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John A. Lent

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Periodicals

Carstens, Sharon. "Dancing Lions and Disappearing History: The National Culture Debates and Chinese Malaysian Culture." *Crossroads*, 13:1 (1999), pp. 11-64.

- The following relevant articles have appeared in *Asiaweek*.

Aug. 13 – Roger Mitton, "Waiting for Dawn," pp. 16-17; "Change Is Inevitable": Mohamed on Jefri, ASEAN, and Democracy," p. 18; Santha Oorjitham, "Father's Girl," pp. 30-34; Assif Shameen, "And Then There Were Six: A Mega-Merger Plan Sets Malaysia Buzzing," p. 49.

Aug. 20-27 – "Early Election Rethink," p. 12; "News from Brunei's News Trade," p. 12; Tim Healy and Assif Shameen, "Exit Strategy," pp. 116-117.

Sept. 3 – "To Join or Not To Join," p. 8; "Foggy Notions: No One Benefits from Malaysia's Ban on Pollution Data," p. 15; Santha Oorjitham, "Courting the Swing Vote," pp. 20-22; Arjuna Ranawana, "A Pause in a Sordid Story," p. 22; Jonathan Sprague, "Hold the Polls," p. 25.

Sept. 10 – Bunn Nagara, "Great Expectations," p. 120.

Sept. 17 – "Brunei's Media," p. 8; "APEC, Why Bother?" p. 14; "The Controls Were 'Crazy,'" p. 56; "Gain Without Much Pain," p. 57.

Sept. 24 – Arjuna Ranawana, "A Storm over Arsenic," p. 38; Arjuna Ranawana, "Property Poker," pp. 100-101.

Oct. 1 – "Azizan: Church vs. State?" p. 8; Santha Oorjitham and Arjuna Ranawana, "Days of Protest," pp. 34-35; Assif Shameen, "Big and Getting Bigger," p. 51.

Oct. 8 – Jonathan Sprague and Santha Oorjitham, "Malaysia's Electoral Pivot," p. 34; "Singlished Out," p. 36.

Oct. 15 -- Arjuna Ranawana, "Much Ado about Nothing?" p. 32.

Oct. 22 – "Will Daim Call It Quits?" p. 10; Arjuna Ranawana, "The Guessing Game," pp. 40-41.

- Recent articles in *Contemporary Southeast Asia* include:

Vol. 20/3 (Dec. 98)

Alan Collins, "The Ethnic Security Dilemma: Evidence from Malaysia"; Jean-Louis Margolin, "Singapore: New Regional Influence, New World Outlook?"

Vol. 19/1 (June 97)

J.N. Mak, "The Modernization of the Malaysian Armed Forces."

- *Sojourn (Journal of Social Issues in Southeast Asia)*

Vol. 13/1 (Apr. 98)

Linda Low, "Health Care in the Context of Social Security in Singapore."

Vol. 12/2 (Oct. 97)

T.N. Harper, "Globalism and the Pursuit of Authenticity: The Making of Diasporic Public Sphere in Singapore."

Vol. 12/1 (Apr. 97)

Christine Doran, "The Chinese Cultural Reform Movement in Singapore: Singaporean Chinese Identities and Reconstructions of Gender"; Hans-Dieter Evers, "The Symbolic Universe of the UKM: A Semiotic Analysis of the National University of Malaysia."

- *ASEAN Economic Bulletin*

Vol. 15/3 (Dec. 98) Prema-Chandra Athukorala, "Swimming against the Tide: Crisis Management in Malaysia"; Chia Siow Yue, "The Asian Financial Crisis: Singapore's Experience and Response."

Vol. 15/2 (Aug. 98) Jamal Othman, Mohd Fauzi Mohd Jani and Mohammad Haji Alias, "World Palm Oil Market under Freer Trade: Implications for Malaysia."

Vol. 15/1 (Apr. 98) Abdul Aziz Abdul Rahman, "Economic Reforms and Agricultural Development in Malaysia."

- *Far Eastern Economic Review* published the following articles:

Aug. 19 – S. Jayasankaran, “Malaysia: Firing Back,” p. 18; Murray Hiebert, “Kuala Lumpur: Merger Mayhem,” p. 60.

Aug. 26 – “Bar on the Bar,” p. 8; “Return to the Fold,” p. 16; Murray Hiebert, “Playing the Chinese Card,” pp. 18-20; Ben Dolven, “Humble Retreat,” pp. 40-41; S. Jayasankaran, “Kuala Lumpur: Rational Exuberance?” p. 52.

Sept. 2 – Murray Hiebert, “Unchained Reform,” p. 15; Ben Dolven, “Singlish Can or Not?,” pp. 32-33.

Sept. 9 – S. Jayasankaran, “Banking: Merger by Decree,” pp. 10-12, 14; Murray Hiebert, “Banking: Unequal Partners,” p. 14; Simon Elegant, “A Matter of Loyalty,” p. 69; S. Jayasankaran, “Markets Unmoved,” p. 85.

Sept. 16 – S. Jayasankaran, “Malaysia: Politics of the Pulpit,” p. 22.

Sept. 23 – S. Jayasankaran, “Malaysia: Poisoned Politics,” pp. 16-17; Nayan Chanda, “Behind Bars,” pp. 17-18; Murray Hiebert, “See You in Court,” pp. 18-19; “The Trial Judge’s View,” p. 19; “Justice in Malaysia,” pp. 20-21; Murray Hiebert, “Jailed in Kuala Lumpur,” p. 58.

Sept. 30 – Simon Elegant, “Advantage Anwar,” pp. 16-17.

Oct. 7 – S. Jayasankaran, “Royal Revolutions,” p. 11; S. Jayasankaran, “Not-So-Silent Minority,” p. 20; S. Jayasankaran, “Road to Recovery,” p. 96.

Oct. 14 – Charles Bickers, “Sarawak Surprise,” pp. 13-14.

Oct. 21 – Simon Elegant, “Malaysia: Bitter Medicine,” p. 22; Nayan Chanda, “Goodbye to All That,” pp. 23, 26; Michael A. Hamlin, “Myth vs. Reality in Malaysia,” p. 61.

Oct. 28 – “Lead Player,” p. 8; “Hi-Tech Spadework,” p. 8; S. Jayasankaran, “Caught in the act.” Pp. 60-62; S. Jayasankaran, “Politics Confuse Rosy Outlook,” p. 81.

Books

- Ray Davis Linville Jumper. *Orang Asli Now: The Orang Asli in the Malaysian Political World*. Lanham, MD: University Press of America, 1999.

- Latest from Institute of Southeast Asian Studies (30 Heng Mui Keng Terrace, Singapore 119614; Fax: 65-775-6259; Internet e-mail, pubsunit@iseas.edu.sg):

Manuel F. Montes. *The Currency Crisis in Southeast Asia* (updated edition). (1998, 104 pp., 981-230-014-7, US\$17.90).

Zawawi Ibrahim. *The Malay Labourer: By the Window of Capitalism*. (1998, 347 pp., 981-230-000-7, US\$45).

This book explores the ethnography of the emerging proletarian social consciousness and resistance as Malay peasants from east coast peninsular Malaysia find themselves reconstituted as a “class” not only as an economic category but also as a “community” in plantation society. The plantation, as a “window” to capitalism, serves as an excellent small-scale empirical ambience and testing-ground to probe how Malays respond to both industrial class-status authority and wage labouring work. The author subsequently analyzes how the nuances of Malay proletarian moral economy and dignity are articulated with their notions of class, culture, ethnicity, and humanism.

Joel S. Kahn, ed. *Southeast Asian Identities: Culture and the Politics of Representation in Indonesia, Malaysia, Singapore and Thailand*. (1998, 274 pp., 981-3055-78-2, US\$29).

Nationalism, cultural identity, the politics of representation, culture wars, cultural globalization – these are some of the themes explored in this collection of essays on Southeast Asia. Drawing on insights developed in the relatively new fields of cultural and post-colonial study, but at the same time attuned to the rather specific histories of Southeast Asian cultures and society, the authors from the region, Australia and Canada examine instances of, and contests over, cultural identity formation in Indonesia, Malaysia, Singapore and Thailand.

P. Lim Pui Huen and Diana Wong, eds. *War and Memory in Malaysia and Singapore*. (1999, 200 pp., 981-230-037-6, n.p.).

This volume consists of selected papers presented at a workshop on War and Memory in Malaysia and Singapore to commemorate the fiftieth anniversary of World War II, plus two additional papers. The papers reveal the importance of oral history where documentary records are lacking.

Saw Swee Hock. *The Population of Singapore*. (1999, n.p. 981-230-053-8, n.p.).

The Population of Singapore deals with population trends and patterns in Singapore since its founding in 1819. Separate chapters are devoted to population growth and structure, migration, mortality, marriage, divorce, population control, fertility and the labor force. The book concludes by showing that, given the persistent below-replacement fertility rate, the population is expected to peak at about 3.34 million in 2025 and to decline continuously thereafter.

Yoneo Ishii, ed. *The Junk Trade from Southeast Asia: Translations from the Tosen Fusetsugaki, 1674-1723*. (1998, 282 pp., 981-230-022-8, US\$29.90).

At a time when other sources on Southeast Asia were relatively scarce, a remarkable set of reports were compiled in Nagasaki from the evidence of Chinese junk captains arriving from Southern ports. Hundreds of these reports have been preserved in Japan covering the period 1674-1723. Though published in Japanese, they have never been available in any other language to Southeast Asianists, and thus have usually been ignored in histories of the region. They reveal a great deal about not only the East Asia trade of Siam, Cambodia, the Malayan Peninsula, and Java, but also the internal conflicts and political systems of the area. The book serves to provide researchers with data that was previously inaccessible.

P. Lim Pui Huen, James H. Morrison, and Kwa Chong Guan, eds. *Oral History in Southeast Asia: Theory and Method*. (1998, 180 pp., 981-3055-77-4, US\$44.90).

Oral History is a means of recording the past, through interviews. There has been much oral history activity in Southeast Asia since the 1960s at both the institutional and individual levels. This volume contains a range of papers dealing with the theoretical, methodological and practical issues in oral history and the unique problems of their application in the Southeast Asian context. The authors include both academics and practitioners who bring with them a

wealth of expertise and experience in anthropology, history, sociology, publishing and archive administration.

- Another volume from Singapore University Press (10 Kent Ridge Crescent, Singapore 0511) not included in Fall 1999 number:

Belinda Yuen, ed. *Planning Singapore, From Plan to Implementation*. (1998, 196 pp., 981-04-0573-1, US\$27).

This book aims at revisiting Singapore's urban experience since independence three decades ago, and unpacking the planning and development process behind its successful urban transformation. Topics covered include: visionary planning; local planning; IT in planning practice; planning industrial estate development; urban conservation; recreation planning; and planning urban transportation.

- John A. Lent, ed. *Themes and Issues in Asian Cartooning: Cute, Cheap, Mad and Sexy*. Bowling Green, OH: Popular Press, 1999. 212 pp. 0-87972-799-9, \$21.95.

Includes Ronald Provencher, "An Overview of Malay Humor Magazines: Significance, Origins, Contents, Texts, and Audiences," pp. 11-36; Timothy R. White and J. Emmett Winn, "Islam, Animation, and Money: The Reception of Disney's *Aladdin* in Southeast Asia," pp. 61-76; Linda K. Fuller, "Singapore's *Mr. Kiasu*, *Kiasu Krossover*, *Kiasu Max*, and *Kiasu the Xtraman*: Comics Reflecting a Nation's Personality and Popular Culture," pp. 77-92.

- Gerald Sussman and John A. Lent, eds. *Global Productions: Labor in the Making of the "Information Society"*. Cresskill, NJ: Hampton Press, 1998. 317 pp. 1-57273-172-9.

Includes Gerald Sussman, "Electronics, Communications, and Labor: The Malaysian Connection," pp. 111-144; John A. Lent, "The Animation Industry and Its Offshore Factories," pp. 239-254.

- Hang Tuah Arshad and Shripah Zinjuaher Ariffin. *Sejarah Filem Melayu (1940-1980) (The History of Malay Motion Pictures)*. Petaling Jaya: Astasia Publishing House, 1997. 348 pp., 983-9430-12-2, RM \$45.

Mostly made up of appendices; only 48 pages of actual text. Lists feature films, 1940-1980; includes many stills.

Conferences

Association for Asian Studied (AAS)

Annual Meeting

<http://www.aasianst.org/annmtg.htm>

San Diego Town & Country

500 Hotel Circle North

San Diego, CA 92108

March 9-12, 2000

Southeast Conference

<http://www.lib.duke.edu/reference/kenb/duke2000/sec-main.htm>

Duke University

Durham, NC

January 14-16, 2000

Contact: George B. Pruden

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Savannah, GA 31419-1997

Phone: (912) 921-5697

Fax: (912) 921-5581

E-mail: prudenge@mail.armstrong.edu

ASPAC Conference

<http://mcel.pacificu.edu/aspac/home/aspac.html>

University of Oregon

Eugene, OR

June 16-18, 2000

Contact: Robert Felsing

Knight Library

University of Oregon

Eugene, OR 97403-1299

Phone: (541) 346-1875

Fax: (541) 346-3485

E-mail: felsing@oregon.uoregon.edu

Asian Cinema Studies Society

University of Oklahoma

Norman, Oklahoma

May 19-21, 2000

Contact: John A. Lent

669 Ferne Blvd.

Drexel Hill, PA 19026

Phone: (610) 622-3938

Fax: (610) 622-2124

Malaysia/Singapore/Brunei Studies Group Meeting

***In Conjunction with Association for Asian Studies Annual
Meeting***

Friday, March 10, 2000, 7-9 p.m.

***Royal Palm I Room, Town & Country Convention
Center.***

Amnesty International Issues Malaysia Report

The events of the past year in Malaysia demonstrate the degree to which safeguards protecting human rights have been consistently weakened over many years, Amnesty International said today in a major new report.

"Step by step, the Malaysian Government has undermined constitutional protection, weakened key institutions, and put in place an array of restrictive laws that stifle public debate and dissent," Amnesty International said.

Vaguely worded security legislation allowing detention without charge or trial is used to detain persons on account of their peaceful religious or political beliefs, some of whom have been ill-treated while held in incommunicado detention.

"Anwar Ibrahim – a prisoner of conscience, whose ill-treatment and unfair trial are documented in this report – is just the latest in a long line of people jailed for their peaceful criticism of the government," the human rights organization added.

Individuals have been sentenced to imprisonment for peaceful criticism of authorities. Reports of beatings and ill-treatment in detention are common, and for the most part, have not been investigated by authorities. Peaceful protesters have been detained and made to face lengthy trials, simply for being present at an unauthorized assembly.

Irene Fernandez, head of the non-governmental organization, Tenaganita, is currently facing trial for publishing a report alleging medical negligence and abuse in detention camps; Lim Guan Eng, a former opposition parliamentarian, was imprisoned and disbarred as a member of parliament for expressing his opinion and fulfilling his duties as a parliamentarian.

Provisions of restrictive laws, including the Internal Security Act, the Sedition Act, the Printing Presses and Publications Act, the official Secrets Act, the Societies Act and the Police Act, have been incrementally tightened, restricting the rights of Malaysians to peacefully express their opinions, form associations and protest in public, free from the fear of arbitrary arrest, ill-treatment and imprisonment.

Amnesty International urges the Malaysian government to initiate a comprehensive review of key legislation and bring it into line with international standards in order to guarantee the fundamental rights of its citizens.

"As a first step, the Government should ratify international treaties with human rights guarantees, and ensure its new Human Rights Commission is sufficiently independent and empowered to uphold those rights," the organization said.

The human rights organization is also urging the Government to lift sanctions immediately and unconditionally against anyone who has been penalized on account of their peaceful exercise of the right to freedom of belief, opinion, expression and association.

"Many Malaysians have come to question the degree to which their basic rights have been compromised in the name of stability and development. By creating the political space needed to contend with emerging social and economic problems, human rights protection is the very basis of genuine and sustainable development."

Report available at web site (1 Sept.)
<http://www.amnesty.org/ailib/aipub/1999/ASA/32800699.htm>

or from Margaret J. or nearest Amnesty office.

K.S. Jomo on the Situation in Malaysia

Jomo, K.S. is a professor of political economy at the University of Malaya, and was interviewed while visiting the University of Sydney in mid-February 1999.

Q: Four of the five East Asian countries most affected by the financial crisis have seen changes of government since July 1997, with Soeharto the last to go in May 1998. In Malaysia, however, Anwar Ibrahim, Mahathir's erstwhile heir apparent, seems to have been the victim. Yet, many young Malays, especially Anwar's supporters, think that Mahathir's days are numbered.

A: Of course, Mahathir's days are numbered. Not only is he much older (73) this time round [a reference to the intra-UMNO conflicts in the second half of the last decade], but he has personally lost much more legitimacy, especially among the Malay community, especially in his handling of the Anwar matter.

However, he is an experienced and wily politician, whom the opposition underestimates at its own peril. I've often joked that if Macchiavelli was writing today, his book would be called "The PM."

After the disastrous Anwar black-eye and the harsh police repression of street protests in September and October last year, I have every reason to believe that he and his minders and spin-doctors decided to switch tactics to:

1. improve their image (e.g. Mahathir's National Dialogue and TV7's Dateline Malaysia programs),
2. isolate responsibility for the black eye (the former IGP Rahim Noor will be the "Fall guy"),
3. frighten the Chinese community and others into supporting the status quo, and
4. try to play off the opposition forces against one another to try to prevent them from coming together.

In other words, they switched back to their usual broader array of tactics, relying on both carrots as well as sticks.

Q: How are they trying to win over the Chinese?

A: I see four cards being played by the BN: instability, race, religion and the economy. The BN is trying to convince the public, especially the Chinese, that Anwar's reformasi people will cause political instability, invoking recent Indonesian images and May 1969, of course. The more experienced opposition forces, such as PAS and the DAB, realized this. More concerned about their image, they stayed away from most of the September-October 1998 street protests.

Some Anwar supporters naively thought that Mahathir would quit – like Soeharto – in response to street protests. But even when the reformasi leadership decided to withdraw from the streets, partly due to infiltration by agents provocateurs who destroyed property to tarnish the reputation of the reformasi movement, it was difficult to do so because their supporters were not centrally organized and hence were difficult to discipline. The BN controlled media took full advantage of this, of course, suggesting that reformasi would bring about chaos and instability in Malaysia.

The anti-Chinese arson, looting and rapes in Indonesia was a god-send for the BN, who did not hesitate to identify this with reformasi and PAS in Malaysia, even though it was clear that the anti-Chinese brutality in Indonesia was orchestrated by military factions using Muslim slogans and groups. Gory details were published and broadcast, especially to Chinese audiences, unlike in the mid-1990s when BBC World TV transmissions in Malaysia were discontinued for including images of the anti-Chinese arson in Medan then. One can see how media policies are adapted to political exigencies.

To appeal to the larger non-Muslim community as well as to Muslims who abhor religious violence, there has been similarly increased coverage of violent Muslim-Christian conflict in Indonesia, with a similar message. PAS and Anwar's Islamic credentials are then identified with such Muslim intolerance and violence.

This, of course, is the same Malaysian government and media who were hardly sympathetic to the hundreds of thousands of Catholic and animist East Timorese as well as the thousands of Acheh Muslims who were raped and killed by the Indonesian military. At Mahathir and Megat Junid's behest, the

Malaysian police and UMNO Youth disrupted an East Timor solidarity conference in November 1996, jailing 60 conference participants on trumped-up charges, while dozens of Aceh Muslims have been expelled from Malaysia during the Soeharto years to face certain jail, if not death.

Even though the PAS leadership has long been mobilizing on a broad platform of justice, PAS's constitutional commitment to establishing an Islamic state is now frequently invoked by non-Muslims, especially Chinese BN leaders, to deter Chinese support for an Anwar-led opposition including PAS and to try to keep the DAP isolated.

The Chinese concerns are understandable, legitimate and need to be addressed by a credible opposition.

In the nineties, Mahathir has come across as being more "liberal" on ethnic (including economic) and cultural matters, e.g. the increased use of English. Many point out that his cronies – the word originally meant "good friends" – are multi-ethnic, and attribute privatization and the roll-back of the public sector and government regulation to him. Anwar is now being contrasted unfavourably to Mahathir in this regard, and for people with short or selective memories, this campaign has worked. Anwar's Chinese New Year message, as well as an earlier message to the Hindu community on the occasion of Ponggal, go some way in addressing such concerns, but most people don't even know of their existence. Instead, with their overwhelming media control, the BN's racial and religious bogeys have had some effect, especially among the older generation.

Q: *You also mentioned economic concerns.*

A: Many people attribute the boom before the recent crisis to Mahathir and Daim. However, I think this is erroneous. Daim was appointed Finance Minister in mid-1984 after the UMNO General Assembly and the economy went into recession in 1985. I don't think it is fair to say that the 1985-6 slump was primarily due to Daim, even though he was responsible for abandoning Tengku Razaleigh's earlier counter-cyclical policy efforts. Equally, it is nonsense to claim that the subsequent decade-long boom was principally due to Daim. Remember the whole region was booming; in fact, both Indonesia and Thailand grew a little faster in some years of the decade preceding 1998.

Although the boom started with foreign investments from Japan and the first-tier East Asian newly industrializing economies, especially Taiwan and Singapore, it was soon being sustained by the

massive capital inflows into the region, which contributed to massive asset price inflation and excessive investment, especially in construction. Because of the domination of the Malaysian economy, especially its most dynamic export-oriented manufacturing activities, by foreign direct investment, financial interests are especially influential domestically, and the asset price inflation encouraged excessive building. Much of this was facilitated by Daim's policy innovations, which Anwar did not reverse, probably because Mahathir favoured them as well.

Whoever was responsible, we now know the consequences of the capital inflows they encouraged despite the recent capital control measures and rhetoric opposing capital account liberalization. Remember that after removing Aziz Taha as the third Bank Negara Governor in 1985, they started speculating internationally until the September 1992 fiasco when BNM lost over RM20 million when sterling collapsed under an attack led by George Soros, which was the source of Mahathir's antipathy for him.

Q: *But all that is history.*

A: Yes, but history must displace myth, especially when we have such short memories. Okay, let's move to the recent crisis. The early government responses made things worse in the following ways:

1. denial: many government actions did not recognize the need to respond urgently to the situation; hence, we lost precious resources and time.
2. liquidity: the currency crisis resulted in a liquidity crisis which was made worse by some government actions, e.g. designation, causing the stock market to drop.
3. cronyism: by doing things to help the politically well-connected, the government undermined its own credibility and confidence in the rule of law, e.g. allowing the UEM-Renong reverse takeover saw a RM70 million, or 20% collapse of the stock market capitalization in the following three days.
4. rhetoric: Mahathir's rhetorical attacks on Soros and other international conspiracies invoking half-truths were not very credible, and diverted attention from more serious critical analysis of the problem, besides pushing down the ringgit unnecessarily as investors responded accordingly.

While Anwar's attempts to cancel or "postpone" some mega projects helped to send a signal of greater fiscal discipline, it probably exacerbated the economic slowdown. In my view, running a budget deficit in

response to the recessionary threat to finance more desirable and less objectionable projects could have helped cushion the decline.

From, December 1997, he did allow interest rates to rise in the hope of checking the slide and also took other measures which tightened liquidity, thus worsening recessionary pressures. I criticized these policies then, but do not believe that Anwar was an IMF stooge, as his critics now claim, for a number of reasons, e.g. he resisted the even higher rates the fund wanted. As the economy began to slow down in 1998, he began to try to reverse some of these policies in the second quarter of 1998, e.g. by announcing government spending increases and other attempts to increase liquidity and reduce interest rates when opening the UMNO Youth Assembly.

But by this point, economic policy making had become an issue in the intra-UMNO struggle. Although Anwar pledged loyalty to Mahathir and promised not to challenge him for the party leadership, the other side continued to work on eliminating him politically, as we now know.

Q: You have been an advocate of capital controls, but seem lukewarm about the recent Malaysian measures. Why?

A: I first advocated such controls in 1994 after the run in January, after the massive inflows and the resulting record bull market of 1993. There was much boasting then about how the volume of daily trades on the KLSE exceeded that of Wall Street. Then, I reiterated this the following year in the aftermath of the Mexican tequila crisis, when Noordin Sopiee argued that Southeast Asia was completely different; of course, there are important differences, but the inflows Thailand and Malaysia had become used to were clearly unsustainable; more importantly, they were dangerous, but of course, we were ignored and denounced as prophets of doom, and so on.

In August 1996, at a conference which Jeffrey Sachs opened by arguing that Malaysia was doing well because it had opened up economically, including financially, Chin Kok Fay (now of UKM) and I pointed out that only 25% of Malaysian commercial bank lending went to productive purposes (manufacturing 22%, agriculture 2% and mining 1%), with another 5% going to construction, i.e. the remaining 70% went for consumption and asset (real estate, stocks and shares) purchases. At the same conference, Professor Ajit Singh of Cambridge also warned of other drawbacks of international financial liberalization, but we were largely ignored yet again. Only in late March 1997, after Thailand's problems

became evident did Bank Negara introduce some measures to regulate bank lending, in retrospect, probably too little, too late.

Q: But what about the recent measures?

A: As we know, on 1 September 1998, Mahathir announced new capital control measures, and on the next afternoon, pegged the ringgit at RM3.8 to the US dollar before sacking Anwar. Clearly, the measures were not simply motivated by economic considerations alone, but reflected a political agenda; the measures permitted the sacking to be carried out without a collapse of the ringgit.

Now that Malaysia has adopted these measures, we must put them in perspective. First, it is important to emphasize that there are a variety of capital control measures, and I consider some of the instruments rather blunt, inappropriate and too late.

By introducing controls 14 months after the crisis began, after the stock market index had fallen by almost 80% from 1271 on 28 February 1997 to around 300 in August 1998 (and 263 on 1 September 1998 due to panic selling after the controls were announced), the authorities were closing the stable doors after most of the horses had bolted. Also, they were effectively only penalizing those who stayed on through adversity, i.e., in a sense, those who "remained loyal" to Malaysia – and remained in the local market through the darkest days – were being punished.

The recent switch to an exit tax has been welcomed by the international market, but it actually undermines the very premise for controls since it will not deter massive and sudden exit in case of panic; at best, it may deter short-selling from abroad, but little else. As with the cancellation of "designation" of KLCI shares in September 1997, observers understandably ask why not just declare victory and call it all off, instead of maintaining the pretence.

Also, the exit tax rates for those stuck here in early September are rather high, and may thus have failed to send the intended signals. However, with Daim's pragmatists in charge – as opposed to the dogmatic Mahathir position, so popular perceptions go – many people expect more changes, including officially sanctioned loopholes, to enhance Malaysia's attractiveness and to minimize the impact of the previously expected 1 September 1999 exodus of capital.

Second, we must distinguish between capital controls to avert crisis as distinct from such measures for economic recovery. The first set of arguments "e.g. made by the 1998 UNCTAD Trade and

Development Report" are not the same as the second, made by Paul Krugman in *Fortune* magazine in early September 1998, and seen as legitimizing the Malaysian measures.

Even the IMF's Stanley Fischer has recently advocated Chilean style controls, i.e. of the first type, but averting another crisis is not the urgent policy priority in Malaysia now, so we must instead ask whether the Malaysian measures have contributed to economic recovery.

Unfortunately, there is little evidence of this so far, and even when there is, it will be difficult to honestly attribute recovery to the measures. The two main reasons for this, of course, are the unfavourable international situation and the political instability as well as legitimization crisis precipitated by the Mahathir camp's efforts to politically eliminate Anwar and related policy uncertainties.

So, the key question to ask is: capital controls for what, rather than to see capital controls as desirable ends in themselves, regardless of their suitability, timing and objectives. What may be suitable for China or India may not be appropriate for Malaysia, which has a different history, a far more open economy and much greater dependence on FDI; on the other hand, Taiwan, Chile or Colombia may be more relevant to learn from.

Most importantly, such measures have adverse effects and costs for economic welfare and efficiency, and the policy objectives must be publicly acceptable and in the national interest. Most business interests and middle class people appreciate the lower interest rates, while many businesses, especially exporters, favour the peg, particularly since the ringgit is now undervalued and this enhances the competitiveness of Malaysian exports, though one may well ask what use that is in a deflationary world of declining prices and shrinking export markets.

But if the breathing space or window of opportunity provided by capital controls is abused to save the well-connected and influential, as many Malaysians understandably fear despite occasional reassurances to the contrary, then we are likely to be worse off in the medium and long term.

Already, there have been efforts on the part of the well-connected and influential to get the government to subsidize or even take over some of their debt and other liabilities, while allowing them to retain their cash cows and other lucrative assets. While some of this may be necessary to get a functioning banking system in place again, there are strong indications of imminent bail-outs for supposedly nationally strategic enterprises, when in fact, there are other cheaper ways of resolving such

problems in the public and national interest. Although there is greater public awareness of the dangers of "corruption, cronyism and nepotism" (KKN) after the slogan was coined (from Filipino and Indonesian precedents) by Anwar supporters in mid-1998, it is very likely that such abuses will continue: hence, the need for reduced transparency and the recent clampdown on the circulation of some international publications in Malaysia.

Q: *Going back to the Chinese, are they still that important politically?*

A: The Barisan Nasional increased its share of the total vote from 52% in 1990 to almost 65% in 1995, mainly due to a shift in Chinese sentiment, leaving the DAP with less than 10 MPs and the total opposition with only about 15% of parliamentary seats, compared to 30% before that, pushing Tengku Razaleigh's Semangat 46 back into UMNO on rather humiliating terms.

When you consider that ethnic Chinese comprise less than 27% of the population, though probably more of the electorate for various demographic reasons, the shift was very significant.

Q: *There are those who claim that the BN victory in 1995 was due to economic reasons.*

A: Yes and no, the economy was certainly doing well and all that. However, despite my training in economics, I reject simplistic economic determinism, though of course, the economic situation and policies are always important.

There was a slump in 1985, before then MCA President Tan Koon Swan's Pan-EI scandal and the deposit taking cooperatives fiasco broke in 1986, but the BN did not do too badly in the August 1986 election. By October 1998, economic recovery had begun a few years earlier, but the opposition nonetheless did rather well.

Q: *Given the unprecedented public disaffection with the Mahathir regime of most Malays, especially in the aftermath of Anwar's sacking, black eye and trial, don't you think that we are seeing Mahathir's last days to come back to our original question?*

A: It is not going to be easy at all. Let us not forget that they still have the four Ms: Mahathir, machinery, money and media.

While Mahathir has lost legitimacy with much of the Malay community, he is undoubtedly the most astute politician around and has all the advantages

of long-term incumbency, since mid-1981. In so far as he himself may have become a liability electorally, Mahathir's minders, the spin doctors, have done three things:

1. tried to improve, soften if you will, his image to portray a benign figure, perhaps flawed, but always acting in the national interest.
2. it has become quite clear from his remarks to students in London in February that Mahathir does not really expect Abdullah Badawi to succeed him; Pak Lah's appointment was therefore probably mainly motivated by damage control considerations.
3. unlike the last (1995) election which gave Mahathir a huge mandate, UMNO will be emphasized this time round instead; they will try to persuade Malays that only UMNO can protect and advance the Malay interest; already, the message is going out that the conflict between Mahathir and Anwar is their personal problem, but when it comes to the election, the Malays must unite around UMNO, supposedly their only protector and provider. But for non-Malays, especially Chinese, the emphasis will probably continue to be on Mahathir's leadership, rather than the BN.

As we can see in the run-up to the Sabah election, the entire federal and state government machineries are being blatantly abused to secure electoral victory. Also, because of its advantages as incumbent and patron, the BN, especially UMNO, has a formidable party machinery as well.

Neither PAS nor Anwar's supporters in the reformasi movement have anything to match the UMNO-government advantage on the ground in the rural areas, though this is less true in urban Malay settlements. Also, PAS has never really appealed as much to Muslim women, including the devout, even in areas where it has been strong. ADIL's still primarily urban middle class appeal is unlikely to erode UMNO's strengths in the rural heartland, which are mainly due to the opposition's weaknesses. The advantages for UMNO and the BN have been enhanced by the vastly greater economic resources at their command. I cannot think of any BN candidate since the 1980s who has stayed within the legally-stipulated electoral spending limits, but the law has not been interpreted to facilitate enforcement. Owing to the economic crisis, I expect greater abuse of public monies in the forthcoming election as legitimate campaign contributions are likely to be modest.

Licensing and ownership have ensured that the entire broadcast media and most of the print media is in politically safe hands, if not directly owned and

run by party proxies. This has been important for conveying the TINA belief, i.e. that "there is no alternative" to the BN, enhancing the BN's image and maligning the opposition, either by misrepresentation or by omission. Naïve opposition politicians often unwittingly allow themselves to be used for such purposes, e.g. by contriving or exaggerating disagreements among opposition political groupings.

Q: Is that all? So, what's new?

A: Perhaps not much, except for the significant shift in Malay political sentiment in the wake of the Anwar affair. Reformasi's appeal is not as limited as Semangat 46's to Kelantan, etc., but electorally, it may only be enough in the Kelang Valley and the northern crescent, though the BN will try to undermine that, e.g. by raising the rice support price, as it did in 1990.

The BN has Sarawak sewn up except for a few urban seats which the DAP may capture. And despite all the pre-election rhetoric, Mahathir will probably try to accommodate both Harris and Pairin after the Sabah state election to preempt them from supporting Anwar. Although Sabah and Sarawak have only 4.5 out of Malaysia's 22+ million people, they have a quarter of the 192 parliamentary seats, which means that the BN only needs to secure a little more than a third of the peninsular seats to achieve a simple parliamentary majority.

Gerrymandering is very serious in Malaysia; the largest seat has about ten times as many voters as the smallest seat (Labuan). Given the ethnic preoccupations of most Malaysians, many people think that this assures a Malay and a rural bias, but there is also a Sabah Sarawak bias, beginning as part of the terms of their incorporation into Malaysia, but reinforced by subsequent considerations. But even within the peninsula, among rural Malays, there are biases, e.g. a rural northern (e.g. Kelantanese) Malay's vote is worth less than that of a rural Malay in the central or southern parts of the peninsula.

Whereas the north is much more ricebased, the rest of the peninsula is planted with more oil palm and rubber. And while prices for all export commodities have fallen, the much cheaper ringgit has meant that their ringgit incomes may well have gone up. After the haze and El Nino, output has recovered, so one cannot count on economic dissatisfaction except due to rising prices, which the middle class—on fixed or declining incomes—is more sensitive to. The main victims of the crisis have been urban, rather than rural as the construction and financial sectors and related industries have been most

adversely affected.

Also, only slightly over two thirds of eligible adults (i.e. adult citizens) are actually registered to vote, while only 65-70% of them will actually cast their votes, meaning that only about half of those eligible determine the outcome of polls. While dissatisfaction may be greatest among the young, they are also the least likely to vote, not having registered or more likely to be currently resident away from the place of registration.

Q: So you subscribe to the DAP view that breaking the BN's two-thirds majority is a better electoral objective and will accommodate those, especially in the Chinese community, who may want a stronger opposition, but fear a change of government?

A: I can understand the DAP's concerns, given the effectiveness of BN propaganda in trying to frighten the Chinese into supporting the BN. That's why the opposition has to get its act together, present a solid united front on the basis of a common minimum program and strict party internal discipline, and very

importantly, achieve the cooperation and coordination at all levels which is now a BN monopoly. The opposition has to make clear that it offers a feasible as well as a superior alternative to the BN, certainly not an easy task in the circumstances. But the DAP must also appreciate that for the Malay-based opposition, especially reformasi, it is crucial to offer a superior alternative to the public, especially the Malay population, and to try to defeat the BN because they are not terribly attracted by the idea of a stronger opposition which cannot really deliver much in material terms.

But my emphasis on the problems facing the opposition is mainly due to the naïve wishful thinking which is quite widespread among opposition sympathizers and well-meaning analysts, not only among reformasi supporters new to politics, especially opposition politics, but also among more experienced people encountering an unprecedented political situation in the country. Some conditions are undoubtedly favourable to the opposition, but there is much to be done, and the reformasi forces are especially handicapped by Anwar's incarceration,

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Graduate Student Survey

Malaysia/Singapore/Brunei (M/S/B) Studies Group

This survey is meant to begin a database of graduate students interested in Malaysia, Singapore, and Brunei. If you or someone you know is interested in these areas, please fill out this survey and return to the address below. Thank you!

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Responses are due by **February 15, 1999.**