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RACE, CLASS AND UNEVEN DEVELOPMENT IN MALAYSIA

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ABSTRACT

RACE, CLASS AND UNEVEN DEVELOPMENT IN MALAYSIA

By

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This paper examines the nature and causes of uneven development and racial conflict in post-independence Malaysia and their possible consequences for the future. It is based on a secondary analysis of documents.

Uneven development and racial conflict to be fully understood, must be seen within the context of the historical penetration of capitalism, and its consequent impact on the social formation in Malaysia. It must also be seen within the context of world historical development of capitalism as well as the state and the changing influence of the various classes class fractions and ideologically and politically cohesive social groups on it.

It is emphasized that racial conflict is directly connected to uneven development and class relations in Malaysia. Uneven development and differences in political power among the various races is utilized by the dominant classes within these racial groups to woo support for themselves and in the process they polarize the population and intensify racial antagonism and conflict within the society.

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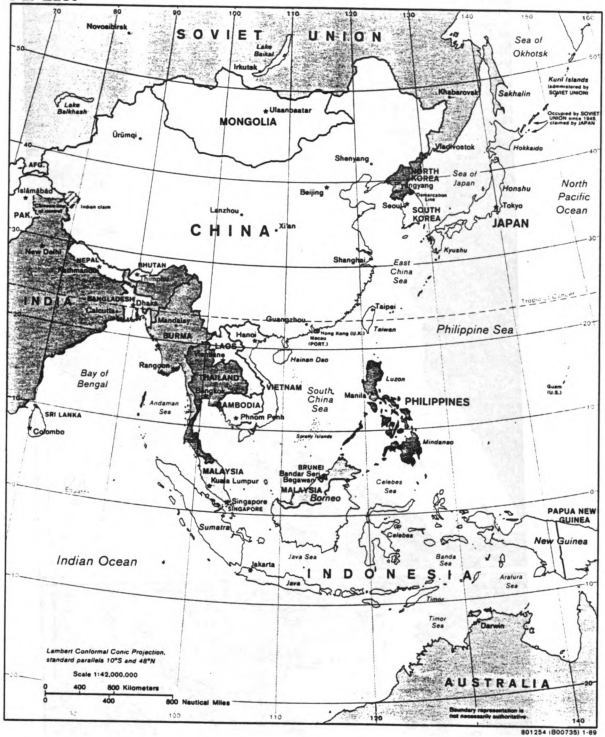

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Source: Young, Kevin, Bussink, Willem C.F., Hasan, Parvez (1980).

CHAPTER 1

INTRODUCTION

In order to understand the causes of uneven development and racial conflict in Peninsular Malaysia today, and their consequences for the future, a study of the evolution of class and race relations and uneven development in Malaysia is necessary. This is a major undertaking which is obviously not possible within the limited scope of this paper. Hence the historical perspective provided in this paper must of necessity be very limited and generalized and will not cover the great variety and intricate differences that reflect the actual circumstances and events that occurred in each state and the different regions and which led to the particular structure of class and race relations and uneven development in each of the states and regions.

Instead, this paper will provide a very generalized approach to catch the main circumstances that affected developments in Peninsular Malaysia (P. Malaysia), so as to understand the overall relationships between and within classes and races in Malaysia today as well as the structure and causes of uneven development. This will be used as a base to try and anticipate the likely future changes in class and race relations and development and what these consequences are likely to be for the Malaysian society as a whole.

This paper will be divided into five chapters. Chapter 1, including this introduction, will provide a brief overview of Malaysia and its people, the aims of, and general background to, the research question and the methodology to be used. The analytical framework for this paper will be presented in Chapter 2; it will be divided into two parts. The first part will present a brief outline of the various approaches taken by scholars to social relations and development and uneven development in Malaysia, as well as a brief explanation of the approach taken in this paper. The analytical framework for the paper will be presented in the second part; it will explain the basis of class and race formation and reproduction and their role in development and uneven development within a world wide capitalist system. In Chapter 3 the origins and evolution of uneven development and of racial conflict in Malaysia from pre-colonial to colonial times will be traced. This section too will be divided into two parts; part one will cover pre-colonial times and part two colonial times. Chapter 4 will examine the state of uneven development and race relations at the time of Independence (1957) as well as the causes for the perpetuation of uneven development and racial conflict in the post-independence period. This period too will be examined in two parts; the first from 1957 - 1969/70 and the second from 1970/71 onwards. This is because 1969 - 1971 marks a watershed in the post-independence period, when the race riots of 1969 occurred and were followed by the

implementation of the New Economic Policy in 1971. The aim of these policies was to create national unity through, not only, the eradication of poverty in the country, but also through the restructuring of society so as to eliminate the identification of race with economic function (Malaysia, 1981:1). This was to be done by re-dressing economic imbalances in income, employment and the ownership of corporate assets among the races. Chapter 5, the conclusion, will summarize the study and analyze the possible consequences of the ongoing social developments for the immediate future of Malaysian society.

The term Malaya, Peninsular Malaysia and Malaysia will be used interchangeably in the text to refer to the same territorial entity, namely Peninsular Malaysia, except where explicitly stated otherwise.

Malaysia: The Land and Its People

Malaysia, a Federation of thirteen states, is situated in South East Asia. Eleven of these states are located in the Malay Peninsular, which is located on the tip of mainland South East Asia, while the states of Sabah and Sarawak (East Malaysia) are located in the northern part of the island of Borneo; nine hundred miles of the South China Sea separate these two parts of the country. It covers a land area of 128,000 square miles or 329,756 square kilometers; the eleven states of Peninsular Malaysia make up just under 40 per cent

of the land area while the two states of East Malaysia, in Borneo, make up just over 60 per cent of the land area. The population of the country in 1986 was estimated at 16.1 million people with 13.3 million people living in P. Malaysia and 2.8 million people living in East Malaysia.

The population of P. Malaysia, which this paper covers, is characterized by a complex inter-mixture of races, languages, cultures and religions. The three main races are the Malays, Chinese and Indians. The Malays and other indigenous people make up approximately 57 per cent of the population while the Chinese and Indians make up approximately 32.5 per cent and 10 per cent of population. Others, mainly Europeans and Eurasians, make up the balance 0.5 per cent (Malaysia, 1987:34).

Each of the main racial groups is predominantly associated with a particular language, culture and religion. The Malays are mostly Muslim, and have traditionally spoken Malay. The Chinese are mostly Buddhist or Confucian and to a lesser extent Christian and traditionally speak various Chinese dialects. The Indians are mostly Hindus, but there are also a considerable number of Muslims and Christians, with most of them traditionally speaking Tamil. This, however, can be misleading; for even within each racial group differentiation occurs because of strong ethnic or local sentiments based on origin from different parts of China, the Indian sub-continent or the South East Asian islands.

Identification with different educational backgrounds, that is whether they are educated in English, Chinese, Malay or Tamil, and to different religions, often further differentiates people within racial groups. Thus similarities and differences in race, religion, language and culture, land of origin and educational background affect the social relations of the population and influences how the various groups within Malaysian society relate and interact with each other.

The main races are also associated with particular residential and occupational stereotypes. Most Malays live in rural areas and engage in smallholder agriculture and fishing while urban Malays are mainly in the government services, the armed forces and police and in the lower rung of the manufacturing and service sectors. The Chinese live mainly in the urban centers and dominate commerce and industry in the country. The rural Chinese are mostly agricultural smallholders and tin miners. Most Indians also live in rural areas but within the commercial agricultural enclave of rubber and oilpalm plantations as laborers and overseers. Urban Indians are mostly in the professions or in the government services. These stereotypes are, however, increasingly becoming inapplicable due to the rapid changes in the residential and occupational distribution of the races in recent years. Nonetheless, they are a very generalized

indication of the residential and occupational patterns of the various races (Young, 1980:10-11).

The Research Question

The Malaysian economy and the social formation itself is characterized by uneven development. Uneven development here refers to two things. First, it refers to the manner in which Malaysian development is undermined by its inter-relationship with metropolitan capital and the world capitalist economy. Second, it refers to uneven development within Malaysian society in terms of classes, races, regions and economic sectors. This uneven development is characterized by greater productivity and capital accumulation among those classes, races, regions and economic sectors which are more closely identified with advanced capitalist production and lower productivity and capital accumulation among those more closely identified with those modes of production associated with the peasant sector.

Thus, the rural sector in general and subsistence agriculture in particular, the poorer northern and eastern regions of the country and Malays in general are more closely identified with those modes of production associated with the peasant sector and are deemed to be relatively under developed. The urban areas, the central and southern regions, manufacturing and commercial agriculture, and non-Malays are generally identified with advanced capitalist production and

are generally deemed to be more developed economically. Because of this, Malay income and ownership of wealth, traditionally, has been lower than non-Malay income and ownership of wealth. Thus, for example, the mean monthly income of Malays was only M$172/- (M$ 1.00 = approximately US$ 2.50) while that of the Chinese and Indians was M$394/- and M$304/- respectively in 1970 (Malaysia, 1981:56). Similarly, Malay ownership of corporate wealth in 1970 was only 2.6 per cent whereas Chinese and foreign ownership at the same time was approximately 34 per cent and 61.7 per cent respectively (Malaysia, 1981:62; Also refer to tables 2.1, 2.2, 3, 4, 5 and 7 in appendix).

The Malaysian social formation is also characterized by social tension between the Malays and the non-Malays. The identification of different races with different economic functions and geographic locations has led to the isolation of the races from each other and the creation of a sense of mutual suspicion. This has led to numerous minor conflicts sudden periods of tension and was, perhaps, most dramatically expressed in the post-election violence of 1969 when several hundred people of all races were killed or hurt in racial riots between the Malays and the non-Malays (Comber, 1983:71).

The aim of this paper is, thus, to examine the nature and causes of continuing uneven development and racial conflict in post-Independent (1957 onwards) Malaysia and to analyze

what the consequences of these are likely to be for the immediate future of the country.

The Methodology

Research for this paper will be based solely on bibliographic and documentary research. The documents will consist, primarily, of the various Five Year Development Plans and Mid-Term Reviews, Annual Statistics reports and the Labor Ministry and Central Bank Reports. Newspaper and magazine articles will also be used in addition to various books and articles on this subject.

This methodology was employed because it serves the needs of this research best. Interviews might have been a useful supplement to this method, but will not be employed here because their contribution would have only marginally improved the substance of the paper.

However, there are two major limitations that need to be mentioned. First, the lack of adequate material; especially relevent Malaysian newspapers and historical government documents which would have been useful to clarify specific points and allowed for less dependence on other writers interpretations. Second, the reliability of Malaysian government documents. Government agencies are highly politicized in Malaysia and tend to manipulate data for the governments own benefit. The lack of alternative sources of data makes it necessary to use them. Hence the reliability of

some of the data and sources mentioned in this paper must be treated with circumspection.

CHAPTER 2

THE ANALYTICAL FRAMEWORK

An Overview

- Social Relations

Most pre-1975 studies on social relations in Malaysia have invariably taken a pluralist and or ethnological approach. Since then, several studies have adopted class analysis.

Those scholars taking the first approach, such as K.J. Ratnam (1965), R.K. Vasil (1971), R.S. Milne (1967) or M.J. Esman (1972), assumed that races, had particular physical and cultural characteristics that were of socio-economic significance. Thus, for them racial and cultural categories were a point of departure in analyzing social relations. They explained racial conflict and the reproduction of racism in terms of variations in cultures, habits and ideologies or primordial instincts. Hence, for them, social relations were viewed as race or ethnic relations primarily between Malays and non-Malays and emphasis was given to cultural, religious, linguistic and racial differences. Economic factors, though considered as contributing to the social relations between the races, are not considered of central significance. Thus, in writing about the Malaysian social formation Ratnam, for example writes that, " There is also a complete lack of

cultural homogeneity, each community having its own religion, customs, languages and habits ... it is also the reason why certain 'cultural' matters have come to constitute some of most difficult political issues of present day Malaysia" (1965:1). Milne, in a similar vein, states, "Everything political or economic in Malaysia is dominated by considerations of racial arithmetic" (1967:4). Esman too states, "Communal pluralism is the essential reality of Malaysian society and government" (1972:17).

These explanations for racial conflict in Malaysia are inadequate and unsatisfactory. This is primarily because these explanations do not give sufficient emphasis to the socio-economic circumstances that give race its significance. The importance of this point was, perhaps, best made by Robert Miles, in his book, The Limitations of 'Race Relations' Theory (1982). He explains why races, in and of themselves, do not have any great socio-economic significance; rather, he says, it is social circumstances that give race their particular significance. He says " It is insufficient to recognize the social categorization of 'race' if one does not simultaneously inquire as to why the process of categorization has occurred only in specific contexts and in specific points in historical time. The basis of racism is to be found not in the attribution of meaning to phenotypical difference, but in identifying the economic, political and ideological conditions that allow the attribution of meaning to take place" (p. 64).

Thus, according to Miles race cannot be taken as the point of departure in explaining racial conflict but must be seen as the consequence of other causes. In the same vein, Michael Burawoy, in his article, The Capitalist State in South Africa: Marxist and Sociological perspectives on Race and Class (1981: 279), states that the numerous race riots in the 1960s convinced sociologists that the root cause of racial conflict was not any inherent differences between racial categories but rather the unequal distribution of resources among races.

This assertion immediately calls for an explanation of the role of unequal distribution of resources in race relations. This ultimately leads to a theory of capitalist development which roots racial conflict in capitalist social relations of production.

From 1975 onwards several writers, among them B.N. Cham (1975), M.H.Lim (1980, 1981, 1985), Martin Brennan (1982), Amin & Caldwell (1977) and Jomo Sundaram (1988), among others, introduced class analysis to explain social relations within the Malaysian social formation. In using class analysis they treat race as a social construction and race relations as resulting from historical circumstances and class relations within Malaysian society. Cham (1975:446) for example, states of race relations in Malaysia, " Its development into a disruptive and divisive force of communalism has its roots not in the phenomenon of cultural pluralism but in the long period of British 'divide and rule' policy and the extension of this

policy to post-independence Malaya and Malaysia". In a similar vein, Lim M. H. (1980:130-131) states, " It is my fundamental hypothesis that the crucial relationship between ethnic communities lie ... more specifically at the relations of production and exchange".

- Development and Uneven Development

Various theories and explanations have been put forward to explain uneven development in Malaysia. These can be divided into four main categories. The first category explains the differences in cultural terms, that is, in terms of different work ethics, attitudes and business abilities. Thus, for example, Milne writes "The Chinese .... who made the trip and survived were extremely hardy and determined .... their attitudes were and had to be fiercely competitive. This was in striking contrast to the Malays, who were eminently non-competitive ...."(1967:7).

The second set of explanations suggest that the causes lie in differences in economic opportunities such as colonial government policies and exclusive practices by the Chinese and other groups. Thus Mahathir Mohammad, the present Prime Minister of Malaysia, has written (1970:56), " Chinese business methods and the extent of their control of the economy of the country is such that competition between their community and other communities is quite impossible. Their close knit communal tie-ups ..... constitute an impregnable

barrier against any substantial encroachment by other communities ... ". These two types of explanations were put forward by the same group of writers taking a pluralist and or ethnological approach to social relations.

The third explanation comes from the neo-classical school as represented by Lim Chong Yah (1967) and representatives of international aid agencies, such as Kevin Young and Parvez Hassan (1980) of the World Bank, among others. They explain uneven development in terms of differences in productivity resulting from the use of different technologies, and differences in capital intensiveness and the size of productive units used in the traditional and modern sectors. Thus Lim Chong Yah explains the causes of poverty as follows, " The root cause of poverty boils down to .... population growth on the one hand and technological progress and opening up of new land on the other hand" (1967:173).

The fourth category explains economic differences in terms of various theories of uneven development and world capitalist development which suggest that development within Malaysia is the consequence of the integration of the Malaysian economy into the world capitalist economy. This type of explanation was put forward by those writers using class analysis to explain social relations in Malaysia. Thus, for example, Martin Brennan (1982:188) in his opening statement says, "The Malaysian social formation is a recent and complex phenomenon which came into existence as a direct result of

imperialism and colonialism. ..... This penetration of the capitalist mode of production was uneven and restricted; thus, while parts of Malaysia became fully integrated into the world economy under the sway of plantations and mining capital, other areas remained virtually untouched."

Malaysian underdevelopment in relation to the metropolitan economies has been explained by neo-classical economist/sociologists' such as Lim Chong Yah, and the World Bank Economists likes Kevin Young in terms of 'diffusionist theories of development' while those using class analysis such as Brennan, Sundaram and Lim Mah Hui have explained it in terms of 'theories of underdevelopment'. Diffusionist theories of development emphasize the positive effects of capitalist development on newly developing countries. There are many variations of the diffusionist theme, some emphasizing 'democracy and growth' while others emphasize 'nationalism and growth' and probably the most important variation emphasizing 'linear stages of growth' or 'modernization theory' most commonly associated with Walt W. Rostow (Chilcote, 1984:11), which emphasizes growth based on the western model of development. These diffusionist theories are mostly inspired by the functionalist perspective which either ignores the role of classes in the developmental process, or when they do acknowledge it, see classes as playing complementary roles rather than being contradictory and having conflicting interests. Thus diffusionist theories have inherent

limitations which do not allow them to analyze class contradictions and class struggle and hence make them inadequate, as theories, to explain the full measure of the developmental process.

Theories of underdevelopment emphasize the negative effects of capitalist development on peripheral countries. These theories have many variations and most of them have an underlying class analysis of the developmental process, and can be grouped under the Dependency, World Systems, and Modes of Production schools of thought.

The Dependency School has its origins in Latin American scholars like Prebisch, Sunkel and Cardosa and has many variations. Its central theme, however, as presented in the work of Andre Gunder Frank is that, certain countries and regions are underdeveloped by those countries and regions on which they are dependent. The general thrust of the argument is that metropolitan (center, first world, monopoly) capital in collusion with local capitalists exploits the producing classes of the dependent (satellite, periphery, third world) countries and regions. This exploitation, which is deemed to have taken place continuously from the time most of these countries were colonized by metropolitan nations is said to lead to a considerable outflow of surplus from the dependent countries to the metropolitan countries. It is this constant outflow of surplus that is supposed to be the root cause of the impoverishment of these dependent nations. The concept of

surplus extraction used in most of this type of analysis provides a basis for 'class analysis'. However the utility of this type of analysis is limited because dependency theorists simply talk in terms of dominant and dependent relations between metropolitan and satellite nations and exploitative relationships in a very generalized way without rooting them in specific class relationships within nations and between nations where these classes are located. Hence the utility of this type of analysis, though useful, is limited and insufficient to explain the full measure of the process of uneven development.

The World Systems School has many variations of its main theme and consequently is difficult to discuss in general terms. Hence, its main thrust and limitations are discussed here, very briefly, within the work of probably its most prominent contributor, Immanuel Wallerstein. According to Wallerstein, a single world capitalist social system has emerged since the sixteenth century within which production takes place for exchange. He contends that different levels of technical knowledge, labor organization and control by the dominant classes in sovereign states within particular geographic locations gave rise to a geographic division of production divided into three sectors which he termed the core, semi-periphery and the periphery. The core has the highest technical knowledge and organization and the periphery the lowest. He explains how three key elements, namely, the

existence of a single world market, state structures that distort the capitalist market and the appropriation of surplus labor, influence class formation as well as the relationship of classes, to each other, in these three sectors (Chilcote, 1984:97). He suggests, that the relative strengths of the dominant classes, located in the different states, reflect the relative strength of the states within the world system. According to Wallerstein, states primarily serve the interests of the dominant classes and since state power is used to distribute products among different zones in the world market, the dominant classes within the stronger core states gain while those in the weaker periphery states lose in the exchange. Thus, Wallerstein's model involves two important determinisms. " First, socio-economic structure is determined by the technical production options in the world market chosen by the dominant class. The second determinism, related to the first, reduces state structures and policies to determination by the dominant class interests " (Skocpol as quoted in Sundaram 1988:307). Thus, for Wallerstein, class relations are not so much the consequence of historical development from previous contradictions conditioned by prevailing market situations, but rather, market determined with the dominated classes being passively manipulated by the dominant classes according to market needs. Thus he views class relations in an over deterministic manner where the dominant class makes history in circumstances that are somewhat beyond the

influence of the dominated classes. Similarly, the state is not considered the arena of class contention but rather the tool of the dominant class.

Moreover, Wallerstein's 'World Systems' theory implies that the transition from feudalism to capitalism was a smooth and linear process (Brenner as quoted in Chilcote, 1984:99). Thus, "the significance of the emergence of free labor in capitalism which could be exploited without extra-economic coercion .... is lost in this approach" (Sundaram, 1988:307). Moreover, the fact that class contention is specific to particular class relations, and it is the particular nature of the class struggle arising out of class relations which affects the further development of class relations is ignored within this approach. Thus, these limitations make this an inadequate analytical tool. This is not to say that there are no useful concepts - for the concept of a world social system within which production and exchange and capital accumulation and expansion takes place and within which class relations are to be understood makes enormous sense.

The 'modes of production' school has its roots in Marx's emphasis on the material basis of society as well as Trotsky's suggestion of the need to examine the modes of production in juxtaposition with each other (Chilcote, 1984:125). However it only gained prominence in recent years as a response to the limitations of the theories of Dependency and Uneven Development. This school is generally identified with the

French Structuralists and especially with Althusser and Balibar. A mode of production according to Balibar (1970:215) consists of the laborer, the non-laborer and the means of production combining with a 'property connection' and a 'real or material appropriations connection'. Here social relations are ultimately determined by economic factors which also generate ideological and political 'structures of dominance' necessary for the continuation and viability of the mode of production. Balibar (p.273), however, complicates his model by talking in terms of two models, a transitional model and an implied stable model of production. He seems to say that the stable model has an internal cohesion between the "property connection" and the "material appropriations connection" which allows for the modes continued reproduction in a manner very similar to a functionalist perspective; there is little contradiction between them. The stable model thus lacks dynamism and begs the question of how it changes, even to the transitional stage. Thus the ' mode of production' model too is limited in its analytical adequacy (Sundaram, 1988:305-309).

The Framework

- Prelude

In my analysis of social relations and development in Malaysia I will use class analysis. However, I will emphasize not merely the economic aspects of class analysis but also the

political and ideological aspects of it. Thus considerable emphasis will be placed on the role of the state as well as on ideologically and politically cohesive social groups, such as racial/cultural groups, that cut across class lines. This is because I believe that many scholars using class analysis have been too heavily influenced by the polemical and adversarial nature of Marx and Engels writings and their strong emphasis on the economic aspects of class analysis without taking into account the circumstances under which they wrote. Thus, Engels wrote near the end of his life, " Marx and I ourselves are partly to blame for the fact that the younger people sometimes lay more stress on the economic side than is due to it. We had to emphasize the main principles vis-a-vis our main adversaries, who denied it, and we had not always the time, the place or the opportunity to give their due to the elements involved in the interaction." (as quoted in Mills, 1987:75).

This is not to say that the writers using class analysis to describe the Malaysian situation have not taken the role of the state or ideological aspects into account; they have; having come late to the subject, they have not made this mistake. Thus the difference here will be, merely, one of emphasis and approach.

The theoretical framework for this paper is based primarily upon the analytical framework presented by Jomo Sundaram in his book A question of Class: Capital, the State

and Uneven Development in Malaya (1988). His framework draws mainly from the 'Dependency', 'World Systems', and 'Modes of Production' schools of development and uneven development, and is crafted specifically to explain Malaysian social and economic development resulting from the impact of world capitalist development on class formation and economic growth in Malaysia over the last century. An adaptation of his framework is used below, though amended occasionally to reflect my viewpoint more closely. There is, however, one point where this paper's analytical framework differs from Jomo Sundaram's; and that is on the question of race/ideology. Jomo Sundaram acknowledges that there is a political and ideological aspect to class theory that needs to be considered but then goes on to say that since the economic is predominant he would concentrate on that. My contention here is that even though the forces of production are, without doubt, the primary basis of social relations, nonetheless, the relative importance of the forces of production as the basis of social relations vary considerably from society to society; and in some societies, such as Malaysia, where racial differentiation is institutionalized within the constitution, other forces, such as ideology and politics based on race and culture, play a considerably more important part in social relations and development than in most other societies; and sometimes in the short run, even tend to transcend the forces of production.

This needs to be explicitly stated within the theoretical framework.

Thus, the analytical framework is based on the idea that social relations and development, in a capitalist society, are primarily the consequence of the forces of production. However, the actual configuration of social relations and development will vary from society to society and will depend on the relative influence of the more rapidly developing forces of production and the more slowly developing social relations of production, as well as the political and ideological forces within that society . Thus social relations and development can only be fully understood within a historical perspective and in the context of world historical development of capitalism and its stage of development within the society.

- Class

Within this framework, classes exist when owners/ controllers of the means of production expropriate labor value from producers, usually through some means of coercion. Thus social relations of production reflect not only exploitation, but also domination of the producers by the owners/controllers of the means of production. Hence, their class interests are necessarily opposed. Class relations here is defined primarily, but not exclusively, in terms of the social relations of production; they are not deemed to be identical

because classes not only have economic but also political and ideological aspects as well. Here the political and ideological factors are deemed not only to have their roots in the forces of production but also to have other intrinsic aspects that have evolved, from within, over time and in the process have created particular relationships that are, to some extent, independent of the influences of the forces of production.

Moreover, classes, though they have commonalities, such as their relationship to the state or to the means of production, that unite them, are not homogenous; rather they consist of fractions, coalescing around common ideological or political interests and tend to have their own particular agenda. Thus class fractions having their own agenda could come into contention. Hence, class contention and contradiction is not only extant between classes but also between and among fractions of classes. And it is this contention and contradiction between and among classes and fractions of classes that are significant for social change; and in this process class fractions sometimes cooperate across class lines to attain their own particular agenda as opposed to those of other class fractions. Hence, the nature of social change and development are influenced by a dialectical relationship between and among classes and fractions of classes. This change occurs gradually except at specific historical junctures, when there is a marked divergence

between the relations of production, ideology and politics, and the forces of production which gives rise to class awareness and organized movements, resulting in social conflagration. Such historical junctures may give rise to radically new class configurations. Thus class relations are never reproduced without change, with some classes and class fractions expanding, remaining the same, or contracting. In other words, the historical transformation of classes or class formation is a continuous process and reflects change resulting from class contradictions and conflict between and among classes and class fractions.

Thus, in Malaysia, for example, the current governing class fraction, the bureaucratic-bourgeoisie, had its origins in the immediate post-independence period as the representatives of the foreign interests as well as the local aristocracy in running the Malaysian government. It used the power of the state and its resources to advance its own interests. After imposing 'military' rule from 1969-1971, in the aftermath of the race riots of 1969, it used its control of the state to pursue capital accumulation and political power on its own behalf through the instrument of the 'New Economic Policy'. Consequently its increasing control over economic resources as well as state power, over the years, has made it the most powerful and influential class fraction in Malaysia today.

- Race and Race Relations

In critical theory, class relations are defined in terms of the social relations of production. This definition includes not only the economic but also the political and ideological aspects of the social relations of production. Here, politics and ideology are so defined as to have a direct dialectical relationship to the forces of production; people of particular classes are implicitly implied to have particular sets of values, arising out of, and reinforcing, the social relations of production that bind them ideologically and politically. But in so defining the role of politics and ideology in class relations it provides only a partial and inadequate expression of the full scope of politics and ideology; for politics and ideology, in all their forms, express the full range of ideas, experience and needs of social groups, including classes; and the forces of production, though by far the most important, are still but a part of all the forces that influence ideology and politics. The other forces, to name some of the main ones are race, culture, nationalism and religion. Though these forces too are influenced by the forces of production they also have independent aspects, intrinsic to themselves, which have evolved over time and hence often tend to influence social relations independently of the forces of production and in this way often transcend class relations.

Thus, social relations within this framework is seen to be influenced not only by the forces of production and their concomitant politics and ideology but also by broader ideological and political forces that often tend to transcend the influence of the forces of production and are based on other influences such as race, culture, nationalism and religion. In what follows I will only concentrate on the influence of race.

Within this framework, 'race' is seen as a social construction which varies from place to place and over time. Thus, racial categorization, based on phenotypical features, is seen to have only assigned social significance. Its importance only lies in the significance given to it by the people within a society. As Robert Miles says, "... it is important to recognize that this process of racial categorization is rarely an end in itself, but rather a means to an end" (1982:10). However, it must be noted that, once racial categorization takes on a particular configuration within a society, on an everyday level, it begets concrete social groups having opposing goals and interests resulting in racial stratification and conflict. Hence, racial categorization in any society reflects the political, ideological and economic interests and needs of social groups, and their relative power and influence, within the society .

These racial groupings, once they become concrete social groupings, are within themselves, stratified along class lines and are dominated by those class fractions within these groupings who make up the ruling elite. Thus it is here that race and class get most intricately intertwined; with the dominant classes within each race utilizing ideology and politics, based on race, for their own agenda. Therein lies the root of racial conflict.

Hence, in a society, like Malaysia, where accessibility to economic opportunity and political power have become institutionalized along racial lines, economic and political interests based on ideological and phenotypical similarities become of considerable importance. This is because coercive state policies are instituted by class as well as political and ideological interests, so that overt coercion in the form of quotas and legislation, among others, are used to affect the amount of surplus that can be extracted or redistributed from members of the different races.

In this way, one race or group of races gain, in that, less surplus is extracted from the working class of that race while the other race or group of races lose, in that, more surplus is extracted from the working class through direct coercion. This, however, holds true only where racial stratification is along horizontal lines. In the case of racial stratification along vertical lines, that is, where the distribution of races among the different classes in society

is comparatively even, as in the case of Malaysia, it is not just a case of more or less surplus being extracted from workers of the different races but also of redistribution of surplus through coercive means, such as quotas or legislation, from the dominant classes of one race to that of the other.

This raises the stakes in the social relationship between races and thus creates a greater tendency towards identification along racial lines and consequently creates a greater potential for racial conflict.

- Capitalist Relations of Production

Capitalist production is based on commodity production for exchange. It presupposes the existence of commodities and the sale of free labor power as a commodity. Commodities have both use and exchange value, but it is only in the exchange process that social relations are manifested. Thus where commodity production has been generalized, the purpose of social production is realized only through exchange.

Capital itself has two key aspects within this context. Firstly, the tendency to accumulate, and secondly, in the process of accumulation to involve particular social relations. Total social capital is the aggregate of particular capitals which exist in both the production and commercial spheres. In the process of accumulation capital enters different circuits and acquires various forms. In the sphere of commerce it takes the form of usury and commercial capital

while in the sphere of production it is constant capital when it takes the form of means of production and variable capital when it reflects the cost of reproducing the labor force. Commercial capital is not involved in organizing production but accompanies and creates the spread of commodity production and exchange. Production capital on the other hand has direct control over the production and the labor process. Within capitalist relations of production, labor does not own the means of production, but must sell its labor power as a commodity on the market to the owners of the means of production. This is necessary for survival and so must be considered to be coercive in nature. However, this and the exploitative nature of wage labor, where payment is made for labor power than for labor rendered, is obscured by the apparently equal nature of exchange between capitalist and wage laborer. The difference between the value of the labor rendered and the labor power paid for is the extent of the exploitation or 'social surplus' appropriated by the capitalists.

- The State

The state, in this framework is seen as having three aspects. Firstly, political control of the state is seen as the object of class contention. Secondly, the structures and institutions of the state are seen as the product of class contention for power and influence within the state. Thirdly,

the way in which the state operates and the actions that it takes are seen to help determine the outcome of class contention.

Thus, the state is neither neutral nor the tool of the ruling class nor determined by the structural imperatives of the socio-economic system. The state is, relatively autonomous but subject to economic constraints. Its primary logic is to maintain and perpetuate itself; and state policies to some extent reflect this. Thus the state is not an unchanging monolith but is historically transformed through class contradiction and conflict. Different aspects of the state will thus attain different significance at different points in the conflict between classes.

Thus, at any particular point in time, those in control of the state, at that time, will act to protect, maintain and enhance, if possible, a particular set of social relations, relations of production and state appropriations which serve the interests of that particular class/social group over that of other classes and social groups.

- World Market and Capitalist Accumulation

The capitalist economy embraces the whole world in that it is the arena for all commodity production and for capital accumulation. Capital accumulation itself has to be seen within the context of different phases of capital expansion, the tendency towards monopoly and the social division of labor

that corresponds to the different phases of capital accumulation. All three aspects have important implications for the analysis of uneven and combined development and the associated process of class formation. Different phases of capital accumulation correspond to a changing social division of labor, as well as changing political and ideological awareness, on a global scale.

In the expansion of capital two distinct components need to be noted. Firstly, the simultaneous process of capitalist accumulation and non-capitalist accumulation of economic surplus and secondly, the trend towards development of monopoly capital resulting from the concentration and centralization of capital within capitalist relations of production. These two components of uneven development interact with each other in concrete historical conditions to give rise to specific changing forms and conditions of uneven development.

In the process of capital accumulation, the spread of commodity production, in the form of families, as a unit, engaging in production for exchange in pre-capitalist societies, has normally preceded the capitalist relations of production in the form of wage labor, while commercial capital has preceded production capital into these societies. This is because when the initial spread of commodity production for exchange takes place within the pre-capitalist economy it leads to the expansion of commercial capital within these

societies. This may eventually result in the domination of these societies by commercial capital as the sector moves increasingly towards production for exchange and becomes increasingly dependent on the commercial interests to purchase their output. Commercial capital, however, is incapable of transforming non-capitalist relations of production into capitalist relations of production, that is, where labor power itself will become commoditized, though it may result in new non-capitalist social relations of production. It is only production capital, which directly controls the means of production that is capable of transforming non-capitalist relations into capitalist relations of production.

It must also be noted that even though commercial capital is more prevalent in the periphery it is nonetheless subordinate to production capital in the world economy.

- Relations of Production and Capital Accumulation

The social relations of production in the world can be divided into those directly organized by capitalists as well as the state, such as modern industry, utilities and plantations and those not organized by capitalists or the state such as the peasant economy but which are, nonetheless, still under the influence of commercial capital. Thus all production is dominated by capital and subject to its accumulation on a world scale. This is however ameliorated by the role of the state which acts to preserve its own

legitimacy by acting to reduce concentration through state policies. Furthermore, the manner and extent to which production is subject to domination by capital depends on their specific relations to production and commercial capital involved. Thus where domination in pre-capitalist societies is limited to commercial capital, new non-capitalist relations of production may result which may not be similar to social relations of production in these societies, prior to capitalist intervention. Where production capital is involved capitalist relations of production result. But if an adequate supply of free labor has not emerged from preceding social relations of production, as has normally been the case during the early phase of integration into the world capitalist economy, obtaining a labor force becomes imperative. This has normally been achieved by reorganizing the existing social relations of production or relying on immigrant labor supply. However, the increasing integration into the world economy then tends to encourage the emergence of free wage labor. This is because, even in the non-capitalist sector, surplus accumulation tends to be the initial result when it integrates into the world economy. This surplus accumulation which usually leads to land concentration will thus lead to the increased proletarianization of the peasantry.

Thus, it is not only the nature of pre-capitalist relations of production but also the manner of its integration

into the world economy which are important in influencing the emerging class and race configurations and uneven development.

CHAPTER 3

A HISTORICAL PERSPECTIVE

Peninsular Malaysia is strategically located in the crossroads of the trade routes between India and China. Archeological finds and historical documents in India and China suggest strong Indian and Chinese influences in the Malay Peninsular starting from before the 10th century A.D.(Tate, 1971:28-39; Windstedt, 1953:13-31; Ryan, 1965: 1-13). However, the full extent of these influences are unknown. Recorded history about pre-colonial Malaya is limited. The earliest recorded history can be traced back to the Malacca sultanate in the early 15th century.(Wang, 1965:100). However, even where the records exist, they are often limited, serving a particular viewpoint, or sometimes even contradictory (Sundaram, 1988:3-5). Thus any study of social relations in pre-colonial P. Malaysia must be taken with some circumspection. However, an understanding of the history of social relations and economic conditions in pre-colonial Malaysia is necessary if one is to understand the impact of capitalist penetration into the Malaysian social formation and its continuing influence on social relations and uneven development today.

Pre-Colonial Era

Present day P. Malaysia was not a single political entity in pre-colonial times. It was made up of several independent states or sultanates. Most of these states were comprised of a collection of riverine basins and their immediate hinterland.(Wang, 1965:99-112; Sadka, 1968:1-37; Kennedy, 1970:133). At various times in their history they came under the influence and suzerainty of empires like Siam, Majapahit, Srivijaya and Malacca, among others. (Tate, 1971:28-39; Winstedt, 1953:13-31). Today, many of the ruling houses, in the various states, trace their origins back to the Malacca sultanate which influenced much of the Malay Peninsular at the time of the Portuguese conquest of it in 1511 (Sundaram, 1988:4). Thus the last great influence on most of these states was Malacca, though in the northern states Siam continued to hold sway. These empires left their mark on the various states in terms of the structure of the state and their laws and customs. Thus each state's structure, laws and customs varied, not only because of local customs and practices, but also because of the nature of their contact with these various empires.

- Social Formation and Class Relations

All the states in the Peninsular were characterized by two main modes of production - tribute paying and the slave mode. In both cases surplus was extracted through extra

economic coercion, but the manner in which it was done differed. Hence, the nature of social relations between the ruling class and the working class varied according to the mode under which production took place (Hua, 1983:13). At the same time some capitalist influence, in the form of commercial capital, was taking place, especially in states like Malacca and along the coastal areas where trade of surplus production and some production for exchange was taking place. (Sundaram, 1988:6; Hua, 1986:13).

Production, in the tribute paying mode, which was the main mode of production, was primarily based on agriculture and fishing. And "the basic unit of production tended to be the family, although regular and irregular activities were organized on a wider, sometime village basis for specific purposes of communal tasks" (Sundaram, 1988:5). A portion, normally a tenth of the agricultural production, was paid as tribute to the territorial chiefs and the sultans. The origins of this tribute, nor why it was generally placed at ten percent of the production is unclear; though Sundaram (1988:12) seems to suggest that it might have its origins in Islamic practices.

In addition to the tribute, the sultan and the territorial chiefs often extracted forced labor from the peasants. This was normally for the creation of public works but often for the private projects of the sultan and the chiefs. The extent to which forced labor could be levied

depended on the relative strengths of the sultans and chiefs as well as the ability and willingness of the peasants to migrate and live under the protection of some other ruler. (Sundaram, 1988:9; Hua, 1986:12).

In addition to tribute and enforced labor the ruling class also earned additional income by taxing riverine and coastal traffic and trade as well as other industries like tin mining. In the 19th century, with the rapid expansion of the tin trade, especially in the states of Perak and Selangor, this taxation became a major source of income especially for those chiefs in whose district the tin was extracted. This made them extremely powerful as compared to the sultans of the state (Sundaram, 1988:15; Hua, 1986:13).

In the slave mode of production, slaves and debt bondsman worked entirely for the benefit of their masters who took their entire production and left them with just enough for subsistence. Slaves and debt bondsman differed only in that debt bondsman were muslims and they could not be enslaved, even in lieu of debts, according to the Islamic religion practiced in these states; only non-muslims could be enslaved. Thus, they were still free men but their production was dictated and controlled by their creditors to offset their debt. Most sultans and chiefs had considerable numbers of these slaves and debt bondsman to work in their households and retinues or to work for others to earn an income (Sundaram, 1988:7-8; Hua, 1986:13).

The extent of slavery and debt bondage varied from state to state. There is no clear idea of how extensive this mode of production was but it appears likely it did not involve much more than five percent in any of the states (Sundaram, 1988:8).

Thus class relations in pre-colonial Malaysia were dictated by the two modes of production. In the slave mode the ruling class had direct and complete control over the labor power of the working class while in the tribute paying mode, the subordinate classes worked independently, but nonetheless were subject to extra-economic coercion in the form of tribute, enforced labor and taxation. At the same time the social formation was characterized by the subordinate classes being distributed in three strata - the peasants, debt bondsman and the slaves while the dominant class, though nominally hierarchically distributed were in effect made up of class fractions centered around regional chieftains who had independent economic resources as well as military control of their regions.(Amin & Caldwell, 1977:19; Hua, 1986:14).

- The State

The state structure was dominated by the sultan, his family and court as well as the district or territorial chiefs. Though the practices varied from state to state, generally, the village chiefs would be answerable to the district or territorial chiefs, who in turn, would be

answerable to the sultan. This did not mean that the sultan was the wealthiest or the most powerful man in the state. The sultan's income was derived from a portion of the income of each district as tribute; and often the full measure was not delivered because if he did not have the strength he could not enforce it. Hence the district or territorial chiefs in those territories with greater wealth production could often be as wealthy or wealthier than the sultan. This often led to conflict between ruling houses and the territorial chiefs for domination of the state and its territories. Thus there was no strong central government or bureaucracy, but rather a very decentralized government structure. The extent of decentralization varied from state to state and over time (Sundaram, 1988:6; Amin & Caldwell, 1977:26; Hua, 1986:14).

The fight for domination of the state was thus not between classes but rather between fractions of the ruling class. At the same time, the peasants and slaves had little or no input into the workings of the state. Thus, during this period, political and economic power were concentrated in the hands of the same class (Hua, 1986:13). It was this decentralized nature of the state and the fight for domination among the fractions of the ruling class that allowed the British to exploit the differences among the various fractions of the ruling class to gain control of the Malay states.

- Development and Uneven Development

Production in pre-colonial times was not based on wage labor but rather on family units. Thus production, on the whole, was not for exchange but rather for consumption. There was, however, an excess of production which was traded, as evidenced by the riverine and coastal traffic and trade. This trade was, however, based on surplus production and not on production for exchange.

Among the ruling class itself the wealth accumulated in the form of tax and tribute was invested in capital. Usury capital was highly profitable and was operated in conjunction with the institution of debt bondage. Thus the debt bondsman themselves became a form of capital investment. This capital was seldom used as mercantile capital; thus there was some surplus accumulation in these societies but not the expansion of capital itself (Sundaram, 1988:5-9).

After the 16th century, with the coming of the European traders to the region, and the conquest of Malacca by the Portuguese in 1511, the influence of commercial capital began to be felt, though in a very limited way. There was an increase in surplus production as well as production primarily for exchange. By the early 19th century this production for exchange primarily took the form of spices and tin; and these were mainly in the hands of foreigners like the Chinese and Arabs who worked these concessions in collaboration with the

Malay ruling class, to whom they paid a tribute or tax in return for their protection. (Lim, 1980:132-134).

Alien groups, rather than the local populace, entered into the modern sector of the economy because of the nature of the Malay society prevailing then. Land was abundant and freely available subject to the paying of tribute and hence most families worked independently on the land. At the same time the most impoverished section of this peasantry, which was only a very small portion of the populace was enslaved or became debt bondsman. Consequently, there was inadequate availability of proletarianized labor to work for the ruling class in either tin extraction or laboring in spice plantations (Sundaram, 1988:15-19).

Therefore one of the primary consequences of the introduction of production capital was the influx of alien labor and entrepreneurship into the Malay states, especially from China. It also lay the foundation for the accumulation of capital by the Chinese immigrants which would then be reintroduced as commercial and production capital and lead to an even greater influx of Chinese immigrants to work as wage labor in the Malay states. "It would also encourage greater peasant production for exchange, increase their reliance on purchased commodities for both production and consumption and thus stimulated the growth of both commercial and usury capital in the peasant sector of the economy" (Sundaram, 1988:35; Lim, 1980:136-137).

A further consequence of the introduction of capital was the differential development of the various regions and sectors of the Malayan economy. This was because its influence was felt most keenly in the western and southern states of Perak, Selangor, Negri Sembilan and Johore which were closest to the Straits Settlements from where the penetration of the Malay mainland emanated and less so in the other states. Thus, for example, in 1922, 73.3 percent of the rubber estates were located in these four states while government revenues in 1921 for the Federated Malay States and Johore was M$ 62.1 millions whereas for the states of Kedah, Kelantan, Trengganu and Perlis together it was only M$ 7.4 Millions (Lim, 1967:p.330,352).

The Colonial Era

The British established themselves in Penang in 1786, Singapore in 1819 and Malacca in 1824. These three settlements together became known as the Straits Settlements. The British used the Straits Settlements to control the trade of the Malayan hinterland as well as the India-China trade. At the same time they encouraged Chinese settlement to spur the development of these settlements and make them more viable. Chinese entrepreneurs from the Straits Settlements and individual district chiefs and sultans made arrangements between themselves to mine for tin and establish spice plantations on the mainland. The normal arrangement was for

the miners and plantation owners to pay a tribute to the chiefs and sultans in return for protection. The produce from these enterprises, as well as surplus production and production for exchange from the peasant economy was then sold to the British trading houses which were located in the Straits Settlements (Purcell, 1948:143; Emerson, 1964:84; Comber, 1983:2; Amin & Caldwell, 1977:19; Gullick, 1969:44).

In the mid 18th century civil unrest among the Chinese settlements in P. Malaysia, resulting from secret society activities, became serious and disrupted trade. The British, who at this time, were looking for greater control of the mainland, to ensure greater stability for their trade as well as to facilitate investment, especially in the face of the expansion of other European powers in the region, used this as an excuse to interfere in the affairs of the Malay states. They used military force to quell these disturbances. Between 1874 and 1877, by agreeing to provide military protection to the sultans or by aiding rival chiefs to topple the existing sultan and gain control of a state they imposed British 'advisors' on the states of Perak, Selangor and Negri Sembilan. The advise of these 'advisors' was to be followed on all matters except those pertaining to religion and custom. In 1888 Pahang was similarly brought under British control and these four states were then formed into the Federated Malay States in 1895 and governed centrally from Kuala Lumpur. By 1914, following the same pattern, the British gained control

of all the other Malay states in the peninsular. These other states comprising Kedah, Kelantan, Trengganu and Johore remained outside the Federated states and were known as the Unfederated Malay states. Thus, though the British dominated all the Malay states in the Peninsular these states were not ruled as a single unit until the time of the Japanese occupation in the 1940s. Hence, the manner and extent of British domination and consequently of capitalist influence on the local society varied according to whether the states belonged to the Straits Settlements, Federated Malay States or the Unfederated States. (Ryan, 1965:112-115, 138-141; Hua, 1986:25-28; Amin & Caldwell, 1977: 13-21; Emerson, 1964:114-134).

After World War Two the British returned and immediately set about re-establishing their authority. They proposed the establishment of a Malayan Union comprising all the states within which citizenship would be granted to all the races. This was strongly opposed by the Malay ruling classes, because it would lead to reduction of states rights and thus in the influence of the Malay ruling classes. They also feared the economic power of the Chinese as well as their lack of control over them. This resulted in the formation of The United Malay National Organization (UMNO), in 1946, to organize Malay support against this proposal. This, in turn, led to the formation of other race based political parties. The Malaysian Chinese Association (MCA) and the Malayan Indian Congress

(MIC) were formed in the late 1940s to represent the interests of the Chinese and Indians respectively. This was the beginning of racial politics in Malaysia. However, these parties were led by and organized around the Malay aristocracy and large landowners, the Chinese towkays and the Indian professionals and merchants respectively and hence essentially represented their class interests within the larger society (Amin & Caldwell, 1977:216, 249; Hua, 1986:76-77, 98-99).

At the same time there was strong labor agitation for better working conditions. To ensure the continuation of their cheap labor policy, the British legislated that all trade unions should be registered in 1947. Within a year they de-registered the two main labor unions in the country, The Pan Malaysian General Labor Union and The Pan Malayan Federation of Trade Unions. They also deported striking workers as undesirable aliens; in 1949 alone they sent back over 10,000 such workers thus breaking the back of the labor unions as well as the only organizations that were class based and cut across racial lines (Amin & Caldwell, 1977:190).

At the same time the Communist Party of Malaya stepped up its campaign of jungle based guerilla warfare to gain Independence from the British. The Communists were mainly of Chinese origin. This strengthened the hands of UMNO in their negotiations with the British. It also led to the British planning for Independence and supporting the ruling class led

coalition of UMNO, MCA and MIC to take over power from them at the time of Independence in 1957 (Amin & Caldwell, 1977:249).

- Social Formation, Class and Race Relations

The ascendence of British power in the Malay states led to the decline of the slave and tribute mode of production and the increasing domination of the capitalist mode of production. Nonetheless a large peasant economy based on the rubric of peasant modes of production remained. Production in this peasant economy, just as in pre-colonial times was primarily based on subsistence agriculture, especially rice cultivation and fishing. The basic unit of production still tended to be the family. However, some important changes took place that altered the structure of the economy as well as the social relations of production. Firstly, commercial capital penetrated this economy and resulted in the establishment of a commercial credit system and the increased production for exchange. Secondly the British enacted various legislation with regards to land which affected land ownership and land use. The Land Entitlement Act of 1897 required everyone to have title to the land that they utilized. All other land reverted to the government. This removed the easy availability of land for the peasants. Later the Malay Land Reservations Act of 1913 was enacted in the Federated Malay States and later in the other states, which forbade Malays to

sell their land in specific Malay reservations to non-Malays. The availability of easy commercial credit and the concurrent high interest rates impoverished many of the peasants who then had to sell their land to the wealthier Malays very cheaply as they could not sell on the open market. Thus, the wealthier Malays bought up these cheap lands and became large landowners. Hence, where most peasants worked their land independently before, now many worked as tenant farmers working the land of the large landowners or they became free labor entering into capitalist relations of production (Hua, 1986:36; Sundaram, 1988:85-86, 124-125). Thus, whereas in pre-colonial times there was considerable equality within villages, as the ruling class did not live within ordinary villages, in colonial times villages became divided along class lines with a few large landowners, some independent producers and many tenant farmers and increasingly some wage labor too (Hua, 1986:13; Sundaram, 1988:5).

In the larger Malay society, the sultan and the chiefs no longer had direct economic relations with their subjects. Their economic relationship was now buffered by the state bureaucracy through which part of the social surplus was channelled to them. However, the sultan and the chiefs still had direct relationships with their subjects with regards to matters pertaining to religion and custom, where the sultans word was final. Thus, the dominance of the sultan and the chiefs over Malay society continued unabated though in a

different form. (Amin & Caldwell, 1977:26; Hua, 1986:26, 29-30).

Production in the capitalist sector was initially based on the extraction of tin and the production of coffee and spices, and after the turn of the century, primarily in the production of rubber and the extraction of tin. These activities were dominated by British and local Chinese capital. British capital, with the aid of the colonial government, obtained large grants of prime land for rubber production and tin extraction at cheap prices and thus dominated both industries after the turn of the century. The Chinese with their smaller local capital and lesser influence on the colonial government owned many smaller tin mines and rubber plantations (Ooi, 1963:113-114; Amin & Caldwell, 1977:22- 24; Hua, 1986:35).

Both these and other activities in the capitalist sector were based on cheap free wage labor imported from India and China. Initially an indentured system operated whereby the workers were tied to their employers until they paid off their passage. This often took several years and led to poor pay and working conditions and often indebtedness on the part of the workers. Later, with increased demand for labor as both the tin and rubber industries expanded this indenture system was abolished to make it more attractive for workers to come to work in Malaya.(Hua, 1986:41; Amin & Caldwell, 1977:23-24).

Most of the tin fields were located in the west coast states of Perak, Selangor and Negri Sembilan; at the same time most of the rubber plantations were located in these states as well as in Malacca and Johore. This was because these were the states closest to the Straits Settlements where the sources of capital exploiting the resources of the mainland were located and good transport and port facilities were available. This resulted in two related situations. First, these states became relatively more capital intensive than the other states. Second, Chinese and Indian labor were mostly introduced into these states and settled here. This led to a relatively high proportion of Chinese and Indians to Malays, in these states, as compared to the other states (Ooi, 1963:120-122, 130).

By the 1930s a large immigrant population of Indians and Chinese had settled on a permanent basis in Malaya and most of these were in the western states. As they settled an increasing number of Chinese became independent producers of commercial cash crops such as rubber and vegetables as well as middlemen within rural areas. These middleman would become the source of rural credit and play an important role within the peasant economy. The high interest rates and the nature of the credit system that they operated made them relatively wealthy while impoverishing many of the peasants. This, to some extent, was the basis of early Malay antagonism towards

the non-Malays and the Chinese in particular. (Hua, 1986:130; Ooi, 1963:.125).

At the same time, towns were developing to serve the administrative and business needs of the new society. The Chinese controlled most of the retail businesses while the British controlled most of the agency houses that handled the import-export businesses as well as managed many of the British plantations. The Indians made up a small community of petty merchants and money lenders. The government apparatus was run by the British holding the top positions and assisted by members of the Malay ruling class who held the middle level positions. The lower rungs were mainly manned by workers from India and Sri Lanka. Hence, the urban areas were primarily settled by the Chinese and Indians with a small number of Malays and Europeans. (Ooi, 1963:140).

Relations between the races at this point was limited. This was because each of the races worked at different economic functions and lived in separate enclaves isolated from each other. Even within towns where they lived and worked in close proximity, differences in language and culture as well as concentration in different economic activities, kept them separate. Moreover, there was no substantial relations of production between the races; the relations of production existed mainly within the races themselves or between the various races and the British. Hence, there was no basis for conflict. The only place where there was considerable

relations of production between the local races was in the peasant sector between the rural based Chinese middleman and the Malay peasants. This led to racial antagonism because of the strong identification of the Chinese with the middleman function, even though in reality, the basis of antagonism was class generated. (Hua, 1986:52-54).

The modern sector was, thus, dominated by the British and Chinese capitalists classes. The dominated classes were mainly made up of Chinese and Indian labor working primarily in the tin mines and rubber plantations. At the same time a class of Chinese independent producers was developing in the countryside while within towns an independent merchant class comprising of Chinese and Indians was also developing.(Hua, 1986:52-58). Straddling both the capitalist and peasant sector were the British administrative elite; with the Malay ruling class making up a small but significant part of this elite. (Hua, 1986:29-32).

- The State

The ascendence of British power brought about considerable changes in the Malay states. The very structure and institutions of the state were changed or reorganized to meet the needs of the new dominant class. State powers were centralized and vested in an effective bureaucracy. This was necessary for efficient revenue collection, control of land alienation, maintenance of the peace and to operate

appropriate developmental and fiscal plans to meet the needs of the British colonial interests.

In addition, the British abolished slavery and the tribute system and in its place established a system of taxation. This allowed for greater centralization and more efficient revenue collection. In lieu of tributes and slave income, the sultans and district chiefs were compensated by payments of state funds to maintain them. This made them directly dependent on the British. Nonetheless, with the backing of a centralized government and British power, the dominance of the sultan and his court over Malay society was increased; it was no longer tenuous and subject to threat from district or territorial chiefs. This made British control of the Malay states even easier and their dominance more complete. Thereafter state policies mainly reflected the needs of British capital vis a vis the other classes. (Amin & Caldwell, 1977:26).

As mentioned earlier, the British took total control of land alienation. The control of the land allowed the government to alienate large parcels of prime land to British capital for development of tin mines and rubber plantations (Sundaram, 1988:86-87). At the same time, the peasantry who were switching over to rubber cultivation because they found it more profitable than rice were discouraged from doing so. They were discouraged for two main reasons. Firstly, British capital did not want competition in rubber growing which could

lead to lower prices. Secondly, British capital needed to expand food supply to meet the increasing demands of the expanding labor force. Thus various legislation, such as the Rubber Lands Enactment Act of 1917 and the Stevenson's Rubber Restriction Act of 1922 were enacted to discourage them. These Acts favored the large plantations in terms of production quotas or subsidies, thereby making smallholder production less profitable (Mehmet, 1986:104; Hua, 1986:38-39).

At the same time, the easy availability of land which was customary in peasant society was now curtailed. Further, the introduction of private rights to land ownership commoditized land, making it subject to trade. This led to rapid sale of land to the Chinese and Indians by Malay peasants seeking to make windfall profits. The British, appreciating the problems of a landless peasantry put a stop to it. A Malay Land Reservations Act was passed in 1913 in the Federated Malay States and slightly later in the other states. This Act forbade the sale of Malay land in these reservations to non-Malays. However, this Act in conjunction with the introduction of the commercial credit system into the peasant economy, led to increased inequality within the peasant sector. Impoverished peasants, in need of money, had to sell their land to the wealthier Malays leading to the concentration of landholding. (Sundaram, 1988:60).

Thus, the Malay peasants who were restricted from the commercial economy remained within the subsistence sector and

remained producers and suppliers of cheap food for the expanding wage labor force. The shortage of cheap local labor led to government encouragement of immigration of labor from India and China. In 1907, a government subsidy program for transportation of workers was set up. This led to the introduction of Indians and Chinese to the more productive capitalist sectors, while the Malays remained within the less productive pre-capitalist subsistence sector. This gave rise to a particular regional and sectoral distribution of Malay and non-Malay populations as well as to the identification of particular types of economic functions with particular races (Ooi, 1963:115, 120-122).

The working conditions for this immigrant labor were atrocious. At the turn of the century it was common for more than 10 per cent of the workforce in an estate to die of disease. However, the transient nature of the labor force, the control of labor resulting from the indenture system, poor communication and especially government complacence ensured that these rubber plantations and tin mines continued to have an adequate supply of cheap labor. (Amin & Caldwell, 1977:24, 45-46).

This led, in the 1930s, to the establishment of trade unions and increased agitation for better working conditions. There was no response on the part of the government to enact legislation to protect the rights of the workers and led to

the continuation of the cheap labor policy[1]. Furthermore, during this period, Government expenditure mainly benefitted British capital. The major part of the state budget, other than military expenditure, was spent on the construction of infra-structure such as roads, railroads and ports which were useful for the transport and export of production from the rubber estates and tin mines. This led to the rapid development of the modern, urban sectors at the expense of the traditional, rural sectors where hardly any funds were spent for development (Amin & Caldwell, 1977:24; Lim, 1981:214-215).

- Development and Uneven Development

The rapid industrialization of Europe and America during the 19th and 20th centuries led to a vast demand for raw materials and a search for new markets for the large quantities of products that were spewing out of these factories. The capitalist penetration of Malaysia and the British domination of the Malay states, to be fully understood, must be seen within this context. The aim was to create stable political conditions to facilitate trade as well as gain control of the resources of the mainland so as to produce raw materials to meet the needs of the factories of Europe and America (Amin & Caldwell, 1977:14-15; Hua, 1986:25).

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[1] Refer to earlier discussion on page 48.

The huge demand of the world markets for raw materials demanded the creation of vast sources of supply. Production on an independent basis was no longer adequate to meet the need for raw materials. Thus production had to take place on a more structured and organized basis. This could be done most efficiently on the basis of wage labor which would allow for the organization of production based on a division of labor and thus lead to cheaper production costs and higher profits.

Therefore political control of Malaya provided the stable conditions as well as the control over resources that was necessary for the large scale production of raw materials. The importation and exploitation of Chinese and Indian workers provided the cheap labor while restrictive government policies ensured the production of cheap food supplies for the labor. Hence, investments in rubber and tin production made huge profits, sometimes as much as 200 per cent a year at the expense of the working class and the peasantry. Part of these profits were then reinvested to make more profits while part was repatriated to Britain in terms of profits, interest, dividends, expatriate salaries, or reserves. The government too repatriated part of the taxes it collected as payment for military services, civil servant salaries and government reserves. This constant outflow of funds from Malaya resulted in the stunting of the economic development of the country. At the same time the inflow of these funds, in combination with other funds from other colonies, into Britain and the

consequent " multiplier effect " on Britain's economy would help to enhance British development (Mehmet, 1986:100-103; Amin & Caldwell, 1977:24, 45-55; Sundaram, 1988:61-63). This was be the primary cause of the relative underdevelopment of Malaya within the world economy.

Within the Malay states, production took two distinct forms - capitalist and pre-capitalist. Within the capitalist sector the relations of production was based on wage labor while within the pre-capitalist sector it was based on family units working at tenant farming, sharecropping or independent production.

Within the capitalist sector, the availability of cheap imported labor and the government's substantial expenditure on infrastructure and cheap land policies enabled the capitalists to enjoy high profits and thus accumulate capital at a very rapid rate. Part of this capital was reinvested leading to a rapid expansion of the Malaysian capitalist sector and a concentration of wealth in the hands of a few capitalists. Thus, even a dozen years after Independence, in 1969, a small class of British capitalists controlled more than 60 per cent of the Malayan corporate economy, while another small, but more widely dispersed, class of Chinese controlled most of the remaining corporate sector (Amin & Caldwell, 1977:24; Hua, 1986:42-43; Sundaram, 1988:264).

Within the pre-capitalist sector, surplus accumulation was much slower. This was primarily because of the use of

traditional production techniques and because most of the production in this sector was for direct consumption. Productivity was low and production for exchange was, thus, limited and hence surplus accumulation too was limited. The presence of the middleman and the commercial credit system too led to an outflow of capital from this sector. Nonetheless economic surplus creation took place. The large landowners took a share of the tenant farmers crop as payment for use of their land. The wealth that was accumulated in this way was then used as usury capital and not as commercial capital. This process, in combination with restrictive land policies, led to the increased impoverishment of the peasants who normally borrowed these funds at high rates. The end result of this process was the increased concentration of land ownership and the creation of increasing numbers of tenant farmers and free wage labor and the reduction of independent producers (Sundaram, 1988:48-51).

This resulted in uneven development in Malaysia taking particular forms. Uneven development was primarily evident between the modern and traditional sectors as evidenced by the differences in relative per capita income and output between these sectors; for example, in 1960, the per capita gross output of labor in padi production was only M$ 576/- annually as compared to M$ 2,754/- for labor in rubber production (Lim, 1967:30). Furthermore, the distribution of modern and traditional sectors within the Malaysian states also resulted

in the occurrence of regional uneven development. Thus, the western and southern states of Perak, Selangor, Negri Sembilan and Johore as well as Penang and Johore were more highly capital intensive and so relatively more developed then the eastern and northern states of Kedah, Perlis, Kelantan, Trengganu and Pahang. Thus, for example, the former states had 72 per cent of all the rubber estates in P. Malaysia as compared to only 17 per cent in the latter states in 1962 (Lim, 1967:330).

Moreover, modern production methods were identified with particular industries such as manufacturing, mining and commercial agriculture while traditional production was identified mainly with padi and fishing. Thus productivity and capital accumulation within these industries varied considerably, leading to uneven development according to economic activity. Moreover, the non-Malays were identified with the modern sector while the Malays were primarily identified with the traditional sector. This led to greater productivity and capital accumulation among the non-Malays and lower productivity and capital accumulation among the Malays. This led to the identification of uneven development along racial lines (Young, 1980:3-4).

CHAPTER 4

THE POST-INDEPENDENCE PERIOD

1957 - 1969/70

- Social Formation, Class and Race Relations

During colonial times the British were unquestionably the dominant class and all others subordinate to them. Just below them were the Malay aristocracy and bureaucrats, the Chinese towkays and the Indian professionals who in various ways served the needs of British capital. After Independence, British political dominance was replaced by a combination of these same class fractions through their control of the Alliance Party which comprised the United Malay National Organization (UMNO), the Malayan Chinese Association (MCA) and the Malayan Indian Congress (MIC) (Amin & Caldwell, 1977:31, 249).

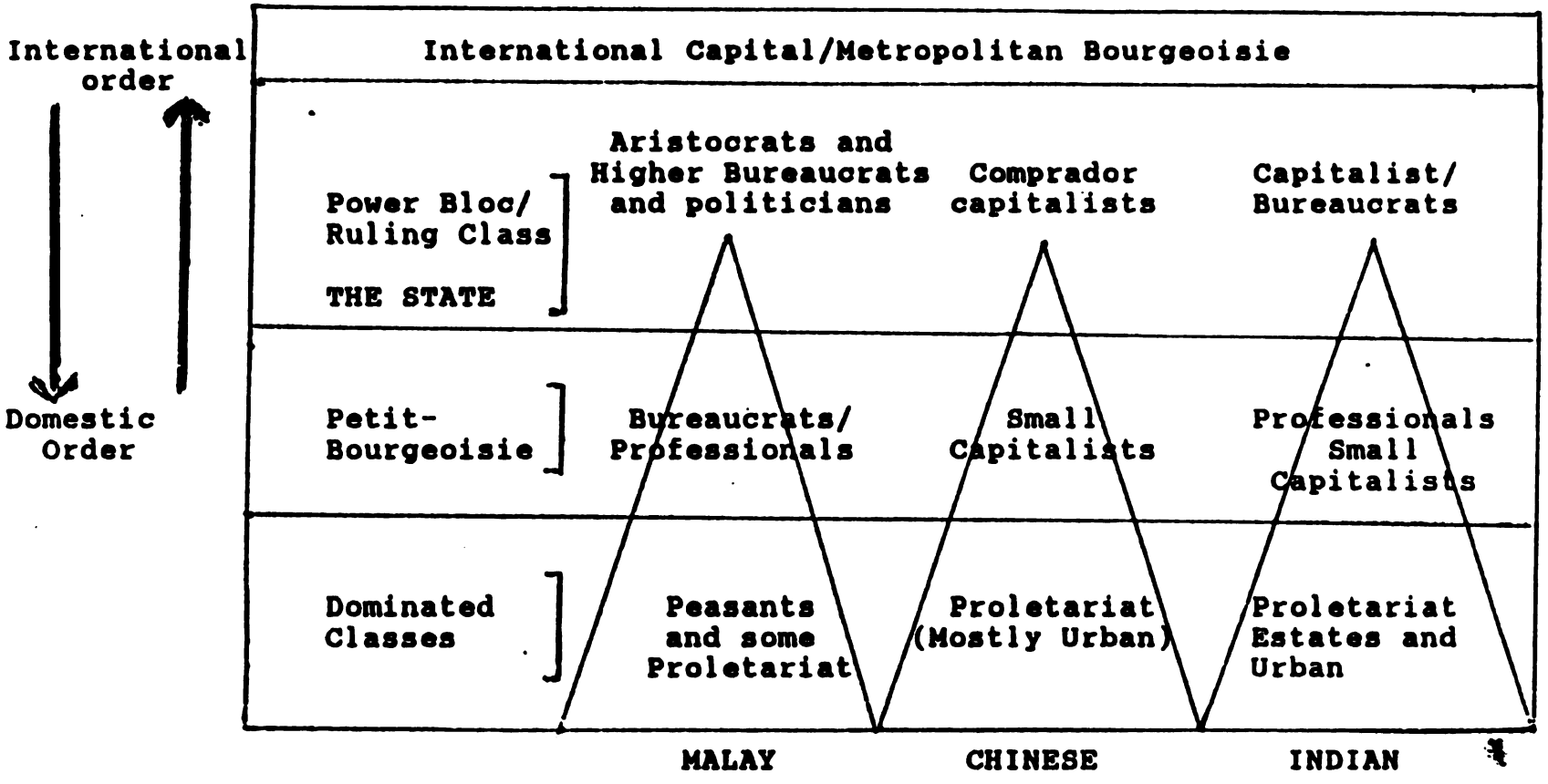
The coming to power of the Alliance Party , was to some extent, made possible by the colonial government's repressive actions against the more militant nationalists and class based organizations. As mentioned earlier, in 1947, the two largest and most militant trade unions, the Pan Malayan Trade Union Congress and the Pan Malayan Federation of labor were deregistered and the most radical workers deported as undesirable aliens. In 1948 the radical Malay Nationalist Party was banned and an 'Emergency' was declared against

communist insurgency. With the working class organizations and radical movements destroyed or made illegal, the Alliance Party, representing ruling class interests had no problem mobilizing the necessary support to win the 1955 elections which were carried out under the auspices of the colonial government as a prelude to Independence. (Amin & Caldwell,1977:249; Hua,1986:89-91).

The Alliance, however, came to power on the basis of negotiated understanding between the partners as well as the colonial government. The non-Malays would be granted citizenship rights and unencumbered freedom to pursue their economic interests in return for special privileges for Malays. These special privileges, included among others, the preservation of the special position of the sultans, political hegemony of the Malays, special quotas for the Malays in terms of employment in the public sector and in scholarships, and the acceptance of Malay as the national language and Islam as the state religion. In brief, the contract called for Malay political dominance in return for non-Malays enjoying continued economic dominance. (Hua, 1986:102-107; Amin & Caldwell, 1977:249-251).

However, there was a significant problem inherent in this arrangement. Only a small number of Malays actually held political power while only a small minority of non-Malays held considerable economic assets. Hence, the interests of the majority of the people were not considered within this

FIGURE 1. MALAYSIA: CLASS AND RACE



Note: Figure 1 is adapted from M. Brennan. 1982. pp. 192.

arrangement. The interests of the dominant groups would, however, be maintained through repressive legislation, such as the Internal Security Act (ISA) and intermittent declarations of 'Emergency' rule which could be used to repress any opposition. Thus, for example, parliamentary rule was dissolved in 1969, following the race riots which resulted in the deaths of hundreds of Malays and non-Malays after a relatively poor showing of the Alliance Party in the general elections. (Brennan, 1982:204-209; Clutterbuck, 1985:294-296).

UMNO itself was dominated by three main fractions, the traditional Malay aristocracy, the large rural land owning class and the senior Malay bureaucrats and bourgeoisie. At the time of Independence, the leadership of UMNO rested with members of the aristocracy. However, as the government took on new functions and its size increased, the number of Malay senior bureaucrats increased. At the same time the greater opportunities available to Malay businessman after Independence resulted in the number of Malay bourgeoisie in urban areas increasing and becoming more politically active. Thus the balance of power within UMNO shifted away from the aristocratic fraction towards the Malay bureaucrats and petty bourgeoisie. (Brennan, 1982:196-197, 209-210; Lim, 1985:49-56).

At the same time the policies followed by the government benefitted the big capitalists and not the petty bourgeoisie or peasants. This led to an increased demand within UMNO for

changes in policy. The demand for changes in policy rested on three main factors. Firstly, the policies of the government was alienating the working class and peasantry on whom the bourgeoisie depended for political power. Secondly, the bourgeoisie and the bureaucrats wanted to build an economic base for themselves commensurate with their political power; but this was again being inhibited by government policy. Thirdly, the nationalistic and ethnocentric minded leaders of UMNO wanted to break the stranglehold of the British and Chinese capitalists on the Malayan economy. However, the close working relationship between the old guard in UMNO and the Chinese and British capitalists inhibited change (Lim, 1985:43-44).

This led to an increasingly vocal public rhetoric on the part of the bourgeoisie and bureaucrats about Chinese economic oppression of the Malays and the need for change. This was because the Chinese controlled the non-monopoly small business sector which was the only kind of businesses the Malay petty bourgeoisie could reasonably hope to enter. The British who were involved in the more monopolistic businesses were not included in this rhetoric. (Sundaram, 1988:253; Lim, 1980:54-56).

At the same time, the English speaking business owners and professionals of the MCA and MIC respectively, who had traded away the non-Malay rights to a vernacular education and language in return for greater freedom to pursue their

business interests, were losing support among the general non-Malay population. The non-Malay working classes, increasingly disappointed with government policies which downgraded vernacular education and language, turned towards opposition parties for leadership. At the same time the government's land policy and preferential treatment for Malays in government employment, and provision of certain business licenses, and scholarships further aggravated them as it reduced their employment opportunities. This led to an increasingly public expression of dissatisfaction by the non-Malays of Malay political oppression and unequal treatment (Cham, 1975:449-450; Clutterbuck, 1984:293).

In this way, class and racial interests became intertwined in the years leading up to 1969. The 1969 general elections were held amidst charges of racial oppression. The Malays charging economic oppression while the non-Malays charging political oppression. The Alliance party won; but less convincingly then in the previous election in 1964. The MCA and MIC, in particular, did poorly indicating lack of non-Malay working class support for the Alliance party (Clutterbuck, 1984:294-296; also refer to table 9 in appendix).

The heightened tensions and anger generated by the elections led to race riots in which hundreds of people were killed. It also led to the implementation of a state of 'Emergency' and the dissolution of parliamentary rule.The

riots were blamed on Malay frustrations over Chinese domination of the economy and Malay poverty. This led to a demand for greater opportunities for Malays to participate in the economy. Consequently, it led to the implementation of the New Economic Policy in 1971 which was primarily a policy aimed at improving the lot of the Malays vis-a-vis the other races. Thus 1969 marked a watershed in race and class relations in Malaysia. The comparatively good relations between the races before 1969 was replaced by suspicion and distrust, and politics and government policy became increasingly racialized (Snodgrass, 1980:54-56; Hua, 1986:142-149; Lim, 1980:147-149; Clutterbuck, 1984:297-302).

- The State

The granting of Independence in 1957 resulted in changes in the relative influence of the ruling classes on the state. As mentioned earlier, political power now rested with the leaders of UMNO, MCA and the MIC. However the implementation of a democratic electoral process resulted in the ruling class becoming dependent on the votes of the peasantry and the working class to stay in power. Consequently UMNO, which represented the Malay majority, became the dominant party in Malaysia; and the dominant fractions within UMNO became the major influence within the Malaysian state. (Hua, 1986:109).

At the same time, the British who no longer retained direct political power still controlled a major part of the

corporate economy. As late as 1969, they controlled 61.7 per cent of the corporate assets of the country while the non-Malays controlled another 34 per cent. (refer to Table 5 in appendix). Thus the local government was still dependent on the British and Chinese business interests for state revenue from taxation and duties. This gave the British and Chinese business interests a considerable say in government policy. Within the civil service, members of the Malay aristocracy, who had held middle level positions under the British now became the senior officials in the various government departments, suggesting and implementing policy. At the same time, senior British civil servants were retained in key positions, for several more years , to help in planning and implementing policy (Amin & Caldwell, 1977:265).

Thus a combination of continued British and Chinese economic dominance, a state bureaucracy run by old colonial hands and the retention of political power in the hands of the traditional local elite led to a continuation of state policies inherited from colonial times (Lim, 1981:216).

Consequently a laissez faire economic policy was followed, with minimum regulation of banking, commerce and industry. All development plans before 1970, such as the First and Second Malayan Five Year Plans, covering 1956-1965, as well as the First Malaysian Five Year Plan from 1966-1970 stipulated that the role of the government should be primarily as providers of adequate facilities, such as

communication, infrastructure, utilities, trained labor force and finance to the private sector (Lim, 1981:211).

Nonetheless, the state also carried out some rural development and industrialization policies such as import substitution aimed at decreasing dependence on the international economy. However, because of the lack of adequate regulation these policies worked to the advantage of metropolitan capital. They simply used the tariff walls erected to protect local industries and other tax incentives[2] to go into these import substitution industries and thus control the local market. Thus Malaysia's industries became increasingly enmeshed with metropolitan capital (Lim, 1981:211-216). Similarly, rural development plans were limited by class interests. The Malay Reservations Act of 1913 remained intact because of the interests of the large landowners to maintain it. Similarly, rural and agricultural development expenditures, in the First and Second Five Year Plans between 1956-1965, accounted for only 23 per cent and 17 per cent respectively of the total expenditure of approximately M$ 3.66 billions whereas expenditure on infrastructure for the same period accounted for 52 per cent and 47 per cent respectively (refer Table 10.1). At the same time, of the limited amount spent on agriculture during the

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[2] These tax incentives were created in the "Pioneer Industries Act of 1956" and "Investment Incentives Act of 1968".

First Five Year Plan, 55 per cent was spent on rubber replanting which benefitted the plantations rather than the peasantry. Thus these policies continued to serve the needs of the capitalists interests and were inimical to the development of the peasantry and the working classes (Hua, 1986:131-134; Lim, 1981:211-214).

- Development and Uneven Development

After Independence, local capital expanded at a much faster rate than during colonial times, as the new local ruling classes sought to increase their participation in the economy. New industries, banks and insurance companies were set up with local capital. However, due to the insufficiency of Malay and Indian commercial capital most of the expansion in the larger businesses took place within Chinese capital with the involvement of a very few wealthy Malays. Most of the Malay and Indian participation came at the petty bourgeoisie level. At the same time British capital continued to dominate the economy, controlling almost 62 per cent of the corporate economy as late as 1969. This was made possible by the government's laissez faire economic policies which allowed them to continue investing in the Malaysian economy and transfer profits, dividends and reserves back to the metropolitan center without any hinderance. (Tan, 1982:137-191).

At the same time, the government development policy continued to be aimed at facilitating development within the modern sector rather than the peasant sector. Thus during the period 1956-1970 the government spent only M$ 1.9 billion on rural and agricultural development, out of a total of approximately M$ 7.85 billion, even though the majority of the population, approximately 73 per cent in 1957, lived in rural areas and most of them were Malay peasants. Further, as mentioned earlier, even out of this expenditure almost 50 per cent went for rubber replanting which benefitted the large rubber plantations rather than the peasant smallholder.

At the same time approximately 50 per cent of the government expenditure was spent on infrastructure for the benefit of the large plantations, tin mining companies and other industries (Hua, 1986:112-115).

Furthermore, the continuation of the Malay Reservations Act and the increasing influence of commercial credit on the peasant sector continued to impoverish the peasants and lead to land concentration. Thus according to the 1975 Malaysian Treasury Report (p.102), as quoted in Lim, (1980:148) ".... every year almost 10,000 peasants become landless whereas only about 31,000 families were resettled in government land development projects over a 20 year period between 1956-1975." Thus this period, 1957-1969, was characterized by the continuation of high degrees of poverty and racial and class inequality in wealth. Snodgrass, (1980:83-84) states, that

during this period all three racial groups shared significantly in aggregate income growth, but the general trend was one of increasing inequality. He indicates that whereas in 1957/58 the intra group inequality was highest among the Chinese and lowest among the Malays, by 1970 this ranking was reversed. Snodgrass, also states that at the end of this period the average Malay household income was still half the non-Malay household income (refer to tables 3 and 4 in appendix). Similarly, Tan Tat Wai (1982:120) shows that in 1957/58 the top 10 per cent of Malays, Chinese and Indians accounted for 27.6 per cent, 31.5 per cent and 29.5 per cent of the income share of each racial group. However, by 1970, the top 10 per cent of each group accounted for 36.2 per cent, 37.1 per cent, and 39.6 per cent respectively. Similarly, the bottom 40 per cent of the Malays, Chinese and Indians accounted for 19.5 per cent, 18.1 per cent and 19.7 per cent respectively of each racial groups income share in 1957. By 1970, their respective shares were down to 12.7 per cent, 13.9 per cent and 14.3 per cent. In fact, during this period the actual standard of living of the bottom 40 per cent of the Malaysian population in general fell by 13 per cent from M$86/- per month to M$75/-. At the same time the employment situation in the country deteriorated. Official unemployment figures showed an increase in the number unemployed from 6.5 per cent in 1965 to 8.0 per cent in 1970 (Malaysia, 1971:102). Thus, the period 1957-1970 reflected not

only increasing class inequality but actual decline in the standard of living of a large section of the population.

1970/71 Onwards

- The State

The general elections and race riots of 1969 showed the general public's disillusionment with the Alliance government. The MCA and MIC leadership, especially were discredited because of their poor showing in the general elections. At the same time, within UMNO, the old leadership lost influence and power and the bureaucratic and bourgeoisie class fractions gained power. This fraction soon led the Alliance parties to form a broader governing coalition in 1974. Opposition parties that had gained increased popularity and state power in some of the states were co-opted to join the ruling coalition to form a new governing coalition called the National Front[3].

Among the opposition parties joining the coalition was the only effective Malay opposition party, The Partai Islam. At the same time the lack of support for the MCA and the MIC during the 1969 elections and the incorporation of new

[3] Of the parties from P. Malaysia, the National Front comprised of the three Alliance parties of UMNO, MCA, MIC, and the Gerakan Rakyat, which had won in Penang, the Peoples Progressive Party in Perak and the Parti Islam, which formed the government in Kelantan in December 1972.

parties into the coalition increased the dominance of UMNO within the ruling coalition. Thus opposition to the ruling class was again effectively eliminated by co-optation (Hua, 1986:148-153; Cham, 1975:450; Clutterbuck, 1984:302-305).

The increased dominance of UMNO and the cowing of public opposition through the imposition of martial law allowed UMNO to dictate changes in economic policy which had not been possible earlier. They immediately implemented a scheme that would not only build them an economic base but also help stabilize their political support among the rural poor. This scheme was the New Economic Policy (NEP) and it was integrated into the Second Malaysian Five Year Plan (1971-1975). The two main aims of this policy, as mentioned earlier were, to eradicate poverty, irrespective of race and to restructure the economy, so as to eliminate the identification of race with economic functions. The euphemistic terminology of the policy objectives disguised the primary intent of the policy; it was to use the state apparatus to help accumulate wealth for the Malay bourgeoisie. This was stated in the Second Malaysia Five Year Plan (Malaysia, 1971:7), as follows:

> " The government will participate more directly in the establishment and operation of a wide range of productive enterprises. This will be done through wholly owned enterprises and joint ventures with the private sector. The necessity for such efforts by the government arise particularly from the aim of ..... creating a Malay commercial and industrial community."

To achieve the first aim, that is, to reduce poverty, rapid socio-economic development was to take place with significant participation of the poor[4]. In the process Malays and other indigenous people were targeted to own 30 per cent of the share capital of the Malayan corporate sector as compared to only 2.4 per cent in 1970. The share of the other Malaysians was to increase from 34.3 per cent in 1970 to 40 per cent in 1990 while the share of foreigners was to decline from just over 60 per cent in 1970 to 30 per cent in 1990. The second objective called for a restructuring of society at three levels, that is, employment by sector, employment by occupation and ownership of equity in the Malaysian corporate sector, to approximate closely the racial distribution of the country which at this time was 54 per cent Malay, 35 per cent Chinese and 10 per cent Indians. The New economic Policy stipulated that these changes would result from redistribution of economic growth rather than redistribution of existing resources (Lim, 1983:3; also refer to tables 1.1, 1.2 and 1.3 in appendix).

The strategy for poverty eradication included extensive new land development to resettle the increasing number of landless in the peasant sector, increased subsidies and replanting grants for existing farmers and special programs

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[4] The aim was, more specifically to reduce the number of total poor households form 49.3 per cent in 1970 to 16.7 per cent in 1990 (Malaysia, 1981:31).

for target groups, such as padi farmers, who would be taught double cropping techniques and given high yielding seeds. It also included rapid creation of job opportunities in the urban based industrial, service and government sectors.

The strategy for restructuring society included the development of appropriate education and training programmes for Malays, the establishment of various financial, industrial and marketing institutions to provide credit, consultancy services and administrative support for Malays going into business as well as to participate directly in business and other forms of developmental activities. At the same time it required companies that enjoyed any form of fiscal incentives from the government to set aside at least 30 per cent of their share capital for Malays and to ensure that at least 30 per cent of their employees were Malays or other indigenous people (Young et al., 1980:61-70).

The eradication of poverty and the restructuring of society, therefore, depended on four main elements. Firstly, that the government use an increasing share of its resources for developmental expenditure. Secondly, a rapid industrialization policy be implemented, based on export promotion, as the local market was limited. Thirdly, a rapid new land development scheme needed to be carried out to absorb the increasing number of landless peasants. Finally, a balanced regional development needed to be emphasized with

the provision of infrastructure and other incentives to encourage advancement in the less developed regions.

- Social Formation, Class and Race Relations

The New Economic Policy (NEP), was introduced in 1971, as a response to the race riots of 1969. The riots resulted from Malay dissatisfaction arising out of their greater relative poverty, their exclusion from the business sector and the general lack of opportunities for them within this sector. It also resulted from frustration at the domination of the Malaysian economy by foreigners and the non-Malays even while the Malays were politically dominant. The implementation of the NEP wrought considerable changes in the social formation and social relations in Malaysia. To achieve the NEP objectives, considerable expansion took place in the government's development expenditure between 1971 and 1985. The total public development expenditure was M$ 81,226 millions as compared to only M$ 7,901 millions in the previous 15 years from 1956 to 1971. Of the total public sector expenditure for 1971-1985, M$ 24,056 million was used for public sector financing of private investments (Lim, 1981:219; Malaysia, 1986:209, also refer to tables 10.1 and 10.2 in appendix). These funds were used by the government to establish hundreds of federal and state agencies participate in economic development and capital accumulation process. Three main types of state agencies were set up. The first

type were investment agencies, such as Pelaburan National Berhad (PNB) or the National Investment Company, which used state funds to buy into the largest corporations in Malaysia and to hold them in trust for the Malays until they could buy them at a later date. The second type, such as the Perbadanan National Berhad (PERNAS) or National Trust Company, used state funds to go directly into the commercial, financial and manufacturing sectors and competed directly with the private sector. The third type, such as, the Federal Land Development Authority (FELDA), were those state agencies that were aimed at rural development and which helped open up and plant millions of acres of new land with commercial agricultural crops such as rubber and oil palm, for the export market. They also helped with the marketing of produce from both this commercial sector and the subsistence sector. (Malaysia, 1981:223- 225).

The expansion of state agencies created huge fiefdoms for the leading Malay bureaucrats, politicians and businessman who were brought in to run these new agencies and companies which had budgets often running into hundreds of millions of dollars. Thus, for example, The Federal Land Development Agency (FELDA) and the Urban Development Authority (UDA) spent M$ 2.4 billions and M$ 423 millions respectively during the 1971-1980 period, while Pelaburan National Berhad (PNB) alone spent M$ 425 millions during 1976-1980 and an estimated M$ 1.5 billion between 1981-1985 (Malaysia,

1981:241). The extensive funds available to these 'administocrats' made them capable of great patronage and subsequently also provided the basis of extensive corruption. Most of them would built close working relationships with leading local non-Malay entrepreneurs as well as foreign investors to build up private companies for themselves. This was often done with the " blessing " of the government which sought not only to create a Malay middle class but also a class of Malay millionaires to match the wealthy Chinese entrepreneurial class (Ozay Mehmet, 1988:preface - quoting the Malaysian Prime Minister, Dr. Mahathir). These fiefdoms made them an extremely powerful class fraction, with their own particular agenda and having considerable influence on society and the developmental process.

The establishment of these state run enterprises also led to direct competition between the state enterprises and the private sector for the limited business opportunities available in the Malaysian economy. The leading local non-Malay and foreign entrepreneurs, however, were less subject to the competition as they worked in tandem with the new state enterprises. The bureaucratic bourgeoisie fraction, who did not have much business experience, and the foreign and especially the local Chinese capitalists who needed their influence, worked out mutually beneficial joint-venture operations and other " Ali-Baba " deals; that is, deals where influential Malays fronted for non-Malay businesses to obtain

licenses, contracts, and cheap financing in return for various free benefits such as shares, salaries or directorships in companies. Thus, the pervasive government presence in the private sector and the close working relationship between the dominant classes of all races as well as the foreign investors created huge inter-locking corporations with inter locking directorates which dominate the Malaysian economy. Consequently, the class of people who were most affected were the non-Malay bourgeoisie, who did not have much influence in government circles and hence were left with reduced opportunities (Hua, 1986:172-177; Tan, 1982:190-191, 301-307; Mehmet, 1988:112-117).

The establishment of all these agencies led to the ballooning of government sector employees from 396,000 in 1970 to 820,000 in 1985 (Malaysia, 1981:81; Malaysia, 1986:119). Since almost 75 per cent of all government jobs were reserved for Malays, this created a considerable number of jobs for them at all levels of employment. Furthermore, the expansion of government spending not only led to the establishment of numerous government agencies and companies but also led to the rapid expansion of manufacturing and new land settlement schemes. For example, employment in manufacturing went up from 386,500 in 1970 to 828,000 in 1985 (Malaysia, 1981:81; Malaysia, 1986:102). Here again government quotas for Malays increased employment opportunities for this group. On the other hand, the quotas restricted non-Malay employment

opportunities. Nonetheless, because of their lack of training and education the Malays ended up holding the lower rung jobs in industry (Malaysia, 1986:118-121).

At the same time, a rapid expansion in higher education was instituted by the government to meet the needs of increasing employment opportunities. Thus, while in 1970 there were 10,995 students enrolled in institutions of higher learning, by 1980 this had increased to 34,000 (Malaysia, 1981:92-94). Of these places over 70 per cent was reserved for Malays. Here again non-Malay opportunities were restricted. Those who could afford it had to look to foreign universities to complete their education and training (Malaysia, 1986:488-491).

The rapid expansion of employment creation in the urban areas led to rapid urbanization. Between 1971 and 1985 the urban population more than doubled from 2.6 millions to 5.3 millions. The Malay proportion of the urban population expanded most rapidly. This substantially affected the pattern of racial population distribution in the urban centers. The population of Malays in the urban population went up from 27.1 per cent in 1971 to 41.3 per cent in 1985 while the non-Malay proportion went down from 72.9 per cent to 58.7 per cent during the same period (Malaysia, 1986:134; also refer to table 6 in appendix).

At the same time the lack of adequate housing led to the rapid expansion of squatter settlements in the fringes of

major urban centers. Thus, in Kuala Lumpur alone, some estimates have put the squatter population at a quarter of the total population, of one million. Michael Johnstone (1981:337) states that the Malay component of the squatter population increased from 25 per cent in 1970 to 38 per cent in 1975 and was expected to reach 50 per cent by 1980. This in effect reflects the transfer of rural poverty into continuing urban poverty.

The rapid changes in the social formation, political power, governmental policies and availability of opportunities between the various races led to considerable changes in class and race relations. For the working class non-Malays, the reduction in political power and influence, as well as in opportunities for employment, education and business created resentment against the Malays. The proletarianized Malays who were rapidly urbanizing and holding lower rung jobs in industry too were becoming increasingly aware of the disparity in wealth between themselves and the non-Malays and increasingly resenting it. These resentments were keyed up regularly, during the various party and general elections, when Malay politicians voiced their resentment of non-Malay economic domination and non-Malay politicians ranted about Malay political oppression. This has produced a climate of political and economic uncertainty in Malaysia. (Aznam, 1989:28-33).

At the same time, the increased proletarianization and urbanization of the Malay peasantry, the increasing land concentrations in rural areas, and wealth concentration in general, as exemplified by the fact that the top 40 shareholders out of the 797 largest shareholders of Malaysia's largest corporations held nearly 63 per cent of the total shares in these companies in 1983, as well as the obvious corruption and mismanagement in government has created increased class awareness and resentment among the Malay working class and peasantry. This has resulted in an increase in tension between the dominant classes and the peasantry and working classes (Mehmet, 1989:112-117, 147-151; Seaward, 1988:56 & 1988:66).

Another feature resulting from the NEP, and the consequent concentration of power and wealth ownership in the hands of a small class fraction has been the increasing repression practiced by this class to maintain their hold on power and wealth. Thus, in the 1970s when mass protests resulted from general dissatisfaction, the government enacted various repressive legislation to increase its control over the citizenry as well as increasingly used its Internal Security Act to detain people who in any way threatened their hold on power. In November 1974, for example, when 12,000 peasants of Baling took to the streets to protest conditions in the rural sector, resulting in student support and sympathy demonstrations in the various universities, the

government passed the 'Universities and University Colleges Act' which forbade students from " doing anything that can be construed as expressing support, sympathy or opposition to any political party or trade union". Later in 1978, when the workers of the Malaysian Airlines went on strike, 22 of their members were arrested and detained under the ISA. At the same time 10,000-15,000 farmers were demonstrating for higher prices for padi in the Muda Scheme. There the government arrested 92 of the farmers and charged them in court. (Halim, 1982:272).

- Development and Uneven Development

The government's anti-poverty strategy called for rapid industrialization as well as rural development. At the same time the government's restructuring program called for greater Malay ownership of corporate assets. Hence, the government's entry into the private sector resulted in the taking over of the large, mostly British owned, foreign companies such as Sime Darby, Harrisons and Crossfields and Malaysia Mining Corporation. The owners of these companies were paid their full value, which usually ran into the hundreds of millions of dollars, such that foreign investors' faith in the Malaysian Government and the Malaysian investment environment was maintained. At the same time, it resulted in considerable outflow of capital from the country. (Hua, 1986:185-186; Lim, 1980:46-47; Clutterbuck,1984:307).

This outflow of capital funds was balanced in two ways. First, extensive foreign borrowing took place to finance the development plans. Thus foreign borrowing increased from M$ 701 millions in the 1966-70 period to M$ 5,990 in the 1971-1980 period (Lim, 1981:221; Malaysia, 1981:132) and increased further to M$ 14,436 in the 1984-1986 period (Malaysia, 1987:226). Second, foreign investment was encouraged. It was seen, not only, as a source of funds, but also of new technology and was encouraged as a means of expanding the industrial sector rapidly and creating employment for the vast rural unemployed. This foreign investment was wooed by the provision of various incentives. These incentives included: various tax benefits such as tax exemption for the first few years for firms with pioneer status; maintenance of an " open economy ", so that capital funds, profits, dividends, interest payments and salaries could be easily remitted in and out of the country; the maintenance of cheap labor policy by keeping trade unions submissive or banning them; as in the case of the electronics industry (Seaward, 1988:80) and the provision of infrastructure and free trade zones. Between 1971-80 an estimated M$ 10,193 millions in net private long term capital inflows took place (Malaysia, 1981:139:Table 7.1). Consequently, even though the foreign share of the local corporate sector declined from almost 62 per cent in 1970 to 25.5 per cent in 1985, the actual value of foreign investments

increased from approximately M$ 4 billion in 1970 to approximately M$ 19 billion in 1985. (Malaysia, 1986:122).

The increased foreign borrowing and investments, in turn, led to the increased outflow of capital from Malaysia in the ensuing years, in the form of interest, loan repayments, profits and dividends. This became an even more serious problem in the second half of the 1980s when foreign currencies like the Yen, the Deutschemark and the British Pound, appreciated sharply against the Malaysian Ringgit leading to a sharp rise in foreign debt and consequently to very high repayment rates[5]. Foreign debts rose sharply from M$ 37.2 billion in 1984 to M$ 42.3 in 1985 and M$ 51 billion in 1986. At the same time, the debt service ratio to export income rose sharply from 11.8 per cent to 15.8 per cent and 17.6 per cent during the same period. The outflows of profits and dividends alone, for 1985 and 1986, amounted to M$ 5,665 and M$ 5,101 respectively (Malaysia, 1987:227). This rapid outflow of funds put increasing pressure on the government to woo foreign investment to offset the capital outflow, and hence continue to provide increasingly attractive investment incentives. Thus the cycle continued (Malaysia, 1986:172-173).

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[5] Exchange Rates (equivalent Malaysian $)

	1985 (Dec.)	1988 (June)
1 US Dollar	2.43	2.67
1 Br. Sterling	3.51	4.50
1 Duetschemark	0.97	1.43
100 Yen	1.19	1.99

This led to two consequences. First, the cheap labor policy and all the other incentives were maintained as a mainstay of attracting foreign investment, leading to increased inequality between classes within the country as local capitalists too enjoyed the benefits of cheap labor and other incentives. Secondly, Malaysia continued to be underdeveloped in relation to the metropolitan centers as foreign companies continued to make exorbitant profits and remit them back to their home countries resulting in the multiplier effects of income generation being felt in the home countries rather than in Malaysia where the income was produced (Malaysia, 1986:353-354; Tan, 1982:245).

Furthermore, the government's industrialization and new land development schemes were export oriented because of the limited local market. This led to an increasingly open economy. Whereas in 1970 the ratio of exports to gross domestic product (GDP) and imports to GDP were 44.5 per cent and 39.3 per cent respectively, by 1980 they were 51.8 per cent and 53.8 per cent respectively (Sundaram, 1988:154). Thus the Malaysian economy became more tightly enmeshed within the world economy and hence more liable to exploitation by metropolitan capital.

Within Malaysia itself, the government's industrialization and regional development policies reduced regional, sectoral and racial uneven development. This was because these policies were developed in such a way as to

encourage regional development. This was done by providing infrastructure and incentives, such as the 'location incentives' which gave some tax relief for locating in various less developed regional centers and opening up new land schemes in the less developed, land rich, eastern states (Malaysia, 1988:171-183; Malaysia, 1986:320).

All this resulted in a number of related consequences. The provision of infrastructure and incentives to locate in less developed regions led to industrial dispersal. Whereas 87 per cent of industrial output came from the states of Johore, Selangor, Penang and Negri Sembilan in 1970, 20 out of the 76 industrial estates established during the decade and 28 per cent of all factories developed by the government were situated in the states of Kedah, Kelantan, Perlis and Trengganu. At the same time, nearly 17 per cent of a total of 730,000 hectares of new land development schemes were located in these states while another 30 per cent was developed in Pahang alone (Malaysia, 1981:110-113). Thus the ratio of per capita income to the Malaysian average for the Eastern region went up marginally from 82 per cent to 83 per cent while for the northern region it fell from 87 per cent to 84 per cent between 1980 to 1985. During the same period the wealthy central region went down marginally, from 143 per cent to 142 per cent (Malaysia, 1986:171-174; refer to table 8 in the appendix).

The development of rural sectors have also been helped considerably by government policies. The creation of employment for Malays in the urban sectors and new land development schemes have reduced unemployment and under employment in the peasant sectors sharply. Furthermore, the opening up of 730,000 acres during the 1970-80 decade helped resettle over 70,000 families into commercial agriculture thereby increasing their income levels. At the same time the provision of subsidies, agricultural credits, training programs, replanting grants, marketing assistance and improved irrigation and drainage facilities have improved productivity. Thus rural median incomes increased from M$ 139/- in 1970 to M$ 596/- in 1984, thus going up from 52 per cent of the urban income of M$ 265/- to 58 per cent of the urban income of M$ 1,027/- in 1984 (Malaysia, 1981:56; Malaysia, 1986:99).

Inter racial inequalities too are on the decline. The quotas for Malays in employment and education helped Malays to gain employment in the better paying urban sectors. At the same time the provision of business licenses and easy credit as well as quotas on corporate ownership helped the Malays enter into business and gain control of a greater share of the corporate assets of the country. Malay control of corporate assets went up from 4.3 per cent in 1970 to 17.8 per cent in 1985 while non-Malay control of corporate assets went up from 34 per cent to 56.7 per cent (Malaysia, 1981:62; Malaysia,

1986:107). At the same time, Malay median income went up from M$ 120/- per month in 1970 or 44 per cent of the Chinese median income of M$ 268/- to M$ 581/- per month in 1984 or 56 per cent of Chinese median income of M$ 1,024/-. (Malaysia, 1986:99; Malaysia, 1981:56).

However, even though regional, sectoral and racial uneven development was reduced within Malaysia, intra-ethnic class inequality increased considerably and especially among the Malays. This is because, government aid, especially, in terms of subsidies and marketing assistance, in rural areas, helped the larger landowners more than the poor ones. Furthermore, the large business undertakings of the government benefitted mainly the few educated and influential Malays who had political influence whereas the majority of the Malays were employed in low income, lower rung jobs in industry and government. Thus the ratio of mean to median income among the Malays went up from 1.43 in 1970 to 1.50 in 1979. It was the same among the non-Malays, where the leading businessmen had a working relationship with the influential Malays and the Government and hence continued to expand their holdings; while, the working class non-Malays had to compete for the remaining jobs, after the Malay quota was filled, as well as face the cheap wage policy of the government. Here again the ratio of mean to median income increased from 1.47 to 1.51 for the Chinese though it decreased from 1.56 to 1.45 for the Indians for the same period 1970-1979. The exception in the

case of the Indians can probably be explained by the high commodity prices experienced during this period and the fact that the income of the estate laborers, where Indian labor is predominantly located, is tied to the price of the commodity (Mehmet, 1988:135-152; Lim, 1985:46-58; Malaysia, 1986:3).

CHAPTER 5

CONCLUSION

The beginnings of the uneven development of Malaysia within the world economy as well as within Malaysia between economic sectors, regions and races can be traced to the capitalist penetration of the Malay states in the late 19th century and the subsequent imposition of colonialism in these states. These events led to the integration of the Malaysian economy into the world capitalist economic system. It thus became an integral part of the ever expanding, exploitative world wide capital accumulation process, dominated by metropolitan capital, with its tendency towards centralization and concentration, and the division of labor and production according to comparative advantage. Thus during the colonial era, the land, labor and fiscal policies of the government were aimed at maximizing the exploitation of Malaysian resources for the benefit of metropolitan capital at the expense of the interests of the local populace and Malaysian development in general. This exploitation was carried out with the aid of the co-opted Malay aristocracy and the local Chinese capitalists and was done by creating a rigid Malaysian economy based on the production of primary commodities, such as rubber and tin, for the world market, with the aid of cheap imported Chinese and Indian labor.

This led to high profits, especially for the dominant British capitalists, who repatriated the profits back to Britain. At the same time the colonial government repatriated most of the surplus revenues to Britain as reserves. Hence Britain enjoyed the beneficial effects of the 'multiplier effect' at the expense of the local Malaysian economy. At the same time, the rigidification of the economy meant that industrial growth in Malaysia was stunted, and hence high priced manufactured goods based on high priced labor had to be purchased from the metropolitan centers, especially Britain. This unequal exchange further aided in the continuing under development of Malaysia (Halim, 1982:260-261; Mehmet, 1978:100-101).

Even after Independence colonial style policies continued to be implemented. This was because of two main reasons. Firstly, the new nation was still dependent for revenues on the plantation and mining sectors which were still dominated by metropolitan capital. Secondly, because the new dominant classes had vested interests in maintaining them; many of the new leaders in government were themselves large land, plantation and mine owners who benefitted from this policy.(Brennan, 1982:195; Lim, 1981:211-216).

After 1969, when the bureaucratic bourgeoisie, which had been developed to manage the state and its operations for the metropolitan capital and the Malay aristocracy, came to power, in their own right, they set about building an economic base

for themselves while strengthening their political base. This led them to implement policies and practices that were beneficial to capital and Malay interests, in general, and inimical to labor and non-Malay interests. Thus, they continued to emphasize production based on comparative advantage and export oriented industrialization based on semi-finished goods and the expansion of the commercial agricultural sectors. Furthermore, because of their lack of business experience, technical knowledge, and capital, they had to depend on metropolitan capital for these as well as access to foreign markets. Hence they continued to woo foreign investors, to become joint venture partners with them, with very attractive incentives such as reduced taxes, provision of infrastructure, maintaining a cheap labor policy through trade union repression, and allowing the free movement of capital in and out of the country among other things. This led to the increasing internationalization of the most dynamic sectors of the economy and left local entrepreneurs to mainly compete in the less productive and less profitable sectors. It would also lead to the continuing outflow of capital in the form of profits, interests, loan repayment and reserves. More importantly, it left the Malaysian economy extremely vulnerable to world market fluctuations as evidenced by the severe recession in the early 1980s, resulting from the decline of world market prices of Malaysian commodities, and the subsequent decline in the per capita income of the

Malaysian population (Brennan, 1982:196; Lim, 1985:46-56; Sundaram, 1988:256-268; Hua, 1986:154-162; Malaysia, 1989:39).

The concentration on production for export, of cheap labor-based primary produce and semi-finished goods, has meant the continued import of expensive labor-based, fully manufactured goods from the metropolitan centers. This has continued the unequal exchange between Malaysia and the metropolitan countries. Moreover, to meet the need for funds to finance numerous projects, Malaysia borrowed heavily from foreign sources. This too increased the outflow of funds in terms of interest and loan repayment. Later, in the mid 1980s the debt burden increased further because most of the foreign debt was denominated in the world's major currencies which were rising against the Malaysian dollar. This in turn has increased the outflow of funds, further compounding the problem. All these factors have continued to under develop Malaysia within the world economy (Malaysia, 1988:92-94, 117, 124).

The underdevelopment of Malaysia within the world economy has also resulted from political and economic uncertainty that became a feature of Malaysian society since 1969. The increasing power of UMNO and the corresponding decline in non-Malay political power, the increasing repression of the government and its discriminatory policies have led to non-Malay capital flight and brain drain. The continuing brain drain diminishes the small pool of professionals who provide

local management, legal, and medical services, and this has impeded development. Similarly, capital flight impedes investment and requires greater foreign investment and borrowing to offset it. This has further impeded growth within the Malaysian economy. (Aznam, 1988:28-33).

Within Malaysia the capitalist penetration also led to the simultaneous development of a highly productive and technologically innovative, modern capitalist system and the vastly less innovative and less productive traditional economy based on peasant modes of production. The introduction of production for exchange and a credit system with high interest rates, financed by the capitalists, into the traditional sector irretrievably entwined the traditional and modern sectors. This led to the exploitation of the peasantry by the capitalists. They purchased produce such as rice, fruits and fish, based on cheap labor, from the peasants and sold manufactured goods such as radios, bicycles, machinery and cars, based on expensive labor, to the peasant sector. This has led to unequal exchange and to an outflow of capital from the traditional sector into the modern sector leading to the underdevelopment of the peasant sector as compared to the capitalist sector.

Thus, one of the continuing causes of uneven development today, between economic sectors, regions and races, is the continued presence of modern capitalist and the rubric of traditional peasant modes of production, side by side, within

the Malaysian social formation. Those economic sectors, regions, races and classes more closely identified with capitalist production tend to be more developed and have higher incomes while those economic sectors, regions, races and classes identified with peasant production tend to be less developed and have lower incomes and wealth. The southern and central regions which were the first to be penetrated by capitalism and have colonialism imposed on them, continue to be the regions with higher capitalist production and hence, higher income and wealth. Similarly, the non-Malays who were imported into the modern sectors as cheap labor continue to have greater concentrations working within the capitalist sector, and hence, as a whole, have greater income and wealth. Similarly, those working within the commercial agricultural sectors tend to have higher incomes and wealth accumulation than those within the peasant agricultural sector (Malaysia, 1981:36-38; Malaysia, 1986:119, 172-175).

The New Economic Policy on the other hand has reduced uneven development within Malaysia. Between the rural and particularly the peasant and urban sectors this was done by the provision of subsidies, special assistance in production and marketing, improved irrigation and drainage schemes, to the rural sector which helped increase income and productivity. At the same time, increased employment creation in the new land schemes, industry and government, helped to reduce unemployment and under employment in the peasant

sector, especially among the Malays and thereby raised incomes among them. This helped to reduce the continued uneven development between economic sectors, regions and races to some extent.

However, the New Economic Policy has also helped to create increased wealth concentration. In the peasant sector most of the government aid, such as subsidies and marketing assistance benefitted the richer peasants, who produced for exchange, rather than the poor peasants who produced for personal consumption. Thus the rich peasants became richer while the poor became poorer. Similarly, in the urban sectors the continuation of the cheap wage policy and the provision of a great variety of incentives for business have also led to considerable inequality between the bourgeoisie and the working class. Thus the mean income of the top 20 per cent of the population in 1987 was M$ 2,752/- while for the middle and lower forty percent of the population it was only M$ 940/- and M$ 370/- respectively (Malaysia, 1989:42).

The capitalist penetration and colonialism are also partly responsible for the on going racial strife in Malaysia today; the colonial government, in sympathy with the capitalist classes, encouraged the introduction of cheap imported Chinese and Indian labor into the capitalist sectors to meet the labor shortages experienced in these sectors during the late 18th and early 19th centuries. This left the Malays concentrated in the peasant sector and resulted in the

rates of income and wealth accumulation between the races being substantially different and in favor of the non-Malays as mentioned above. It is this difference in income and wealth, between the races, that is the source of racial animosity. Today the relative concentration of Malays in the traditional sector and the non-Malays in the modern sector continues. This has led to continuing inequality in incomes between the races and hence continues to be the basis of racial strife (Malaysia, 1986:134-135).

Furthermore, the colonial government and the capitalist classes, in their attempt to maintain cheap labor, destroyed most class based organizations, such as the trade unions and encouraged race based associations to represent the interests of social groups. This resulted in the establishment of race based politics. This race based politics continues in Malaysia today. The basis of popular support of most of the political parties is based on racial origin. Hence maneuvering for political gain within each party, and during elections, necessitates strong, racially chauvinistic rhetoric against the impositions and oppression of the other races. This continues to be a major reason for ongoing racial antagonism and social tension.

The bureaucratic bourgeoisie fraction and the New Economic Policy are also a major reason for the continued racial strife in the country. The New Economic Policy was openly discriminatory, in favor of the Malays, in terms of

employment, education opportunities, business opportunities and easy credit, creating dissatisfaction among the other races and defensiveness among the Malays, thereby leading to increased racial tension.

Moreover, the increasing participation of the state in the private sector and its direct competition with private businesses has led to substantial benefits to the leading members of the bureaucratic bourgeoisie fraction. It also led to considerable corruption. This has brought the legitimacy of the government itself into question, not only among the non-Malays but also among the poorer Malays. In order to maintain support among the Malays and to inhibit increasing demands among the non-Malays, the bureaucratic bourgeoisie increased the level of chauvinistic pro-Malay and anti-non-Malay rhetoric as well as repression within society. This has resulted in increased political and racial tension (Seaward, 1988:66; Mehmet, 1988:150; Aznam, 1988:12).

At the same time, as the dominance of UMNO increased, power within the state became increasingly vested in the control of UMNO. This, in combination with reduced opportunities in the 1980s has made the fight for control of UMNO, in recent years, increasingly intense. This in turn has led, again, to an increasingly chauvinistic and anti-non-Malays rhetoric. Moreover, the continuing decline of non-Malay political power has increased the frustrations within the non-Malay political parties and especially in the

MCA leadership leading to call for changes. All these, in combination, have contributed to an intensification of political and racial tension (Aznam, 1988:14).

Consequences for the Future

From the foregoing one draws a general idea about the formation and reproduction of class and race as well as the forces influencing development and uneven development in Malaysia. In anticipating the future, some of the more important factors that need to be kept in mind are:

- the increasing political dominance of the bureaucratic bourgeoisie fraction and their increasing use of the state apparatus and its resources for their own benefit;

- the 'democratic' nature of the government and consequently the dependence of the bureaucratic bourgeoisie fraction on the Malay electorate to be returned to office;

- the continued dependence of the bureaucratic bourgeoisie fraction on state revenues, foreign borrowing and foreign technical and management knowledge to expand its economic base;

- the rapid expansion of non-Malay capital in the face of state instituted obstacles;

- the declining political power of the non-Malays and the continuing discrimination faced by them at the hands of the state;

- the continuing high profitability of the export sector, both in manufacturing and commercial agriculture and the dominance of this sector by the elites of all the races, the state, as well as by foreign interests;

- the increasing tendency for multi-national corporations to locate in newly industrializing countries to utilize their cheap labor and investment incentives as well as the increasing competitiveness among the newly industrializing countries to attract multi-national corporations for foreign investment;

- the heavy loan repayments faced by the Malaysian treasury;

- a high population growth rate and the rapid urbanization of the peasantry.

In seeking to anticipate the future development of Malaysia within the world economy three key factors must be emphasized. They are, first, the heavy loan repayments faced by the Malaysian government; they are not only a drain on the treasury, but also restrict further borrowing. This, in turn, limits the amount of finance available to the government and hence restricts government financing of the private sector, which normally tends to be Malay enterprises operated by members of the bureaucratic bourgeoisie fraction (Seaward, 1988:53-55). This in turn restricts employment creation. Second, the rapid expansion of non-Malay capital, from 34 per cent in 1970 to 56.7 per cent in 1985; which is well over the

NEP target of 40 per cent set in 1970. This situation is politically unacceptable to the Malays. Third, rapid population growth as well as the rapid urbanization of the Malays requires substantial employment creation. Thus, at a time when it is politically imperative for the bureaucratic bourgeoisie fraction to offset the rapid expansion of non-Malay capital, as well as create jobs, it is finding itself short of funds. The only way available to them to offset non-Malay capital expansion as well as create employment is to encourage rapid expansion of foreign investment. The 5th Malaysia Plan (Malaysia, 1986:121) calls for an expansion of foreign investment in Malaysia so that total foreign holdings of the corporate sector will expand substantially over the 25.5 per cent share that it enjoyed in 1985. This can be expected to continue well into the 1990s because the reasons for expanding foreign holdings of the Malaysian corporate sector will still hold. However, to increase foreign investment, the Malaysian government will have to out compete other regional countries in the provision of incentives. This would require increasingly generous incentives and the continued maintenance of a cheap wage policy.

At the same time, to attract foreign investment, continued emphasis on the export sector is necessary, as the local market itself is very small. The 5th Malaysia Plan (Malaysia, 1986:23), also calls for a greater emphasis on export orientation in manufacturing as a source of foreign

exchange and employment creation. This too can be expected to continue well into the 1990s. Consequently, an increasingly open and dependent economy can be envisaged. This would leave the Malaysian economy increasingly vulnerable to world market fluctuations and exploitation by metropolitan capital. From the foregoing, one can expect an increasing outflow of capital from Malaysia in the form of profits, dividends, interest payments and reserves over the next few years.

At the same time, the continuation of export oriented industrialization in semi-finished goods and the expansion of commercial agriculture, based on cheap labor, will result in the continuation of unequal exchange. Furthermore, the continued outflow of funds can be expected to keep the value of the Malaysian Ringgit and consequently its purchasing power in the world market weak. Moreover, according to the 5th Malaysia Plan (Malaysia, 1986:73), the terms of trade are expected to deteriorate by 2.9 per cent annually during the 5th Malaysia Plan because of an expected decline in the world market price of Malaysian commodities. As the production emphasis continues to be on the same products, the decline in terms of trade can be expected to continue well into the 1990s. There is already talk of continuing the NEP beyond 1990 and considering the political and economic situation, this seems very likely. This would mean the continuation of discriminatory practices against the non-Malays in employment, education and business. Hence a further non-Malay

brain drain and capital flight can be expected (Aznam, 1989:28-33). Thus a combination of foreign exploitation of local resources, a weakening ringgit, continuing unequal exchange, and non-Malay brain drain and capital flight can be expected to continue the under development of Malaysia within the world economy.

In terms of development within Malaysia the key factors that need to be taken into account, in addition to those mentioned above, are the bureaucratic bourgeoisie fractions dependence on the Malay vote to remain in office and their desire to continue expanding their own economic and political position as well as the declining political power of the non-Malays. Thus, the policies that they will pursue can be expected to be aimed at improving the conditions of the Malay electorate while improving their own situation. Hence, a policy of reducing uneven development between races, sectors and regions can be expected to continue into the future while class based benefits are retained.

Sectoral uneven development can be expected to be reduced by continued expansion of industrialization and rural development schemes. These can be expected to provide jobs for Malays, and lead to the continuing outflow of Malay peasantry into the higher income urban and commercial agricultural sectors. However, this will be offset, to some extent, by the expected reduction in government employment and government financing of the private sector. At the same time, continuing

aid to the peasant sector in the form of subsidies, rural credit, improved irrigation and drainage facilities, high yielding padi seeds and marketing assistance will further increase peasant incomes. Furthermore, the increased land concentrations will result in the expanded use of capital intensive production methods, again raising income.

Regional uneven development too can be expected to be further reduced by the continuation of the government's policy of dispersing industrial estates and rural development schemes to less developed regions. Finally the continued reduction of the traditional sector in relation to the modern sector will reduce its impact on regional uneven development (Malaysia, 1986:340).

These policies can also be expected to reduce racial differences in income and wealth. Increased urbanization and industrial employment as well as movement into commercial agriculture can be expected to increase Malay incomes and put them more in line with the national average. The continuation of government quotas in education, business licenses and jobs should further help to reduce the uneven development (Mehmet, 1988:151).

However, the continuation of special incentives to business in terms of tax exemptions, provision of infrastructure and the maintenance of cheap labor policies as well as the continuation of the " Malay Land Reservations Act " and government subsidies and government programs which

benefit the rich more than the poor can be expected to increase the concentrations of wealth in the country (Malaysia, 1989:4-5, 310-314).

Looking at the state of race relations in the future, we must note two key changes, in addition to the above mentioned reasons. First, an expected reduction in economic opportunities in the future, and second the continuing polarization of the races resulting from the increasing emphasis on racial politics. Reduced economic opportunities are expected because in the 1970s and the early 1980s the rapid expansion of the economy and consequently of employment creation was made possible by the discovery of petroleum, high petroleum and other commodity prices in the world market, in general, and large foreign borrowing. Today petroleum and other commodity prices are lower, and are not expected to rise substantially, and large foreign borrowing are no longer feasible because of existing debts. At the same time petroleum production is not expanding. Consequently, neither a rapid expansion of the economy nor rapid employment creation can be expected in the future. It also means that state enterprises must be streamlined and become frugal and accountable. This in itself can become a source of problems because it would limit opportunities even among the Malay leadership.

Secondly, even though racial tension initially arose out of a combination of economic inequality between the races and race based politics, today it arises also because race based

social relations and politics have become a cornerstone of Malaysian life and most social tensions within society tend to be diverted into racial confrontation by politicians to mobilize support for themselves. Thus, racial tension can be expected to increase considerably in the future even though inequality between the races is decreasing (Malaysia, 1989:5; Malaysia, 1986:15-16; Aznam, 1989:28-33).

Furthermore, with the economy not expanding, the competition among the dominant classes may become more intense. Within this context, the rapidly increasing non-Malay control of the economy will become a bone of contention. As the belt gets tighter, demands for increased special privileges for Malays can be expected; and this can be expected to fuel further racial tensions (Aznam, 1989:28-31).

Furthermore, UMNO, with its vast resources can be expected to increasingly dominate the state. At the same time the reduced opportunities available in the economy will make the control of UMNO crucial to the various class fractions vying for control. This will lead to increased demand for pro-Malay policies and increasingly to anti-non-Malay rhetoric to win support. Moreover, the increased concentration of wealth among the Malay leadership and the increased urbanization of the Malays can be expected to lead to increased class awareness and hence put additional pressure on Malay leaders to channel the class antagonism into racial antagonism. Thus additional discriminatory practices in employment, education

and business against the non-Malays can be expected. This time all these discriminatory practices can be expected to affect not only the opportunities available to the working class non-Malays, but also the non-Malay capitalist class as the slower expansion of the economy results in a smaller economic pie to be divided up among the dominant classes. Thus increasing resentment against the Malays can be expected (Aznam, 1989:28-33; Seaward, 1988:66-67).

Furthermore, the increased impotence of the non-Malay political parties in the face of UMNO's dominance can also be expected to result in increased resentment and anti-Malay rhetoric thereby further exciting racial tensions. The simultaneous increase in the political dominance of the Malays and the economic dominance of the non-Malays can be expected to lead to increasing racial tensions in the future.

In conclusion, if Malaysia is to ensure a more balanced development and avoid racial conflagration in the future it must undertake some fundamental changes in its political and socio-economic practices and policies.

First, emphasis on race based politics must be reduced; for so long as it is emphasized it is almost certain that politicians will use it for their own ends and racial conflagration will almost certainly take place sooner or later. Hence it is necessary, especially for the governing party, to move away from race based political parties and towards a multi-racial based political party system.

Second, poverty eradication must be directed at all races and not just the Malays. At the same time the fundamental causes of poverty such as the size of landholding in the rural sector, the Malay Reservations Act, the cheap wage policy, repression of trade unions, inadequate education and training, and lack of adequate technology must be addressed.

Third, state enterprises must make use of management and planning talent from all races so that the inadequacy of management and planning will not lead to continuing heavy losses in investments.

Fourth, corruption must be addressed; for otherwise it will continue to act as a drain on resources and enervate the developmental process.

Fifth, foreign borrowing must be better managed and used more prudently. They must be used in well thought out developmental projects that benefit society as a whole, rather than a small fraction of influential people. Hence the returns to society must be greater than the consequent outflows in terms of interest payments and loan repayments.

Sixth, foreign investment must be directed towards those areas of production that would allow greater employment creation, higher wages, as well as, faster transfer of technology. At the same time, incentives provided to woo foreign investment should not include the repression of trade unions and exploitation of the labor force.

Finally, government repression of the populace must stop. It is this in combination with discriminatory practices that fuels the air of political and economic uncertainty and leads to brain drain and the outflow of non-Malay capital which contributes to the stunting of Malaysian development.

APPENDIX

LIST OF TABLES

Table 1.1: P. Malaysia: Labor Force Participation by Ethnic Group and Activity - 1957

	Malays		Chinese		Indians		Total	
	'000	%	'000	%	'000	%	'000	%
Activity	1957							
Agriculture, Forestry, Livestock and Fishing	749.3	74.6	210.4	40.9	174.5	56.8	1244.8	58.5
Mining + Quarry	10.3	1.0	40.0	5.3	6.8	2.2	58.5	2.8
Manufacturing	26.6	2.6	97.5	12.8	10.1	3.3	155.7	6.4
Construction	21.8	2.2	32.6	4.3	12.3	4.0	67.8	3.2
Utilities	3.8	0.4	3.0	0.4	4.2	1.4	11.6	0.5
Commerce	32.0	3.2	127.1	16.7	32.8	10.7	195.2	9.2
Transport and Communications	26.9	2.7	29.2	3.8	16.1	5.2	74.8	3.5
Services	127.6	12.7	110.0	14.5	48.1	15.7	319.8	15.0
Miscellenous Activities	5.9	0.6	9.4	1.2	2.4	0.8	18.1	0.9
Total	1004.3	100	759.2	100	307.2	100	2126.3	100

Source: Sundaram, 1988:294/295.

Table 1.2: P. Malaysia: Labor Force Participation by Ethnic Group and Activity - 1970

	Malays		Chinese		Indians		Total	
	'000	%	'000	%	'000	%	'000	%
Activity				1970				
Agriculture, Foresstry, Livestock and Fishing	922.3	64.3	292.9	29.7	131.7	6.0	1359.8	49.6
Miningg + Quarry	13.3	0.9	37.1	3.8	4.6	1.6	55.3	2.0
Manufacturing	73.1	5.1	164.5	16.6	13.3	4.6	251.9	9.2
Construction	13.0	0.9	43.1	4.4	3.6	1.3	59.9	2.2
Utilities	9.5	0.7	3.6	0.4	6.4	2.2	19.8	0.7
Commerce	64.3	4.5	179.8	18.2	29.1	10.2	274.6	10.0
Transport and Communications	41.5	2.9	39.1	3.9	16.7	5.3	98.0	3.6
Services	223.9	15.6	173.5	17.5	66.3	23.2	472.6	17.3
Miscellenous Activities	74.1	5.2	55.6	5.6	14.3	5.1	145.2	5.3
Total	1435.0	100	990.0	100	286.1	100	2736.4	100

Source: Sundaram, 1988:294/295.

Table 1.3: P. Malaysia: Labor Force Participation by Ethnic Group and Activity - 1985

	Malays		Chinese		Indians		Total	
	'000	%	'000	%	'000	%	'000	%
Activity	1985							
Agriculture, Forestry, Livestock and Fishing	1428.8	46.1	318.3	17.4	188.5	38.0	1953.2	35.7
Mining + Quarry	21.3	0.7	32.5	1.8	6.0	1.2	60.5	1.1
Manufacturing	352.7	11.4	394.1	21.6	75.4	15.2	828.0	15.1
Construction	147.7	4.8	206.4	11.3	20.8	4.2	378.7	6.9
Utilities	27.1	0.9	3.5	0.2	9.1	1.8	39.9	0.7
Commerce	323.3	10.4	460.4	25.2	60.1	12.1	846.3	15.5
Transport and Communications	147.3	4.7	88.5	4.8	28.3	5.9	264.9	4.8
Services	544.8	17.6	276.6	15.1	89.2	18.0	921.1	16.8
Miscellenous Activities	108.7	3.5	46.3	2.5	18.8	3.8	175.9	3.2
Total	3101.7	100	1826.6	100	496.2	100	5468.5	100

Source: Malaysia, 1986:103.

Table 2.1: P. Malaysia: Incidence of Poverty by Rural-Urban Strata - 1970

	1970		
Sector	Households Total ('000)	Incidence of Poverty (%)	Percentage of total Poor
Rural			
Agriculture:	852.9	68.3	73.6
Smallholders:			
Rubber	350.0	64.7	28.6
Coconut	32.0	52.8	2.1
Padi farmers	140.0	88.1	15.6
Fishermen	38.4	73.2	3.5
Estate workers	148.4	40.0	7.5
Other Agri.	144.1	89.0	16.3
Other industries	350.5	35.2	15.6
Sub-total	1,203.4	58.7	89.2
Urban			
Agriculture	N.A.	N.A.	N.A.
Mining	5.4	33.3	0.2
Manufacturing	84.0	23.5	2.5
Construction	19.5	30.2	0.7
T'sport and utilities	42.4	30.9	1.7
Trade and Services	251.3	18.1	5.7
Others	N.A.	N.A.	N.A.
sub-total	402.6	21.3	10.8
Total	1,606.0	49.3	100.0

Source: Malaysia, 1981:34.

Table 2.2: P. Malaysia: Incidence of Poverty by Rural-Urban Strata - 1984

Sector	1984 Households Total ('000)	Incidence of Poverty (%)	Percentage of total Poor
Rural			
Agriculture:	865.8	46.4	67.4
Smallholders:			
Rubber	155.2	43.4	13.9
Coconut	14.2	46.9	1.4
Padi farmers	116.6	57.7	13.9
Fishermen	34.3	27.7	2.0
Estate workers	81.3	19.7	3.3
Others	464.2	34.2	32.9
Other industries	763.6	10.0	15.8
Sub-total	1629.4	24.7	83.2
Urban			
Agriculture	37.5	23.8	1.8
Mining	7.8	3.4	0.1
Manufacturing	132.3	8.5	2.3
Construction	86.6	6.1	1.1
T'sport and utilities	73.9	3.6	0.6
Trade and services	472.7	4.6	4.5
Others	180.9	17.1	6.4
sub-total	991.7	8.2	16.8
Total	2,621.1	18.4	100.0

Source: Malaysia, 1986:86.

Table 3: P. Malaysia: Distribution of Household Income Per Month by Rural-Urban Strata - 1957, 1970 and 1987

	1957/8	1970	1987
	All Households		
Income Share	%	%	%
Top 5%	22.1	28.1	N.A.
Top 20%	48.6	55.9	51.2
Middle 40%	35.5	32.5	35.0
Bottom 40%	15.9	11.6	13.8
Mean Income M$	215	264	1074
Median Income M$	156	167	738
Gini Ratio	0.41	0.50	N.A.
	Rural Households		
Income Share	%	%	%
Top 5%	19.0	23.9	N.A.
Top 20%	44.5	51.0	48.3
Middle 40%	37.3	35.9	36.7
Bottom 40%	18.2	13.1	15.0
Mean Income M$	172	201	853
Median Income M$	131	145	629
Gini Ratio	0.38	0.46	N.A.
	Urban Households		
Income Share	%	%	%
Top 5%	20.7	27.5	N.A.
Top 20%	49.6	55.0	50.8
Middle 40%	33.2	32.8	35.0
Bottom 40%	17.2	12.2	14.2
Mean Income M$	307	407	1467
Median Income M$	216	283	1007
Gini Ratio	0.42	0.50	N.A.

Source: Sundram, 1988:251/252 - 1957/8 and 1970 figures. Malaysia, 1989:38 - 1987 figures.

Table 4: P. Malaysia: Distribution of Household Income Per Month by Ethnic Group - 1957, 1970 and 1987

	1957/8	1970	1987
	Malay Households		
Income Share	%	%	%
Top 5%	18.1	23.8	N.A.
Top 20%	42.5	51.3	50.2
Middle 40%	37.9	35.7	35.7
Bottom 40%	19.6	13.0	14.1
Mean Income M$	140	172	868
Median Income M$	112	122	612
Gini Ratio	0.34	0.46	N.A.
	Chinese Households		
Income Share	%	%	%
Top 5%	19.2	25.4	N.A.
Top 20%	46.0	52.6	49.0
Middle 40%	35.9	33.5	36.0
Bottom 40%	18.1	13.9	15.0
Mean Income M$	302	381	1430
Median Income M$	223	269	1021
Gini Ratio	0.38	0.46	N.A.
	Indian Households		
Income Share	%	%	%
Top 5%	19.4	28.4	N.A.
Top 20%	43.6	53.6	47.2
Middle 40%	36.6	31.5	35.9
Bottom 40%	19.8	14.9	16.9
Mean Income M$	243	301	1,089
Median Income M$	188	195	799
Gini Ratio	0.37	0.47	N.A.

Source: Snodgrass, 1975:84; Sundram, 1988: 251/252 - 1957/8 and 1970 figures. Malaysia, 1989:42. N.A. - Not available.

Table 5: Malaysia: Ownership and Control of the Corporate Sector - 1970, 1980 and 1988

	1970		1980		1988	
	M$ mill.	%	M$ mill.	%	M$ mill.	%
Malaysian Res.	1,952.1	36.7	18,493.4	57.1	73,889.2	75.3
Malay total	125.6	2.4	4,050.5	12.5	19,057.6	19.4
Individual	84.4	1.6	1,880.1	5.8	12,751.6	13.0
Trust Agen.	41.2	0.8	2,170.4	6.7	6,306.0	6.4
Other Res.	1,826.5	34.3	14,442.9	44.6	54,831.6	56.0
Foreign Res.	3,377.1	63.4	13,927.0	42.9	24,081.8	24.6
Total	5,329.2	100.0	32,420.4	100.0	97,971.0	100.0

Source: Malaysia, 1989:70 for 1988 figures. Malaysia, 1986:107 for 1980 figures. Sundram, 1988:264 for 1970 figures.

Table 6: P. Malaysia: Population Distribution Between Rural and Urban Areas by Ethnic Groups - 1970 and 1980

'000

	1970					1980				
	Urban	%	Rural	%	Total	Urban	%	Rural	%	Total
Malay	713	27.1	4,109	63.1	4,822	1,359	32.8	5,025	65.2	6,384
%	14.8		85.2		100.0	21.3		78.7		100.0
Chinese	1,557	59.0	1,717	26.4	3,274	2,234	53.8	1,902	24.7	4,136
%	47.6		52.4		100.0	54.0		46.0		100.0
Indian	338	12.8	640	9.8	978	508	12.3	731	9.5	1,239
%	34.6		65.4		100.0	41.0		59.0		100.0
Others	30	1.1	43	0.7	73	47	1.1	43	0.6	90
%	41.1		58.9		100.0	52.2		47.8		100.0
Total	2,638	100	6,509	100	9,147	4,148	100	7,701	100	11,849
(%)	28.8		71.2		100.0	35.0		65.0		100.0

Source: Malaysia, 1981:79.

Table 7: P. Malaysia: Incidence of Poverty and Mean Monthly Household Income - 1984

State	Total Households	Mean Income M$	Incidence of Poverty
P. Malaysia	2621.1	1095	18.4
Northern			
Kedah	253.9	690	36.6
Perak	400.2	883	20.3
Perlis	40.1	692	33.7
P. Pinang	204.2	1183	13.4
Central			
Melaka	95.1	1040	15.8
N. Sembilan	132.8	1039	13.0
Selangor	359.2	1590	8.6
Fed. Terr. of K. Lumpur	242.1	1920	4.9
Eastern			
Kelantan	206.7	625	39.2
Pahang	190.9	960	15.7
Trengganu	129.9	756	28.9
Southern			
Johore	365.8	1065	12.2

Source: Malaysia, 1989:45.

Table 8: Regions of P. Malaysia: Basic Data - 1985

	Northern Region	Central Region	Eastern Region	Southern Region	Peninsular Malaysia
Total Land Area (Sq. Km.)	32,258	16,492	63,850	18,984	131,598
Population Size ('000)	4,360	4,093	2,662	1,854	12,981
Population Density (Persons/Sq. Km.)	135	248	42	98	97
Total GDP ($million in 1978 prices)	13,789	21,781	8,281	6,163	50,014
Per Capita GDP (In 1978 prices)	3,162	5,322	3,111	3,324	3,853
Ratio of Per Capita GDP to P. Malaysia Average	0.82	1.38	0.81	0.86	1.00

Source: Malaysia, 1986:170. Malaysia, 1987:2-4, 29.

Table 9: Malaysia: General Elections - At Federal Level and for the Key States of Penang, Perak and Selangor - 1964 and 1969

	Federal		Penang		Perak		Selangor	
Political party	1964	1969	1964	1969	1964	1969	1964	1969
Alliance: UMNO	59	51	10	4	22	18	13	12
MCA	27	13	6	0	12	1	8	1
MIC	3	2	2	0	1	0	3	1
	--	--	--	-	--	--	--	--
Total	89	66	18	4	35	19	24	14
Non-Alliance	15	37	6	20	5	21	4	14
Grand Total	104	103*	24	24	40	40	28	28

Source: Clutterbuck, 1985:294/296. * Owing to the death of one candidate during the election campaign one seat was deferred and is not included in table for 1969.

Table 10.1: Malaysia: Public Development Expenditure by Sector in M$ Millions - 1956 and 1970

Sectors	1956-1960 Amount	%	1961-1965 Amount	%	1966-1970 Amount	%
A. Economic						
Agriculture and Rural dev't.	227.5	22.6	467.9	17.6	1114.1	26.3
Commerce and Industry	12.1	1.3	59.1	2.5	141.3	3.3
Infrastructure	520.3	51.6	1236.7	46.7	1429.4	33.7
Other	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Sub-total	760.3	75.5	1763.7	66.5	2685.4	63.3
B. Social						
Education and Training	60.9	6.0	236.5	8.9	329.4	7.8
Health	12.7	1.3	101.0	3.8	146.6	3.5
Community and Social Services	65.2	6.5	75.2	2.8	276.1	6.5
Sub-Total	138.8	13.8	413.6	15.6	752.1	17.8
C. Administration and Defense						
General Admin	73.0	7.3	167.1	6.3	138.1	3.3
Defense and Security	35.0	3.4	307.3	11.6	668.8	15.7
Sub-total	108.0	10.7	474.4	17.9	804.9	19.0
Total	1007.0	100.0	2652.0	100.0	4242.4	100.0

Source: Lim, 1981:214 for 1956-1970.

Table 10.2: Malaysia: Public Development Expenditure by Sector in M$ Millions - 1971 and 1985

Sectors	1971-1975 Amount	%	1976-1980 Amount	%	1981-1985 Amount	%
A. Economic						
Agriculture and Rural dev't.	2129.1	21.7	7585.2	23.6	8714.4	11.8
Commerce and Industry	1618.2	16.5	3205.2	10.0	20211.6	27.3
Infrastructure	3316.5	33.8	10599.1	33.0	26643.1	36.0
Other	36.5	0.4	111.0	0.4	208.4	0.3
Sub-total	7100.3	72.3	21501.4	67.0	55777.6	75.3
B. Social						
Education and Training	675.8	6.9	2116.2	6.7	4687.6	6.3
Health	173.9	1.8	529.7	1.6	736.5	1.0
Community and Social Services	497.9	5.1	2915.1	9.1	4556.1	6.2
Sub-Total	1347.7	13.7	5561.0	17.4	9980.2	13.5
C. Administration and Defense						
General Admin	348.7	3.6	1229.3	3.8	810.6	1.1
Defense and Security	1024.2	10.4	3784.0	11.8	7494.6	10.1
Sub-total	1372.9	14.0	5013.3	15.6	8305.2	11.2
Total	9820.8	100.0	32075.7	100.0	74063.0	100.0

Source: Lim Mah Hui, 1981:214 for 1971-1980. Malaysia, 1986:226/227 for 1981-1985. Note : Amounts may not add up exactly because of rounding up of figures.

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