



# **Political Business: Policies, Power and Patronage in East Asia**

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Professor Dr. Edmund Terence Gomez  
University of Malaya

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## SYNOPSIS

East Asia has rapidly modernized by instituting a development model involving government-business compacts focused on expediting industrialization, cultivating domestic entrepreneurs and reducing poverty. The region's policy pathways to development, involving a system of selective patronage to nurture large enterprises to drive industrialization, were determined by the preferences of powerful groups that controlled the financial institutions responsible for funding growth. Since power distribution in these countries was vastly asymmetrical and as selective patronage practices were gradually institutionalized, state-capital compacts have become characterized by an intimate familiarity between elites contributing to the phenomenon of "political business". Political business ties, where politicians in power channel government-generated concessions to party members or business associates, have resulted in a deeply monetized political system. Different business systems such as Japan's *keiretsu*, South Korea's *chaebol*, Taiwan's small firms and Southeast Asia's conglomerates offer insights into the outcomes of diverse modes of political business. To fully understand a country's political business configurations, the concept of the state has to be re-examined, with the central analytical focus on parties, factions and politicians having hegemony over the political system. A case study of Malaysia is provided to illustrate the conduct of political business and its implications for a developing economy.

# Introduction

When I decided to embark on the path to an academic career in the mid-1980s, I wanted to research a topic that had long troubled me and this nation. I was then employed in the private sector where I was exposed to the growth of an extremely unhealthy nexus between politics and business, a factor that was rapidly contributing to the dual problem of the deep monetization of electoral competitions and corruption. The speedy development of these problems had had deep repercussions in politics, culminating in 1987 in a major feud between political elites and the subsequent detention without trial of more than 100 politicians and social activists, including those who had long been struggling for political reforms. The political turmoil that soon engulfed Malaysia had major ramifications, including the further concentration of power in the office of the Prime Minister. These developments led to my decision to write my Masters dissertation on a phenomenon rather unique to Malaysia, the ownership of major corporate enterprises by a party in government.<sup>1</sup> I would develop this nexus conceptually under the trope of 'political business', the focus of my doctoral dissertation in which I evaluated the implications of all major Malaysian parties in government having ownership and control of leading enterprises in the corporate sector. To understand the manner of the evolution of this nexus between politics and business, which continues to define the political system in Malaysia, there is a need to contextualize it in the history of the industrialization of East Asia.

## State-Business Linkages: Political, Economic and Social Change

In the immediate period after the Second World War, the countries of East Asia<sup>2</sup> were in need of industrialization and socioeconomic change, mired as they were in poverty. Japan's economy was the most industrialized of those in East Asia, but it was also one that

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1 Taiwan was the other country where the ruling party then had extensive ownership of key firms in the corporate sector. For a study of politics and business in Taiwan, see Fields 1995.

2 In this lecture, references to East Asia include also countries of Southeast Asia, unless I explicitly state otherwise.

had been virtually annihilated during the war. Taiwan was seen as an under-developed outpost of mainland China, while South Korea was wedged deep in poverty fraught as this country was with serious domestic and international conflicts. Literacy rates in Taiwan and South Korea were extremely low and they had no industrial firms of any repute. The countries of multi-ethnic Southeast Asia – with the exception of Thailand – had embarked on a struggle to secure Independence while also determining the direction of their growth in the post-colonial period. One common feature of under-developed East Asia was their need to create a new domestic entrepreneurial industrial base, a factor that precipitated debates about the role of the state to expedite structural changes and the nature of the links between government and business.<sup>3</sup>

The question of state intervention in the economy to cultivate firms to drive industrialization is not unique to East Asia. Similar debates had occurred in the industrializing West, a history that can be traced to Alexander Hamilton's disputes with Thomas Jefferson in the United States, after the country's Independence in 1776, on the role of the state in nurturing and protecting infant industries so as to catch-up with other industrializing countries. Jefferson's primary concern with Hamilton's argument about instituting state-business ties to develop infant industries was that this would involve selective patronage resulting in wealth concentration with the creation of huge enterprises. As it turned out, state intervention eventually led to the emergence of a vast US industrial base comprising large, medium and small firms, many with the ability to compete internationally, while a number of powerful American transnational corporations (TNCs) would acquire a major presence in the global economy, including in core sectors such as banking and finance and resource extraction.<sup>4</sup>

A similar debate transpired in Germany in the late nineteenth century when the government reviewed the need for state intervention to develop a strong domestic business sector. The argument revolved around political economist Friedrich List's contention that systematic, but temporary, protection was necessary to develop Germany's infant industries. When Meiji Japan embarked on its industrialization endeavour in the late nineteenth century, it was in fact List's arguments that were enlisted for the creation of a similar

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3 Weiss and Hobson 1995; Evans 1995; Woo-Cumings 1999.

4 Chang 2002.

state-business compact. This system of business patronage by the state was actively promoted in the immediate post-World War period as Japan began rebuilding its decimated economy.<sup>5</sup> Japan, Germany and the United States remain among the most highly industrialized countries in the world, known too for their enormous entrepreneurial and export capabilities and the industrial might of their leading enterprises. In the mid twentieth century, when economies in East Asia began developing at an unprecedented rate – with the World Bank referring to this phenomenon as a “miracle”<sup>6</sup> – similar state-business linkages were constructed that focused on priority sectors that would advance industrialization, cultivate domestic capital and foster structural change, including the rapid reduction of poverty.<sup>7</sup>

During debates about models of development as well as the role of institutions, public or private, it was the preferences of the most powerful groups that often took precedence. This was the case throughout East Asia, with the exception of Japan. Following its defeat in the Second World War, a conscious effort emerged among different segments of Japanese society to collectively reconstruct the country’s economy. In this collective national desire to rebuild an economy in tatters, a compact involving state, business and labour was forged, contributing to the development of an industrialized economy second only to the largest in the world, that of the United States; this remarkable and unprecedented development occurred within a span of about three decades. In other East Asian economies that developed rapidly, collectively referred to as second-tier (South Korea, Taiwan and Singapore) and third-tier (Malaysia, Indonesia and Thailand) newly-industrialized countries, pathways to development were determined by powerful groups that controlled the financial institutions responsible for funding growth.<sup>8</sup> Since power distribution across these societies was vastly asymmetrical, one feature of the developmental process in East Asia has drawn particular attention. With the exception of Japan, East Asian countries that have rapidly industrialized by employing a model of development involving state intervention did so during a period when political power was deeply centralized. In each case, power was concentrated in different arms of government. In Japan, the bureaucracy was a central force

5 Johnson 1982.

6 World Bank 1993.

7 See Amsden 1989; Wade 1990.

8 Deyo 1987; Amsden 1989; Haggard 1990; Pempel 1999; Pepinsky 2009; Slater 2010.

in determining and implementing public policies, while in Taiwan, South Korea and Indonesia, a powerful executive, or president, was responsible for outlining the mode of development. A single dominant party in Malaysia and Singapore dictated the content of industrial policies. In Thailand, the military played a key role in directing economic growth.

The theme of institutions was central in debates about the role of different segments of the state in economic development and of their functions in the diverse forms of state-business linkages that were created. Where power was centralized became a determining factor in the model of state-business links to be adopted, including whether conglomerates, small firms or government-owned enterprises (GLCs) would be nurtured.

While the developmental state model employed in democratic Japan, characterized by a state-business-labour compact, was not replicated in other East Asian countries, corporate ownership and control patterns and business systems in this region would also differ significantly.<sup>9</sup> Japan's *keiretsu* system involved extensive interlocking ownership ties between industrial and financial firms. South Korea's highly diversified *chaebols* are basically family-owned conglomerates, while Taiwan's growth has been driven by its small-and medium-scale enterprises (SMEs) which constitute nearly 98 per cent of its economy. GLCs were the primary engine of Singapore's industrialization endeavour, and have played an equally prominent role in other East Asian economies, including South Korea and Taiwan, though it is their presence in Malaysia that is particularly noteworthy. In Southeast Asia, conglomerates, GLCs and SMEs, including family firms owned by minority ethnic Chinese, have contributed enormously to the region's industrial progress.

These crucial differences between and within East Asian economies draw attention to another important point: that a variety of businesses operates within each country. The emergence of these various types of enterprises provides insights into the different forms of state-business linkages that have had a bearing on patterns of political and social change in East Asia. How these different types of businesses relate with the state was determined by matters concerning politics,

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9 Whitley 1992. See also Chang 2006.

especially the need by key actors in government to consolidate power or to ensure they were not removed by powerful economic forces.

During East Asia's early stages of growth, political leaders were wary that businesspeople in control of major enterprises – or those who would emerge as major industrialists as these economies grew – would obtain the financial clout to capture control of government. In the 1950s in Singapore, the People's Action Party (PAP) actively endorsed the development of GLCs while undermining the growth of large privately-owned firms who were active supporters of the opposition. The favouring of GLCs led to the decline of major private enterprises and entrepreneurial capacity in Singapore.<sup>10</sup> From the 1970s, the government began stressing the need for state support of SMEs to foster domestic entrepreneurial capacity; this corresponded with the government's concern to reduce its dependency on TNCs to continue to sustain high growth rates.

In Taiwan, after his ousting from mainland China by the Communist Party, President Chiang Kai-Shek embarked on an industrialization crusade propelled by SMEs. Much support was also given, however, to GLCs to serve as another key driver of growth, with major financial institutions owned and controlled by the state or Chiang's party, the Kuomintang (KMT, the Nationalist party).<sup>11</sup> Chiang feared that his support of Taiwanese enterprises would lead to the rise of a major domestic economic force that would undermine the KMT, an institution created in the mainland.

In Malaysia, since ethnic Chinese had a ubiquitous presence in the economy in the post-1957 Independence period, though in terms of ownership and control of influential firms operating in the national economy their strength paled in comparison to foreign capital, a Malay-dominated state led by the United Malays National Organization (UMNO) moved to develop GLCs that would come to play a key role in the economy.<sup>12</sup> Affirmative action was introduced in 1970, entailing state intervention in the economy to redistribute corporate equity favouring the majority ethnic community, the Malays, much of which would later be captured by well-connected businesspeople.<sup>13</sup>

10 Chan and Ng 2004.

11 Wade 1990; Fields 1995; Woo-Cumings 1999.

12 Jesudason 1989; Gomez 1999.

13 Milne 1986; Jomo 1990; Gomez 2012(b); Gomez and Saravanamuttu 2013.

In South Korea, Park Chung Hee created a strong state characterized by centralized agencies in-charge of economic and industrial policy formulation and implementation to rapidly develop hugely-capitalized industrial conglomerates, or chaebols. State-owned financial institutions granted loans on the condition that these chaebols expanded into government-sanctioned industrial and export-based industries.<sup>14</sup> By the 1990s, almost 80 per cent of South Korea's gross domestic product (GDP) was generated by about 30 family-owned chaebols.<sup>15</sup> However, big business remained subservient to the strong state until the rise of democracy in the late 1980s, a situation that was replicated in other parts of democratizing East Asia.<sup>16</sup> Following democratization, the chairman of one of South Korea's leading cheabols, Hyundai, would make an unsuccessful bid for the presidency during the elections of 1992.<sup>17</sup>

A key lesson of these different types of business enterprises and state-business links, driven as they were by political factors in each of these East Asian countries, is that institutions matter. History indicates that institutions can remain unaltered even after regime change, seen principally after the advance of democracy in these industrialized countries or after a change of political leadership. Importantly also, it suggests that regime change can promote economic development if the necessary incentives are provided and resources are mobilized. It is the types of incentives offered that varied when a new government came to power. An issue of related importance is the question of institutional capacity, specifically the ability of the bureaucracy to conceive and deliver policies effectively, as a factor that could contribute to reducing poverty and spatial inequalities and redressing wealth and income disparities. What these issues draw attention to is the need for an in-depth assessment of the various models of development adopted in these countries.

### ***Models of development: The developmental state and neoliberalism***

In industrialized East Asia, a defining characteristic of its development model was the high degree of government intervention in the economy, known as the “developmental state” that involved the

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14 Amsden 1989; Haggard 1990.

15 Wad 2002. See also Amsden 1989.

16 For a discussion on this, see the chapters in Gomez 2002.

17 Wad 2002.

need for a “big government”.<sup>18</sup> A developmental state had certain core features including an autonomous state with a highly competent bureaucracy to conceive and deliver policies;<sup>19</sup> a coherently structured industrial development plan to foster through selective patronage entrepreneurial private firms; state-controlled financial institutions to fund this development; and a well-functioning education system that groomed human capital to work this economy. Countries adopting this model instituted an export-oriented industrialization (EOI) strategy to expose private enterprises to competition and to encourage research and development (R&D) to ensure consistent technological upgrading. State intervention in economies employing this model is exemplified through the use of terms such as “governed markets”, “governed interdependence” and “embedded autonomy”.<sup>20</sup>

East Asian countries did not share all these features. The state in Japan had a relationship with labour that respected trade unions and included workers in discussions with business managers on the mode of development of a firm, a feature not seen in other parts of East Asia. A characteristic feature of most developmental states was the presence of a strong state that firmly controlled trade unions and other non-governmental institutions, including the opposition. Labour was controlled, by working with them or through heavy restrictions, as it was imperative to control wages as this served as an important incentive for a greater volume of foreign direct investments (FDI). A core feature of developmental states in Southeast Asia, namely Indonesia, Malaysia and Thailand, was their heavy reliance on FDI to drive industrialization.

What was common in all developmental states was an effective bureaucracy that planned the direction of the economy and the close nexus between the financial and industrial sectors to advance industrialization. To aid domestic industries, developmental states allocated bank credit on favourable terms and accorded various sorts of protection, such as the use of tariffs. However, their business systems differed. In Japan, industrial firms and banks sculpted

18 Chalmers Johnson (1982) was the original proponent of the concept of the developmental state, though he acknowledges that all governments worldwide intervene in their economies.

19 In Japan, the Ministry of Trade & Industry (MITI) was a front-runner in East Asia in terms of determining the industries that the private sector had to venture into to expedite industrialization.

20 Johnson 1982; Amsden 1989; Wade 1990; Haggard 1990. See also Chang 2002 and Weiss and Hobson 1995

intricate interlocking equity ownership ties that aided the execution of long-term business strategies.<sup>21</sup> This configuration of industrial-financial capital connexions facilitated Japan's rapid industrialization. In this system, given the complex interlocking equity ownership links between banks and industries, the stock market did not play a major role in the development of conglomerates.<sup>22</sup> In South Korea, a state-controlled financial system providing "policy loans" at highly favourable rates, along with programmatic guidance to selected sectors and the deployment of the stock exchange, led to the emergence and steep rise of huge privately-owned, well-capitalized and highly-diversified industrial chaebols.<sup>23</sup>

The forms of state-business compacts were patently different from country to country in East Asia. The Japanese keiretsu system's intricate interlocking industrial and financial capital ties involving also significant state oversight was vastly different from Taiwan's cultivation of SMEs where the state had an arms-length relationship with these firms. South Korea nurtured family-owned chaebols where state and business had an intimate relationship.<sup>24</sup>

While there was much adherence to features of a developmental state in developing East Asia, by the early 1980s, most governments of these countries were inspired by a vastly different model of development – neoliberalism. In the late 1970s, a major economic ideological shift occurred, first in Britain and then in the United States with the ascendance to power of Margaret Thatcher and Ronald Reagan respectively. Neoliberalism, based on ideas developed by Friedrich von Hayek and Milton Friedman and actively pursued through the influential Thatcher and Reagan governments with strong backing from big business, advocated the need for a "small government" and the virtues of allowing the private sector to drive

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21 Whitley 1992; Dore 2000. See also Chang 2006.

22 Dore 2000; Morck and Nakamura 2003; Chang 2006.

23 Amsden 1989; Woo-Cumings 1999; Chang 2002; Wad 2002; Chang 2006.

24 The nature of state-capital compacts also varies between continents. In Latin America, business groups combine forces to form associations that help them collectively take up issues of mutual concern with the government. These associations are extremely influential and play a key role in determining the government's policy agendas. These associations do not concern themselves with the issue of poverty. For a useful discussion on the links between governments and big businesses in developing economies, see Maxfield and Schneider 1997 and Fernandez Jilberto and Hogenboom 2007.

economic growth.<sup>25</sup> The tenets of Thatcherism and Reaganomics limited state intervention in the economy to promote the private sector and competition as the key engine of economic growth, restrain policies that supported labour rights and to check the growth of the welfare state. The rise of these conservative politicians and their support of private enterprise was also noteworthy given the close links that they, or their parties, had with big business.

The neoliberal model entailed an attempt to relieve the state of its responsibilities to watch over its subjects, a process referred to as the “de-governmentalization” of the state and the “de-statalization” of government.<sup>26</sup> Neoliberalism endorsed universal-type policies in an open economy with minimal state intervention to privilege the fittest and most equipped in the belief that these factors would engender efficient employment of resources. Policies and programmes seeking to privatize the public sector, liberalize trade, deregulate the economy and decentralize administrative functions also sought to gradually release the state from its role of championing social development and the betterment of its people – factors that lead to a small government.<sup>27</sup> The assumption is that through trickle-down economics, market forces of a robust economy and greater circulation of capital would resolve social problems and inequities.

The privatization of public agencies, assets and services, as well as major new infrastructure projects resulted in numerous new and serious problems, including the creation of private monopolies in sectors previously under state control and the escalation of poverty. In developing countries, privatizing public services concentrated ownership of utilities, services and resources in the hands of private individuals, while government oversight in these sectors was also reduced considerably. Privatization of public services such as healthcare and energy and water supply was particularly contentious as it further marginalized the poorer and more vulnerable sections of the population in the developing world. As for water supply, privatization was supposed to reduce the cost of the product, but in

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25 Harvey 2005: 19-31; Harvey 2006.

26 Gordon 1991; Rose 1996; Burchell 1996; Escobar 1994; Ferguson and Gupta 2002.

27 See Harvey 2005 who provides an incisive discussion of the history of neoliberalism. For a review of the implementation of neoliberal policies, including privatization, in Asia, see Hadiz 2006; Jomo 1995; Salazar 2007.

numerous countries tariffs were introduced to improve the viability of private firms in this sector.<sup>28</sup>

Privatization through the public-listing of once state-owned enterprises was seen as an avenue to transfer government assets to private individuals. The proponents of neoliberalism in Britain and the United States were particularly enamoured with the stock market, an instrument that they felt could be effectively employed by businesspeople to swiftly create huge companies. These neoliberals were probably aware that Japan (and Germany), unlike the United States and Britain, had not been a stock-market centred economy.<sup>29</sup> The enthusiastic deployment of privatization and the stock market, pivotal features of a neoliberal state, to cultivate big business had an immense impact on the pattern of development of publicly-listed companies.

The role of the financial sector figures prominently in both the neoliberal and developmental state models, but how it functions in these development modes is fundamentally different. An assessment of the workings of the financial sector in these two development models would lead to the question of “ownership and control”<sup>30</sup> The structure of state control or ownership of the financial sector is important for determining the nature of state-business ties, including providing insights into the issue of “corporate concentration”.<sup>31</sup>

Although the ideas on which the developmental state and neoliberalism are built appear on opposite ends of the policy spectrum, both models have deeply influenced policy-planning in East Asia. The principles of the developmental state and of neoliberalism were not, however, applied in their full form, showing how selective the state has been when planning and implementing policy.<sup>32</sup> A common feature of both models was the close nexus between state and business, ostensibly

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28 Harvey 2006; Hadiz 2006; Tan 2008.

29 Dore 2000; Harvey 2005.

30 Berle and Means 1967; Blair 1995; Scott 1997.

31 Scott 1997.

32 While governments in Southeast Asia actively supported privatization, there was little support for independent regulatory institutions. Labour markets were not liberalized, with trade unions subjected to much suppression, ostensibly to ensure investor-friendly market conditions. There was no support for social safety nets for the poor, even with increasing support for the privatization of health and education. See Hadiz 2006 and Woo 2007. For the case of Malaysia, see Jomo 1995 and Tan 2008.

to promote domestic enterprise, though neoliberalism involved reducing, and sometimes even removing, government intervention in the economy. This common feature offers insights into the conduct of political power in the development of the corporate sector in East Asia, particularly seen in the case of Singapore, Thailand, Indonesia and Malaysia.<sup>33</sup>

In most countries, there is great flexibility and consideration shown by ruling regimes towards the adoption and execution of policy options. Malaysia and Singapore are widely seen as pragmatic states that have had a mix of developmental state and neoliberal-type programmes, a policy planning route that was also adopted by Indonesia. In Singapore, selective privatization has been practiced, with key sectors kept under state control, such as the airline industry to give one more example. In Thailand, a similar mix of neoliberal and interventionist-type policies led to a growing nexus between state and private firms, with increasing evidence of state capture by business, which has continued to influence policy-making and contributed to growing class inequalities.<sup>34</sup>

Neoliberalism has resulted in the shift from pro-poor to pro-business strategies and the growing influence of capital, both domestic and foreign, in terms of policy advice. Given the power of the state, however, businesses did not have considerable policy-making influence. These transitions led to the decline of the influence of bureaucratic elites. Neoliberalism weakened the relationship between business, labour and social protection. There was growing emphasis on targeted-based initiatives to control social expenditure, leading to less social protection. The ascendancy of capital arose mainly with the introduction of neoliberalism, and its implementation in tandem with state-led industrialization contributed to income inequalities with immense wealth concentration.

There is, however, no simple divide between the rise of business and the retreat of the state, as the latter can still be involved in the economy in different ways. To understand the forms and implications of the links between state and business in East Asia, two key issues must be analysed in greater depth. First, there is a need to understand the politics of the state, that is, to establish the institutions and actors

33 See Rodan, Hewison and Robison 1997; Hadiz 2006; Gomez 2009, 2012(c); Yusuf and Nabeshima 2009.

34 Hadiz 2006; Woo 2007; Sawyer and Gomez 2012.

in whom power is centred, including determining if political power has been secured through the aid of business. Second, an analysis is required of the development of the corporate sector, particularly the rise of big companies, to explore the specific nature of the relationship between business and the state. The concept of “political business” is central to the analysis of this relationship.

***From developmental state to political business: development, factions, regime change***

The concept of political business had become important because the nature of the relationship between state and capital had begun to take numerous forms. While the most common feature of state-business links involved one where the government would intervene directly in the economy to cultivate domestic firms, another dimension of this nexus involved attempts by ruling political parties to incorporate and develop enterprises of their own, a mechanism to ostensibly ensure financial independence. I used the term “political business” to describe the variety of links between politics and business, specifically party ownership of firms, the direct and indirect control of companies by politicians and the direct and indirect interference of politicians in the corporate sector.<sup>35</sup> East Asian countries where ruling political parties would come to own major enterprises include Malaysia and Taiwan.<sup>36</sup> The corporate assets of these parties would comprise these countries’ leading newspaper, television and radio firms, an issue that eventually led to the emergence of debates about the concepts of “money politics”<sup>37</sup> and “crony capitalism”.<sup>38</sup> Money politics has regularly been used with reference to the buying of votes during party and general elections through the disbursing of current and future material benefits. It also refers to political patronage and abuse of power, including favouritism and nepotism during the awarding of government rents.<sup>39</sup>

Figure 1 provides a model of the practice of political business and the outcomes of the nexus between state and business on the corporate and financial sectors as well as the political system. In an attempt

35 See Gomez 1994, 2002.

36 Gomez 1990, 1994; Fields 1995.

37 Gomez 2012(a).

38 Kang 2002.

39 Gomez and Jomo 1999; Gomez 2012(a).

to drive industrialization, politicians in power create and distribute to private businesses rents in the form of licences, contracts, subsidies and privatized projects that can be developed within a pro-growth regulatory regime and funded with loans provided at low rates by state-controlled banks. As these firms grow, their business owners channel to these politicians monetary resources to help the latter preserve or consolidate their grip on power, privileging the former by allowing them to have continued access to state-generated economic rents. Distribution of these rents by political leaders to party members helps them secure or promote their positions in the party and in government. This exchange of rents for funds creates a strong pact between ruling parties and businesses that can and have transformed these nations into industrialized countries. Since much of the flow of money between businesses and politicians skirt the letter of the law, corruption and cronyism are seen as a structural problem.<sup>40</sup> A situation where the links between politics and business have come to be entrenched in the domain of national politics have contributed to the problem of political corruption involving, among others, vote-buying during intra-party elections, a practice that remains unregulated by external bodies and is difficult to control internally. The practice of voluntary private funding of parties as well as the poor regulation of political financing have also contributed to the increasing monetization of politics.<sup>41</sup>

Within the corporate sector, the recipients of state rents employ a variety of corporate manoeuvres such as shares-for-assets swaps and reverse takeovers to capture control of publicly-quoted firms, characterized by concentration (large firm size) and conglomeration (multi-sectoral diversification). These companies in turn are used for other types of corporate manoeuvres including mergers, acquisitions and takeovers to develop their business interests. As share prices escalate, corporate equity is utilized as collateral to obtain more loans from banks for further acquisitions. Corporate strategies of this nature contribute considerably to a surge in the stock exchange's market capitalization.

The value of the company would increase when the politician it is linked with comes to power or if its patron obtains a prominent position in the government, specifically as a cabinet member responsible for

40 Woo-Cumings 1999; Kang 2002.

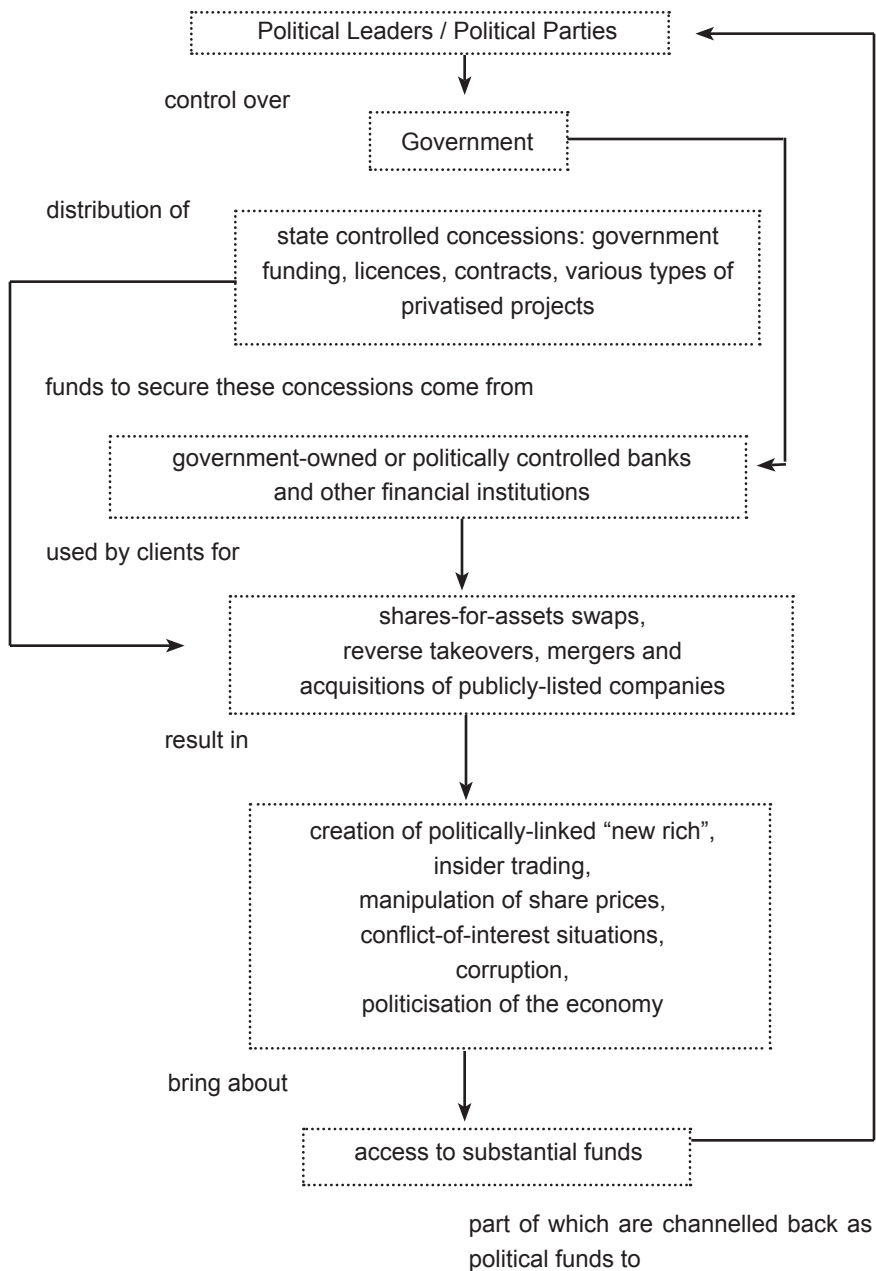
41 Pinto-Duschinsky 2002; Bryan, and Baer 2005; Fuchs and Lederer 2007; Transparency International 2009; Gomez 2012(a).

the portfolios of finance or trade. Patronage constitutes a fundamental aspect of political business, contributing to complex but unproductive corporate exercises. The rise in the market value of quoted equity would contribute to the emergence of a well-connected “new rich”, where wealth is concentrated, while selective distribution of state rents has resulted in corruption, corporate scandals and conflicts-of-interest involving senior government leaders. Companies controlled by well-connected businesspeople are involved in insider trading and manipulation of stock prices. State patronage serves as a mechanism for politicians to gain access to large sums of money for political activities, particularly to fund campaigns during party and general elections. In some cases, as firms grow large enough to achieve autonomy from the state, they channel funds to parties, or factions within them, in an attempt to influence public policies. In yet other instances, business elites form parties or participate directly in presidential elections to try and secure control over the state.

State-owned financial institutions play a crucial role in serving the interests of well-connected firms by providing them with funds on favourable terms to generate growth, primarily through acquisitions. This contributes to the rise of huge conglomerates within a relatively short period, but also to the problem of huge gearing ratios among many of them. These loans are manageable with continued support from financial institutions and the state. In most instances, huge, but normally short-term, loans from abroad, as well as significant foreign portfolio investments, are crucial for promoting the growth of these companies as well as grossly increasing their market capitalization on local stock exchanges. This mode of loan provisioning and portfolio investments, however, contributes to financial crises when large numbers of investors withdraw their funds from the stock markets. Put differently, the business style of these large-scale enterprises, and their manner of growth – that is whether a vertical, horizontal, or diversified pattern of growth has been employed – is a key factor determining their capacity to deal with economic crises. Well-connected companies are often involved in unproductive business ventures, usually adopting a conglomerate style of growth, with limited focus on developing expertise in a particular industry.

On the other hand, certain positive outcomes can arise from political business ties. State patronage through positive discrimination can be used to rectify social problems such as wealth and income disparities

Figure 1  
Model of the Practice of Political Business



between ethnic communities, while the need to promote domestic entrepreneurship and create indigenous businessmen can be dealt with through political business ties. Selective rent distribution can also help to promote industrialization and diversification of the economy.

Another facet of political business is that funds raised in the corporate sector are channelled into the political arena to fund party and general election campaigns or to buy the support of party members to create and maintain power bases. These links between state and business lead to differences among political elites, as well as widespread cases of cronyism, corruption, nepotism and conflicts-of-interest. Narrow definitions of political corruption, such as the “use of public office for unauthorized private gain”,<sup>42</sup> exclude many forms of corruption related to political finance. Walecki observes that “illegal” acts such as foreign funding of parties are not necessarily corrupt, while corrupt acts such as contributions from organized crime are not necessarily illegal.<sup>43</sup> In a number of cases, the exposé of such improprieties has precipitated profound political change and form of governance.

Political business ties became widespread in East Asia during the phase when these countries employed the developmental state model to rapidly industrialize. However, political business links took different forms. In Taiwan and Malaysia, the KMT and UMNO respectively each obtained direct or indirect ownership and control of a wide range of companies involved particularly in banking and media.<sup>44</sup> In Indonesia, when Suharto ruled as President from 1966 until 1998, he showed a preference for cultivating companies that would emerge as major conglomerates. These conglomerates would become a source of funds for the Suharto regime.<sup>45</sup> Following Indonesia’s democratization in 1998, after Suharto’s ousting by a *reformasi* movement, as businesses were no longer subservient to a strong state, some businesspeople would attempt to secure a place in the political system as candidates during electoral contests.<sup>46</sup> In democratized South Korea, a leading businessman nurtured by the state would make an unsuccessful bid for the office of President during the 1992 campaign.<sup>47</sup> In the Philippines, after the People’s

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42 Transparency International 2009.

43 Walecki 2004.

44 Gomez 1990, 1994; Fields 1995.

45 Robison 1986; MacIntyre 1991.

46 Pepinsky 2009; Slater 2010.

47 Wad 2002.

Power revolution in 1986, big businesses sought to financially support politicians and then control public policies when the latter secured prominent positions in government, including as President of the country.<sup>48</sup> In Thailand, Thaksin Shinawatra, a wealthy businessman established a political party, participated in elections and deployed money to win support to capture control of the state.<sup>49</sup> In Japan, major corporations identified and funded factions within the ruling Liberal Democratic Party (LDP).<sup>50</sup> Democratization led to a reconstitution of the state, one that made it more accountable, but big businesses, now free of the shackles of their political masters, would attempt to capture control of government, a factor that contributed to escalating corruption. While the political economy literature in East Asia had until then focused on cronyism,<sup>51</sup> attention now turned to new forms of political business that also led to conflicts-of-interest and selective patronage as well as even more concentration of wealth.<sup>52</sup>

The dynamics of political business in East Asia would evolve with regime change, particularly as the political system in these countries shifted from authoritarian rule as democracy emerged.<sup>53</sup> This meant that in order to understand the nature of a country's political business, there was a need to re-examine the concept of the state, with the central analytical focus on political parties, factions<sup>54</sup> or politicians who would come to have hegemony over the state.<sup>55</sup> In South Korea, Taiwan, Indonesia, Singapore, Thailand and the Philippines, politicians in power heavily influenced rent creation and distribution in the corporate sector through various policy mechanisms. On the other hand, in Malaysia and Japan, powerful factions in the ruling parties, UMNO and LDP respectively, influenced how state economic rents were to be distributed.

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48 Hutchcroft 1998.

49 Pongpaichit and Baker 2004.

50 Babb 2002. See also Gomez (2002) for a discussion on political business in East Asia.

51 Yoshihara 1988; McVey 1992; Rodan, Hewison and Robison 1997; Kang 2002.

52 Yusuf and Nabeshima 2009; Wain 2009; Gomez 2012(c).

53 Gomez 2002.

54 Factions are defined here as relatively organized groups within a ruling party that compete for control over the executive arm of government. For insights into the issue of factionalism, see Belloni and Beller 1978 and Goldman 1993.

55 See Higley and Burton 1989.

How, and why, factions are created and controlled also differed between countries. In East Asia, factions are normally established around particular leaders rather than specific ideologies. A faction formed around a leader to influence policy direction is usually short-lived. This, however, has not been the case of the five major factions in the LDP that appear to be more institutionalized.<sup>56</sup> In Malaysia, UMNO is fraught with factions that are loosely based and tend to have a short lifespan, depending on the longevity of their leader. Inevitably, these factions have differing access to rents depending on the influence of their leader. The concentration of access to funding sources in the hands of just a few politicians has contributed to the rise in personalized politics.<sup>57</sup> These politicians use funds to ensure they retain power or ascend the political hierarchy. In Japan, Malaysia, Taiwan, Thailand and the Philippines, factionalism has contributed to incessant party-hopping and turncoatism as influential politicians jump, usually with their supporters, between parties that provide them with the best hope of securing a place in the executive arm of government.<sup>58</sup> Factional disputes within ruling parties have been a major factor in precipitating political crises or change. In both authoritarian and democratized countries, factionalism has also influenced the volume of fund flow into the political arena, especially during party elections as politicians distribute money, corporate equity and other rents to buy support to accelerate their ascendancy in the party hierarchy.<sup>59</sup>

In all countries, party factionalism was not based on differences of ideology but on which party leader had the most to spend to obtain grassroots support. Money-based factionalism would come to threaten the very existence of those parties. In the 1993 general election in Japan, the LDP lost power for the first time since 1955. The loss was attributed to serious factionalism that split the party. LDP members formed parties that became part of the multi-party coalition in the new government.<sup>60</sup> In Taiwan's presidential elections in 2000, the KMT lost power for the first time in 50 years to the Democratic Progressive Party (DPP). The DPP would not have won this election if not for KMT factionalism that had led to the emergence of a third presidential candidate, James Soong, a former KMT stalwart, who

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56 Babb 2002.

57 Hilley, 2001; Hwang 2003.

58 Babb 2002; Gomez 2012(a); Pongpaichit and Baker 2004; Hutchcroft 1998.

59 Pinto-Duschinsky 2002; Bryan, and Baer 2005.

60 Babb 2002.

drew the second largest volume of support during the election.<sup>61</sup> In Malaysia, factional disputes in UMNO in 1987 and 1998 resulted in formidable new opposition coalitions led by former government leaders. These opposition coalitions emerged as a major threat to the dominance of the ruling coalition in Malaysia during the 1990, 1999, 2008 and 2013 general elections.<sup>62</sup>

The link between factionalism, money politics and party elections is extremely profound among parties in East Asia. In Japan, Taiwan and Malaysia, a substantial volume of funds is disbursed during contests for senior posts, in some instances more than the amount of money used during campaigns in general elections. Since party leaders controlled the executive arm of government where there was no substantive checks on decision-making, money politics gravely undermined their legitimacy as members of the ruling cabinet to stem corruption.

Since political elites who controlled the state determined the form of rent distribution, this would suggest that most government concessions were unproductively deployed, inevitably inhibiting growth. In East Asia where politicians in power promoted an agenda of rapid development, questions emerged about the quality of such growth, including how it had contributed to rampant corruption and deep monetization of politics.<sup>63</sup> The need to cultivate domestic entrepreneurs to curb over-dependence on foreign firms for technology development was used as the pretext for selective rent distribution. Through control over the financial sector, the state was also able to influence business ownership patterns and reform managerial style, both of which have had a significant impact on forms of capital development.

Most authoritarian regimes in East Asia, specifically in Malaysia and Singapore – and Indonesia before it democratized – recognized that one way to justify their form of political control was to ensure economic growth. Consistent economic growth had helped quell discontent over the suppression of political rights. Moreover, in Malaysia and Indonesia, there was a legitimate need to develop indigenous capital, correct equity imbalances along class and ethnic lines and promote inter-ethnic business cooperation. The state's

61 Cheng 2006.

62 Hilley 2001; Welsh 2004; Gomez 2007; Gomez 2012(a).

63 See Chang 2006.

ability to execute policies involving patronage favouring select ethnic groups or individuals was attributed to the existence of a strong state, one that had been independent of capital. A case study of Malaysia provides key insights into the evolutionary nature of state-business links. Crucially too, studies on political business in Malaysia draw attention to ties between party factionalism and the abuse of funds in elections, with growing attention to the inadequate role of oversight institutions and legislation to curb the growing monetization of politics.<sup>64</sup>

## **Malaysia: Political business, changing state-capital linkages and social change**

### ***Politics, policies and enterprise development***

Malaysia offers an intriguing study of the practice of political business given its extensive mix of policies involving a highly interventionist state along with the adoption of non-interventionist neoliberal ideas including extensive privatization of government entities. Rents created through these policies were deployed to the well-connected and ruling parties that had ventured into business. Affirmative action that targeted who should receive privatized state rents, ostensibly to promote Malay capital, was another dimension of this unique form of policy planning and implementation. The execution of this combination of policy choices has led to serious allegations of rent-seeking, patronage, cronyism and corruption.

The system of selective patronage that has fostered and embedded political business ties in the ruling regime has a long history. Public criticisms about inadequate reforms by UMNO after Independence in 1957 to redress socioeconomic injustices created during British colonial rule contributed to the 13 May 1969 crisis, which was viewed as a race-based conflict.<sup>65</sup> This crisis resulted in the twenty year New Economic Policy (NEP), introduced in 1970 to, among other things, redress corporate wealth inequality between the *Bumiputera*

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64 See Clad 1989; Gomez and Jomo 1999; Searle 1999; Gomez 2002, 2012(a); Wain 2009.

65 Most analyses of the 13 May crisis argue that inter-ethnic economic inequities contributed to the crisis, though new research indicates that political elites in power precipitated a race riot following UMNO's loss of electoral support during the 1969 general election (see Kua 2007).

(or “sons of the soil”) and other ethnic groups.<sup>66</sup> This goal was to be achieved through the redistribution of corporate equity along ethnic lines. In 1969, Bumiputera ownership of corporate equity stood at a mere 1.5 per cent (see Table 1). With the NEP, governance and policy frameworks shifted toward much stronger and more centralized state control and aggressive redistributive interventions to raise Bumiputera participation in the corporate world.<sup>67</sup>

Table 1  
Ownership of share capital (at par value) of limited companies, 1969–2008 (per cent)

	1969	1970	1975	1980	1985	1990	1995	1999	2004	2006	2008
Bumiputera individuals & trust agencies	1.5	2.4	9.2	12.5	19.1	19.2	20.6	19.1	18.9	19.4	21.9
Chinese	22.8	27.2	n.a	n.a	33.4	45.5	40.9	37.9	39.0	42.4	34.9
Indians	0.9	1.1	n.a	n.a	1.2	1.0	1.5	1.5	1.2	1.1	1.6
Other	–	–	–	–	–	–	–	0.9	0.4	0.4	0.1
Nominee companies	2.1	6.0	n.a	n.a	1.3	8.5	8.3	7.9	8.0	6.6	3.5
Locally-controlled firms	10.1	–	–	–	7.2	0.3	1.0	–	–	–	–
Foreigners	62.1	63.4	53.3	42.9	26.0	25.4	27.7	32.7	32.5	30.1	37.9

n.a.: not available.

Source: Malaysia 2010

During the first decade of the NEP, government intervention in the economy entailed the employment of public enterprises and trust agencies to accumulate capital on behalf of the Bumiputeras, a process Mehmet describes as “trusteeship”.<sup>68</sup> These agencies were endowed with substantial public funding to acquire big businesses, a process aided by a 1975 government ruling that each quoted firm had to ensure a minimum 30 per cent of its equity was allocated

66 Milne 1986; Jomo 1990; Faaland, Parkinson and Saniman 2003; Gomez and Saravanamuttu 2013.

67 In response to the riots, in the political arena, UMNO enlarged its tripartite alliance into a multi-party coalition, the Barisan Nasional, comprising more than a dozen parties.

68 Mehmet 1986.

to Bumiputera agencies or individuals. Public enterprises would acquire equity in companies for investment purposes and soon came to have a presence in all major sectors including plantations, mining, manufacturing, services, agriculture, banking, insurance and finance and property development and construction.<sup>69</sup> These enterprises, including Khazanah Nasional, Permodalan Nasional (PNB), Ministry of Finance Inc., Petroliaam Nasional (Petronas), the Employees Provident Fund (EPF), Lembaga Tabung Haji and Kumpulan Wang Amanah Pencen, now referred to as government-linked investment companies (GLICs), have become major equity shareholders. The state governments in the Malaysian federation, through their respective State Economic Development Corporations (SEDCs), also have ownership of corporate equity. The extensive assets of these GLICs and the SEDCs include the power supplier Tenaga Nasional, major banks such as Malayan Banking, CIMB Bank and RHB Capital, petroleum and chemical-related firms such as Petronas Gas, Petronas Dagangan and Titan Chemical Corp, leading plantation firms Sime Darby and Boustead Holdings, transport-linked firms Malaysia Airlines, Malaysia International Shipping Corp (MISC), Bintulu Port and PLUS Expressways, property developers UEM Land and IJM Land, as well as prominent enterprises in the automotive, fast food and health sectors, i.e. United Motor Works (UMW), KFC Holdings (Malaysia) and KPJ Healthcare. Scholars would refer to the growing presence of state enterprises in the economy during the 1980s as a form of “bureaucratic capitalism”,<sup>70</sup> which was characterized by “distributional coalitions”<sup>71</sup> defined as cartel-like networks acting in collusion with the state to concentrate wealth.

An important transition in the form of development of Bumiputera capital occurred when Mahathir was appointed prime minister in 1981, a position he would hold for more than two decades. The ever pragmatic Mahathir mixed developmental measures, such as affirmative action-driven enterprise development and government-led heavy industrialization, with the privatization of key state enterprises. From the outset of his premiership, Mahathir voiced his intent to produce an ensemble of entrepreneurial Bumiputera capitalists leading chaebol-like conglomerates with international presence. He justified this agenda on the grounds that after ten years of the NEP, though the volume of corporate holdings held in the name

69 Gale 1981.

70 Jomo1988.

71 Mehmet 1986.

of Bumiputeras had increased appreciably to 12.5 per cent, little progress had been made in developing private Malay entrepreneurs in control of big businesses (see Table 1). Mahathir further justified the selective patronage system he would introduce by arguing that the best way to create conglomerates led by Malays was to distribute rents to the most capable entrepreneurs.<sup>72</sup> This marked the beginning of a political business nexus that would define his premiership and become a constituent feature of UMNO-led governments.

From the late 1980s, a sweeping privatization programme was executed to develop these new entrepreneurs, officially known as the Bumiputera Commercial and Industrial Community (BCIC). Privatization would facilitate Bumiputera capital accumulation and those privy to this policy had a triple role – be profit-oriented, drive industrialization and develop Bumiputera SMEs.<sup>73</sup> This hive of privatizations and rapid creation of Bumiputera-owned conglomerates peaked over 1991 to 1995.

To aid his conglomeration vision, Mahathir relied heavily on his Finance Minister, Daim Zainuddin. Both men were captivated with the workings of the stock market and saw the domestic bourse, Bursa Malaysia, as a route to the swift creation of domestic conglomerates.<sup>74</sup> Bursa Malaysia's stock market capitalization relative to gross domestic product (GDP) would soon emerge as the highest in Southeast Asia. Between 1989 and 1993, equity market capitalization as a percentage of GDP increased from 105 per cent to 342 per cent.<sup>75</sup> By 1997, the Bursa Malaysia was the 15<sup>th</sup> largest in the world in terms of market capitalization.

As the NEP warranted the transfer of privatized rents to Bumiputeras, the execution of this policy began to have an impact on politics. Government leaders would contend that since it was the private sector, not public enterprises, which was now the main vehicle for economic development, political influence over the economy through public enterprises for patronage and rent-seeking would be checked.

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72 For an in-depth study of the rise of these well-connected Bumiputera and non-Bumiputera businessmen, see Jesudason 1989; Gomez and Jomo 1999; Gomez 2002; Searle 1999; Sloane 1999; and Wain 2009.

73 For an extensive critique of the implementation of privatization, see Jomo 1995. See also Salazar 2007 and Tan 2008.

74 Wain 2009.

75 Callen and Reynolds 1997.

However, by the late 1980s substantial corporate equity was captured by well-connected elites through privatized patronage, allowing those with access to these rents to reinforce their positions in the party and in business. Politicians who had exploited their political influence to help businesspeople expand their corporate domain and those who had cultivated close ties with big business found that they had an advantage over other aspiring politicians during party elections. This led to the emergence of a “political/bureaucratic/business complex”.<sup>76</sup> Privatization fuelled extensive clientelistic ties involving a wide range of UMNO leaders mainly because of the absence of an independent and accountable monitoring body to ensure the transparent implementation of the policy.<sup>77</sup> By the mid-1990s, most large Bumiputera-controlled firms were linked to one of the then three most powerful politicians – Prime Minister Mahathir, Deputy Prime Minister and Finance Minister Anwar Ibrahim and Economic Advisor Daim.<sup>78</sup>

Two types of well-connected businesspeople emerged during Mahathir’s term, bringing attention to different practices of political business links. The first group comprised those who owned a controlling interest in companies and played an active part in their management. The second group comprised those with backgrounds in politics or the civil service and held non-executive directorships. Members of the second group were mere figureheads, appointed usually by ethnic Chinese firms to gain access to state rents, expedite bureaucratic decisions or to bypass government regulation of greater Bumiputera participation among the owners of listed firms. Such businessmen included former Deputy Prime Minister Musa Hitam, former Attorney General Abu Talib Othman and ex-Inspector General of Police Haniff Omar.

The first group, however, was extremely prominent in the corporate sector, owning and controlling major companies. The businesspeople in this group were closely associated with Mahathir, Anwar and Daim, the three leaders with the power to determine who would secure government rents. The leading corporate figures in the mid 1990s in control of big businesses affiliated with these leaders included Halim Saad, Tajudin Ramli, Wan Azmi Wan Hamzah, Rashid Hussain, Shamsuddin Abdul Kadir, Azman Hashim, Ahmad Sebi

76 Craig 1988: 257.

77 Jomo 1995.

78 Gomez and Jomo 1999; Gomez 2009.

Abu Bakar, Ishak Ismail, Mirzan Mahathir, Mokhzani Mahathir and the late Yahya Ahmad. A number of well-connected non-Malays also quickly developed huge enterprises with state patronage, including Vincent Tan Chee Yioun, Francis Yeoh, Ting Pik Khiing and T. Ananda Krishnan.<sup>79</sup> Although Mahathir viewed these businesspeople as representative of the entrepreneurial class he was trying to create, all had been privy to state patronage, specifically privatized contracts that they utilized to quickly develop huge publicly-listed conglomerates. The political insecurity of ethnic Chinese business elites drew them into close proximity with UMNO leaders, and not with political leaders in the MCA, as a means to secure their access to rents from the state.

The 1997 Asian currency crisis unravelled Mahathir's plans to develop Malay entrepreneurs. A number of well-connected Malay businessmen were severely over-leveraged as the firms they owned held corporate equity worth far less than their acquired value. These companies were bailed out by GLCs and national policy was drastically reversed, with renewed emphasis on state ownership. Before he retired in 2003 as prime minister, Mahathir publicly admitted that his policy endeavours had failed with NEP patronage having resulted in a "crutch mentality".<sup>80</sup>

Another factor had also contributed to the fall of well-connected firms following the currency crisis. The fortunes of well-connected businesspeople depended on whether their patrons remained in power. After a serious political fall-out between Mahathir and Anwar, the latter was removed from office in September 1998. Anwar's business associates subsequently struggled to protect their corporate interests; many of them are no longer prominent business figures. Similarly, when Daim fell out of favour with Mahathir in 2001, the corporate assets owned by his business allies and proxies were taken over by GLCs.<sup>81</sup>

When Abdullah Ahmad Badawi secured the premiership in November 2003, his policy agenda was markedly dissimilar from Mahathir's. Abdullah persisted with a developmentalist model that also promoted

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79 Gomez and Jomo 1999; Wain 2009; Gomez 2009.

80 See Mahathir's speech entitled "The New Malay Dilemma", delivered at the Harvard Club of Malaysia dinner on 27 July 2002.

81 For details on the takeover of assets controlled by Anwar allies and Daim protégés, see Gomez 2006.

Bumiputera capital but he had little interest in developing Malay – or Malaysian – big businesses. Instead, he nurtured SMEs,<sup>82</sup> including cottage industries dealing with halal products, dominated by poor rural Bumiputeras, as well as Islamic-based financial services. He felt that firms in these sectors had export capacity potential if developed well. His other significant departure from Mahathir's policies was to utilize more efficiently the GLCs, now major shareholders of the leading quoted companies. In 2005, 57 enterprises listed on the Bursa Malaysia were GLCs, with a market capitalization of RM260 billion. This then constituted 36 per cent of the stock exchange's total capitalization.<sup>83</sup>

Abdullah's concerted attempt to nurture SMEs was not, however, unique. The cultivation of domestic SMEs for socioeconomic and political reasons had become a central national development objective in most East Asian countries. State support for SMEs was growing because small firms across the globe had shown that they were capable of being more responsive to market demands since they were far more flexible and better equipped to engender and adopt innovations. Taiwan, for example, is an outstanding model of a poor nation that gainfully nurtured entrepreneurial SMEs with the ability to compete globally.<sup>84</sup> Japan, more well-known for its cultivation of huge internationally-renowned firms, ranks alongside Italy as having the highest proportion of small firms among OECD countries. It is Japanese SMEs rather than the large firms that employ a vast majority of the country's workers.<sup>85</sup> For developing countries, domestic SMEs would help increase employment, create local value-added products and improve innovation and entrepreneurial capabilities.

The 2005 census of the Malaysian corporate sector revealed that SMEs constituted about 99.2 per cent of all business establishments.

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82 The Malaysian government defines a small firm as one with a sales turnover of between RM250,000 and RM10 million or between five and 50 full-time employees. A medium-scale firm is one with a sales turnover of RM10-RM25 million or between 51 and 150 full-time employees (Bank Negara 2006). These definitions are employed here. In 2012, the exchange rate of the local currency, the ringgit, to the US dollar was RM3.12=US\$1.

83 See the report entitled "Overview of the 9th Malaysia Plan" by the Center for Public Policy Studies at the website: <http://www.cpps.org.my>.

84 Wade 1990.

85 Whittaker 1997.

80 per cent of these SMEs were classified as micro enterprises.<sup>86</sup> SMEs then employed 5.6 million workers and contributed about 32 per cent of real GDP. The government introduced a number of agencies to aid SMEs,<sup>87</sup> even merged two government-owned banks to create the SME Bank to finance these firms. A concerted effort was made to tie SMEs to TNCs including those in the heavy industries and electronics and electrical sectors, though this was extended to other areas of the economy promoted by Abdullah such as ICT, agricultural biotechnology and halal products. The vendor system was employed in the retailing sector to create trade links between TNCs and SMEs.

As with the development of big businesses, the issue of selective patronage would emerge during the implementation of these vendor programmes, specifically about potentially lucrative ties between TNCs and SMEs promoted by the government. When SME-TNC ties were created by the government, Chinese firms were seldom allowed access to the domestic and overseas markets that these foreign companies could provide. Since the local firms left out of these SME-TNC associations could produce better quality products at a cheaper rate that would have helped them break into foreign markets, this denied domestic entrepreneurial firms the opportunity to expand. Selective patronage practices undermined the relationship between TNCs and SMEs, when the latter produced poor quality products.

The government was also not able to foster the rise of entrepreneurial domestic SMEs because they had not invested adequately in R&D.<sup>88</sup> Entrepreneurial SMEs were reluctant to invest in R&D, preferring to remain small-sized firms, for fear of expropriation of their firms

86 87 per cent of SMEs were in the services sector, while 7.2 per cent were in manufacturing and 6.2 per cent in agriculture. About 99 per cent of firms in agriculture were SMEs. The key sub-sectors within services comprised those related to Islamic financial products, including banking, takaful (insurance) and re-takaful, areas of business Abdullah was keen to promote (Third Industrial Master Plan 2006-2020: 166-67).

87 SME Corporation, for example, was placed under the Prime Minister's office and was responsible for coordinating policies, implementing programmes and reducing bureaucratic red-tape to aid SMEs in all economic sectors.

88 The need to concentrate on R&D to allow for domestic enterprises to grow is crucial if they are to emerge as key global suppliers. Malaysia's R&D spending as a share of GDP was 0.95 per cent, a growth compared to 0.4 per cent in the late 1990s, though still very much behind other East Asian countries such as Japan (3.4 per cent), Singapore (2.39 per cent) and South Korea (3.23 per cent) (Yusuf and Nabeshima. 2009).

through affirmative action, suggesting that policies had hindered them from building on what they had learnt from their contact with MNCs.

When Najib Razak replaced Abdullah as prime minister in 2009, he was confronted not merely with a political crisis – the Barisan Nasional had fared poorly in the 2008 general election – but also a profound economic downturn precipitated by the 2008 global financial crisis that plainly disclosed the problems associated with a neoliberal form of development. This crisis of neoliberalism drew attention to grave structural problems in Malaysia, compelling Najib to assemble a team of specialists to fashion a “new economic model” to foster “sustainability” and “inclusiveness”.<sup>89</sup> What had become demonstrably clear during the ensuing recession as FDIs plummeted was Malaysia’s huge reliance on foreign investments to generate growth. The second controversial issue Najib had to engage with was the need to liberalize longstanding ethnic quota regulations involving corporate equity ownership associated with the NEP agenda, specifically to draw in domestic investments that had also been in rapid decline since 1999 with continued implementation of affirmative action.

Najib’s assessment of Malaysia’s economic and social problems was disclosed in his first document, the *Government Transformation Plan*. This plan was an explicit admission of things falling apart: the economy was trapped in a high middle income trap; the education system was in a dismal state; corruption and crime rates were growing; hardcore poverty had not been eradicated; public transportation was mired in a jam; and even basic infrastructure in rural areas had yet to be constructed. To deal with these issues, the government released a series of plans including the *New Economic Model, Parts I and II*, the *Economic Transformation Plan*, the *10<sup>th</sup> Malaysia Plan* and the *Malaysian Education Blueprint*. The primary contention behind these documents was the idea of a “new model”, one devoid of “rent-seeking and patronage”, and thus involving “transformation”. However, Najib’s agenda clearly persisted with Mahathir’s mix of neoliberal and developmental state ideas in combination with affirmative action. By the government’s own admission, its principal objective was to fulfil the agenda of key longstanding programmes, such as those associated with the NEP and Vision 2020, core dimensions of the Mahathir administration.

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89 *New Economic Model Parts I and II*

While Najib realized that attracting, rooting and extracting technology from TNCs was challenging enough an enterprise, Malaysia also required well-equipped domestic firms to build on the links created with foreign firms. A small number of firms had shown the capacity to learn and build on technology to which they had been exposed. This included large enterprises like YTL Corp and firms under the well-diversified Hong Leong group, as well as smaller but prominent manufacturing companies such as Eng Teknologi Holdings, Unico Holdings and Globetronics Technology, led by people who had long been employed with TNCs before venturing into business.<sup>90</sup> These well-qualified individuals knew how to utilize R&D to effectively produce new products from the technology they had learnt while employed by TNCs.

Najib conceded that deregulation and liberalization were imperative to halt the recession.<sup>91</sup> The government's review of its longstanding position on the need to retain affirmative action-based regulation was primarily due to its attempt to draw domestic investments. However, the UMNO-led government had to contend with protests from its own party members over the lifting of equity ownership regulations in key sectors and among quoted firms. A core criticism was that deregulation would permit greater foreign presence in a developing economy still in the process of nurturing domestic enterprise.<sup>92</sup> Embedded in Najib's transformation plans was the idea of a government confronting a serious conundrum: the need to

90 For a brief case study of these small firms, see Gomez 2011.

91 See *The Star* 30 June 2009. As the recession deepened, the government announced in quick succession plans to liberalize equity ownership regulation in key economic sectors, to appreciably reduce the powers of regulatory bodies such as the Foreign Investment Committee and to lower the minimum quota for Bumiputera ownership in publicly-traded companies from 30 per cent to 12.5 per cent. To attract FDI, foreign investors were allowed to hold majority stakes in most firms excluding key industries such as banking, telecommunications and energy. The government removed the 30 per cent Bumiputera equity requirement in 27 services sub-sectors which included those involved in health, tourism, computer services and transport.

92 There was merit to this argument. Malaysian corporate history indicates that liberalization of the manufacturing sector had allowed foreign firms to take over domestic enterprises. Local companies with innovative production systems or those in the process of developing new technologies were especially privy to being taken over by TNCs. However, Malaysian companies, particularly GLCs such as Proton and large-sized firms, had similarly taken over foreign enterprises, principally as a means to obtain access to their technology and market.

remove race-based policies while achieving the goal of increasing Bumiputera-owned corporate equity.

However, even under existing conditions, Malaysians requiring affirmative action have had little access to opportunities under this policy. Access to shares newly-quoted on the stock exchange went to those who knew how to get them, hardly those constituting the poor.<sup>93</sup> Serious allegations of corruption and conflict-of-interest emerged when much of this equity was channeled to well-connected Bumiputeras, usually only to be quickly sold at a huge premium. One report noted that of the RM54 billion worth of quoted stock channeled to Bumiputeras since 1971, only RM2 billion of it remained in their hands by 2009.<sup>94</sup> Najib pledged to institute change to curb corruption, but for this plan to be seen as credible, there had to be one major reform – the devolution of power to key institutions to allow them the autonomy to act without fear or favour. This was not done, a change that even his predecessor, Abdullah, had failed to accomplish in spite of his overt call for institutional reforms to check corruption. This resistance to change was due to political business links that had been created and embedded in the political system.

***Political business, power reconfigurations, factions and state-society mismatch***<sup>95</sup>

In 1961, UMNO acquired a controlling interest in a highly independent Malay newspaper, the *Utusan Melayu*, to check persistent dissent

93 With implementation of affirmative action, inter-ethnic wealth inequality was reduced, but intra-ethnic inequality among Bumiputeras had worsened and is currently the highest among all ethnic groups.

94 *Bernama* 30 June 2009.

95 The first party with a business venture that thrived was UMNO's main partner in the Barisan Nasional, the Malaysian Chinese Association (MCA). Soon after its founding in 1949 by wealthy businessmen, the MCA launched a lucrative lottery that enabled it to amass enormous funds. The British colonial government banned the lottery after other parties complained that it gave the MCA an unfair funding advantage (Heng 1988). The Malaysian Indian Congress (MIC), UMNO's other major partner in the ruling coalition that was established in 1946, was associated with numerous cooperatives, including the National Land Finance Cooperative Society, Syarikat Kerjasama Nesa Pelbagai, Koperasi Belia Majujaya and Koperasi Pekerja Jaya. The MCA and MIC would go on to establish major investment firms, Multi-Purpose Holdings and Maika Holdings respectively, both of which came to be shrouded in controversy. My focus here, however, is only on UMNO. For a history of the business ventures of the MCA and MIC, see Gale (1981), Heng (1989) and Gomez (1991; 1994).

about the quality of post-colonial economic and social reforms.<sup>96</sup> However, it was in the 1970s that ruling parties began actively acquiring businesses. UMNO's investment arm, Fleet Holdings, was incorporated by Tengku Razaleigh Hamzah, then the party Treasurer, to acquire a controlling stake in the New Straits Times Press which published two leading newspapers, the English-based *New Straits Times* and the Malay-based *Berita Harian*. Razaleigh had acquired the company following protests from UMNO that these influential broadsheets were controlled by foreign – British and Singaporean – interests. UMNO later formed a cooperative, Koperasi Usaha Bersatu (KUB), which would acquire an interest in a number of major firms, including the fast-food outlet, A&W. Another UMNO holding firm, Hatibudi, had majority ownership of United Engineers (M) (UEM), which controversially obtained the privatized contract for the construction of the multi-million ringgit North-South Highway project. These holding companies would come to be mired in numerous scandals involving selective patronage, a factor that led to serious splits among UMNO elites. While UMNO still retains majority ownership of Utusan and runs its cooperative, the New Straits Times Press is indirectly controlled by the party while UEM was nationalized following the 1997 Asian crisis.<sup>97</sup>

Razaleigh used Fleet Holdings as an investment arm that held corporate equity, with the dividends deployed to fund UMNO's activities. When Daim took charge as party treasurer in 1984, he profoundly changed the mode of operation of the party's firms. Through extensive cross-holdings and pyramiding among member companies which eased access to the capital market, Fleet Holdings emerged as a conglomerate with interests in a range of industries including hotels, media, construction, retailing and banking. When Hatibudi was established in 1984, Daim's business protégés led the firm though it was owned by UMNO's top leadership which served as trustees. In 1985, Hatibudi acquired the heavily indebted Singapore-based UEM which in 1986 was selected from several tendering companies for a multi-billion ringgit contract to construct and collect tolls from the North-South Highway. Mahathir justified the award

<sup>96</sup> Gomez 1990.

<sup>97</sup> For an insightful account of this crisis on the Malaysian – and East Asian – economy, see Lai (2012). For a detailed account of the companies owned by UMNO, see Gomez 1990 and 1994.

to an UMNO company on the grounds that the construction of his party's mammoth headquarters in Kuala Lumpur required funding.<sup>98</sup>

In the mid-1980s, a period of serious recession, UMNO factionalism intensified over allegations of wealth concentration as selective patronage had led to an abuse of the party's corporate assets and the creation of a politically-aligned "new rich".<sup>99</sup> UMNO factionalism was further exacerbated following the 1997 currency crisis. On both occasions, factionalism led to the rise of new opposition coalitions. Razaleigh mounted two unsuccessful electoral challenges, first in UMNO in 1987 against Mahathir for the party presidency and then as an opposition leader during the 1990 general elections. Anwar was the serving Finance Minister and Deputy Prime Minister when his faction was ousted from UMNO in 1998. He went on to become the *de facto* leader of a new opposition coalition that posed a serious threat to the Barisan Nasional during the 1999, 2008 and 2013 general elections. The split among UMNO elites on both occasions in 1987 and 1998 was attributed to new inequities arising from selective patronage that had contributed to growing intra-ethnic Malay class differences. As early as the mid-1980s, criticism of wealth concentration, previously levelled mostly by non-Malays, increasingly emanated from members of the new Malay middle class who complained of having little access to government rents.

UMNO's factional crises in 1987 and 1998 revealed a key fact. Although it appeared that the government was removing itself from the economy through privatization, UMNO leaders retained much control over the corporate sector by the selective distribution of rents. For example, Halim Saad, who, by his own admission, had long served as an UMNO trustee, though he answered primarily to his mentor Daim and Prime Minister Mahathir, was privy to more than merely privatized projects. Following severe criticisms from within UMNO and the public about the way UMNO's huge corporate asset base was being developed, Halim was fortunate to come to hold in his own name the party's business empire that had been

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98 Gomez 1994.

99 Abdul Rahman 2001. See also Sloane 1999.

built during the 1980s by Daim.<sup>100</sup> With its apparent arms-length relationship with the corporate sector, UMNO could deny being a major actor in business manoeuvres that benefited the party and well-connected businessmen. UMNO's need to be seen to have an impartial relationship with business was imperative because serious allegations involving the party had emerged that reflected conflict-of-interest, patronage and corruption. One consequence of these factional disputes was that much power would come to be centred in the office of the UMNO president, through amendments to the party constitution, and in the office of the Prime Minister, a phenomenon that would be referred to as "Mahathirism".<sup>101</sup>

In society, electoral trends indicated that Mahathir's pattern of economic development, with its focus on big business, privatization and heavy industrialization, had had a detrimental impact on Malay support for UMNO. This trend was first noted in 1990. After the Barisan Nasional's poor electoral performance in the 1990 general election, when it faced serious competition from an opposition alliance created by Razaleigh, Mahathir liberalized the economy and introduced his Vision 2020 which included an attempt to be inclusive by promoting a *Bangsa Malaysia*. These changes helped the Barisan Nasional secure its best electoral victory in the 1995 general election, with it gaining 65 per cent of the popular vote. But, Malay support for UMNO had continued to fall. This fall was registered even though the economy had grown phenomenally over that five-year period, a factor contributing to the unprecedented non-Malay swing to the coalition in 1995. The Barisan Nasional continued to lose Malay support after the *reformasi* that erupted with the ouster of Anwar. The newly-formed Barisan Alternative opposition coalition fared particularly well in the 1999 general election in Malay-majority constituencies, securing control of the government in two Malay-dominated states, Kelantan and Terengganu. UMNO's loss of support in rural areas in the Malay heartland states of Kelantan, Terengganu, Kedah and

100 Following a dispute between Mahathir and Daim in the late 1990s, Halim would lose control of his corporate assets when a prominent GLIC, Khazanah, was deployed to take over the companies he owned. See Gomez (2006) for a detailed account of this feud between Mahathir and Daim which had serious implications for the corporate sector. Halim descended into oblivion, though in 2013 he filed a suit against Khazanah arguing his corporate assets were untimely nationalized by government leaders as he was then attempting to put together a rescue package for his enterprise. See *The Edge* 10 June 2013 for a report on Halim's suit against Khazanah.

101 See Khoo 1995; Hilley 2001; Hwang 2003.

Perlis was counteracted by support from the Borneo states of Sabah and Sarawak and other parts of the peninsula, particularly in the industrialized states of Selangor, Johor, Melaka, Negeri Sembilan and Perak.<sup>102</sup> Mahathir's policies had clearly created a spatial divide in Malaysia and had contributed to new intra-Bumiputera class inequities, an issue his successor would seek to rectify.

During Abdullah's first general election in 2004 as prime minister, the Barisan Nasional recorded a phenomenal victory, obtaining more than 90 per cent of the seats in parliament and about 64 per cent of popular support. The Barisan Nasional regained significant support in poor, rural, Malay-majority constituencies, allowing it to reclaim control of the state government of Terengganu which it had lost in 1999. The Barisan Nasional also came very close to taking control of the Kelantan state government, which had been under the rule of the Islamic-based opposition party, Parti Se-Islam Malaysia (PAS), since 1990. This clearly indicated that Abdullah's policy recommendations had resonated strongly with the rural poor who had long been marginalized by Mahathir's development policies.<sup>103</sup>

Abdullah's inability to institute his reforms, including the move to de-racialize his policies and UMNO politics, eradicate poverty, reduce corruption and improve efficiency in the public sector would cost him dearly in the 2008 general election. Abdullah had not been able to foster entrepreneurial SMEs though he had strived to provide them with numerous incentives. Furthermore, the small number of domestic firms that were entrepreneurial in terms of creating new technology brought into question the practice of selective patronage and the effectiveness of race-based targeting,<sup>104</sup> a weakness in public policies that Abdullah had not addressed.

To his detriment, Abdullah was believed to be cultivating his own clique of well-connected businessmen. Corporate scandals involving his family members were exposed. His brother, Fahim Ibrahim Badawi, had acquired government-controlled MAS Catering which he then sold to Lufthansa's LSG Skychef at a huge profit. Abdullah was criticized for endorsing his relatives who were involved in abuses related to the Iraqi Oil-for-Food Programme while his son, Kamaluddin Abdullah, was implicated in what came to be known as

102 Welsh 2004.

103 Case 2005.

104 Gomez 2012; Gomez and Saravanamuttu 2013.

the Scomi Precision Engineering nuclear scandal. Khairy Jamaluddin, Abdullah's son-in-law, was linked to ECM-Libra, with questions raised as to how he funded the equity he acquired in this company, suggesting that he had access to debt financing from banks on favourable terms. Patrick Low was reputedly closely associated with Abdullah's family, a factor that apparently enabled him to secure access to lucrative contracts in Terengganu. In spite of Abdullah's reformist agenda, corruption remained a serious issue and scandals emerged involving well-connected firms such as Transmile, Megan Media and Malaysia Airlines. The form of political business links had changed little after Mahathir, but the clients who benefited from their ties with UMNO leaders were now radically different.

During the 12th general election in 2008, the Barisan Nasional registered considerable loss of popular support. Its presence in Parliament was greatly reduced, by nearly 30 percentage points down to 63 per cent. In the state-level elections, for the first time in Malaysian history, the opposition secured control of five states: Kelantan, Kedah, Penang, Selangor and Perak; the latter three states are among the most industrialized in the peninsula.<sup>105</sup> The Barisan Nasional obtained only 51.2 per cent of the popular vote and UMNO's presence in Parliament fell from 109 seats to a meagre 79, a shock for a party accustomed to holding more than half these seats. The Barisan Nasional lost electoral support in nearly all Malay-majority constituencies in the peninsula and secured a majority in the lower house only because it won 55 of the 57 parliamentary seats in Sabah and Sarawak. In the peninsula, Barisan Nasional obtained a mere 49.8 per cent of the total votes cast, meaning that the opposition had received more popular support in this part of Malaysia.<sup>106</sup>

Serious factionalism had contributed to UMNO's poor electoral performance. Party members purportedly sabotaged their own candidates for fear that if the latter secured ascendancy in UMNO, they would channel much of the state rents to themselves. Abdullah was blamed for UMNO's poor electoral performance and he was forced to step down as prime minister, leading to the appointment of Najib as Malaysia's sixth premier.

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105 The Barisan Nasional would subsequently regain control of the state of Perak following defections from the opposition parties.

106 Pepinsky 2009; Ong 2010.

While Najib actively endorsed the need for a number of economic transformations, UMNO members were critical of his liberalization measures, fearing that these would considerably reduce Bumiputera equity ownership. Najib persisted with race-based initiatives for a number of reasons. Regional cleavages had emerged with hardcore poverty rampant in rural areas in Bumiputera-majority states, including Sabah, Kelantan, Perlis and Kedah, where the opposition had obtained a strong presence. If his public policies did not explicitly mention that Bumiputera economic interests would be promoted, Najib feared this would jeopardize UMNO's Malay support base in rural areas. However, these regional and social inequities had emerged because of an abuse of provisions within race-based policies.

There were other problems with Najib's reform pledge. Major corporate scandals occurred during his tenure involving the Port Klang Free Zone (PKFZ), Sime Darby and National Feedlot Corporation (NFC), all cases where unethical practices had arisen from links between well-connected businesspeople and prominent politicians. The government also had to deal with serious allegations of favouritism involving the award of lucrative state-generated contracts to George Kent,<sup>107</sup> a company owned by Najib's ally, Tan Kay Hock. The government came under serious criticism when a range of public enterprises, including the Penang Port and Proton Holdings, were privatized to one individual, the well-connected Syed Mokhtar Al-Bukhary, who was associated with Mahathir. In Sabah, UMNO was revealed to have received a RM40 million donation from one individual, while Sarawak's chief minister Taib Mahmud and his family were critiqued for having amassed enormous wealth. Najib was implicated in a scandal involving kickbacks from TNCs during the acquisition of defence equipment. Corporate figures associated with government leaders, apart from Tay Kay Hock and Low Taek Jho who are linked with Najib, include Mahmud Abu Bekir Taib, Abdul Hamed Sepawi, Idris Buang and Effendi Norwawi, relatives or close associates of Sarawak's Taib; Lim Kang Hoo of Ekovest Berhad who is reputedly close to Deputy Prime Minister Muhyiddin Yassin and Hishammudin Hussein, a minister and UMNO Vice President; Mukhriz, Mahathir's son who has a huge interest in Opcom Holdings Berhad; Norraesah Mohamad, a leader of UMNO's women's wing

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107 George Kent was awarded a RM960 million Light Railway Transit (LRT) project by the government without open tender.

who sits on the boards of directors of several quoted firms; Fateh Iskandar Mohamad Mansor who is linked to Glomac Berhad and served as UMNO Selangor's treasurer; and Johari Abdul Wahab, an UMNO Member of Parliament of a constituency in Kuala Lumpur.<sup>108</sup>

In April 2013, having had four years to implement his policies, Najib dissolved Parliament. Najib's manifesto spoke of the reforms in his numerous plans that he wanted to continue. The election results, however, indicated an electorate unconvinced by his transformation plan. The Barisan Nasional fared even more badly in the 2013 election, securing only 133 parliamentary seats compared to the 140 seats it had obtained previously. UMNO fared better though, winning 88 seats in Parliament, nine more than it previously held while also emerging as the party with the largest presence in the Lower House. Having registered huge defeats in urban middle class constituencies, the Barisan Nasional secured victory only because of its support in the Malay heartland states and from the electorate in Sabah and Sarawak. The Barisan Nasional lost the popular vote, winning only 49 per cent of electoral support nationally and 43 per cent in the peninsula. The Opposition retained control of Selangor and Penang and made huge inroads in Johor, all three of which are Malaysia's most industrialized states, while also maintaining its rule in Kelantan.

Since UMNO continues to enjoy support in the Malay heartland states but is rapidly losing popular support nationally, the party is unlikely to dispense with race-based policies. In this situation, it is unlikely that major reforms will be instituted by UMNO to devolve power to key regulatory institutions so as to ensure checks and balances are instituted to curb corruption and rent-seeking. However, since society has persisted in sending a message to all parties of the need to dispense with race- and religious-based politics, in the long term UMNO's position appears precarious particularly if it cannot sustain rural Malay support which in 1990, 1999 and 2008 had swung to the opposition. A less racially and religiously-oriented political coalition is likely to fare better in the next election. Electoral trends suggest that attempts to consolidate power will not augur well for political elites. Public criticisms as well as huge demonstrations in urban areas led by the middle class in 1999, 2008 and particularly leading up to and in

108 See *Focus* 18 May 2013 for an in-depth account of the corporate interests of these well-connected businesspeople. See also *KiniBiz* 5 April 2013 and *The Edge* 27 April 2013.

the immediate aftermath of the 2013 elections indicate an electorate increasingly intolerant of power concentration.

The election results in 2008 and 2013 indicate the crucial role played by the growing middle class. The government has to deal with an educated and erudite urban middle class with access to news sources other than the mainstream Barisan Nasional-controlled media. For this middle class, a potential agent of political change, it is not sufficient for UMNO to ensure economic growth to justify retaining power. These political shifts have made it difficult for big business to act with impudence. However, the state can still exploit existing cleavages in society to its advantage, specifically the racializing of core issues such as the inequitable distribution of wealth.

### **Conclusion: Political business, power devolution, enterprise development**

As in nations in developing East Asia, a defining feature of Malaysia's political economy is the nexus between a strong state and big business. Two other features Malaysia shared with most other East Asian governments were, first, the desire to develop entrepreneurial domestic firms, with the state playing a major role in the economy to achieve this goal. Second, the fear that these selectively patronized firms would become economically so powerful that they would emerge as a serious threat to the power base of their patrons. The manner of socioeconomic change in Malaysia was conspicuously shaped by the models of development that had been adopted but deeply conditioned by these two issues, while the location of power determined the mode of selective patronage. Malaysian politicians implemented selective patronage in a non-transparent manner, offering an assortment of reasons for doing so during the disbursement of rents including the essential need to expedite industrialization, advance conglomeration and ensure ethnic coexistence through fairly equitable distribution of the wealth generated. The state's stress on targeting companies for selective patronage along ethnic lines further tempered its choice of the winners.

Another criterion that conditioned the practice of selective patronage was that businesspeople privy to rents were expected to promote industrialization as well as register profits that were to be channelled back to politicians for party activities, specifically the funding of

party and general elections. Government leaders would therefore seek avenues to distribute rents selectively while ensuring that the conglomerates that emerged remained under their direct or indirect control. Political business ties consequently served two goals – to industrialize economies and to create a source for funds for politicians or parties to help them retain power. As this tradition of selective patronage came to be institutionalized, the state-capital nexus that emerged was one characterized by an intimate familiarity between an elite from UMNO and from business, a core factor for the deep monetization of the political system that now prevails.

Table 2 illustrates changing trends in the links between politics and business. The number of companies associated with UMNO has grown substantially and politicians are increasingly involved in business. In the 1970s, when UMNO began acquiring firms, a small number of leaders had overwhelming influence over them. By the 2000s, a large number of politicians had come to own a slew of companies.<sup>109</sup> Professionals managed UMNO-owned firms in the 1970s, but by the 2000s politicians were involved in the management of companies under their control. While parties used to have direct ownership over companies, the present form of ownership and control is extremely covert, with proxies holding the equity in trust. These changing trends in the nexus between politics and business explain why businesspeople are gaining a stranglehold on party positions at the grassroots level. By 1995, about 20 per cent of the chairmen of UMNO's divisions were millionaire businessmen,<sup>110</sup> while businesspeople constituted more than 30 per cent of the delegates to the annual general assemblies from the year 2002,<sup>111</sup> a factor that has contributed to serious money-based factionalism.

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109 See Gomez 2002: 99.

110 Gomez and Jomo 1999: 26.

111 Milne and Mauzy 2002: 25.

Table 2  
Changing nature of UMNO-linked companies, 1970s and 2000s

Characteristics	Year	
	1970s	2000s
Number	Small	Large
Form of party control	Direct	Indirect
Control by individual politicians	Insignificant	Significant
Paid-up capital	Relatively small	Extremely large
Equity ownership	Significant	Sufficient to maintain control
Interlocking stock ownership	Significant	Rather limited
Interlocking directorships	Significant	Rather limited
Managerial autonomy	Extensive	Largely majority ownership control
Business specialization	Limited	Significant
Growth pattern	Conglomerate; depending on needs of the party	Increasingly horizontal among new rich; vertical and opportunistic among emerging capitalists
Inter-ethnic business ties	Limited	Increasing
Persons in management	Most non-politicians	Many politicians

Source: Gomez (2002): 99; Gomez 2012a

A defining feature of present day political business is that while well-connected companies have the capacity to accumulate and own wealth, they have little control over these assets. Since the state is controlled by an UMNO ridden with factionalism, having once granted corporate equity to private individuals, party leaders were seldom bound to honour the latter's ownership rights. Since UMNO leaders have used government institutions to relinquish businesspeople of their assets following factional disputes, this has undermined corporate development and contributed to serious wastage of resources during the re-nationalization of these firms. Government ownership over a firm was also not relinquished following its privatization to the well-connected. In such privatizations, politicians used their now indirect control over these enterprises to ensure they served their vested interests. As a result, political business links

have been inherently unstable and tend to change rapidly following disputes between political elites or following a regime change. With a change in the premiership or after UMNO feuds, a new breed of well-connected businesspeople emerged. Patronage continues to define UMNO politics, but the nature of the quid-pro-quo has become more covert with greater difficulty in tracing the flow of funds. The progressively concealed nature of political business has made it increasingly challenging to track the movement of concessions and money between businesspeople and politicians, raising concerns about covert concentration of economic power. It bears mentioning that the bottom 80 per cent of Malaysian individuals hold only 5 per cent of total financial assets while the top 20 per cent own nearly 95 per cent of private assets.

The fractures that have occurred among elites have not led to meaningful change within UMNO or within the political system through, for example, the rise of a new regime following a general election. The opposition coalitions that were established and contested in the 1990, 1999 and 2013 elections were not able to defeat the Barisan Nasional, allowing elites in UMNO to sustain political business practices. Political business ties are currently extremely fluid, as there have been two changes in government in the last decade, since 2003, from Mahathir to Abdullah to Najib, with fresh power configurations occurring with each transition. In the intervening time, serious UMNO factionalism, signifying considerable elite differentiation within the party, draws attention to the existence of several locations of power. Mahathir had recognized this and used the power he had concentrated in the office of the executive to control disputing factions in UMNO. Subsequent prime ministers have not been as astute in using the office of the executive to control UMNO factions, a factor arising from the political liberalization Abdullah instituted after he took office as prime minister.

Due to these serious contestations among elites, UMNO leaders have struggled to find a fine balance between serving vested interests and pacifying faction leaders with a fair distribution of state rents between them. Power relations involving the UMNO president are important, between him and faction leaders and between him, in his capacity as the prime minister, and society. Ensuring an equitable distribution of rents in response to demands from UMNO factions has proven particularly difficult when the prime minister also has to ensure

economic growth to win general elections. What is clear in Malaysian history since the late 1980s is that one person, the prime minister, is in a position to carry out his own will and is likely to do so despite resistance from various sources, an issue drawing clear attention to the structure of the state. This history of how political business connections have been re-shaped by leaders on their ascendance in government and the implications of this on the corporate sector and on UMNO clearly indicate the need for institutional reforms involving devolution of power. The inability of UMNO leaders to distribute rents equitably among factions, sustain high levels of economic growth and see to the alleviation of poverty among rural Bumiputeras, their main support base, was the reason for the serious contestations among political elites on numerous occasions and the further concentration of power. Since factional leaders have secured some leverage to undermine the capacity of party presidents to act unilaterally, UMNO's patron-client relationships are not as asymmetrical as they once were. Meanwhile, UMNO has not been able to appease an electorate uncomfortable with the pattern of economic development that Malaysia has embarked on, one characterized by reconfigured political business ties leading to the emergence of new corporate elites and serious charges of corruption and nepotism.

The dislocations in the corporate sector caused by UMNO factionalism have undermined the effective functioning of GLCs, prevented the development of entrepreneurial firms, hindered the rise of dynamic Bumiputera-owned companies, concentrated wealth in the hands of an elite segment and raised concerns among domestic firms about investing in the economy. These repercussions of political business are evident in Malaysia's corporate history. A review of the top 20 companies of 1957 indicates that none has managed to retain its position in 2013, raising questions about three crucial issues. The first of these is the impact of state intervention and policies on local enterprise. Since these firms were owned by ethnic Chinese, the emphasis on according preferential treatment to only one community, the Bumiputeras, had undermined the development of domestic enterprise. Second, the growth strategies adopted by businesses have been heavily conditioned by public policies, a matter that has had a bearing on their longevity and sustainability. Third, the state's deployment of power in its different manifestations has had an immense impact on economic and enterprise development. The state has operated at multiple levels in the economy – through UMNO,

a hegemonic executive and influential politicians – each attempting to promote the interests of particular companies. These different manifestations of the state have, in almost all instances, undermined the neutrality of policy implementation and influenced patterns of enterprise development, often to the detriment of private companies.

Institutions established to ensure sound governance of the corporate sector have the capacity to perform effectively and have, in fact, a good reputation in terms of regulating equity and financial markets. However, in view of executive hegemony, the relevance and effectiveness of these institutions depends primarily on government leaders. Regulatory institutions do act independently, but are also employed as tools by powerful politicians to serve vested political and business interests. These politicians can ensure that regulatory institutions are not allowed to act against favoured businessmen, in spite of evidence of corrupt practices. This systematic form of institutional abuse has profoundly hampered checks and balances in government, informing the mode of selective patronage.

A thread running through this historical review of Malaysia's political economy is the idea that the outcomes of this mix of developmental state, neoliberalism and affirmative action policies to fashion the growth of domestic firms might not have been detrimental to the economy had public institutions been allowed to guarantee transparency and accountability in the award of rents; and, as importantly, if race had not figured as a criterion in the award of these concessions. The government did attempt to connect companies in the industrial sector with financial capital. This was imperative as leading enterprises in East Asia, specifically in Japan and South Korea, have shown how a strong link between industrial and financial capital was crucial in nurturing a dynamic domestic entrepreneurial base. Well-connected non-Bumiputera firms that had obtained state rents have used them productively enough to garner an international presence. These firms include those owned by Robert Kuok, Francis Yeoh, T. Ananda Krishnan and Quek Leng Chan. The political connections of these entrepreneurs had allowed them to create value for their enterprises in a manner not seen among most well-connected Bumiputera businesspeople.

Malaysia remains a strong state, unwilling to devolve power to regulatory institutions to ensure checks and balances in the political

system with UMNO the hegemonic force in spite of repeated assertions by the government that this country is a thriving democracy. An arms-length relationship between politics and business is required, one where the manner in which the government channels rents to companies is open, transparent and accountable. In this system, the distribution of rents to companies has to be based on a just cause, one also in accordance with policies that had been well debated in the public arena.

The government cannot continue to refute one crucial lesson about race-based policies and selective patronage to nurture domestic enterprise. Policies to create Bumiputera-owned conglomerates have been detrimental to the economy, while non-transparent selective patronage has been an enormous public cost. The small number of major Bumiputera enterprises is evidently related to the conduct of UMNO politics, primarily its members' abuse of affirmative action which impeded Bumiputera presence in the industrial sector. Since ethnicity mattered during the implementation of affirmative action, this similarly undermined the nurturing of entrepreneurial capacity among small firms. While bureaucratic institutions and incentives to nurture domestic enterprise are in place, UMNO politics has dictated policy implementation, a factor that has not favoured genuine entrepreneurship. In spite of selective patronage, rents have not been distributed to Bumiputeras equipped to develop them productively, a situation markedly dissimilar to the case when state concessions were awarded to non-Bumiputeras. Bumiputeras with entrepreneurial skills would eventually support the opposition because selective patronage was only advancing the interests of those strongly connected to UMNO. Social and development policies targeting the promotion of Bumiputera economic interests, as well as the disempowerment of oversight and regulatory institutions, ironically enough, have contributed to a serious intra-ethnic Malay class divide.

The government is aware that if the economy is to escape the high middle income trap in which it now is, it has to inspire confidence among investors by decisively tackling corruption and non-transparent selective patronage. This would necessitate major structural reforms, specifically, the devolution of power to the relevant oversight institutions that have to be made accountable to the legislature, not the executive. Unless this devolution of power is realized, the

government will not be able to overcome its most serious challenge: to convince private investors that public policies will not undermine their corporate goals while their property rights will be accorded due protection. In order to inspire investor confidence, the nature of political business ties in Malaysia will have to be fundamentally reformed.

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# CURRICULUM VITAE

**Name:** Edmund Terence Gomez

**Current Employer:** Department of Administrative Studies & Politics, Faculty of Economics & Administration, University of Malaya

**E-mail Addresses:** terencegomez@hotmail.com/etgomez@um.edu.my

**Telephone Contact Number:** + 6-03-7967-7800

**Qualifications:** Bachelor of Arts (Hons), May 1985, University of Malaya Master of Philosophy (Development Studies), May 1990 University of Malaya Ph.D (Development Studies), May 1993, University of Malaya

**Job Affiliations:**

1990-1992: PhD Fellow, University of Malaya, Malaysia

1993: Visiting Fellow, Asian Studies Department, Murdoch University, Perth, Australia

1994-1995: Lecturer, Faculty of Economics & Administration, University of Malaya, Kuala Lumpur, Malaysia

1996-1999: Senior Research Fellow, Department of East Asian Studies, University of Leeds, Leeds, United Kingdom

2000-2008: Associate Professor  
Faculty of Economics & Administration  
University of Malaya, Kuala Lumpur, Malaysia

May-August 2002: Visiting Professor  
Graduate School of International Cooperation  
Studies  
Kobe University, Kobe, Japan

June 2005-July 2008: Research Coordinator  
United Nations Research Institute for Social  
Development  
(UNRISD), Geneva, Switzerland

January 2009- : Professor  
Faculty of Economics & Administration  
University of Malaya, Kuala Lumpur, Malaysia

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19. 'Intra-Ethnic Cooperation in Transnational Perspective: Malaysian Chinese Investments in the United Kingdom', in *Chinese Enterprise, Transnationalism and Identity*, Edmund Terence Gomez and Michael H.H. Hsiao (eds), London: RoutledgeCurzon, 2004.
20. 'Introduction', in *The State of Malaysia: Ethnicity, Equity and Reform*, Edmund Terence Gomez (ed.), London: RoutledgeCurzon, 2004.
21. 'Governance, Affirmative Action and Enterprise Development: Ownership and Control of Corporate Malaysia', in *The State of Malaysia: Ethnicity, Equity and Reform*, Edmund Terence Gomez (ed.), London: RoutledgeCurzon, 2004.
22. 'Paradoxes of Governance: Ownership and Control of Corporate Malaysia', in *The Governance of East Asian Corporations: Post Asian Financial Crisis*, Ferdinand A. Gul and Judy S.L. Tsui (eds), Basingstoke: Palgrave Macmillan, 2004.
23. 'The State, Governance and Corruption in Malaysia', in *Corruption and Good Governance in Asia*, Nicholas Tarling (ed.), London: Routledge, 2005.
24. 'The 2004 Malaysian General Elections: Economic Development, Electoral Trends and the Decline of the Opposition', in *Malaysia: Recent Trends and Challenges*, Saw Swee Hock and K. Kesavapany (eds), Singapore: Institute of Southeast Asian Studies, 2006.
25. 'Enterprise Reform in Corporate Malaysia: The State and Capital Development in the Post-Currency Crisis Period', in *Business Groups in East Asia: Financial Crisis, Restructuring, and New Growth*, Chang Sea-Jin (ed.), Oxford: Oxford University Press, 2006.
26. 'The Federal, State and Local Governments in the Economy', H. Osman Rani (ed.), *The Encyclopedia of Malaysia: The Economy*, Kuala Lumpur: Editions Didier Millet, 2007.
27. 'Introduction: Resistance to Change: Malay Politics in Malaysia', in *Politics in Malaysia: The Malay Dimension*, Edmund Terence Gomez (ed.). London: Routledge, 2007.
28. 'Introduction: Modernization, Democracy, Equity and Identity', in *The State, Development and Identity in Multi-Ethnic Societies*:

- Ethnicity, Equity and the Nation*, Nicholas Tarling and Edmund Terence Gomez (eds), London: Routledge, 2008.
29. 'Inter-Ethnic Relations, Business and Identity: The Chinese in Britain and Malaysia', in *The State, Development and Identity in Multi-Ethnic Societies: Ethnicity, Equity and the Nation*, Edmund Terence Gomez (eds), London: Routledge, 2008.
  30. 'Enterprise Development and Inter-Ethnic Relations in Malaysia: Affirmative Action, Generational Change and Business Partnerships', in *Chinese Entrepreneurship in the Global Era*, Raymond Wong (ed.), London: Routledge, 2008.
  31. 'The Politics of Ethnicity: Authoritarianism, Development and Social Change in Malaysia', in *Political Parties and Democracy: Post-Soviet and Asian Political Parties, Volume III*, Baogang He, Anatoly Kulik and Kay Lawson (eds), Santa Barbara: Praeger, 2010.
  32. 'Financing Politics in Malaysia', in *Paying for Politics: Party Funding and Political Change in South Africa and the Global South*, Anthony Butler (ed.), Sunnyside, South Africa: Jacana Media Pty Ltd and Konrad Adenauer Foundation, 2010.
  33. 'The Politics and Policies of Corporate Development: Race, Rents and Redistribution in Malaysia', in *Malaysia's Development Challenges: Graduating from the Middle*, Hal Hill, Tham Siew Yean and Ragayah Haji Mat Zin (eds), London: Routledge, 2011.
  34. 'Transnational Governmentality in the Context of Resource Extraction' (with Suzana Sawyer), in *The Politics of Resource Extraction: Indigenous Peoples, Corporations and the State*, Suzana Sawyer and Edmund Terence Gomez (eds), Basingstoke: Palgrave-Macmillan, 2012.
  35. 'On Indigenous Identity and a Language of Rights' (with Suzana Sawyer), in *The Politics of Resource Extraction: Indigenous Peoples, Corporations and the State*, Suzana Sawyer and Edmund Terence Gomez (eds), Basingstoke: Palgrave-Macmillan, 2012.
  36. 'State, Capital, Multinational Institutions and Indigenous Peoples (with Suzana Sawyer), in *The Politics of Resource Extraction: Indigenous Peoples, Corporations and the State*, Suzana Sawyer and Edmund Terence Gomez (eds), Basingstoke: Palgrave-Macmillan, 2012.

37. 'Conclusion: Attending to the Paradox: Public Governance and Inclusive International Platforms' with Suzana Sawyer), in *The Politics of Resource Extraction: Indigenous Peoples, Corporations and the State*, Suzana Sawyer and Edmund Terence Gomez (eds), Basingstoke: Palgrave-Macmillan, 2012.
38. 'State-Business Linkages in East Asia: The Developmental State, Neoliberalism and Enterprise Development', in *East Asian Capitalism: Diversity, Continuity and Change*, edited by Andrew Walter and Xiaoke Zhang, Oxford: Oxford University Press, 2012.
39. 'Introduction: Affirmative Action, Horizontal Inequalities and Equitable Development' (with Ralph Premdas), in *Affirmative Action, Ethnicity and Conflict*, Edmund Terence Gomez and Ralph Premdas (eds), London: Routledge, 2013.
40. 'Ethnicity, Economy and Affirmative Action in Malaysia' (with Hwok-Aun Lee and Shakila Yacob), in *Affirmative Action, Ethnicity and Conflict*, Edmund Terence Gomez and Ralph Premdas (eds), London: Routledge, 2013.
41. 'Introduction: Malaysia's New Economic Policy: Resolving Horizontal Inequalities, Creating Inequities' (with Johan Saravanamuttu and Maznah Mohamad, in *The New Economic Policy in Malaysia: Affirmative Action, Horizontal Inequalities and Social Justice*, Edmund Terence Gomez and Johan Saravanamuttu (eds), Singapore: National University of Singapore Press, 2013.
42. 'Nurturing Bumiputera Capital: SMEs, Entrepreneurship and the New Economic Policy', in *The New Economic Policy in Malaysia: Affirmative Action, Horizontal Inequalities and Social Justice*, Edmund Terence Gomez and Johan Saravanamuttu (eds), Singapore: National University of Singapore Press, 2013.

### **Articles in International Newspapers/Magazines**

1. 'Malaysia's Phantom Privatisation', *Asian Wall Street Journal*, 8 May 1991.
2. 'Why Mahathir Axed Daim', *Far Eastern Economic Review*, 5 July 2001.
3. 'Bailout or Accountability', *Asian Wall Street Journal*, 26 July 2001.

4. 'Ethnic Enterprise?: Chinese Business in the UK and Malaysia', *Family Business*, 3 January 2003 (UK publication).
5. 'The Perils of Pro-Malay Policies', *Far Eastern Economic Review*, September 2005.
6. *Asian Godfathers: Money and Power in Hong Kong and Southeast Asia*, Joe Studwell, London: Profile Books, 2007, in *Far Eastern Economic Review*, September 2007 (Book review).
7. 'Cuán útiles son las alianzas público-privadas?' (How useful are public-private alliances?), *Diario El Sol*, 9 March 2008 (Peru).
8. 'Políticas de organismos internacionales provocan nuevos pobres y degradación del medio ambiente' (International organisations' policies contribute to new poor and environmental degradation), *Info Región*, 18 March 2008 (Peru).
9. 'Jockeying for Power in New Malaysia' *Far Eastern Economic Review*, Vol. 171 No. 6, July/August 2008.
10. 'Affirmative Action in Malaysia', *The Economist*, 8 June 2013 (<http://www.economist.com/debate/days/view/971>)

### **Articles in Malaysian Newspapers**

1. 'Chinese Family Business: Are They Sustainable', *The Star*, 8 June 2002.
2. 'New Way to Read Dr M's Rule', *The Star*, 26 October 2003.
3. 'Self Identity and Society in India', *The Star*, 14 December 2003.
4. 'Breaking the Mould', *The Star*, 8 August 2004.
5. 'The Failure of Corporate Social Responsibility', *New Sunday Times*, 21 September 2008.
6. 'Why Indigenous People of the World are Losing Out', *New Sunday Times*, 5 October 2008.
7. 'Between Entrepreneurship and Ethnicity', *The Edge*, 1 December 2008.
8. 'Linking Industrial and Financial Capital', *The Star*, 20 December 2008.
9. 'De-monetising Politics – Disclosing Party Funding', *The Star*, 24 January 2009.
10. 'The Good of the NEP', *The Star*, 21 February 2009.
11. 'Innovation Route: Linking Industry and Universities', *The Star*, 28 March 2009.

12. '1Malaysia: The Road to an Inclusive Nation', *The Star*, 2 May 2009.
13. 'May 13 and 40 Years Beyond: Time for a New Economic Policy', *The Star*, 30 May 2009.
14. 'Handling Liberalisation and Corruption', *The Star*, 1 August 2009.
15. 'Finding a Fine Balance', *The Star*, 12 September 2009.
16. 'Instituting Change', *The Star*, 2 January 2010.
17. 'Fulfilling the Agenda of NEP and Vision 2020', *The Star*, 27 February 2010.
18. 'Time for an Economic Debate', *Malaysiakini*, 20 February 2013 (<http://www.kinibiz.com/category/opinions/page/18>)
19. 'Halim's Suit and Political Business', *Malaysiakini*, 13 June 2013 (<http://www.kinibiz.com/story/quotes/28194/halim%e2%80%99s-suit-and-political-business.html>)

### ***Academic Books That Have Been Translated***

1. *Politik Dalam Perniagaan: Pelaburan Korporat UMNO*, Kuala Lumpur: Forum, 1990.
2. *Politics in Business: UMNO's Corporate Investments*, Kuala Lumpur: Forum, 1990 (in Chinese).
3. *The 1995 Malaysian General Elections: A Report and Commentary*, Johor Baru: Seed Publishing, 1999 (in Chinese).
4. *Chinese Business in Malaysia: Accumulation, Accommodation, Ascendancy*, Kuala Lumpur: Mentor Publishing (in Chinese), 2002.

### **Conferences**

'Politics and Business: The Malaysian Context', paper delivered at the international conference on 'Models of Integration, Models of Development', University of Malaya, Kuala Lumpur, Malaysia, 15-17 June 1992.

'Funding Political Parties in Malaysia', paper delivered at the conference on 'Financing Political Parties in Southeast Asia', organised by the Friedrich-Naumann Foundation (FNSt) and Yayasan SPES (Society for Political and Economic Studies), Jakarta, Indonesia, 25-26 February 1994.

Discussant at conference on 'Rapid Economic Growth and Democratisation in East and Southeast Asia', organised by the Institute of Southeast Asian Studies (ISEAS), Singapore, 16-17 December 1994.

'Asian Democracy: A Case Study of Malaysia', paper delivered at international conference on 'Challenge and Change: The Indian Diaspora in its Historical and Contemporary Contexts', University of West Indies, Trinidad, 11-18 August 1995.

'Political Parties and Party System in Malaysia', paper delivered at the conference on 'Political Party and Party Systems in East and Southeast Asia', organised by the Friedrich-Naumann Foundation (FNSt), Singapore, 15-17 March 1996.

'Privatised Patronage: The Economics and Politics of Privatisation in Malaysia', paper delivered at the conference on 'Privatisation and Public Enterprise Reform in Developing and Transition Economies', organised by the World Bank, the Development and Project Planning Centre, University of Bradford and the Institute for Development Policy and Management, University of Manchester, in Bradford, England, 7 June 1996.

'In Search of Patrons: Chinese Business Networking and Malay Political Patronage in Malaysia', paper delivered at the conference on 'Chinese Business Connections in Global and Comparative Perspective', organised by the Chinese Academy of Social Sciences, Beijing and the Nordic Institute of Asian Studies, Copenhagen, in Beijing, China, 10-12 September 1996.

'Political Business in Malaysia', paper presented at the conference on 'Business Systems in the South', organised by the Department of Intercultural Communication and Management, Copenhagen Business School, Copenhagen, Denmark, 22-24 January 1997.

Discussant at international conference on 'Asian Values and Asian Democracy', organised by the United Nations University, Hammamatsu, Shizuoka, Japan, 26-28 March 1997.

'Ownership and Control of the Largest Publicly-Listed Chinese Companies in Malaysia', paper delivered at the conference on

'Chinese Business in Southeast Asia', University of Malaya, Kuala Lumpur, 23-25 June 1997.

'The Evolving Nature of "Political Business" in Malaysia', paper presented at the 'First Malaysian Studies International Conference', organised by the University of Malaya and the Malaysian Social Science Association, Kuala Lumpur, 11-13 August 1997.

'Rents, Patronage and the "New Rich" in Malaysia', paper delivered at the 50<sup>th</sup> annual meeting of the Association for Asian Studies (AAS), Washington D.C., USA, 27-29 March 1998.

'Chinese Business Development in Malaysia: Networks, Entrepreneurship or Patronage?', paper presented at the international conference on 'Crisis Management: Chinese Entrepreneurs and Business Networks in Southeast Asia', University of Bonn, Bonn, Germany, 28-30 May 1999.

'Corruption, Cronyism and Change in Malaysia', paper presented at the international conference on 'Political Business in East Asia', University of Aalborg, Aalborg, Denmark, 27-29 July 1999.

'Chinatown and Transnationalism', paper presented at the conference on 'Chinese Transnational Communities', University of New South Wales, Sydney, 10-11 February 2000.

'Intra-Ethnic Cooperation in Transnational Perspective: Malaysian Chinese Investments in the United Kingdom', paper presented at the international conference on 'Transnational Communities in the Asia-Pacific Region: Comparative Perspectives', organised by the Economic & Social Research Council (UK) and the Centre for Advanced Studies, University of Singapore, in Singapore, 7-8 August 2000.

Discussant at the Norwegian Association for Development Research Annual Conference on 'The State Under Pressure', Bergen, Norway, 5-6 October 2000.

'Transnationalism and Chinese Business: East Asian Chinese Investments in Europe', paper presented at the international conference on 'Ethnic Chinese Business and Culture in Global and

Local Contexts', organised by the Economic & Social Research Council (UK) and the Program for Southeast Asian Area Studies, Academia Sinica, in Taipei, Taiwan, 15-16 February 2001.

'Paradoxes of Governance: Ownership & Control of Corporate Malaysia', paper presented at the Third Malaysian Studies International Conference, organised by the Malaysian Social Science Association, Universiti Kebangsaan Malaysia, Bangi, Malaysia, 6-8 August 2001.

'Ethnic Enterprise and Economic Development: Chinese Business in Malaysia', paper presented at the conference on 'The State, Economic Development and Ethnic Co-existence in Malaysia and New Zealand', organised by the Centre for Economic Development and Ethnic Relations (CEDER), University of Malaya, at Victoria University of Wellington, Wellington, New Zealand, 7-8 February 2002.

'The State, Chinese Enterprise and Industrialisation in Malaysia', paper presented at the Third Malaysia-Australia Studies Conference, Australian National University, Canberra, Australia, 26-28 March 2002.

'Discussant' at the international conference on 'Ethnic Conflict in Southeast Asia: Prevention and Management', Bangkok, Thailand, 6 May 2002.

'Economic and Corporate Development in Malaysia', paper presented at the conference on 'Sustaining Growth, Enhancing Distribution: The NEP and NDP Revisited', organised by the Centre for Economic Development and Ethnic Relations (CEDER), at the University of Malaya, 15-16 May 2002.

'Corporate Governance in Malaysia', paper presented at the 'Ninth Southeast Asian Business Research Conference', University of Michigan, Michigan, USA, 17-20 May 2002.

'Ethnic Enterprise, Class and the State: The Chinese in the UK, Australia and Southeast Asia', paper presented at the international conference on 'Transnational Communities', Oxford University, Oxford, UK, 1-4 July 2002.

'Are Partnerships Sustainable: Public Policy and Enterprise Development in Malaysia', paper presented at conference on 'National Economic Outlook 2003', organised by the Malaysian Institute of Economic Research, on Kuala Lumpur, 17-18 December 2002.

'The State, Governance and Corruption in Malaysia', paper presented at the conference on 'From Miracle to Crisis and Beyond: Governance, Institutions and Anti-Corruption in Asia' at the NZ Asia Institute, University of Auckland, New Zealand, 28 – 30 April 2003.

'Family Firms, Generational Change and Identity Formation: The Chinese in Britain and Malaysia', paper presented at the Annual Asia-Europe Workshop Series 2003 on 'Transnational Exchanges: Business Networks and Identity Formation in the 19<sup>th</sup> and 20<sup>th</sup> Century Asia and Europe', Vrije Universiteit, Amsterdam, Holland, 5-8 May 2003.

'Affirmative Action and Enterprise Development in Malaysia: The NEP, Business Partnerships and Inter-Ethnic Relations', paper presented at the conference on 'The Bumiputera Policy: Dynamics and Dilemmas', organised by the Faculty of Social Sciences, Universiti Sains Malaysia, Penang, 23-25 September 2003.

'Enterprise Reform in Corporate Malaysia: The State and Capital Development in the Post-Currency Crisis Period', paper presented at the international conference on 'Asian Business After the Financial Crisis', organised by the Korea University Business School, Korea University, Seoul, 25-28 September 2003.

'Corruption, Democracy and Development in East Asia', paper delivered at the annual meeting of the Association for Asian Studies (AAS), San Diego, USA, 5-7 March 2004.

'Enterprise Development and Inter-Ethnic Relations in Malaysia: Affirmative Action, Generational Change and Business Partnerships', paper presented at the US Pacific Rim Research Conference on 'A New Breed of Chinese Entrepreneurs? Culture, Organizational Imperatives and Globalization', Hong Kong University of Science & Technology, Hong Kong, 21-22 May 2004.

'De-Essentialising Chinese Enterprise: Transnationalism, Networks and Business Development', paper presented at the international conference on 'Emerging China: Implications & Challenges for Southeast Asia', Institute of China Studies, University of Malaya, 22-23 July 2004.

'The 2004 Malaysian General Elections: Economic Development, Electoral Trends and the Decline of the Opposition', paper presented at the workshop on 'The Political Economy of Malaysia: Current Trends and Future Challenges', Institute of Southeast Asian Studies (ISEAS), Singapore, 8-9 September 2004.

'Chinese Transnationalism, Identity and Networks: Malaysian Investments in China', paper presented at the Second Symposium on 'China and Southeast Asia: Challenges, Opportunities and the Reconstruction of Southeast Asian Chinese Ethnic Capital', Xiamen University, Xiamen, China, 24-25 September 2004.

'Inter-Ethnic Relations, Business and Identity: The Chinese in Britain and Malaysia', paper presented at the international conference on 'Ethnicity, Equity and the Nation: The State, Development and Identity in Multi-Ethnic Societies', Kuala Lumpur, Malaysia, 3-5 August 2005.

'Malaysian Investments in China: Transnationalism and the 'Chineseness' of Enterprise Development', paper presented at the international workshop on 'China in the World: The World in China', Copenhagen Business School, Copenhagen, Denmark, 10-11 March 2006.

'Business, Identity and Transnationalism: The Chinese in Britain', paper presented at the 7<sup>th</sup> ASEAN Inter-University Seminars on Social Development, Hanoi, Vietnam, 19-21 July 2006.

'Enterprise Development, Ethnic Relations and Affirmative Action in Malaysia', paper presented at the international workshop on 'Managing Cultural Diversity: War and Peace in South and Southeast Asia', Helsinki, Finland, 24-25 August, 2006.

'Between Theory and Reality: Minority Groups, Identity, and Rights in Malaysia', paper presented at the 4<sup>th</sup> Norwegian-Asia Conference, Oslo, Norway, 8-10 September 2006.

Discussant at the UNRISD Workshop on 'Social Policy, Regulation and Private Sector Involvement in Water Supply', Geneva, 11-12 September 2006.

'Ethnicity, Democracy and Rights', paper presented at the international workshop on 'Human Security in Asia', Waseda University, Tokyo, Japan, 24-25 February 2007.

Discussant at the international conference on 'Made in China vs. Made by Chinese: Global Identities of Chinese Business', Durham University, United Kingdom, 19-20 March 2007.

Discussant at international conference on 'Conflict Prevention and Peaceful Development: Policies to Reduce Inequalities and Exclusion', Centre for Research on Inequality, Human Security and Ethnicity, University of Oxford, United Kingdom, 9-10 July 2007.

Discussant at the international workshop on 'European and Asian Capitalism Revisited: Collision, Convergence or Mitigation in the 21st Century', Graduate Institute of Development Studies, Geneva, Switzerland, 12-13 October 2007.

'The Rise and Fall of Capital: Corporate Malaysia in Historical Perspective', paper presented at the international conference on 'The Economic and Social History of Malaysia', Nottingham University Business School, Malaysia, 15-17 November 2007.

'Academic Freedom in Southeast Asia: The Malaysian Experience', paper presented at the international conference on 'Academic Freedom in Arab Universities', Amman, Jordan, 30-31 March 2008

Discussant at the UNRISD Workshop on 'Social Policy in Mineral-Rich Countries', Geneva, 24 April 2008.

Developmental State, Enterprise Growth and Economic Crisis in East Asia', paper presented at the HPAIR Academic Conference on 'Beyond Borders: Asia on the World Stage', University of Malaya, 19-21 August 2008.

'The Power of Business & CSR: International Institutions, the State & the 'New Poor'', paper presented at the workshop on 'Corporate

Responsibility and Poverty Reduction in Malaysia', University of Malaya, 27 August 2008.

**'Problematizing Chinese Transnationalism: Malaysian Investments in China'**, paper presented at the international conference on 'China-ASEAN Regional Integration: Political Economy of Trade, Growth and Investment', University of Malaya, **14-15 October 2008.**

'Public-Private Partnerships: Compact for Social Reform or Mechanism for Institutional Capture', paper presented at international conference on "Public-Private Partnerships in Development", University of Malaya, 15-16 January 2009.

'CSR & State-Capital Linkages: Neoliberalism, Institutional Capture and Environmental Degradation', paper presented at the global conference on "Challenging Philanthropy: Crisis, Concerns, Community", Kuala Lumpur, Malaysia, 22-23 July 2009.

'Affirmative Action in Malaysia', a paper presented at the international conference on 'A Cross-National Study of Affirmative Action in the Labour Market', Nuffield College, Oxford University, 2-3 November 2009.

'Financing Politics in Malaysia', paper presented at the international conference on 'Party Finance and Political Change in the Global South', Johannesburg, South Africa, 14 December 2009

'Identity, Transnationalism and Corporate Development: Chinese Business in Malaysia', paper presented at the Workshop on 'Indian and Chinese Immigrant Communities: Comparative Perspectives', Institute of Southeast Asian Studies, Singapore, 27-29 January, 2010.

'State-Business Linkages in Malaysia: The Developmental State, Neoliberalism and Enterprise Development', paper presented at the international workshop on 'East Asian Capitalism', London School of Economics, 3-4 June 2010.

'The Developmental State, Neoliberalism and Enterprise Development in Industrializing Asia: Reviewing Theoretical Perspectives', **keynote address** delivered at the international workshop on 'Global Economics

and the SME Business Environment in East and Southeast Asia: Opportunities and Constraints', Copenhagen Business School, Denmark, 30 September to 1 October 2010.

'Affirmative Action in Malaysia', paper presented at the international conference on 'Targeting Horizontal Inequalities?: Affirmative Action, Identity & Conflict', University of Malaya, 23-24 November 2010.

'SME Development & the NEP', paper presented at workshop on 'Malaysia's Affirmative Action Policy: Historical Review, Critique & Analysis', Institute of Southeast Asian Studies (ISEAS), Singapore, 6-7 December 2010.

'Ethnic and National Identification among Diasporan Chinese', paper presented at the international conference on 'From Ethnic to National Identification among Chinese Migrants' Descendants', University of Malaya, 23-24 March 2011.

'Public Policies, Ethnicity and Enterprise Development: Fostering SMEs in Malaysia', paper presented at Asian Economic Panel Conference, Keio University, Tokyo, 16-17 September 2011.

'Constructing Knowledge: Taking Scholarship in New Directions'; **Keynote address** delivered at the first 'International Young Scholars Conference: Current Research on Southeast Asia', Monash University Malaysia, Kuala Lumpur, 14-15 November 2011.

'The State's Business: Government-Linked Companies, the Financial Sector, and Socioeconomic Development in Malaysia', paper presented at the international conference on 'The State's Return to Business: Government-Linked Companies in the Post-Crisis Global Economy', Siem Reap, Cambodia, 9-10 February 2012.

'Policies, Entrepreneurship and Development: SMEs in Multi-ethnic Malaysia', paper presented at the international conference on 'The SME Sector in the ASEAN Economic Community 2015: Ensuring Growth, Competitiveness and Sustainability', Bangkok, Thailand, 10-11 October 2012.

'Affirmative Action, Neo-liberalism, and the Developmental State in Malaysia', paper presented at international conference on

‘Neoliberalism, Inequality, and the Politics and Culture of Affirmative Action’, Duke University, Durham, North Carolina, 9-11 November 2012.

## **Research Projects and Funding Secured**

### **1993: Book project on the Malaysian Economy**

The Department of Education & Training, Government of Australia funded this project, the aim of which was to bring out a book that was to be used as an academic text in Australian tertiary institutions. This book, *Malaysia's Political Economy: Politics, Patronage and Profits*, was published in 1997 by Cambridge University Press. The funding for this project was in the form of a year-long research fellowship at the Department of Asian Studies, Murdoch University, Perth, Australia.

### **1994: Research Project on Ethnic Conflict in Asia**

This project was funded by the Sasakawa Foundation, Japan and the International Centre for Ethnic Studies (ICES), Colombo, Sri Lanka. I presented a paper on ethnic relations in Malaysia at a workshop convened in Colombo to discuss the research findings. The outcome of this research project and workshop was the publication of the volume *Ethnic Futures: The State and Identity Politics in Asia*, (J.P. Czarnecka, D.R. Senanayake, A. Nandy and E.T. Gomez), New Delhi: SAGE Publications, 1999.

### **1995: Research Project on the 1995 Malaysian General Elections**

This project was funded by the University of Malaya. The funding for this project amounted to RM6,000. The outcome of this research project was an occasional paper published in 1996 by the Institute of Southeast Asian Studies (ISEAS), University of Singapore. The title of this occasional paper is ‘The 1995 Malaysian General Elections: A Report and Commentary’.

### **1996: Research Project on ‘Chinese Business in Malaysia’**

This project was funded by the Toyota Foundation of Japan. The two other researchers involved in this project were Professor Jomo

K.S. (then of the University of Malaya) and Dr R.A. Brown (of the University of London). The funding for this project included also the convening of a conference in Kuala Lumpur on the topic of Chinese enterprise in Asia. One outcome of this project was the publication of the volume authored by me, entitled *Chinese Business in Malaysia: Accumulation, Accommodation, Ascendancy*, London/Honolulu: Curzon Press/University of Hawaii Press, 1999.

**1997-1998: Research Project on 'The Chinese in Britain: Economic Development of a Migrant Community'**

This project was funded by the British Academy, United Kingdom. The funding for the project amounted to £40,000. I was also given an appointment as Senior Research Fellow at the University of Leeds in the UK to undertake this project. The research from this project was published in two articles: 'Family Firms, Networks and "Ethnic Enterprise": Chinese Food Industry in Britain', *East Asia: An International Quarterly*, in June 2009 and 'Hong Kong's Diaspora, Networks and Family Business in the UK: A History of the Chinese "Food Chain" and the Case of the W. Wing Yip Group', *The China Review*, Spring 2012.

**1999-2002: Research Project on 'Ethnic Enterprise, Class and the State: The Chinese in the UK, Australia and Southeast Asia' (with Professor Gregor Benton, University of Cardiff, Wales)**

This project was funded by the Economic and Social Research Council (ESRC), UK. Funding for the project came up to £110,000. An occasional paper on some aspects of this project was published by the Centre for the Study of the Southern Chinese Diaspora, Australian National University, Canberra. The title of this occasional paper is 'Chinatown and Transnationalism: Ethnic Chinese in Europe and Southeast Asia'. An article on Chinese business communities in the UK, Australia and Southeast Asia was published by the international academic journal, *East Asia: An International Quarterly*. A volume entitled *The Chinese in Britain, 1800-The Present: Economy, Transnationalism, Identity*, was published by Palgrave-Macmillan, UK in 2008. All these publications were co-authored with Professor Benton, the other researcher in this project.

**2003-2004: Research Project on ‘The State, Democracy, Equity and Identity: Ethnic Conflict in Malaysia and Sri Lanka’**

This project was funded by the Asian Political and International Studies Association (APISA). The funding amounted to US\$1500 and the project was to serve as a preliminary comparative study of the causes of ethnic conflict in Malaysia and Sri Lanka. The findings from this research project were jointly published as an occasional paper by APISA and the National University of Malaysia (UKM) in 2004.

**2004: Research Project on ‘The 2004 Malaysian General Elections’**

This project was funded by the University of Malaya. The purpose of this project was to analyse electoral trends in the 2004 federal & state elections in Malaysia. An article issuing from this project has been published in an edited volume by the Institute of Southeast Asian Studies (ISEAS), Singapore.

**2004-2005: Research Project on ‘Looking East, Looking West: Enterprise and Industrial Development in Malaysia’**

This project, entitled ‘Looking East, Looking West: Enterprise & Industrial Development in Malaysia’ was funded by the Sumitomo Foundation of Japan. The funding, amounting to US\$7,000, involved a commissioned study of the outcome of government policies to promote heavy industrialisation in Malaysia, specifically during the administration of Prime Minister Mahathir Mohamad. The duration of this project was from March 2004 to April 2005.

**2006-2008: Research Project on ‘Identity, Power and Rights: The State, International Institutions and Indigenous Peoples’**

This project, implemented through the United Nations Research Institute for Social Development (UNRISD) was funded by the International Fund for Agricultural Development (IFAD) and the US-based The Christensen Fund. The total volume of funds obtained amounted to USD\$300,000. The project, drawn up to theoretically and empirically trace the structure and interlocking nature of state and international organizations, and analyze how these links impact on the identity, rights, and livelihood of indigenous communities

**2009-2010: Research Project on ‘Targeting Horizontal Inequality?: Affirmative Action, Identity, and Conflict’**

This study, involving a review of affirmative action in seven countries, explored the structural bases and cultural expressions of inequality, and the ways in which ethnic inequities provoke differing policy responses in different national contexts. The project obtained funding amounting to RM300,000 from the Konrad-Adenauer Stiftung (KAS) Foundation.

**2013-2015: Research Project on ‘Traditional Knowledge: Nurturing Indigenous Niches, R&D, and Domestic Industries’**

This multi-disciplinary project involves an assessment of the persistence of problems such as poverty, inadequate R&D, and an inability to cultivate niche industries in Malaysia. The focus of this study is on innovating and commercializing indigenous resources (knowledge and products) through R&D to foster niche industries that help alleviate poverty and develop rural infrastructure. By adopting a multi-disciplinary approach to the research of the potentially beneficial links between traditional knowledge, R&D, and enterprise development, this project aims to produce interdisciplinary publications that would be a novel contribution to the literature. This project obtained funding amounting to RM3.4 million from the University Malaya-High Impact Research-Ministry of Higher Education (UM-HIR-MOHE) grant.

***Conference Projects Convened (With Foreign Funding)***

‘Chinese Business in Southeast Asia’. International Conference at the Academia Sinica, Taipei, Taiwan, 17-19 November 1997. (Funded by the Academia Sinica, Taiwan.) An edited volume based on this project was published by RoutledgeCurzon in 1999.

‘Political Business in East Asia’. International Workshop at the University of Aalborg, Aalborg, Denmark, 27-29 July 1999. (Funded by the Nordic Institute of Asian Studies (NIAS), Denmark.) An edited volume based on this project was published by Routledge 2001.

‘Chinese Business and Culture in Local and Global Contexts’. International Conference at the Academia Sinica, Taipei, Taiwan,

15-16 February 2001. (Funded by the Academia Sinica, Taiwan and the Economic & Social Research Council (ESRC), United Kingdom.) An edited volume based on this project was published by RoutledgeCurzon in 2004.

Third Malaysian Studies International Conference, organised through the Malaysian Social Science Association, Universiti Kebangsaan Malaysia, Bangi, Malaysia, 6-8 August 2001. An edited volume based on this project was published by RoutledgeCurzon in 2004.

Fourth Malaysian Studies International Conference, organised through the Malaysian Social Science Association, Universiti Kebangsaan Malaysia, Bangi, Malaysia, 3-5 August 2004. An edited volume based on this project was published by Routledge in 2007.

'Ethnicity, Equity and the Nation: The State, Development and Identity in Multi-Ethnic Societies'. Co-convened with the Asia Centre, Auckland University, New Zealand. International Conference at the University of Malaya, 3-5 March 2005. (Funded by the Japan Foundation.) An edited volume based on this project was published by Routledge in 2008.

'Identity, Power and Rights: The State, International Institutions and Indigenous Peoples'. Convened by the United Nations Research Institute for Social Development (UNRISD), Geneva, Switzerland, 26-27 July, 2006. (Funded by the International Fund for Agricultural Development (IFAD) and the Christensen Fund.) An edited volume based on this project was published by Palgrave-Macmillan in 2012.

'Targeting Horizontal Inequality?: Affirmative Action, Identity, and Conflict'. International Conference convened at the University of Malaya, 23-24 November 2010. (Funded by the Konrad-Adenauer Stiftung). An edited volume based on this project is to be published by Routledge in 2012.

### **International Public Speaking Engagements**

'The New Rich in Malaysia', Asia Research Center, Murdoch University, Perth, Australia, 10 April 1993.

'The 1995 Malaysian General Election: Democracy, Development and Division', Institute of Advanced Studies, University of Malaya, 19 December 1995.

'Democracy and Development in Malaysia: Politics, Business and Patronage', School of Oriental and African Studies (SOAS), University of London, London, 6 March 1997.

'Rents and Economic Development in Malaysia', School of Politics, University of Nebraska, Lincoln, Nebraska, USA, 30 March 1998.

'Malaysian Politics in Crisis', Department of East Asian Studies, University of Leeds, Leeds, England, 28 September 1998.

'Financial Crisis and Political Change in UMNO', London School of Economics (LSE), London, 10 October 1998.

'The 1999 Malaysian General Elections', School of Oriental and African Studies (SOAS), University of London, London, 26 November 1999.

'The Politics of Business in Malaysia', at 'The Economist Conference: Southeast Asia Business Group Meeting', Singapore, 26 May 2000.

'Politics, Privatisation and Equity Redistribution', Research School of Asian and Pacific Studies, Australian National University, Canberra, Australia, 19 March 2002.

'The State, Industrialisation and Chinese Enterprise in Malaysia', Centre for Asian Studies, Griffith University, Brisbane, Australia, 24 March 2002.

'Politics, Business and Corporate Development in Malaysia', Centre for Malaysian Studies, Monash University, Melbourne, Australia, 5 April 2002.

'The State, Ethnic Minorities and Transnationalism: The Chinese in the UK, Malaysia and Australia', Centre for Southeast Asian Studies, University of Kyoto, Kyoto, Japan, 27 June 2002.

‘The State and Enterprise Development in Malaysia’, Department of Asian Studies, University of Tokyo, Japan, 8 July 2002.

‘Transnationalism, Identity and Chinese Enterprise’, Institute of Developing Economies (IDE), Chiba, Japan, 9 July 2002.

‘Ethnic Enterprise, Identity and Nation Building in Europe, Australia and Southeast Asia’, International Graduate School of Cooperation Studies, Kobe University, Kobe, Japan, 29 July 2003.

‘Chinese Transnationalism, Identity and Enterprise Development’, British Council, Calcutta, India, 30 August 2004.

Lecture tour of Scandinavian countries, organised by the Nordic Institute of Asian Studies (NIAS), Denmark, 24 October – 10 November 2004. The lecture series was organised for me to speak at universities and research institutions in Norway, Denmark and Sweden. Title of papers presented at public seminars: ‘Transnationalism, Identity and Economy: The Chinese in Comparative Perspective’ and ‘Ethnicity, Politics and Development: Affirmative Action and Race Relations in Malaysia’ at the Copenhagen Business School, University of Copenhagen, Roskilde University, Aalborg University, Aarhus University (Denmark); Lund University, University of Gothenburg (Sweden), and at the University of Oslo (Norway).

‘Paradoxes of Liberalization: Identity, Power and Rights: The State, International Institutions and Indigenous Peoples – Case Study of Bolivia’, Universidad Superior de San Simón, Cochabamba, Bolivia, 18 August 2007.

‘Paradoxes of Liberalization: Identity, Power and Rights: The State, International Institutions and Indigenous Peoples – Case Study of Peru’, Instituto de Democracia y Derechos Humanos, Universidad Católica del Peru, Lima, Peru, 10 March 2008.

‘Paradoxes of Liberalization: Identity, Power and Rights: The State, International Institutions and Indigenous Peoples – Case Study of Peru’, Centro Bartolome de las Casas Cusco, Peru, 12 March 2008.

'The 2008 Malaysian General Elections: A State and Society in Transition?', Geneva-Asia Society, Geneva, Switzerland, 24 April 2008.

'Politics, Business and Identity: Indigenous Peoples & Oil Extraction in Nigeria', Lagos, Nigeria, 9 June 2008.

'Inequalities, Identity and Social Justice: Affirmative Action in Malaysia', COSATU 'International Conference on Affirmative Action', Pretoria, South Africa, 15 July 2009.

'Affirmative Action in Malaysia: Achievements, Challenges and Opportunities', School of Law (Institute of Governance), Queen's University Belfast, 25 June 2010.

'Asian Landscape: What Next?', International Malaysia Law Conference 2012, Kuala Lumpur, 27 September 2012.

'Politics, Elections and Socioeconomic Development', Bank of America ASEAN Stars Conference 2013, Singapore, 4 March 2013.  
'Corruption and Development in Malaysia', ASEAN Conference on 'Educating ASEAN Societies for Integrity', Jakarta, Indonesia, 2 April 2013.

## **Courses Taught**

### ***Undergraduate Level***

Comparative Political Strategies for Economic & Business Development (University of Malaya)  
Politics, Business and Ethnicity in Southeast Asia (University of Malaya)  
Political Theory & Political Behaviour (University of Malaya)  
State, Capital and Development (Murdoch University)  
Democracy and Development (University of Leeds)

### ***Post-graduate Level***

Public Policy (University of Malaya)  
Ethnic Enterprise: Identity, Capital and Development (University of Malaya)

Malaysian Politics (University of Malaya)  
State, Business and Ethnicity (University of Leeds)  
Developmental State: Comparative Political Economy in East Asia  
(Kobe University)

### **Academic and Research Awards**

1990-1992: PhD Fellowship, University of Malaya, Malaysia

1993: Visiting Fellowship, Murdoch University, Australia

1996-1999: Senior Research Fellowship, Leeds University, England

February 2002: Visiting Fellowship, Australian National University,  
Canberra, Australia

May-August 2002: Visiting Professorship, Kobe University, Kobe,  
Japan

22 October- 15 November 2004: Visiting Fellowship, Nordic Institute  
of Asian Studies, Denmark

9-16 December 2004: Salzburg Fellowship, Salzburg, Austria

### **Involvement in Academic Activities**

- a) Deputy Chief Editor  
European Journal of East Asian Studies  
Brille, The Netherlands
- b) Editorial Advisory Committee of International Journals

East Asia: An International Quarterly  
Rutgers University, USA

*Journal of Current Southeast Asian Affairs*  
German Institute of Global and Area Studies (GIGA)

Journal of Asia Entrepreneurship and Sustainability  
University of Waikato, New Zealand

*Journal of Development & Society*  
Institute for Social Development & Policy Research,  
Seoul National University, Korea

*Taiwan Journal of Southeast Asian Studies*  
Academia Sinica, Taiwan

*Sojourn*  
Institute of Southeast Asian Studies (ISEAS), Singapore

*Asia-Pacific Social Science Review*  
(De La Salle University, the Philippines)

*International Journal of Economics and Institutions*  
University of Malaya, Malaysia

**c) *Series Editor, 'Malaysian Studies' Series, Routledge, London***

This series was established to help create an avenue to publish important new research on Malaysia. As an academic series, 'Malaysian Studies' is used to generate new theoretical debates in the social sciences and on processes of change in contemporary society. The 'Malaysian Studies' series encompasses research on a broad range of disciplines including history, politics, economics, sociology, international relations, geography, business, education, religion, and cultural/literary studies.

**d) *Series Editor, 'Chinese Worlds' Series, Routledge, London***

This series publishes high quality scholarship on issues dealing with Chinese history and society. "Worlds" signals the ethnic, cultural and political multi-formity as well as regional diversity of the Chinese diaspora.

**e) *Editor, 'Scholars' Choice' Column, The Star***

This series was introduced in June 2003 by Malaysia's leading English newspaper, *The Star*. The main purpose of this series is to highlight research by Malaysian academics as well as other research on Malaysia. This column is primarily run as a book review section, but it also occasionally serves as an opinion column.

**f) *Vice-President, Malaysian Social Science Association, 2000-2005, 2010-2011***

The Malaysian Social Science Association (MSSA), a private, non-profit organisation led by Malaysian academics, was established to promote research and debate on issues and problems in Malaysia.

**g) *Advisory Board, Centre for Advanced Studies in Australia, Asia & the Pacific (CASAAP)***

The Centre for Advanced Studies in Australia, Asia & the Pacific (CASAAP), based at Curtin University in Western Australia, focuses of humanities and social science research in these regions.

