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E-mail: publish@iseas.edu.sg

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Dr K. S. Nathan
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About the Speaker

K S Nathan, a Malaysian, is a Senior Fellow at the Institute of Southeast Asian Studies. He holds a B.A. Hons degree in History from the University of Malaya in Kuala Lumpur, an LL.B Hons and an LL.M from the University of London, and a Ph.D. in International Relations from Claremont Graduate University in California, USA. Prior to his current appointment at ISEAS, Dr Nathan was Professor of International Relations at the University of Malaya. His specialization and research interests include Malaysian politics and foreign policy, ASEAN regionalism, and Asia-Pacific security issues. Dr Nathan's publications (authored and edited) include the following books: Détente and Soviet Foreign Policy in Southeast Asia (1984), Trilateralism in Asia: U.S.-Japan-ASEAN Relations (1986), North America and the Asia-Pacific in the 21st Century (1999), and India and ASEAN: The Growing Partnership for the 21st Century (2000). He has also contributed several articles on Malaysian politics and foreign policy, as well as on Southeast Asia and the major powers in leading international journals such as Australian Outlook, Asian Survey, and The Round Table. He serves on the editorial board of the Australian Journal of International Affairs.

ECONOMIC SLOWDOWN AND DOMESTIC POLITICS: MALAYSIA BOLEH?

Introduction

Malaysia, with a population of 24 million and a 44-year history as a modern, independent nation-state, is facing some major choices in the management of its political economy following the 1997 Asian Financial Crisis. Although the nationalistic measures, characterized by capital controls and a fixed exchange rate, did initially help to insulate the domestic economy from the speculative attacks of currency merchants, the impending recession in the world's largest economy (the United States) is causing concern at the highest level of political leadership. The United Malays National Organisation (UMNO)-dominated government led by Prime Minister Mahathir Mohamad is attempting to keep the economy afloat by relaxing further the exchange controls and by infusing greater amounts of public expenditure to stimulate growth. Additionally, the New Economic Policy (NEP) which favours the Malays has been questioned by the non-Malays who feel marginalised by the apparent discriminations they face in educational opportunities, public sector jobs and promotions, and securing contracts for government procurement. Recent incidents (March 2001) involving ethnic clashes between Malays and Indians in Kampong Medan (a squatter area in Kuala Lumpur), and clamours by Chinese parents for relaxation of quotas hitherto reserved only for Malays, have pointed to the growing racial divide stimulated partially by economic recession, and partly by perceptions of increasing Malay dominance of both politics and the economy. How would the present economic slowdown affect domestic politics? What strategies can the ruling coalition led by Mahathir adopt to avert an economic-cum-political crisis? Can Malaysia sustain the proposition, "Malaysia Boleh" [Malaysia Can Do It], that is,

regardless of the challenges the country faces, the leadership and the people have the common goal and resilience to ride out the tide, overcome problems, and even achieve higher levels of prosperity?

This paper therefore examines the concept of “Malaysia Boleh”, and attempts to link national aspirations with current economic and political realities. It further endeavours to suggest possible future scenarios in Malaysia’s political leadership, and the likely economic picture that emerges from its political economy.

The Concept of “Malaysia Boleh”: Believing is Realising the Dream

Since the launch of Vision 2020 in 1990, the idea that Malaysians can achieve anything — including climbing Mount Everest and going to Antarctica, as well as attaining world class status as a developed country by 2020 — has caught the imagination of all Malaysians. The concept of “Malaysia Boleh” was apparently Mahathir’s response to the oncoming tide of globalization following the end of the Cold War.

For Mahathir, as indeed for all previous and succeeding leaders, the Malaysian conception of national security, development and prosperity must necessarily be informed by factors of history, geography, Malay nationalism and ethno-religious identity, the goal of national unity and integration, the vision of becoming an industrialised country, and a strategic interest in shaping the immediate regional and international environment.¹ Malaysia’s new found confidence and ability must be demonstrated in all fields — from economic and scientific achievements, good governance and economic welfare, to success in sports. This confidence was significantly due to an impressive economic performance since the 1986 recession, and a belief by the regime that the NEP had in fact created a satiated and self-confident Malay middle class on par with other Malaysians, especially ethnic Chinese and Indians. The idea of “Malaysia Boleh” therefore rests on the following premises:

- (1) the virtually unchallenged role of the Prime Minister as architect of the new, industrialized Malaysia;
- (2) a belief that the Malay race can improve its competitiveness vis-à-vis the non-Malays through the Government’s subsidies, i.e. behind the

concept of “Malaysia Boleh” lies the actual goal of “Melayu Boleh” (Malays Can Do it);

- (3) continued economic growth at 6-8% per annum;
- (4) ability of the government to continue dispensing economic and political favours to the Malays, without necessarily antagonizing or depriving other Malaysians of their legitimate rights as citizens.

The above premises should hold under normal circumstances of economic development and growth based on restructuring ownership and equity for the greater good of the nation. However, can these same premises hold under vastly altered conditions of economic slowdown? Would the Government be able to aggressively pursue policies of subsidizing the Malays, and perhaps even at the expense of non-Malay Malaysians? How would economic slowdown affect domestic politics — the relationship between the Malay-based UMNO, the leading partner in the National Front Coalition or Barisan Nasional (BN), and the other junior partners in the BN? What is the scenario of opposition politics under altered circumstances? Is there any prospect of an alternative party/coalition replacing the BN in a future general election? What are the issues that are likely to shape the future scenario of Malaysian politics in the near term? Can Malaysia pursue its own path of national political and economic development in the context of increasing globalization? How are the pro-Malay economic policies going to be affected by globalization, and what will be the impact on the non-Malay partners of the BN? It is these questions and issues that will be addressed.

Economic Slowdown and Economic Recovery Strategies

The shrinking of the Malaysian economic pie brings many types of impacts and consequences. Politically, a shrunken pie imposes tremendous pressure on a government that is sworn to uphold and upgrade Malay economic welfare through NEP-type subsidization programmes. If it fails to deliver on the ethnic front, dissatisfied sections of the Malay community could withdraw their support for UMNO (which now boasts a membership of 2.9 million), and switch loyalties to other Malay-based opposition parties such as PAS (Pan-Malaysia Islamic Party) and

keADILan (National Justice Party). To stem this tide against UMNO and the BN, the Mahathir Government decided to tackle the challenges posed by the Asian Financial Crisis in 1997 and the subsequent economic slowdown that has persisted to this day by adopting a more nationalistic and pragmatic approach. National economic policy formulation also came increasingly under the control and direction of one man as the crisis deepened: Mahathir Mohamad, Dr Mahathir also dismissed his finance minister, Anwar Ibrahim, and later jailed him on charges of sodomy and corruption. Daim Zainuddin, a Mahathir ally, who subsequently assumed the post of Finance Minister was put in charge of the National Economic Action Council (NEAC), to implement the National Economic Recovery Plan (NERP). To help revive failing and failed Malay businesses, the government set up two funds: (1) Danaharta, to buy over non-performing loans (NPLs), and (2) Danamodal, to facilitate recapitalization of the financial sector. Both funds are still operating to help revive the corporate and banking sectors in the effort to stimulate economic growth without jeopardizing ethnic equity considerations. Of late, the Government has set up a special fund to help Malay entrepreneurs restart their businesses which were stalled due to their inability to service existing loans or due to under-capitalization. Of the RM500 million (S\$240 million set aside), RM120 million will be set aside to help entrepreneurs in small and medium scale industries (SMI) to service their NPLs. Undercapitalized Malay businesses will also benefit under the Entrepreneur Rehabilitation and Development Fund.²

Economic recovery also means the progressive relaxation of capital and foreign exchange controls imposed by Dr Mahathir on 1 September 1998. These have been virtually removed after three years, with a view to encourage foreign investments, while stemming the tide of repatriation of profits out of Malaysia. The government has consistently professed its pro-business and pro-foreign investment policies to reassure investors. This trend is likely to continue under a BN administration as the rationale for such a policy is to fund Malay development and economic welfare through additional sources of national income from various sectors, both domestic and foreign. In view of the current economic slowdown, with many thousands of workers in the electronics industry unemployed, the government is under increasing pressure to provide alternative sources of employment for these employees

to avert any possible political implications arising from the economic downturn. Recently, several Malaysia-based electronics producers have retrenched staff, reduced working hours, and deferred capital expenditure. In March this year, Seagate Technology, the world's biggest disk-drive maker, announced the closure of its factory in Penang and the retrenchment of 4,500 employees.³ In one instance, the riot squad had to be summoned to control over 3,000 school leavers and workers laid off by factories hit by the economic crisis — all of whom were applying for 251 vacancies at the Penang General Hospital.⁴ According to the nation's largest trade union, the Malaysian Trades Union Congress (MTUC), over 90,000 workers in the electrical and electronics industry are expected to lose their jobs by the end of this year.⁵ The Government has revised its GDP growth rate projection downwards, from 6% to 4% in 2001, while maintaining the fixed exchange rate regime at USD1=RM3.80 since 1 September 1998, hoping to stimulate growth through exports.

UMNO's Political Dominance Under Challenge

Mahathir's 20-year reign as Prime Minister is facing broader challenges, both from within his ruling party (UMNO), and also from the larger Malaysian, especially Malay society. The best indications of the erosion of UMNO patronage of, and mandate among the Malays, were the 19 November 1999 general elections where UMNO suffered its greatest setback — with its parliamentary representation dropping from 94 to 72 seats out of a total of 193, in addition to the defeat of four UMNO cabinet ministers and five deputy ministers, the highest number ever.⁶ UMNO's ability to lead the BN Coalition has been boosted by non-Malay parties, especially with Chinese and Indian votes supporting BN affiliates such as the MCA (Malaysian Chinese Association), Gerakan (Malaysian People's Movement Party), and MIC (Malaysian Indian Congress) candidates at parliamentary and state levels. This evident loss of support for UMNO among the Malays can be attributed directly to the sacking of Anwar Ibrahim, and the rise of PAS' influence, especially among the younger generation of Malays.

Since the Anwar episode of the past three years, Mahathir felt compelled to bolster his legitimacy by creating a pliant judiciary to ensure that his "justice" prevailed over his opponents. To prevent further erosion of Malay support for

UMNO, and to retain the existing paradigm of Malay dominance, UMNO has tried to rejuvenate/reengineer itself to increase its relevance through various measures designed specifically for its youth wing, including: (1) education, (2) training, (3) skills development, and (4) religious education. Additionally, to attract young women voters, the Puteri UMNO was set up. Young Malay businessmen have been offered various incentives to set up and expand their businesses. However, it must be noted that while UMNO is attempting to gain support by appealing to racial sentiments, another Malay-based party, PAS, has used religion much more successfully to broaden its support among the Malays. Since 1999, PAS has replaced the DAP as the leading opposition party in Parliament — and this new emerging paradigm of opposition politics via the Barisan *Alternatif* (BA) or Alternative Front, poses a direct challenge to UMNO's dominance and its 44-year political monopoly of the Malay community.

The Religious Factor: Secularism versus Islamic Fundamentalism

PAS' avowed goal of establishing an Islamic State in Malaysia is clearly having an impact on domestic politics. PAS leaders attribute the disunity among Malays to the "corruption, cronyism and nepotism" presently engulfing the Mahathir-led UMNO, whose brand of secularism is seen as the root cause of many economic and social ills in Malaysia. In PAS's view, UMNO's racial ideology is becoming fast outdated as a formula for securing political legitimacy among Malays and also all Malaysians. The Islamic State cannot only cure the racism in the body politic, it can also ensure a clean and healthy life for all individuals. If PAS had its way, it would replace common law with *Syariah* (Islamic law) and *Hudud* (mandatory punishments for certain crimes such as stealing, robbing, fornication, adultery and so on).⁷ Islamic law is viewed by PAS as the antidote to prevailing corruption and other forms of injustice in the UMNO-run graft-ridden political system.

Nevertheless, PAS cannot be assured of a political victory in the next general elections (due in 2004) to impose its political and religious agenda on all Malaysians, unless certain conditions prevail: (1) PAS compromises on its stated goal of establishing an Islamic State for the greater good of defeating the UMNO-led Barisan Nasional, and replacing it with the Barisan Alternatif (BA), which is an opposition

coalition made up of PAS, keADILan, and PRM (Parti Rakyat Malaysia), (for a short time, the Democratic Action Party [DAP]); (2) UMNO's mandate continues to decline with the Malays who no longer view the party as the only vehicle protecting and promoting race (Malays) and religion (Islam); (3) a growing sentiment among younger Malays and all other Malaysians that a change of government through the democratic process may, after all, be in the interests of all Malaysians in the longer term. The impact of democratization and growth of civil society would ensure a more open, democratic, competitive and equitable society that can better cope with the challenges of globalization.

In any event, this religious issue has great potential for fracturing the BA, for so long as PAS insists on an Islamic State, the DAP cannot be a full partner in this alliance at the expense of the interests of the Chinese who fear such an outcome. Indeed, the DAP has given notice that it is prepared to quit the BA if PAS does not clarify its stand i.e. if PAS does not abandon the idea of establishing an Islamic State.⁸ The prospect of a united BA posing a serious challenge to the BN looks bleak in view of serious ideological differences. According to DAP Chairman Lim Kit Siang, Parti Islam's (PAS) plans for an Islamic State "would cause most voters from the sizeable Chinese and Indian minorities — who are mainly Buddhists, Christians and Hindus — to reject the Barisan Alternatif (BA) coalition".⁹ The immediate prospect of a BN loss in the next elections is thus not on the cards. Although keADILan and PRM, both being Malay-based parties, might well compromise with PAS on the religious issue if that would mean strengthening prospects of a BA electoral victory against the BN, the DAP is unlikely to dilute its commitment to a secular, Malaysian Malaysia. In fact, on 22 September 2001, the DAP officially withdrew from the Barisan Alternatif (BA) coalition, citing incompatibility of its political agenda with PAS' notion of an Islamic State.¹⁰

The split **inside** PAS — between ultra-conservatives and the older leaders favouring an Islamic State, and the "Young Turks" who are more prone to compromise with other BA partners with different ideological leanings — and **among** the BA partners would be seen as a welcome development for UMNO which is currently in the process of re-engineering itself to increase its appeal among younger Malays. The latest development on this issue indicates a willingness by the DAP to

pull out of the BA if PAS does not resolve this issue before the DAP holds its party congress in August 2001. In contrast, UMNO's apparently more moderate Islamic agenda would be more acceptable to non-Malays, thus enabling the party's rejuvenation efforts to succeed under Mahathir's leadership. UMNO will seize such opportunities to prove the point that only it can lead a multi-racial coalition for a Malaysian-type pluralistic society — with maturity, stability, equity, and prosperity for all. In this sense, "UMNO Boleh" equals "BN Boleh" which in turn equals "Malaysia Boleh". Weathering all kinds of crises over the past 44 years — political, economic, social — has been the hallmark of UMNO/BN politics and policies. On the basis of this track record, the economic slowdown presents both challenges and opportunities for Mahathir and UMNO to provide effective governance and stability in the years to come.

Economic Slowdown and Political Management

Since assuming the premiership on 16 July 1981, Dr Mahathir has managed two economic recessions, one in 1986-87, and the second during the Asian Financial Crisis in 1997-98. The third economic slowdown which is currently under way in 2001 has impacted more heavily on the electronics industry, with thousands of employees being laid off work. The government is taking steps to ensure that the current economic slowdown does not trigger a political crisis, especially since UMNO's fortunes have plummeted since the 29 November 1999 General Elections. Can Mahathir pull Malaysia out of this economic crunch using his vast experience and political acumen? To start with, he has taken over the portfolio of his erstwhile ally, Daim Zainuddin, who resigned as Finance Minister in June this year, and also vacated most party positions, especially that of UMNO Treasurer. The Prime Minister wished to demonstrate that he is clearly in charge and will not be perturbed by what he considers temporary setbacks in implementing his Vision 2020 agenda. In assuming the role of Finance Minister, Dr Mahathir has shown his ability, as before, to manage the economy out of a crisis or recession without seriously undermining the political, economic and social relations between the various communities. His bigger challenge is to deliver on the *Bumiputera*¹¹ front, especially when the Malays are still failing in their businesses despite heavy and extended governmental support.

Malaysia's ability to recover from the present slowdown is also linked to the international political economy. Malaysia's two major trading partners — the US and Japan — are in recession, while their immediate neighbour, Singapore, another key trading partner besides South Korea, China and the EU, is coping with a technical recession. As such, Malaysia cannot rely as much on export earnings to fund other depressed sectors. Any decision to allow sinking Malay businesses to wither away could lead to political consequences. Yet, continuing to salvage such companies imposes a heavy burden on public taxes and public accountability, such as the repurchase by the government of the national airline, MAS (Malaysia Airline System), shares at over twice the market value last year.

Education, Vision Schools and Inter-ethnic Relations

Despite his strong pro-Malay stance, Mahathir has always been keenly aware that the fortunes of the Malay race require the forging of strong economic partnerships with the 27% ethnic Chinese — either on a voluntary basis, or through government intervention i.e. by the imposition of a 30% *Bumiputera* equity ownership and employment in Malaysian-registered companies. Such economic partnerships between Malays and non-Malays remove the prospect of a recurrence of racial riots, such as the 13 May 1969 episode. Arguably, this NEP strategy of channeling non-Malay productivity and resources into Malay development and economic welfare has kept the peace between the races for the past 30 years. Yet, it cannot be denied that the non-Malays (especially Indians and Chinese) have become increasingly aware of the negative effects they suffer as a result of the government's discriminatory policies. The question that has been frequently raised is: How long can this continue without seriously disrupting inter-ethnic relations in Malaysia? The current paradigm has appeared viable for so long as non-Malay Malaysians have continued to grudgingly accept their status as second and third class citizens. However, an emerging younger generation of both Malays and non-Malays might feel otherwise as the "old guard of nationalists" passes on and a new generation emerges into the political limelight. The rise of keADILan and PAS in the Malaysian political scene could well mark a new beginning in Malaysian politics — with renewed attempts to dispose of outmoded paradigms, discourses and jargons with political language reflecting generational

change and new aspirations in Twenty-First Century Malaysia. In this context, Dr Mahathir himself has seen the winds of change when eleven years ago, in 1990, he proclaimed the agenda for Vision 2020 and the need to create a “Bangsa Malaysia”, or a truly Malaysian Nation.

If that were his true intention eleven years ago, his more recent political statements and manoeuvres reflect an about-face on this vital issue of “Bangsa Malaysia”. He has accused, if not condemned, *Suqiu* the Election Appeals Committee (an umbrella body representing numerous Chinese interest based organizations) of playing with fire by asking for the abolition of the *Bumiputera/Non-Bumiputera* dichotomy in Malaysia’s political economy, and equal rights for all Malaysians regardless of ethnicity. He has lambasted PAS for using religion to sow disunity among Malays. He has warned that any attempts by the non-Malays to break the “social contract”(meaning special privileges for Malays without any time limit) could result in a repeat of the May 1969 riots. UMNO’s seniority and Malay supremacy are unchallengeable canons of faith in Malaysian politics, and the concept of “Malaysia Boleh” must be read within that context. This includes bailing out failed or faltering “*Bumiputera*” concerns and entrepreneurs such as Tajudin Ramli of MAS — the national airline whose shares were purchased by the Government at more than twice their market value (at RM8 for a total cost of RM1.7 billion when the market price was only RM3.62). Any deviations, according to the Prime Minister, will spell doom for the present socio-political and economic structure engineered and nurtured by UMNO, the Alliance and later the BN for the past four decades of Malaysian independence — a generally impressive record of political stability and economic growth when compared to numerous other multi-ethnic experiments that have ended in total failure. This, according to the Prime Minister, is concrete proof of “Malaysia Boleh”.

The outlook on the educational dimension remains unclear, although this is becoming a critical factor shaping the political attitudes of a younger generation. With the economic slowdown, many non-Malay parents are not able to send their children overseas for higher education as it has just become too costly: “the competition is hotting up” and the “resentment is growing between the *Bumiputras* — the Malay and indigenous people — and the Chinese and Indians, who account for

34% of Malaysia's ethnic cocktail".¹² Hence, the focus inward on their own country for similar opportunities has more readily exposed the government's discriminatory policies of recruitment, promotions, and employment in favour of Malays in the educational sector. And the refusal by the Ministry of Education to release details on the extent of the educational divide, means "the lack of transparency only fuels tensions between the two groups".¹³ Thus, the recent furore over the failure to secure university places for certain subjects by high performing ethnic Chinese students has forced the government to review the situation, for fear of losing the 27% Chinese vote and also undermining the credibility of the Chinese-based parties, MCA and Gerakan in the BN coalition.

Suqiu came under increasing criticism as Mahathir felt the growing pressure within UMNO to accommodate views that were opposed to his political agenda. The umbrella organization was accused of fanning anti-Malay racial sentiments by raising issues that were barred from open discussion under the Malaysian Constitution (for instance, Article 151 regarding special privileges for the Malays). The Chinese community was visibly upset over their marginalization in university admissions where even top scorers in public examinations could not secure a place in certain disciplines like medicine, and industrial biology in any of the country's fourteen public universities. To prevent further alienation of support for the Chinese-based parties within the ruling BN, namely MCA and Gerakan, Mahathir announced the government's approval for the setting up of a private university run by the MCA — the Universiti Tunku Abdul Rahman (UTAR).¹⁴

The Chinese community has generally been opposed to the dilution of the character, quality and content of vernacular education, which they believe would result from the implementation of the Vision Schools concept. The government's aim in this project is to promote integration of the multi-ethnic school-going children who ironically have become victims of the government's racial policies. Racial polarization has increased rather than reduced at all levels in the education system — primary, secondary, and tertiary. Added to this is the creeping Islamization in the country, and both racial and religious polarization would appear to be two powerful factors threatening the success of Mahathir's Vision 2020 in the social, cultural, religious, and educational spheres.

The economic slowdown has also taken its toll on inter-ethnic relations between ethnic Malays and ethnic Indians, especially from the lower income categories. In Kampong Medan on the outskirts of Kuala Lumpur, several Indians were killed by Malay gangs while the predominantly Malay police reportedly showed little interest initially in protecting the weak minority. One analyst notes that the week of clashes on the city's outskirts "underscore a deeper malaise: growing unease about the direction of the country with a slowing economy, a slumping stock-market, and political uncertainty stoked by divisions among Malays, who form 58% of the population."¹⁵ Samy Vellu, the President of MIC, a partner in the BN coalition, has made numerous requests for a larger intake of Indians in the civil service and in universities, and he has also urged the government to implement the quota system for the Indians as it does for the Malays to stem the rising tide of marginalization and criminalization in this minority community comprising nearly 10% of Malaysia's population. However, the government has yet to positively respond to the plight of poor Indians given its ethnic pro-Malay bias, as only problems faced by the Malays are viewed as national problems.¹⁶

Conclusion: Outlook

(1) *Politics*: a Mahathir-Anwar reconciliation and political compromise could possibly save UMNO from further setbacks in the next General Election. Such a compromise should not be totally ruled out given Mahathir's Vision 2020 and political strategy of ensuring continued Malay/UMNO/BN dominance of Malaysia. As Dr Mahathir would not wish to see his vision shattered by the religious orthodoxy of PAS — which the Prime Minister rightly believes would set the Malays back again — he would go to any length to ensure that his successors are sufficiently capable of maintaining an open, multi-cultural, multi-religious and secular yet progressive and modernist Islamic nation in Malaysia that can serve as a model for similar societies throughout the world. For Anwar, a choice between languishing in prison indefinitely and making a political comeback could persuade the populist leader to seek accommodation with his former boss and current "oppressor".

Another reality of post-1999 election politics is that UMNO cannot realistically hope to perpetuate its 44-year old Malay supremacy model if it no longer

enjoys a monopoly of Malay support — which is now shared by PAS and keADILan. Maintaining Malay dominance on the strength of non-Malay support is a contradiction in terms that seriously undermines the ethnic framework of Malaysian politics. Merely attempting to re-establish UMNO's supremacy by: (a) appealing to historic/nationalist sentiments, (b) chiding the Malays for their ingratitude and lack of competitiveness and entrepreneurial expertise, and (c) by selective punishment for corrupt practices of some UMNO stalwarts while condoning, perhaps rewarding other Mahathir loyalists for their failed business ventures — would do little to restore the lost legitimacy, mandate, and monopoly support of the premier Malay party among the Malay community. Nor would further efforts to compete with PAS on the Islamization agenda, i.e. competing on PAS's turf, help garner votes in UMNO's favour.

In short, Mahathir's and UMNO's Malay dilemma lies in revitalizing a race-based political ideology that is relevant to the Malays of today, especially the younger generation, and to all Malaysians through the framework of a revitalized BN that can address socio-economic issues in the Twenty-First Century on the basis of need rather than ethnicity. The hitherto racial formula has widened the intra-ethnic and inter-ethnic socio-economic gap among Malaysia's multi-ethnic population, to the point where the less affluent and less well-connected Malay majority themselves feel that the *Bumiputera* policy has indeed been hijacked by a small group of *UMNOputeras* closely connected to the Prime Minister. UMNO needs to divest itself of this negative image resulting from allegations of “corruption, cronyism and nepotism” in order to provide a credible challenge to PAS' growing influence in the future.

The succession issue is becoming more openly debated as Mahathir advances in age. He is now 76 years old and is Malaysia's longest-serving Prime Minister, having taken office on 16 July 1981. At this point in time, Deputy Prime Minister, Abdullah Badawi appears set to take over the premiership, should Mahathir decide to step down. However, there is no certainty that this will happen, going on past practice, Badawi himself might be side-stepped in favour of another Mahathir protégé, and might well have to traverse the road taken earlier by his three predecessors: Musa Hitam (stepped down in 1985), Abdul Ghafar Baba (1993), and Anwar Ibrahim (1998). The current economic slowdown might well be interpreted by

the premier as an opportunity to extend his tenure until he has implemented measures to stabilize the economy and the polity, and prepare UMNO and the *Barisan Nasional* sufficiently well to face the next general elections in 2004.

(2) *Economy*: Mahathir's twenty-year stewardship vis-à-vis the Malays has been marked by both a rise in Malay economic confidence and several Malay business failures leading to the conclusion that cronyism has not helped in developing a strong, independent, skilled and confident Malay business community that can strike out on its own without government subsidies. Even with subsidization, Malay run businesses have failed more than they have succeeded. Malaysia's national carrier MAS now has accumulated debts totalling RM10.34 billion¹⁷ in the past four years under the stewardship of Tajudin Ramli (a Mahathir ally) who sold back MAS shares to the government at a price that raised public alarm. Mahathir is expected to restructure the multi-million Ringgit loss-incurring Renong, which has accumulated debts of some RM13 billion. The government's takeover of United Engineers Malaysia (UEM) which holds a 32.6% stake in Renong — the erstwhile investment arm of UMNO and now the country's single largest borrower — would indicate the Prime Minister's serious commitment to corporate debt restructuring to ride out the ongoing economic slowdown.¹⁸ This takeover bid also confirms the rift between Mahathir and Finance Minister Daim Zainuddin who resigned in June this year. Daim's protégé, Halim Saad, looked vulnerable and then resigned as executive Chairman of the debt-ridden engineering conglomerate, Renong. Significantly, according to the *Asian Wall Street Journal*, the government's move "is intended to send a message that politically well-connected companies and business groups will no longer be afforded special treatment".¹⁹ The Prime Minister appears to be serious about saving the privatization programme.

Mahathir's attack on money politics at the 55th UMNO General Assembly (21-23 June 2001) was received with mixed feelings by the delegates. While they agreed that the disease must be arrested, they were unsure of the criteria used to suspend the 21 officials on charges of corruption.²⁰

(3) *Mahathir's Impact on Institutions:* In the past twenty years, Malaysians have witnessed the progressive erosion of institutions resulting from the concentration of power in the hands of one man. Beginning with the judiciary in 1987 when the Lord President, Salleh Abbas, was removed for his failure to cooperate with the executive, the Malaysian judiciary reached its nadir following the sacking of Anwar Ibrahim and his conviction on charges of corruption and sodomy. Not only did the judiciary find itself emasculated, other institutions suffered a similar fate. According to political analyst Michael Leigh, "Probably the most enduring consequence of the Mahathir era has been a deliberate and decisive weakening of Malaysia's institutions, including the judiciary, the royalty, the independent civil service, the parliament, the electoral system and now, UMNO, the core party of power".²¹ Many Malaysians as well as foreign observers have little doubt that the judiciary has been "commissioned" to legitimize the actions of the executive, and to deny Anwar a fair trial. Gerrymandering — a reasonably common practice by incumbent governments to ensure electoral victory — has developed into a fine art under Mahathir, especially in Sabah where the PBS was put out of business, and will not be able on its own to form a state government purely on the basis of a Kadazan-Dusun majority. However, gerrymandering can prove to be a double-edged sword as Mahathir discovered to his great dismay in the 1999 elections in Peninsular Malaysia: the Malay-majority constituency votes have been hijacked by two other parties, PAS and keADILan, putting UMNO on the defensive.

(4) *Malay Unity:* The Prime Minister's call for unity talks with the Malay-based opposition parties — PAS and keADILan — has come to nought given the parties' vastly diverging agendas and priorities. PAS is bent on establishing an Islamic State as opposed to UMNO's secular, modernist and more liberal view of Malaysia as a Muslim country; keADILan is more focused on removing the injustices and brutalities suffered by Anwar Ibrahim than in working towards Malay unity on presumably UMNO's terms. It is noteworthy that over half of all Malay voters in Peninsular Malaysia sided with the Malay opposition in the 1999 general election, whereas previously, UMNO was able to garner between 70-80% of Malay votes.²² Parti keADILan leader, Wan Azizah Ismail (wife of Anwar Ibrahim) disputes the notion

that the critical political issue for the Malays is forging Malay unity. Asserting that Malay support has shifted to the opposition, Wan Azizah added that “the main issue today is a crisis of confidence in the leadership and other issues like the misuse of power, corruption, police brutality, weak economic management, and a subservient judiciary”.²³ In sum, it is evident that the basis for Malay unity talks is either non-existent, or has been severely eroded by Mahathir’s continued authoritarian measures in effectively denying the opposition public space in Malaysian politics.

(5) *The Opposition and the Ideological Divide:* The opposition parties that come together under the banner of Barisan Alternatif — PAS, DAP, PRM and the Sabah-based PBS — have so far proved incapable of burying their differences. The most obvious split is between the PAS’ Islamic State agenda and the DAP’s secular agenda for a Malaysian Malaysia. This ideological divide was temporarily set aside in the interests of defeating the *Barisan Nasional* at the polls. Over the past two years since the 1999 elections, PAS and DAP have been unable to close the ideological gap. PAS’ insistence on establishing an Islamic State fractures the BA coalition right down the middle, thus enabling the Mahathir strategy, of dividing the opposition and denying them the right to rule Malaysia, to be even more credible and effective.²⁴ Even an economic slowdown or recession will not alter this basic structure of Malaysian politics: a divided opposition would invariably legitimate a BN formula (despite its weaknesses) for managing a modern, multi-ethnic, and pluralistic society such as Malaysia.

In this sense, Mahathir’s agenda to rejuvenate UMNO despite its declining fortunes, and the UMNO-led BN Government’s ability to take practical measures — to overcome the economic slowdown, maintain racial harmony, political stability and economic growth, and boldly address issues of globalisation — would be tantamount to “Malaysia Boleh”.

NOTES

1. K.S. Nathan, "Malaysia: Reinventing the Nation", in Muthiah Alagappa (ed), *Asian Security Practice: Material and Ideational Influences*, Stanford, USA: Stanford University Press, 1998, p. 513.
2. *Straits Times*, 5 July 2001, p. A7.
3. *Economic Intelligence Unit (EIU) Country Report: Malaysia*, June 2001, p. 24.
4. *Straits Times*, 5 July 2001, p. A1.
5. *Straits Times*, 10 July 2001, p. A7.
6. For details on political developments in 1999, see Khoo Boo Teik, "Unfinished Crisis: Malaysian Politics in 1999", *Southeast Asian Affairs 2000*, Singapore: Institute of Southeast Asian Studies, 2000, pp. 165-183.
7. For details, see Maria Louisa Seda-Poulin, "Islamization and Legal Reform in Malaysia", in *Southeast Asian Affairs 1993*, Singapore: Institute of Southeast Asian Studies, 1993, pp. 224-242.
8. DAP Deputy Chairman, Karpal Singh's statement to PAS as reported in *Straits Times*, 29 June 2001, p. 4.
9. "Opposition will Lose Polls with Islamic State Plan", *Straits Times*, 3 July 2001, p. A8.
10. *New Sunday Times*, 23 September 2001, p.1.
11. The term Bumiputera refers to the Malaysian Government's definition of Malays in Peninsular Malaysia and other indigenous peoples in Sabah and Sarawak. Nevertheless, in practice, since the introduction of the New Economic Policy (NEP) in 1970, this term has been selectively applied to protect and promote essentially the rights, interests, and privileges of the Malays in multi-ethnic Malaysia.
12. See article by Lorien Holland, "A Lesson in Race Relations", *Far Eastern Economic Review (FEER)*, 7 June 2001, p. 28.
13. *Ibid.*, p. 29.
14. *Straits Times*, 19 July 2001, p. A6.
15. S. Jayasankaran, "Pressure Point", *FEER*, 22 March 2001, p. 19.
16. Malaysian Deputy Premier Abdullah Badawi told the MIC not to raise the quota system in public, warning that other communities would also start asking for higher quotas. He felt that these issues are better resolved at Cabinet level. *Straits Times*, 22 May 2001, p. A8.
17. *Straits Times*, 19 July 2001, p. A6.
18. *Straits Times*, 19 July 2001, p. 4.
19. See article, "KL Dailies Skirt Issue of Daim-Halim Link", *Straits Times*, 20 July 2001, p. S10.
20. The comment by Hassan Mohd. Nor in his article "Muhasabah Memperkasa UMNO" [Perspectives on Strengthening UMNO] is relevant: "Ingatan supaya memerangi politik wang tidak kemana selagi ahli-ahli tidak faham mengenai bentuk salah laku yang dilihat sebagai rasuah politik". ["The awareness of the need to curb money politics will not make any headway as long as members do not understand the nature of their wrongful acts which are deemed to be corrupt"] See *MASSA*, 23-9 June 2001, p. 13.
21. Michael Leigh, "Malaysia: 1961 and 2001". Paper presented at the annual conference of the Association for Asian Studies, Chicago, Illinois, USA, March 2001, p. 7.
22. S. Jayasankaran, "Mahathir Reaches Out", *Far Eastern Economic Review (FEER)* February 1, 2001, p. 29.
23. *FEER*, op.cit., p. 29.

24. The comment by Siti Haniza Abdul Rahman in her article, “Darul Islam — PAS Tahan DAP Berkeras” [Islamic State — PAS Defends, DAP Defiant] is instructive: “PAS mengidamkan Darul Islam (negara Islam), DAP pula marah-marah, Keadilan dalam serba salah, Parti Rakyat Malaysia (PRM) juga naik gelabah — antara gamabaran yang memaparkan situasi pakatan pembangkang kini berbalah ekoran keinginan PAS itu”. [“PAS advocates an Islamic State, but DAP is very upset, while keADILan is in a no win situation; and Parti Rakyat Malaysia (PRM) or the People’s Party of Malaysia also is uncertain which way to choose. This is the scenario emerging from PAS’ political agenda”.] *MASSA*, 7-13 Julai [July], 2001, p. 19.

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