean societies gradually became dependent on the colonial state for their basic needs, granting unconditional power to the state to formulate and decide on social policies. The structural transformation process from pre-capitalist Malay societies to colonial statehood in both countries was marked by the consolidation of state power over an emerging capitalist society, confirming the proposal in chapter three that the

repressive character of political institutions formed through colonialism contributed to each state's eventual hegemony over other social forces.

The colonial state's institutional structure was reinforced, perpetuated and passed on to independent peripheral statehood. The development of Malaysia and Singapore into post-colonial states witnessed the automatic inheritance of state power over civil society. The colonial process had created a class of English-educated elites to form the crux of emerging national leaders. The existence of this elite eased the process of transition from colonial statehood to independent statehood, securing British post-colonial interests in the region. Although superficial aspects of democracy such as forms of voting and representative governance were present in post-colonial Malaya and Singapore, the predominance of the state in many facets of political and social life in these two countries as well as the states' close relationships with Britain typified the neo-colonial status of these countries. Political transformation through 'independence' had merely transferred the repressive character of the state from foreign hands to local elites.

In this regard, both states have shared a rather congruous political developmental trajectory, in which single dominant political parties, the UMNO in Malaysia and the PAP in Singapore, have fortified their control of the state through monopolization of the political process. This affirms the proposal in chapter six that through capitalist development, state institutionalization processes have enabled the ruling parties to become sufficiently strong to control the state, formulate policies to accommodate foreign capital, and facilitate capitalist economic growth, without any of which the state could not survive. . Even as both countries ascended into semi-peripheral status, the state has become more repressive and authoritarian, utilizing draconian laws and regulations to assert their power over civil society. In the face of increased globalization, the state has exerted even more authoritarian power over society in order to face off the penetrating influences of transnational social forces that threatened to destabilize its hegemony. This phenomenon proves correct for both countries the proposal in chapter seven that as the state attained higher levels of industrialization, the greater its orientation toward authoritarianism.

The main difference between the two states lies in the degree of accommodation toward dominant social forces besides capital. The state in Malaysia, while forced to facilitate investments by both foreign and local Chinese capitalists, had also been concerned in maintaining its legitimacy among Malays, who constituted its largest and most powerful electoral base. In order to sustain the capitalist system, state survival also depended on policies that protected, or at least be perceived to protect, Malay social and economic welfare. Thus in the case of Malaysia, a significant degree of adaptation to Malay interests had been necessary for the state. That was how political threats to the state emanating from Malay dissatisfaction over wealth distribution materialized into state affirmative action projects for *bumiputeras* under the New Economic Policy (NEP). Such a move by the state could be seen as a structural imperative to secure dominant group interests as a means in maintaining long-term capitalist state survival. This had meant prioritizing Malay economic interests at the expense of reducing opportunities for maximum foreign capital investments. Eventually, as Malaysia industrialized, the state saw the necessity of nurturing a *bumiputera* capitalist class to ensure Malay electoral support through a new state-capitalist alliance. Sustaining the capitalist system in

Malaysia in other words, required the creation of a local capitalist class closely linked to the state.

Singapore's capitalist origins differed slightly from Malaysia. Capitalist development in the island republic has been heavily determined by its role as a regional commercial center as well as its legacy as a British crown colony. Lacking natural resources and dependent on its import-export trade with surrounding countries, the engines that have successfully driven the country's economy have always run from the agency houses, merchant companies, banks, and later, multinational/transnational corporations. Close state alliances with large business institutions have become extremely crucial for capitalist development and hence, state survival. That the PAP's guiding state policy has had to do more on catering toward TNC needs and less on nurturing its own capitalist class is a rationalization of this logic.

Another state-related variable that affected the democratization process in both countries was the formation of ethnonational-class inequalities under capitalist development. The colonial state in both Malaysia and Singapore embarked on a racial division of labor to enhance production efficiency as well as to suppress working class and peasant alliances against the state. Political economic expediency compelled the British to import Chinese and Indians to work the mines and estates as wage laborers, while confining Malays within the traditional agricultural labor sector. This employment policy of channeling particular ethnonational groups into specific labor functions served to identify each group with a specific occupation, which the colonial state reproduced through two key approaches. First, racist ideologies, rooted in British and European racial superiority, were perpetuated through intellectual discourse that legitimized colonial rule. The notion of British racial superiority not only influenced colonial social policies but they also served to justify the subordination of Asian ethnonational groups through a system of ranked occupational hierarchy. Second, state institutions found in the education system, the various legislative councils, state bureaucracies, law enforcement agencies, and agricultural and commercial policies sought to sustain this ethnonational stratification process. As a result, one of the most crucial impacts of this racial division of labor has been the persistent gaps in wealth, income, and educational levels between the various ethnonational groups as well as between the regions in which they resided, which had been segregated according to specialized labor functions. This pattern continued into the post-colonial era for both countries, verifying the theme in chapter four that the labor stratification process that was created through British colonialism, have resulted in serious ethnonational-class inequalities within the social structures of Malaysia and SIngapore.

Inequalities between Asian ethnonational groups also produced situations, in which one group gained more economic power than others. It made possible for such a group, the accumulation of greater privileges under the capitalist economic system in terms of better quality education and access to modern amenities through greater urbanization. In the case of Malaysia and Singapore, the Chinese had experienced better prospects for social economic mobility under the formation of the capitalist economy than Malays and Indians, enabling them to soon take over the intermediate commercial networks and to accumulate greater capital compared to the other groups. Once Chinese capitalists acquired a significant portion of economic power, there was a tendency for them to perceive Chinese ethnonationality in more superior terms to other

Asian groups. In both Malaysia and Singapore, such economic power contributed to reinforcements of Chinese ethnocentrism and sentiments of racial superiority over the other ethnonational groups.

Consequently, the effects of this racial division of labor gave rise to tensions between the Malays and Chinese over political power in Malaysia. Ethnonational conflicts arising from social inequalities have boiled over to enduring antagonistic political relations between them. Affirming its proposal, chapter five illustrated that the failure in the mobilization of popular democratic movements among the various anti-systemic forces against the British was largely attributed to the fragmented nature of ethnonational consciousness among these groups. The divergent ethnonational goals of each group had been motivated and shaped by each of their distinct social experiences and labor specialization under the colonial system. Chinese groups, including the communist factions they dominated, envisioned a Chinese-based independent Malaya, while the Malays fought to retain what they believed to be their political and social heritage embedded in the notion of Malaya as the homeland of Malays. In Malaya, the disparate and disunited character of working class and peasant consciousness have allowed the elite classes of each ethnonational group to take over the helm of power from the British. In Singapore, the English-educated class managed to eventually overcome the working class with the aid of the British as well as the ruling elite from Malaysia during the island's merger with its northern neighbors. Ironically, where the lower classes failed, the ruling classes succeeded in forming a coalition.

Due to the weakening effect of ethnonational tensions on attempts at popular alliances, both the state in Malaysia and Singapore have exploited or instigated ethnonational conflicts to strengthen their political power. Historical development of Malaysia has been discernibly outlined by the explicit racialization of politics. Since the colonial period, a segregated economic and demographic structure has shaped a somewhat polarized social landscape. The lack of positive interaction between the various ethnonational groups only added to the antagonisms that existed at the political level. Even into peripheral statehood, political parties, both ruling and opposition, have tended to pursue particular ethnonational interests despite their pluralist ideological platforms. To its advantage, the UMNO-led National Front government has utilized the racial fear factor to dissuade the public from voting for the opposition. Portraying the aggravation of ethnonational tensions if opposition parties won, the National Front managed to thwart the emergence of Malay-Chinese alliances against the state to retain power in the 1990 and 1999 elections. The stirring of Malay ethnocentrism had been an effective method of playing up Malay sentiments against the Chinese. At the same time, the state formulated policies to promote industrialization, which together with its capitalist class has also benefited Chinese businesses.

In Singapore, the English-educated Chinese elite dedicated the early turbulent years of leadership struggle to the suppression of Chinese education and cultural groups and derogating their activities as pro-communist and anti-establishment. Later, capitalist peripheral state development was synonymous with the deterrence of Malay political mobilization. One effective method was for the state to mask its racist policies against Malays behind the façade of a so-called meritocracy system. By using state institutions to sustain Malay poverty and social marginality, the state has justified Malay backwardness on grounds of biological and cultural deficiency. Consequently, increased

Malay rates of social delinquencies as well persistent stereotyping of Malay cultural inferiority have become a political wedge in relations between Malays and other groups. Such a situation has ensured the state firm control in policy formulation and direction.

Another important variable in constraining the democratization process and contributing to the rise in authoritarianism is the dependent nature of economic development. It is evident that both countries' capitalist developments have been dictated by the flow of foreign capital investments. In order for the state to strengthen its internal legitimacy as well as its relative position in the world economy, its policies have given precedence to the promotion of rapid industrialization. As mentioned earlier, such policies have catered primarily to the interests of foreign, and to a limited extent, local capitalists, resulting in the widening of existing inequalities between the privileged and disenfranchised classes, between the urban and rural areas, and between the Chinese and Malays. As economic globalization intensifies, class, ethnonational and demographic inequalities in Malaysia take on more complex dimensions, weakening the development of a truly independent and civil society. Without strong popular consciousness to challenge the state, social consciousness needed for popular democratic alliances became more intricately difficult. In Singapore, the instability of the world economy has forced the state to prioritize the needs of TNCs and international banks. It is imperative for the state that these organizations and their investments remained in the republic. This dependency has propelled the state to impose its unquestioned authority on Singaporean society so that the citizenry could be shaped and accustomed to serving the needs of international capitalists. The relationship between dependent development and authoritarian rule affirms the proposal in chapter six that peripheral capitalist development not only limits the state's ability to attain its own development goals but it also reinforces the contradictions and inequalities within the state, leading to increased state power and further weakening of civil society.

Hence, in Malaysia increasing ethnonational-class inequalities threaten to disrupt state legitimacy, while in Singapore ethnonational-class tensions provide a potentially serious subversion of the state's goal to promote the country as a commercial and financial haven. Through the use of nationalist ideologies and alliance building strategies with particular dominant classes, the state in both countries has managed to legitimize their authoritarian rule and command compliance from the populace. To justify its authoritarian rule, the states in Malaysia and Singapore have invoked the ideology of economic nationalism, which enhances and justifies the managing role of the state in national development. This theme has been obvious throughout chapter seven of this dissertation. In Singapore, limited territorial size and resources have given the state the authority and legitimacy to lead the country and assert its powers to attain national industrial development. The Singapore state's ability to successfully suppress the formation of a strong civil society in light of increased globalization can be attributed to its ability to simultaneously sustain economic development while imposing on its population the ideology of authoritarian rule as a political necessity to geopolitical survival. The very basis of 'Asian values' ideology has been based on such 'art of war' mentality as the key to economic prosperity. In Malaysia, widening social disparities caused by globalization have adversely affected the Malays, undermining the credibility of the state as patron of Malay interests. Events after the 1997 financial crisis have shown not only the state's inability to control the impacts of global economic forces on the national economy, but also its limited capacity to prevent political mobilization of

Malays to challenge state autocracy. National security, both in its economic development and national integration sense, has become the paramount reason given by the state to justify its counter-democratic policies (Rahim 2001, 35-36; Gomez and Jomo 1997; Munro-Kua 1994; Lingle 1996; Tremewan 1994; Hua 1982). In this respect, both the Malaysian and Singaporean states have formulated and implemented nationalist ideological-legitimacy projects, which have successfully commandeered their societies' generally impassive loyalty to and acceptance of state authoritarian rule (Rahim 1997; Munro-Kua 1994; Crouch 1993, 40; Hill and Lian 1995, Chapter 1; Seow 1994, 5-10).

However, both the Malaysian and Singaporean states have also found help in their suppression of opposition at home from a source outside its borders. Assuming its hegemonic role, the US has backed these states' campaigns to repress Islamic as well as local progressive organizations under the guise of an international war on terrorism. This scenario is not dissimilar to the way the British had stepped in to aid Malaya in its war against communism in the 1950s. Meanwhile, improved economic performances and the strengthening of economic nationalism ideology in light of increased global threats have helped the state to reassert and reinforce authoritarian rule as a legitimate and justified effort. These developments are in line with the second proposal in chapter seven, that state nation-building ideologies entrenched in economic nationalism have been strong and consistent justifications for state authoritarianism in both countries.

There are many similarities between the Malaysian and Singaporean states in relation to capitalist development and authoritarian rule. Sharing a similar historical origin has resulted in these states' relatively similar state development trends. Any difference or distinction between these states has been mainly attributable to differences in their territorial size, their possession or lack of natural resources, and in their demographic structure (urban and rural). These differences have, to a large extent, determined the states' respective labor specialization functions in the world economy, which affects the degree of democratization in each state. This dissertation has revealed that the degree of dependence to capital investments was higher in Singapore, which seemed to show a higher degree of authoritarianism than Malaysia.

Finally, this dissertation examined state authoritarianism in Malaysia and Singapore through the combination of various theories on the state, capitalist development, and democracy. The aim of this dissertation was to highlight the point that in such a study, a single level approach would have been deficient in explaining state authoritarianism. The world system approach was used to provide the structural background of dependent state development processes of both countries since such analysis was useful in illustrating the global-historical structure, within which the dynamics of state development emerged. However, this approach alone is inadequate. States must also be examined as relatively autonomous units in a system of nations. State managers are not merely instruments of capitalist or ruling class interests. They are also autonomous actors with their own goals and interests to be derived under the system, and who formulate and affect policies to sustain capitalist development. To complement it, state analysis must also be carried out through the study of internal domestic variables that influence differences in state behavior.

Conversely, state action however, is very much constrained by the state's relative dependence on world systemic forces. In this dissertation, it was shown that the

tensional pull between the demands of external and internal forces, manifested in ethnonational-class tensions, disproportionate wealth distribution, and foreign investment accommodation, have resulted in the state exerting and imposing its power over civil society. Thus studies of authoritarianism and peripheral capitalist state development between countries may reveal similar characteristics in certain variable aspects, but distinct in others. In this study, it it was shoen through historical comparative analysis that both Malaysia and SIngapore share the four state development variables that have led to the rise in state authoritarianism. Thus the implication of this research is that capitalist development and democracy in Malaysia and Singapore has become somewhat of a theoretical oxymoron. The various development–related factors discussed in this dissertation are the result of the historical processes associated with capitalist development, the interaction of which has culminated in the rise of state authoritarianism in both countries. This means that studies of authoritarianism cannot be confined to analysis of the state alone without attaching it to the interactive dynamics that takie place within the larger global equation.

Prospects for Democracy in Malaysia and Singapore

The discussion of capitalist development and state authoritarianism in this dissertation is not without any shortcoming. Due to limited research material, stringent laws on utilizing latest data on these countries, and disproportionate emphases on particular issues pertaining to the historical development of state, capitalism, and authoritarianism, there has been a lack of deliberation on other equally important areas. In order to assess prospects of democracy in Malaysia and Singapore, a number of areas such as women's organizations, environmental and social justice movements, deserve some brief mentioning.

Globalization and rapid communications have influenced the growth of many social organizations in both countries. A number of women's groups have cropped up since the 1990s in Malaysia and Singapore, advocating the pursuit of women's rights in a variety of situations. Groups such as the Association of Women for Action and Research (AWARE) and Young Muslim Women's Association (YMWA) have been quite active in pursuing for greater equality and rights for Singaporean women in areas of occupation and welfare (Straits Times November 17 1993; Rahim 2001, 233, 244). In Malaysia, groups and associations directing public attention to the ascription of women's rights in the political, social, and economic spheres of the country range from Tenaganita, a human rights group protecting abused foreign sex workers, to Sisters in Islam, a non-governmental organization advancing the cause of Islamic feminism (Straits Times March 8 2001; Time April 8 1996).

These women's groups together with other groups represent a spectrum of social justice and public interest issues, and could well form a formidable coalition to check the slide toward state authoritarian rule. Already in Malaysia, environmental consciousness has taken on quite a significant following. In light of the recurring haze from forest fires in neighboring Indonesia that blankets the region annually, the displacement of indigenous peoples from their homes as a result of state infrastructural projects, and rising levels of air and water pollution arising from rapid development, it has become increasingly difficult for the public not to notice the impact of environmental problems on their daily life. Currently, many environmental groups such as the Malayan Nature Society,

Environmental Protection Society of Malaysia, and Sahabat Alam Malaysia (Friends of Nature), have formed collaborative relations with the state, preferring to work within the system instead of against it (Elmhirst and Saptari 2002). Nevertheless, there is a possibility, especially in Malaysia, that as environmental impact from rapid development begins to seriously affect the lifestyle of the middle classes, there should be greater public awareness of these groups' activities.

To date in Malaysia, there has been some development, albeit crawling, toward a coalition of non-government organizations under a single political umbrella in their struggle to demand social justice and equal rights for all citizens. Human rights-based groups such as *Aliran* (National Consciousness Movement) and *Suaram*, who have been active and vocal in their cause, comprise many prominent intellectuals and political leaders in their memberships. In many instances, these groups have also joined in partnerships with opposition parties to consolidate their political voices. The Anwar Ibrahim affair (see page 171) could be said to have been the one important event that managed to mobilize public support for many of these organizations under a collective and unified political coalition. Although much of the intensity has simmered down, the experience of political cohesiveness among these groups through the events following the affair has been a valuable one.

In Singapore however, neither opposition parties nor social movements have made any impressive inroads into political activism. Due to the phobic nature of the state of non-government organization, there have been fanatical monitoring and infiltration by PAP representatives inside many social groups in Singapore. As a result, it can be concluded that non-government organizations here have been more docile and compliant as compared to those in Malaysia. Even the few environmental and nature groups that exist, such as the Nature Society and Singapore Environmental Council, are either patronized or heavily scrutinized by the state. The organizational goals for many of these groups relate to educational and inspirational aspects of environmental awareness, that tend to assign focus on issues of conservation, sustainable development, and recreation rather than reassessments of state projects and policies impacting the environment. Overall, many Singaporeans have been quite apathetic in their response to social environmental issues. A major problem of any political mobilization in this country lies in the successful accomplishment of the state in creating a conforming, submissive, and acquiescent population through decades of state regimentation and rule by fear (Lingle 1996, 96).

In fact, Singaporeans have become well known for their selfish, insecure, and uncompassionate attitudes embodied in their trademark *kiasu* (translated from Hokkien Chinese as 'fear of failure') character (Jones and Brown 1995, 79-87). According to David Martin Jones (1997, 144), "*Kiasu* behavior is premised on the belief that if 'you're not one up, you're one down and condones otherwise anti-social activity, provided the progenitor succeeds in achieving collectively desired but scarce social goods whilst maintaining conformist anonymity. The selfishness central to *kiasu* behaviour stems not from self-confidence but from its absence, which makes a fear of failure the dominant concern in a competitive and highly regulated society." *Kiasuism* has appeared in the behavior of Singaporeans in many modes; as ugly tourists, as brusque consumers; or as self-centered employees willing to job hop for a few extra dollars (Lingle 1996,100). It is then not surprising that Singaporean society seems to have lacked the human

consciousness and compassion for social justice and human rights, which make up the core elements of a mature civil society. Manifested in low rates of volunteerism and an almost absent level of charitable work among the population, *kiasuism* has also discouraged Singaporeans from taking on the personal risks of political activism, since such efforts are deemed non-profitable (Lingle 1996, 99). The Singapore state often downplays the negativities of *kiasusm* and attributes this as a positive consequence generated by the competitive spirit of meritocracy (Jones 1997, 96). In effect however, *kiasuism* is a symptom of middle class anxiety brought on by the uncertainty of competition. This is why the certainty and confidence derived from PAP state intervention have been very much welcomed by a major segment of the population (Jones 1997, 144).

The struggle for popular democracy in Malaysia and Singapore is indeed overwhelming due to the social disparities caused by capitalist development, ethnonational tensions that prevent effective democratic coalitions, and the fearsome power of state institutions. The key to sharpening the potential of Malaysians and Singaporeans as effective political forces lies in the ability to mobilize all ethnonational groups under a common class consciousness found within the effective functioning of a strong civil society. Gellner (1994, 212) asserts that the growth of civil society, marked by the separation of the polity from social economic life, reduces the monopolization of ideology. In this, a formidable civil society ensures the reduction of state power, allowing for the development and sustenance of democratic processes to take place. In order for civil society to grow, ethnonational-class inequalities must be corrected.

Ethnonational tensions provide a formidable barrier to political mobilization across ethnonational lines, and serve to sustain the racialization of politics. Economic growth does not guarantee the attainment of democracy if social wealth gaps exist along ethnonational lines. At the same time, class inequalities must also be addressed in order to close down wealth differences. Political empowerment of the poor and disenfranchised must be safeguarded through an effective and fair political process, which means that it is imperative for the state to relinquish its control of fundamental institutions such as the judiciary and the media. It is also important that affirmative action programs such as the NEP be extended to non-indigenous ethnonational groups in Malaysia. In Singapore, a similar type structural corrective mechanism needs to be implemented. Without sufficient closing of the wealth gap, power differentials serve to undermine the ability of the working class, and to some extent the middle class, to initiate progressive political changes.

However, a major stumbling block comes from the middle classes. Both the Malaysian and Singaporean middle classes have acquired their privileged positions through the policies of the state, and are therefore highly insecure of any anti-systemic movement that could destabilize the state (Jones 1997,149-151;Rodan 1996). In the long run, the middle class would soon realize that its capacity in effecting changes as a way to protect its interests against the capitalist class could also be potentially subdued by the authoritarian state. It would be beneficial for the middle classes in both countries to acquire hindsight and look at events in long-term perspective.

The center of resistance to democratization is the state, whose survival is dependent on its links to the capitalist world economy. The dynamics of the world

economy, which promulgates inequalities through resource exploitation, serve only to reinforce trends of state authoritarianism. As such, a functioning civil society that is sufficiently strong to check the power of the state must be allowed to flourish in these countries. Unless such development occurs, the prospects for popular democracy seem bleak.

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