

## MAHATHIR'S DILEMMA

by James S. Gibney

"What went wrong?"

Those were the first words of *The Malay Dilemma* (1970), by Dr. Mahathir bin Mohamad, a young, up-and-coming Malaysian politician and future prime minister. Little more than a decade after their nation had achieved independence from Britain, many Malaysians were asking themselves the same question.

On May 13, 1969, a dozen years of relative harmony among Malays, Chinese, and Indians had ended abruptly in bloody street riots that racked Kuala Lumpur. The cause of the violence was an acrimonious national election in which the Malay-dominated Alliance Party lost 23 of its 89 parliamentary seats, but kept control of Parliament. Most of the lost Alliance seats went to moderate Chinese and Indian opposition parties. Following their "victory," the opposition's supporters spilled into the streets, shouting "Malays, go back to your villages!" and other slogans. Malay counterdemonstrations exploded into wild battles with sticks and knives. "We lived together as brothers for 20 years," an anonymous Malay told the *New York Times*, "but once the rioting began it was Malay against Chinese. Some Chinese ran away and we killed the rest."

By the conservative official count, when the riots ended, 196 Malaysians (mostly Chinese) were dead and thousands of homes and stores were in ashes. Under a state of national emergency declared by Prime Minister Tunku Abdul Rahman, Malaysia's democratic constitution was suspended for 18 months and its Parliament was dismissed. It was, wrote historian John M. Gullick, "the end of an era for Malaysia."

That era had begun smoothly enough under the avuncular Tunku, scion of the royal family of Kedah and graduate of Cambridge University. The reign of *Bapa Merdeka* ("the father of independence") had not been without its travails, but racial conflict had seemed largely submerged. The chief difficulties lay elsewhere, in the events surrounding the 1963 merger of independent Malaya with Singapore and Britain's ex-colonies on Borneo, Sabah and Sarawak, into the new Federation of Malaysia.

Proposed by the Tunku and favored by London, the merger struck Indonesia's mercurial President Sukarno as a "neo-colonial conspiracy" and "an affront to Asia's new emerging forces"—and, though he did not say so, an obstacle to his own designs on isolated Sabah and Sarawak. Vowing to "crush Malaysia," he launched a *Konfrontasi* (Confrontation) with the new nation. For two years, Indonesian guerrillas skirmished along the remote jungle borders in Borneo with some 10,000 British, Gurkha, and Malaysian troops; Sukarno even dispatched small sea- and



*Prime Minister Mahathir bin Mohamad raises his arms in triumph as his United Malays National Organization (UMNO) and its National Front allies sweep to victory in the April 1982 election that confirmed him in office.*

air-borne units on ill-fated raids on the Malay Peninsula.

Absurd as Sukarno's campaign was, it paled in improbability next to the effort to incorporate Chinese-dominated Singapore into the new Federation of Malaysia. Unlike the Chinese of old Malaya, the city's irrepressible Lee Kuan Yew (who insisted on continuing to use the title of prime minister) was not content to play junior partner to the Malays. To the dismay of the Tunku and other Malay leaders, he sharply questioned Malay special privileges and campaigned for a "Malaysian Malaysia," in which "the nation and state [are] not identified with the supremacy, well-being, and interests of any one community or race." A falling out was inevitable. In the summer of 1965, the Tunku expelled Singapore from the federation. "If we had not separated," he later commented, "there would have been blue murder."

It was easy to dismiss these disturbances as the natural growing pains of a remarkably healthy new nation. Unlike most Third World countries, Malaysia held regular democratic elections. Its government bureaucracy was well-trained and efficient. Its senior military officers, steeped in the British Sandhurst tradition, steered clear of politics.

Throughout the 1960s, rubber and tin, the old standbys, supported Malaysia's sturdy economy. Shunning the dreams of instant industrialization, which led so many contemporary Third World leaders to squander

millions on giant steel mills and other grandiose projects, the Tunku and his top aides encouraged a variety of modest private ventures in light industry—pineapple canneries, textile mills, television assembly plants—on the island state of Penang, and in Kuala Lumpur and other growing cities. Plantation managers diversified into palm oil, a lucrative commodity used in the manufacture of soaps, cosmetics, and chocolate.

In May 1969, Malaysians could look back upon a decade of quiet, but enviable, economic accomplishments: Despite a rate of population expansion equal to that of Ethiopia (2.6 percent annually), economic growth averaged six to seven percent a year, and inflation was nearly zero. Along with Hong Kong and Singapore, observed Australian economist Wolfgang Kasper, Malaysia rated as one of the Switzerlands of Southeast Asia, “a well-to-do, politically stable, neutral, and rather conservative country with a *laissez-faire* economy.”

So what went wrong?

Dr. Mahathir’s answer was, in part, that “the Malays were disenchanting because in their eyes the Government continually favoured the Chinese and had failed to correct the real imbalance in the wealth and progress of the races.” Despite Kuala Lumpur’s efforts to bring the Malays into the economic mainstream—an ambitious rural education and development program, racial quotas for government jobs, subsidies for Malay businessmen—they generally remained at the bottom of the economic ladder. Moreover, argued Mahathir, the Tunku mistakenly “believed that the Chinese were only interested in business and acquisition of wealth.” To the Malays who rioted in Kuala Lumpur, the elections of 1969 raised the specter of eventual Chinese economic *and* political domination of Malaysia.

### Tun Razak’s Remedy

For his unseemly personal criticism of the Tunku, Mahathir was expelled from the United Malays National Organization (UMNO), the dominant faction of the Alliance Party coalition (which also included the Malaysian Chinese Association and the Malaysian Indian Congress). *The Malay Dilemma* was banned from bookstores. But what Malaysians now call the May 13 Incident was a watershed. *Bapa Merdeka* resigned from office the next year and his successor, Prime Minister Tun Abdul Razak, veered sharply in Mahathir’s direction.

In 1971, Tun Razak announced his New Economic Policy (NEP), a kind of super affirmative action program for Malays and other indigenous people—or, as they were increasingly called, the *bumiputras* (sons of the soil). Among the NEP’s goals: the reduction of poverty from about 49 percent of the population (mostly Malays) to 17 percent in 1990;

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“racial balance” in various occupations, to be achieved partly through informal quotas (e.g., Malays were granted 75 percent of all university admissions); and an increase in the Malays’ share of corporate equity from one percent in 1969 to 30 percent by 1990. Tun Razak created a handful of large, government-backed institutions, such as Bank Bumi-putra, to aid Malay entrepreneurs and to buy up and manage corporate assets “in trust” for the Malays.

Tun Razak thus scrapped any pretense that Malays, Chinese, and Indians were equal political partners. Summoning Parliament in 1971, he virtually commanded the legislators, who normally did little more than rubber stamp government proposals, to approve a series of constitutional amendments that codified existing Malay special privileges.

Other amendments outlawed, in the *Singapore Herald’s* words, all discussion of “sensitive” issues (even in Parliament) “which might arouse racial emotions in respect of the National Language, the special position of the Malays and other natives, citizenship rights and the sovereignty of the Malay rulers [sultans].” These restrictions also apply to the nation’s many Malay-, Chinese-, and English-language newspapers. No censors are at work, but newspapermen have been held in check by the need to seek renewal of their government publishing licenses every year.

### No Losers

Before the 1974 general elections, in the discreet style of Malaysian politics, Tun Razak had dissolved the Alliance Party and skillfully forged a broader nine-party *Barisan Nasional* (National Front). Included in the coalition were not only the old Alliance partners but several strange bedfellows and one-time foes of the Alliance: the largely Chinese, communist-influenced, Sarawak United People’s Party and the fundamentalist Islamic Party (PAS).

Somehow, Tun Razak’s conservative revolution worked. With all debate over the fundamental issues of Malaysian politics banned, his political rivals had little reason to remain in opposition. They could be wooed with the traditional rewards of one-hand-washes-the-other politics: cabinet posts, patronage, honors. And while the NEP stirred deep resentment among the Chinese, Tun Razak did not intend to take from Peter to pay Paul. During the early 1970s, it appeared that the NEP’s ambitious goals could be financed simply by skimming off some of the nation’s growing bounty—“no particular group will experience any loss or feel any sense of deprivation,” the plan promised.

Fortunately for Tun Razak and his successor, Datuk Hussein Onn, also a member of UMNO, the 1970s were generous to Malaysia’s planters and businessmen. Between 1970 and 1978, the country’s gross national product per capita increased by 7.9 percent annually. The discovery of fresh reserves of oil and natural gas off the coast of Sabah and Sarawak, along with steep increases in the prices they fetched overseas,

### SKYSCRAPERS, MINARETS, AND FAMOUS AMOS

Hong Kong has its monumental high-rises, Bangkok, its chaotic urban sprawl, Singapore, its clockwork capitalism. But Kuala Lumpur remains, as British novelist W. Somerset Maugham wrote almost half a century ago, "busy, but without haste," a city with "a sense of the rhythm of life."

Almost entirely surrounded by low hills covered with lush jungle vegetation, which seems forever to be on the verge of engulfing the city, "K. L." lacks the air of metropolitan frenzy that prevails in other Asian capitals. Its people are also more diverse. Walking along the narrow lanes of Chinatown, past stalls offering roast duck and other delicacies, one sees sedate crowds of Chinese, Malays, and Tamils. Women stroll by clad in the Malay *sarong*, the Indian *sari*, or the Chinese *samfoo*. A turbaned Sikh on a motorcycle is followed by a helmeted Malay. A British businessman makes his way through the crowd. This is a city that celebrates the New Year four times a year.

In K. L., as in most Malaysian cities, the Chinese predominate, making up slightly more than half of the city's population of 940,000. While more and more Malays are leaving the rural *kampongs*, they still account for only one-third of the inhabitants. The economic pecking order is neatly symbolized by the headquarters of the Rubber Trade Association of Selangor & Pahang, which proudly spells out its name in Chinese characters on a sign outside its top floor, and in English and Malay on successive stories below.

Nowhere is Malaysia's odd mix of races and traditions more apparent than around the *Padang*, the large, well-manicured field near the city's center, which functions as cricket pitch, soccer field, and site of official ceremonies. On one side sits the Selangor Club, a mock Tudor-style legacy of colonial times, still the place where the city's elite—now mostly wealthy Chinese businessmen and Malay officials—gather over *stengahs* and gimlets.

Across the *Padang* is the old Secretariat building, a fusion of white arches and copper minarets, with a decidedly English clock tower at its center. On a third side of the *Padang* is the Anglican Church of St. Mary's. And nearby is the Arabic-style, red brick Jame Mosque, the center of Islam in Malaysia until the construction of the modernistic National Mosque in 1965. Surrounding these structures are two- and three-story tin-roofed Chinese dwellings and businesses, overshadowed by a thicket of glass-and-steel towers which house Citibank, the Hong Kong Bank, and other multinational enterprises.

The building boom of the last decade, now stalled, has imposed increasing uniformity on Kuala Lumpur's once-ragged skyline. Affluence has brought other changes. K. L.'s Chinese, Malays, and Indians can sample the "international" cuisine of Wendy's or Shakey's Pizza, and buy Famous Amos cookies for dessert. The well-to-do can drive their BMWs to posh watering holes at the Hilton, Merlin, Equatorial, and other first-class hotels. Just as prosperity has muted Malaysia's racial conflicts, it has created a more "international," and thus less colorful, Kuala Lumpur.

—J. G.

provided an unexpected bonus.\*

The relatively tranquil 1970s also saw the return of Dr. Mahathir from the political wilderness to the UMNO ranks, and in July 1981 he succeeded the ailing Datuk Hussein as prime minister. Mahathir represents a "first" in many ways. He is the first prime minister not of royal blood, and the first neither educated in Britain nor trained in law (he is a physician). He has a reputation as something of an intellectual—impatient, idiosyncratic. "I'm not a very nice personality," Mahathir declared after assuming office. "I like to speak my mind and I may offend people in the process. But, apart from differences in style and abrasiveness, perhaps, there will be very little change."

### The Proton Bomb

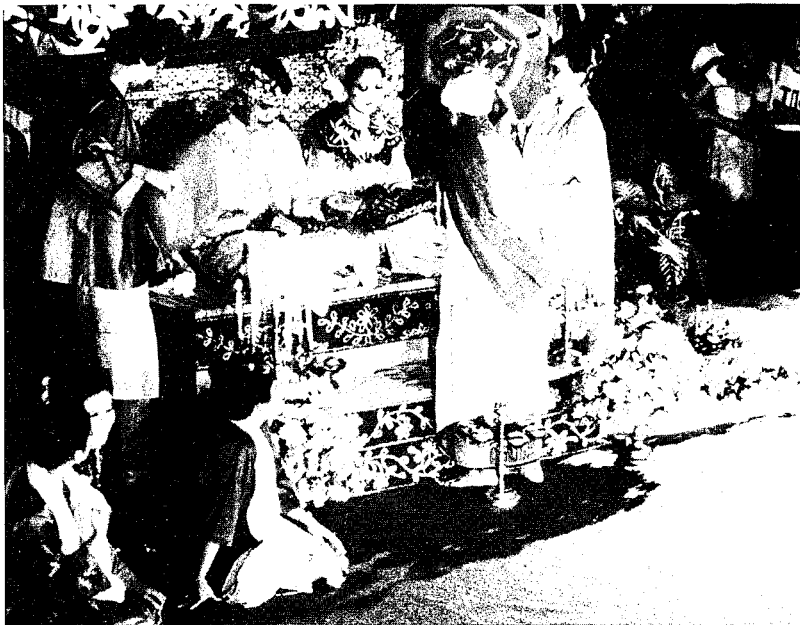
Those reassuring words aside, Dr. Mahathir swiftly demonstrated that some things would be different. In 1981, he snubbed a meeting of British Commonwealth leaders, complaining that the Commonwealth "doesn't carry out its word."† At the same time, a protracted economic dispute with Britain led him to pursue (briefly) a "Buy British Last" policy—pointedly announced as the British trade minister was on a "Buy British" regional tour. Dismissing the "decadent" West, Mahathir exhorted his fellow Malays to "Look East" and emulate the industrious Japanese and South Koreans. The United States, Malaysia's third largest trading partner after Japan and Singapore, also came in for criticism. During a 1984 speech in Washington, Mahathir charged that the United States "often supports vested interests and opposes much needed international reforms [e.g., the Law of the Sea treaty, the new international economic order] that would bring relief to many small Third World countries." Yet Malaysia's relations with Washington have remained cordial. And the premier has kept his country firmly attached to the six-member Association of South East Asian Nations, critical of Vietnam's occupation of Kampuchea and watchful of China.

At home, Mahathir called for "clean, efficient and trustworthy" government. He demanded that civil servants wear name tags, conform to a dress code, and arrive for work punctually every morning. The prime minister took his schoolmaster role seriously, sometimes inspecting offices to see if government employees were at their desks.

Arguing that too many Malaysians (23 percent of the work force in 1984) were employed by government and by bloated public enterprises,

\*Sabah and Sarawak are far more independent of Kuala Lumpur than are the peninsular states. To visit Sabah, for example, a peninsular Malaysian needs an internal passport. Sparsely populated, poor, renowned in the past for corrupt government, the two Borneo states have forged their own distinct political arrangements. The Malays and Chinese are minorities, outnumbered by dozens of diverse Muslim, Christian, and animist Borneo tribes. The current chief minister of Sabah, for example, is Datuk Pairin Kitingan, a Catholic member of the Kadazan tribe.

†A long-planned withdrawal of Commonwealth military forces in Malaysia will be completed this spring, when an Australian jet fighter squadron based at Butterworth is scheduled to return home.



*Malay tradition and Islamic fundamentalism are sometimes at odds. Here, a Malay couple exchange vows in a wedding ritual called the bersanding ceremony, now denounced by Islamic revivalists as Hindu-inspired.*

the prime minister has put the national airline, the telephone system, and some port facilities on the auction block. The receipts are to be channeled into Mahathir's new effort to create, virtually from scratch, whole new industries—cement, steel, autos. One reason: Many of the nation's older, established light industries, such as Penang's integrated circuit assembly plants, were jarred by recession during the 1980s. (Malaysia is the world's Number One exporter of semiconductors.) And growing competition from Indonesia and other Asian competitors with lower labor costs threatened the slow strangulation of these enterprises.

The chief symbol of Dr. Mahathir's new effort has been the Proton Saga, a subcompact car manufactured by the government's Malaysian Heavy Industries Corporation and Japan's Mitsubishi conglomerate. ("Japanese made, Malaysian chop [name]," joke Malaysians who note that nearly three-quarters of the car's parts are imported from Japan.) Amid great fanfare, the first Proton Saga rolled off the assembly line in 1985. With the help of generous government subsidies and high tariff walls it soon captured half the domestic small car market. Yet, the ultra-modern plant is operating at only 75 percent of capacity. Despite the ceremonial sprinkling of holy water on Protons bound overseas, plans to export the car to the United States have hit numerous snags.

To expand the domestic market for the Proton and other products of Malaysia's planned "mass consumption" industries, Mahathir in 1984 unveiled another startling policy: Kuala Lumpur would offer workers tax breaks and maternity leaves to encourage a nearly five-fold *increase* in the population (now 15 million) by the year 2100.\*

All of this, however, has come at a time when fortune has begun to frown on Malaysia's commodity-based economy. The price of petroleum, the country's largest foreign exchange earner, dropped from \$34 per barrel in 1982 to \$15 in 1986. The markets for tin and palm oil likewise collapsed. Malaysia suffered its worst recession in 30 years.

In Kuala Lumpur, that has meant readily available taxis, sparse crowds of evening shoppers, and fire sale prices (a barely used Rolls Royce could be had earlier this year at one-third its original sticker price). A building boom that began at the turn of the decade has ended; the glittering new high-rise office buildings and hotels are plagued by vacancy rates of up to 35 percent, much like Houston, Texas. Malaysia had become, as the *Economist* put it recently, "a shop stocked with things that nobody much wants."

### Veils In, Swimsuits Out

Yet the political consequences of the economic downturn have been more disturbing. Last year, Mahathir announced—indirectly, during an interview on Australian TV—that the timetables and some rules of Malaysia's ambitious NEP were temporarily "in abeyance." As University of Malaya economist Paul Chan explained it, "There cannot be redistribution [of wealth] if there is no growth." In fact, the relaxation had already begun; last year Mahathir loosened restrictions on foreign investments (e.g., requirements that Malays own part of all foreign ventures in Malaysia). In 1985, Kuala Lumpur had been shocked to discover not only that *bumiputra* ownership of Malaysia's corporate assets had inched up to only 18 percent, but that foreign investment had dropped even below the NEP's 30 percent target (to 25 percent).

For many Malays, this has been a frustrating decade. The NEP has brought change, but not the great socioeconomic transformation that some expected. During the 1970s, Malay university graduates had their pick of jobs in government and business; now hundreds of them are unemployed. According to Kuala Lumpur, poverty among all races had dropped to 18 percent by 1984. But the official data also showed that Malay *padi* (rice) farmers and rubber smallholders, living mostly in the northern states of the Malay Peninsula, were still overwhelmingly poor.†

\*Malays now make up 48 percent of the population of Malaysia, the Chinese 34 percent, and the Indians nine percent, with indigenous peoples, who are considered *bumiputras*, accounting for most of the remaining nine percent. The Malays are increasing their numbers faster than the Chinese.

†Overall, according to the World Bank, Malaysians enjoy incomes per capita of \$2,050. They thus lead the Indonesians (\$530) and Thais (\$830), but lag behind the Singaporeans (\$7,420).



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The spread of disaffection has cost UMNO some supporters. Today, for example, the rural north is the stronghold of a fundamentalist Islamic revival, which began during the first heady days of the NEP, largely among the university students who were some of the NEP's chief beneficiaries. "On local campuses," explains Suhaini Aznam of the *Far Eastern Economic Review*, "rural students unused to tough academic competition from Malay and non-Malay urbanites, turned to Islam as the one familiar aspect of a more traditional village lifestyle, one in which they could shine" and find security. Gradually, the poor and the middle class followed the students' example.

The most visible sign of the Islamic resurgence has been the vast increase in the wearing of "correct" Islamic garb. A decade ago, one would have been surprised to see women in Kuala Lumpur wearing the *selendang* or *mini-telekung*, partial veils that cover the head but not the face. Today, they are a common sight. Among men, *songkoks* and other Islamic caps are commonly worn.

As always, most Malays tend to be pragmatic. For example, fearful of offending Muslim sensibilities, the sponsors of the 1986 Miss Malaysia contest decided that the pageant would go on as usual, except that the provocative "swimsuit competition" would be closed to the public. But Islamic fundamentalists are now everywhere. *Dakwah* (proselytizing) groups, whose members often live apart from society in order to remain true to the Koran, have blossomed since the 1970s; radicals promoting a *jihad* (holy war) to transform Malaysia into an Islamic state have clashed with police. In politics, the fundamentalists are represented chiefly by Haji Yusof Rawa's PAS, which left the *Barisan Nasional* coalition in 1977, calling for Malaysia's transformation into an "Islamic state" partly modeled on Iran. (The Iranians, however, are Shi'ite Muslims; most Malays belong to the Sunni sect.)

### The Missing Links

Mahathir has dismissed his Muslim critics as "reckless and emotional extremists," but he has taken the fundamentalist threat seriously. During his first two years in office, he aimed to "out-Islam" PAS by creating such institutions as the Islamic Bank (which now has 116,000 account holders) and the International Islamic University. He has accused "Zionists" of sabotaging the economy, and regularly attacks Israel in speeches. Following the customary practice of Malaysian politics, he enticed a charismatic Muslim youth leader, Encik Anwar Ibrahim, into joining UMNO, and later appointed him minister of education. Encik Anwar is now a strong candidate to become prime minister someday.

Yet, whenever "Islamicization" has stirred deep Chinese and Indian opposition, Mahathir has retreated. Compulsory college classes in Islamic civilization became voluntary for non-Muslims; the government proposed public morality laws (e.g., making it a crime for an unmarried

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couple to hold hands in public), then withdrew them.

For the time being, Mahathir's strategy seems to have succeeded. In the August 1986 parliamentary elections, PAS won only one seat of the 85 it contested. But Mahathir must also worry about maintaining the unity of the *Barisan Nasional*. Its non-Malay member parties, notably the Malaysian Chinese Association, are losing support as they face growing pressure from their rank-and-file to stand up for non-Malay interests. And a series of financial scandals ("hanky-panky," the Malaysians call it) has turned Mahathir's 1982 "clean, efficient and trustworthy" slogan into a joke. Commented Tunku Abdul Rahman, the ex-prime minister, this year on his 84th birthday, "Everybody seems to be corrupt."

No one has accused Mahathir himself of any impropriety, but his autocratic style has angered many. In March 1987, Trade and Industry Minister Tunku Razaleigh Hamzah observed that "sometimes people in power get a bit swollen-headed." Shortly thereafter, during UMNO's regular internal elections, he mounted a bitter, unprecedented challenge to Mahathir's party leadership. Bumper stickers appeared declaring "We want two-car"—a pun on the Malay word *tukar*, or change.

A loss to Razaleigh within UMNO probably would have cost Mahathir the prime ministership. Obliquely, Mahathir's critics suggested that the future of Malaysia's "modified" democracy was at stake. "How many people have I shot?" the prime minister responded. Last April, by a wafer-thin margin (43 votes out of 1,479 cast), Mahathir retained the presidency of his party.

Yet Mahathir's victory will bring him little respite. The battle within UMNO is largely over for now, but Malaysia's larger struggle as a nation may be just beginning. In homogenous South Korea, Taiwan, Singapore, and Thailand, hard-won economic gains have been fueled by consensus and unimpeded by racial strife. In Malaysia, however, the long easy years of post-independence prosperity, which allowed its politicians to buy racial calm, seem to be over. And the old, multi-racial, British-educated leadership, whose shared values, as one historian wrote, "provided the main links by which a communally fragmented society was held together," is gone. For Dr. Mahathir—and his successors—the problem will be to appease the dissatisfied majority, the *bumiputras*, without once again angering the minorities and threatening the peace which is essential to Malaysia's future as a Third World success story.