

The ethnic factor in state-labour relations: The case of Malaysia

Chris Rowley and Mhinder Bhopal

Given the ethnic dimension of much conflict, it is time to acknowledge the ethnic factor in the field of employment, and the manner in which material conflicts can be articulated in identity terms. Identifications that transcend class, for example, in emphasising the commonality of ethnic identity, can serve not only to obscure intra-group class divisions under the veil of cultural closure, but also to foreclose the potential for inter-group class identification. Indeed, studies of employee relations in Europe often make little mention of ethnic diversity, despite the ethnic diversity within various countries. Studies of Asia, on the other hand, mainly focus on the relatively culturally homogeneous societies of South Korea and Japan. In most of these studies, the state (and capital) has often been seen as overly uniform and monolithic, rather than as shifting, transient and fragmented. Furthermore, the establishment and growth of first- and subsequent-generation citizens implies that a more nuanced analysis will be required of not only labour, but of the state (and capital) as well.

1. Introduction

The events unleashed by the fall of the Berlin Wall, and by the subsequent opening-up of the former command economies together with the rapid extension of the neoliberal economic agenda, have resulted in significant change in many spheres of analysis. Accompanying such changes we have seen not the end of the politics of identity, but a refashioning of its terrain: the (re)assertion or (re)emergence of 'old' identities in an era

characterised by the clash of capitalisms and the clash of civilizations and cultures (Wade, 1999; Huntingdon, 1996). These factors have given rise to a greater focus on process and its relationship to emerging structural conditions. Such trends have contributed to the broadening, to some extent, of the traditional structural focus of employment analysis that drew from economic theories of various political complexions, into one that focuses on issues such as gender. This trend has succeeded in bringing into the mainstream what was previously marginal. However, despite the fact that many countries are multi-ethnic—and that in many countries, the largest ethnic group does not even constitute the majority population—analysis of ethnicity continues to be underplayed. This is despite the fact that, as some authors argue, ‘as we enter the new millennium, the resources and repertoires of racism, ethnicism and nationalism have never been so diverse, so ramified, so conflated and so versatile in their articulation’ (Cohen, 1999: 9).

Given the ethnic dimension of much conflict, it is time to acknowledge the ethnic factor in employment, and the manner in which material conflicts can be articulated in identity terms. Identifications that transcend class, for example, in emphasising the commonality of ethnic identity, can serve not only to obscure intra-group class divisions under the veil of cultural closure, but also to foreclose the potential for inter-group class identification. These tendencies have the potential not only to fragment labour locally, but also to add additional complexity to the development of regional and global responses. Indeed, studies of employee relations in Europe often make little mention of ethnic diversity despite the fact that there are large numbers of people of Turkish origin and descent in Germany; of North African in France; and of Afro-Caribbean and Asian origin or descent in Britain. Studies of Asia, on the other hand, have mainly focused on the relatively culturally homogeneous societies of South Korea and Japan (Ferner & Hyman, 1998; Van Ruysseveldt & Visser, 1996; Bamber et al., 2000), and have ignored the widespread ethnic diversity that prevails elsewhere in Asia. As a consequence, the impact of ethnicity on capital, state and labour has tended to be overlooked.

While such neglect may indicate partiality, it is problematic at the level of analysis and does not assist in the development of policy or practice. This is not to imply that the study of ethnicity in social formations is straightforward.

There are different types of multi-ethnic societies, ranging from plural post-colonial societies characterised by relatively independent, strong and large groups to post-slavery societies (Fenton, 1999). One can expect that state and labour in these different types of societies will reflect the social formation of which they are part. If a coordinated labour solidarity is to be achieved in order to counter the tendencies of globalising capital, then not only do local fragmenting tendencies need to be overcome, but these divisions need to be recognised in developing solidaristic strategies.

Many developing countries tend to be multi-ethnic. Yet the relationship between state and labour has been, *a priori*, assumed to be 'despotic', with states either incorporating or suppressing independent labour due to the economic imperatives of the 'developmental' or 'dependent' state (Deyo, 1989). Such explanations have privileged economic structure and implied an unconstrained and unitary state with a lack of political diversity and competition; and they have, in general, neglected socio-cultural contexts within which economic developments evolve (Granovetter, 1985). Indeed, pressures as a consequence of events such as the fall of the Berlin Wall or democratisation in South Korea—or the underlying tensions in many parts of Asia during the 1997 financial crisis—come to the fore and create significant pressure on political leaderships (Jomo, 1998). This provides the potential for regime-opening in general, and for trade-union organisation and mobilisation in particular (see Fermont, 1998; Bhopal, 2002). However, in both Indonesia and Malaysia, the crisis discourse was not necessarily one of class but one of nepotism, cronyism and corruption, with an underpinning of ethnic competition. The class aspects of state, capital and labour relations cannot be read as a formula, not least where non-class identities and political structures are a significant feature of the social formation. In advancing our case, we use the example of a plural, post-colonial society where the largest ethnic group has re-emerged relatively recently as the majority group since being displaced as such by colonial development in the early twentieth century. This is also of particular interest because while the current phase of globalisation has contributed to the leveraging of ethnic differences as a political resource in many parts of the world, ethnic and cultural plurality had been an explicit feature of the sociopolitical landscape of Malaysia even prior to colonialism. Nevertheless, the leveraged structuring of

ethnicity to enhance control, efficiency and profitability that has been evident since colonial times has created a different legacy than did the 'permeable ethnicity' prevailing before that (Hua Wu Yin, 1983; Zawawi, 2004).

The rest of the paper, following on from this introduction, is divided into four main sections that deal with the role of ethnicity, the case of Malaysia, labour and state intra-ethnic tensions, and a discussion and conclusion section.

2. The role of ethnicity: Labour strategies and subjectivity

2.1. Labour strategies

In current globalisation debates—as in earlier dependency theory debates—it is argued that the search by multinational companies for, *inter alia*, lower labour costs and weak regulation gives rise to the suppression of trade unionism, owing to 'competitive down-bidding'. However, an appreciation of the nature of trade unions and of their development, function and role needs to take account not only of the normal contingent economic and technological factors (see Kuruvilla, 1995), but also of the political context in which they arise. This includes the need to understand their relationships with political parties as well as the nature—or, more precisely, the basis—of political competition (Valenzuela, 1992: 53). This equally applies to dependent states in which political considerations have been largely ignored.

The full or partial absence of the characteristics of liberal pluralist democracies does not mean that political considerations are absent. Valenzuela (1992) recognises that authoritarian states are not homogeneous, and suggests that they are more complex than often assumed, with three possible variations on pro-capital labour strategies. Valenzuela suggests that authoritarian states' strategies towards labour reflect the relationship of the labour movement to the political regime, rather than just to the economic development strategy.

However, as with the state strategies found in liberal pluralist democracies, none are without potential problems due to the pressures necessitated by the position of labour within capitalism, which can provide opportunities for action, and which acts as the motor of change.

The first of the three possible labour strategies adopted by states recognises the desirability of a cooperative and populist labour movement, not least in providing the potential for state legitimacy. However, such a strategy requires growth in order to ensure returns to labour, and may become unstable where concession-making is undermined and the contradictions between capital, labour and the state come to the fore and cannot be masked. These tensions are ever-present in the context of international competition for global market share, or in regime competition for inward investment.

Distinct, but not unrelated, is the second state labour strategy. States may try to incorporate peak labour movements in order to control autonomous labour action by decentralised and locally organised units of labour organisation. Peak-level passivity may raise questions of union legitimacy and give rise to challenges to official labour movements by independent components—or the whole legitimacy of the labour movement may be brought into question. The latter situation may lead to the channelling of discontent into non-union forums such as political parties, NGOs and other aspects of civil society. Such spaces are becoming increasingly difficult to close owing to the growth of electronic communications in the form of the internet, together with the discourse of democratisation that, at the rhetorical level at least, is part of the neoliberal modernising project.

The third state labour strategy is one in which the state cannot incorporate or control through the peak organs of labour but attempts to fragment, divide, decentralise and legislatively constrain, if not outlaw, labour movements, and to expose them to the discipline of the market mechanism. This would particularly be the case where unbridgeable differences between political parties and labour movements exist. The aim with this strategy is not only to prevent labour movements from exerting economic pressure, but also to prevent them from becoming a platform for political opposition to regimes. Yet this very suppression may serve to politicise the labour movement and to raise questions over the efficacy of the political process, thereby creating a cadre of militant activists with possible links to emerging social movements that link the social, political and economic.

These state labour strategies are not always sequential over time, nor mutually exclusive. Many labour movements

have a variety of actual and potential factions in competition for control. Thus the third strategy can emerge first, and so on. For instance, attempts at market fragmentation, giving rise to the development of radical elements, may result in the state attempting to sponsor moderate elements; and these elements may attempt to utilise populist non-class sentiments in order to consolidate their position whilst attempting to marginalise their opponents. As a consequence, the actual dynamics within labour movements can only be discerned at the empirical level.

The above analysis highlights the varied and problematic nature of state control over labour movements, and the potential for action and reaction, accommodation and conflict that exists within labour movements and between them and the state. While the trajectories of such relationships are not deterministic or consistent over time, but conditional upon the opportunities inherent in the prevailing political, technological and economic context, Valenzuela (1992) does not quite develop the significance of the socio-cultural context within which the political field is constructed. Not insignificant in this are the ideologies and identities that constrain, direct and give meaning to action/inaction, offence/defence, etc. (Southall, 1988).

2.2. Subjectivities

In the context of globalisation, in which states are ceding or losing control of economic activity, domestic political competition is increasingly based on the ability to define a political and cultural space that can serve as a sufficient distinguishing principle for electoral competition. Analysis of plural, multi-ethnic societies in which political and social spheres are articulated and expressed in ethnic terms indicate that there can be strong feelings of ethnic identity in some social formations (Fenton, 1999; Hall, 1997), which can overshadow and obscure intra-ethnic class differences (Jesudason, 1989). Ethnic identity cannot be written off merely as 'false consciousness' and diversionary to analysis based on the labour process (Mohapatra, 1997). Rather, ethnic identity is part of the terrain of labour-capital conflict and cooperation, and can be used as a resource for boundary definition that both enables and disables political mobilisation. In the inter-ethnic case, the power and unifying potential of ethnicity among the ethnic 'we' can be a source of power and order. In the intra-ethnic case, myth and

tradition may be utilised in order to legitimate factional competition. These issues point to uncertainties in any fixed notions of ethnicity, making the study of such phenomena significant.

If we relate these arguments back to the framework developed by Valenzuela (1992), we can conclude that the relationship between and within the state and the labour movement in plural ethnic societies needs to be contextually sensitive, and cannot be read off from economic conditions. We use the case of Malaysia in order to advance our case that ethnicity is vitally important, and that the political configuration and ethnic composition of the working class have a complex interrelationship that constrains and creates opportunities for both labour and the state. We do this by looking at the labour movement and state policy over three periods—the early period of Chinese dominance under a colonial state; the ‘mid’ period of Indian dominance in the dusk of a colonial state and at the emergence of an independent, multi-ethnic state; and the late period of the growing Malay dominance in the context of a more assertive Malay political class.

2.4. Propositions

The above leads us to a set of three, interrelated propositions:

- 1) That states, even dependent ones, have choices in labour strategies that are not simply determined by economics, but rather are affected and constrained by political, social, technological and cultural factors.
- 2) That labour is not insignificant given that labour leaders not only represent the single largest group in society—the workers—and articulate their ‘voice’, but also have the potential to be involved in the political arena itself.
- 3) That ‘subjectivity’ is significant, and cannot be ignored as a resource providing both opportunity and constraint for meaningful action and viable analysis.

3. The case of Malaysia

3.1. Methodology

This paper is part of an ongoing project resulting from a variety of research projects conducted in Malaysia over the last decade, and it draws from a range and variety of sources. These include interviews, personal communications, colonial

Labour Department reports and other secondary sources. Interviews were conducted in the periods 1993-1994 and 1999-2000, and in 2004, with members of the Malaysian Trades Union Congress (MTUC) including the women's officer, the research officer, the general secretary and the president. Interviews and data were also gathered at the Malaysian Labour Organisation (MLO), Harris Solid State Workers' Union (HSSWU), and Parti Rakyat Malaysia (PRM) [Malaysian People's Party]. Secondary sources include a review of the MTUC newspaper and historical document archive, Malaysian Labour Department reports, and numerous other texts.

3.2. *Background*

Demography and politics

There are three major ethnic groupings in Malaysia. Of a total population of 23.27 million (2000 census), Malays comprised 65.1 per cent, Chinese 26 per cent and Indians 7.7 per cent (Department of Statistics, 2001). Each of the groups is diverse within itself (see Smith, 2002). While Malaysia has maintained a multi-party political system with periodic free elections since independence in 1957, the party-political structure developed from—and has retained—ethnicity as the prime focus of organisation, and the question of ethnicity remains central to the political discourse. Oppositional parties are also largely associated with the major ethnic groupings.

In the light of elections and the existence of competitive politics, in combination with use of the Internal Security Act (a colonial relic), control of the media and interference with the judiciary, Malaysia is better described as a 'semi-democracy' than as either a dictatorship or a fully-fledged democratic state (Case, 1993).

The main party in the Barisan Nasional ('BN'—the ruling multi-ethnic coalition) is the United Malay National Organisation (UMNO), representing Malays, while the Chinese and Indians are represented by the Malaysian Chinese Association (MCA) and the Malaysian Indian Congress (MIC). The opposition includes the Islamic PAS, the largely Chinese Democratic Action Party (DAP) and, more recently, the mainly Malay-based Keadilan. The BN replaced the Alliance [Parti Perikatan] after the 1969 'race riots' (see

below), reflecting a more assertive Malay stance in politics (Means, 1991). The UMNO, formed in 1946 in response to British plans that would have abolished the traditional power of Malay rulers, came to represent the embodiment of Malay interests. Membership is limited to Malays, and its organisation permeates Malay society. Its organisational structure has 17,000 branches and 2.8 million members (out of a Malay population of about 12 million). The UMNO defines itself as a party that strives to achieve national aspirations for the benefit of the people, religion and country. In this context, parties purporting to be 'multi-racial', given the political constituencies to which they direct themselves, are perceived to be ethnically dominated, resulting in the *de-facto* ethnicisation and reinforcement of such a political discourse.

The Malay agenda—state-led positive discrimination

In the years between independence in 1957 and 1970, the proportion of the Malay population in urban areas increased from 11.2 per cent to 14.9 per cent, while the Chinese remained the predominant group in the higher-earning metropolitan areas (Ooi Jin-Bee, 1976). The 1969 'race riots', fuelled by a discourse of ethnic wealth and income disparities and sparked by opposition party gains, resulted in the 'new economic policy' (NEP).¹ Malay income and wealth inequality was to be addressed through economic growth enabled by the foreign-direct-investment-based 'export-orientated industrialisation strategy', and an import-substitution industrialisation strategy in heavy manufacturing sectors such as steel and automobiles, rather than by redistribution. Such a policy coincided with the outward march of US manufacturing capital and its search for cheaper and more controllable labour.

Malaysia can be categorised as a developmental state, with an affirmative-action orientation driving a variety of policies and programmes designed to bolster the economic status of the Malay and indigenous communities. When a company is established, for example, it must have 30 per cent ownership by *bumiputera* ('sons of the soil', used to refer to Malays), and a quota system extends to the employment of workers in every company.² Malaysia continues to build its manufacturing base with a heavy emphasis on component and consumer electronics, which

accounted for 33 per cent of GDP in 2000 (Department of State, 2001).

Dilemmas of economic growth

Between 1957 and 1990, the agricultural share of Malay employment fell from three-quarters (74.6 per cent) to about a third (36.7 per cent), while employment in manufacturing, commerce and private and public services rose to over half (53 per cent). These trends were reflected in the composition of the labour movement, such that by 1988, Malays accounted for 59 per cent of all trade unionists and 54 per cent of wage workers (Labour and Manpower Report, 1988/89). By 1999, over 70 per cent of union leaders and members, and 60 per cent of the MTUC general council, were Malay (interview, MTUC, 1999). Industrialisation also created a Malay bourgeoisie and government-sponsored *rentier* class (Gomez, 1991; Munro-Kua, 1996). Not only was the notion of Malay control of the political and cultural sphere and Chinese control of the economic dissolving, but the interpenetration of political and economic interests created a new dynamic in Malaysia's political economy (Bowie, 1994), not least of which was the growth of intra-Malay economic inequality.

Malaysia in economic crisis

Economic growth recovered rapidly after the 1997 Asian financial crisis. The minus-7.4 per cent GDP in 1998 transformed into a positive 6.1 per cent in 1999 and 8.3 per cent in 2000, giving a per-capita GDP of US\$3,834, a current-account surplus of US\$8.4 billion, and a 1.6 per-cent inflation rate (WTO, 2001). From 1996 to 1998, unemployment increased from 2.6 per cent to 4.9 per cent, but then fell to 3.1 per cent by 2000 (Malaysian Department of Statistics, 2002). By 2002, GDP was estimated at US\$95.7 billion—some US\$3,290 per head—growing at 5 per cent, with unemployment at 3 per cent and inflation at 1.7 per cent (*Financial Times*, 2002).

The robust employment performance was partly due to employers' reluctance to dismiss permanent local workers, preferring instead to resort to terminating fixed-term contracts, temporary lay-offs and voluntary severance (Peetz and Todd, 2000), and—since they anticipated a relatively quick upturn—other flexibility measures that fell short of redundancy. Most significantly, the estimated legal and illegal migrant labour force of 3 to 3.5 million (HRW, 1998; Bhopal,

2000) provided the numerical flexibility for rapid adjustment, and enabled Malaysia to escape the dislocations of unemployment and potential inter-ethnic antagonism (which was witnessed in neighbouring Indonesia). Paradoxically, many of Malaysia's problems are also attributed to its multi-ethnic population (Gomez & Jomo, 1997), although the discourse of ethnicity may serve to obscure the more fundamental structures of class domination and inter-ethnic elite accommodation (Hua Wu Yin, 1983; Yun Hing Ai, 1990; Gomez, 1999). The question of whether ethnicity is a problem *per se*, or one that is utilised in order to maintain political dominance, retains a fulcrum position for analysis.

3.3. Political regimes and trade union development

The role of intra-ethnic tensions can be seen in the evolution of Malaysian state-labour relations, which date back to Malaysia's position as a colony, initially producing tin and subsequently rubber. Malays largely remained in peasant agriculture, producing rice for the increasing numbers of Chinese workers staffing the tin mines, and Indians in rubber plantations.

3.3.1. Contestory unionism

In the 1920s, the Chinese dominated the general union; and by 1926, the Nanyang Federation of Labour (NFL), which adopted an anti-British, anti-colonial stance, was organised by the Chinese Communist Party (CCP). Despite Chinese dominance, solidarity with Indian labour was further undermined by wage practices whereby the practice of locally negotiated piece rates by Chinese labour resulted in Chinese workers earnings amounting to almost twice the level of the centrally determined wages of Indian workers.¹ This, together with the managerial control mechanisms inherent in the intra-ethnic division of Indian labour, whereby lower-caste south-Indian labour was managed by higher castes and/or northern Indians, plus their relative isolation in the plantation sector, and language barriers, contributed to Chinese dominance of the labour movement (Stenson, 1980; Hua Wu Yin, 1983; Ramasamy, 1994). This segmentation reinforced the association of unionism with the Chinese, and contributed to a perception of Chinese dominance and militancy among the working class.

The depression of the 1930s witnessed the NFL's reorganisation into the Malayan General Labour Union,

which aimed to maximise recruitment across ethnic lines and enhance class solidarity (Wad, 1988). Economic recovery, in the context of migration restrictions, enhanced the bargaining power of workers in the periods 1935-38 and 1940-41. This assisted the increasing union militancy led by the Communist Party of Malaya (CPM) in the earlier period, and by Indian plantation labour in the latter.

While largely driven by issues of terms and conditions, developments were underpinned by the growing anti-colonial struggles in China and India (Stenson, 1980; Jomo & Todd, 1994; Hua Wu Yin, 1983), and also reflected the internal divisions within these countries. Nevertheless, it would appear that Chinese labour was the stronger—and indeed, when Nehru visited Malaya in 1937, he commented on the apathy of the Indian social conscience, while he saw the need to organise plantation labour. Despite this, control of Indian ‘voice’ by the middle classes largely excluded the Indian labouring classes, leading them into the CPM after the Second World War (Arasaratnam, 1964).

In this context, the union movement posed a political challenge that continued after the British resumed control in 1946, and which saw continued growth and militancy on the part of the reorganised Pan-Malayan Federation of Trade Unions (PMFTU). At its peak in 1947, with over 250,000 members, it represented more than 50 per cent of unionised waged workers (Deery, 2002), and 80 per cent of unions in Malaya.

The PMFTU continued to be Chinese-dominated, although Indian trade unions were increasingly organized, and by 1946, most had affiliated to the movement. By 1947, the MCP controlled 214 out of a total of 277 trade unions through the PMFTU (Deery, 2002). Until early 1947, the CPM was relatively acquiescent and eschewed open confrontation and conflict—a situation owing to the fact that the general secretary of the CPM, who had taken over from Ho Chi Ming in 1939, was a triple agent working for the French and British intelligence services. In 1947, he absconded with CPM funds leaving the movement in disarray, although control soon fell into more militant hands, led by Chin Peng, and by 1948 the CPM had called for mass struggle.

While the union movement became an integral part of a cross-racial alliance forged on the issues of citizenship rights and opposition to colonialism, many unions remained ethnically concentrated, reflecting the ethnic division of

labour. Ethnicity was also used to create division. For instance, in the context of falling world commodity prices, a rejection by labourers of the pre-war paternalism and the shattering of imperial invincibility contributed to strikes against pay cuts in 1947-48. Such dissent from below was met by increasingly organised employers' associations, which dismissed strikers and utilised Malays as 'strike-busters' in their strategy to contain the new militancy (Deery, 2002). Such was the employers' resolve that Indian demands for pay comparability with Chinese labour resulted in reductions in Chinese wages (Jomo & Todd, 1994). Such strategies had the potential to divide labour solidarity on ethnic grounds, and were reminiscent of earlier employers' appreciation of the way labour control could be achieved through ethnic division, as exemplified in the following, 1895 quotation from the plantation owners' *Selangor Journal*:

To secure your independence work with Javanese and Tamils, and, if you have sufficient experience, also with Malays and Chinese; you can then always play the one against the other ... In case of a strike, you will never be left without labour, and the coolies of one nationality will think twice before they make their terms, if they know you are in a position that you can do without them. (quoted in Caldwell & Amin, 1977)

The increasing assertiveness of the state and employers culminated in requirements for union registration, aimed at disassociating the political coordination of the labour movement. This contributed to the conflict that culminated in the use of troops and the eventual declaration of an emergency, and the Malaysian 'red purge'. As a result, the CPM was outlawed, unions in the PMFTU were deregistered, and their leaders either went underground or were arrested—and some were executed.

This era, then, was characterised by a political and economic challenge from the labour movement; and the state can be seen to have adopted a policy of fragmentation, division and legislative constraint towards a labour movement seen as oppositional and contestatory. Nevertheless, mechanisms for collective regulation were seen as necessary in order to ensure that the dollar-earning capacity of the colony would not be upset. In 1947, a third of the exports of Malaya and Singapore were dollar-earning exports, and

represented the most important source of dollars for the UK treasury. Half of all rubber and 98 per cent of the US's tin imports came from Malaya (Deery, 2002).

3.3.2. Unionism within moderate collective bargaining

The British authorities recognised the need for a channel for the articulation of aspirations, in order to assist in regime legitimacy in the context of growing opposition. To this end, British trade-union bureaucrats and the colonial state wanted an 'independent, responsible, autonomous' pressure-group-type union movement. The pluralism modeled on British trade unionism was to be achieved through anti-communist, middle-class, English-educated Indians.

The organisation efforts were initially focused on the Indian-dominated plantation sector. Here, with the backing of the non-communist, American-controlled International Confederation of Free Trade Unions (ICFTU), and with the further assistance of employers, the Labour and Public Relations Departments and Special Branch, mergers were instituted, membership drives were promulgated and oppositional elements and factions neutered (Zaidi, 1975; Trade Union Advisors' Report, 1950; Ramasamy, 2001). These efforts led to the establishment of the moderate Malayan Trades Union Council in 1950, formed out of the non-banned unions, and which eventually became the MTUC in 1963.

In contrast to earlier Chinese dominance, the post-independence period saw Indian moderates from the relatively isolated plantation sector control the peak union movement. The association of ethnicity and trade unionism was reversed, such that Indians accounted for 71 per cent of all union members in 1951, remained the majority up to 1963, and retained control of the MTUC until recently.

Indian domination of the labour movement, given their relatively small population and consequent political impotence, allowed union issues to be marginal in the political processes driving the state.

The association of ethnicity with organised labour hindered the development of class-based politics, while the post-independence ethnic accommodation, whereby the Malay sphere of political influence would not be challenged while the Chinese could pursue their economic activities, reinforced ethnic divisions. The absence of powerful, representative party involvement in the political sphere carried dangers of incorporation, given the almost-complete

control of the inter-ethnic elite accommodation within the controlling Alliance Coalition (a coalition of the main ethnic parties).

In this context, support for opposition parties could lead to suppression and the possible accusation of being politically, and thus ethnically, partisan—a situation arising from the absence of Malay waged labour, and the growing national ethnic discourse emanating from the debates over the political landscape inherent in British plans for the eventual independence of Malaya, which led to the formation of UMNO in 1946.

Despite its moderate stance, such an emerging situation exposed the labour movement to accusations of advancing the economistic interests of its ethnically concentrated membership at the expense of wider ethnic political and economic disparities. Such a situation not only undermined the horizontal (class) organising principles of trade unionism, but also had the potential to bring the new labour movement into conflict with its potential future membership. As a consequence, the early recognition by the MTUC that it should not align itself with the then-existing Labour Party, and that it should adopt an apolitical stance (Zaidi, 1975), left the movement confined to the 'market mechanism' and marginal to the political arena.

Thus, the oppositional movement of the earlier period was replaced by a largely neutered union movement based on a pressure-group-type approach, with little hope for state largesse in light of its essentially narrow concentration among the weakest and least influential electoral constituency, located in the foreign-currency-earning, labour-intensive plantation sector. In this era, rather than divide and fragment, the state 'sponsored' and attempted to incorporate the weak but 'responsible' moderate union movement. This was through a model premised on liberal collectivism, providing a veneer of legitimacy to capital-labour relations at the workplace level through a system of responsible collective bargaining (itself constrained by the economic context), whilst deflecting potential political challenges to the colonial state.

The attempt by the state to sponsor moderate unions in order to fill the vacuum created by the suppression of radical and oppositional movements reflects the first of Valenzuela's typologies, in which the state recognises the necessity and desirability of a cooperative and populist labour movement, not least in providing the potential for state legitimacy. This,

of course, needs to be seen in the light of the political context of the colonial power, where a Labour government was in power, yet unwilling to cede independence owing to the dollar revenues generated by this particular colony.

3.4.3. Development, marginalisation and incorporation

While the Malays were largely absent from organised waged labour, with the radical element marginalised and control of the labour movement vested in moderate Indians in a context of the ethnicisation of politics, there was little scope for developing 'labour voice'. However, over time, the strategies developed to enhance the economic status of Malays created new opportunities and constraints for labour.

The state response to the 1969 'race riots' brought to centre-stage a nationalist discourse that emphasised the need to address the economic and cultural weakness of Malays. The ethno-developmentalism of the state attributed trade-union issues of distribution as secondary, if not potentially detrimental, to the developmental process. In these circumstances, union involvement with opposition political parties, particularly non-Malay, carried the risk of a potential accusation of ethnic political association and a lack of commitment to the policy of Malay advancement and nation-building.

Trade-union acquiescence in a formally corporatist/tripartite structure came under pressure owing to a shift in political personalities, and the imperatives of a low-labour-cost development strategy (Jomo & Todd, 1994). Opposition to state policy, in the context of the ethnic configuration of the working class and the wider basis of political competition, left recalcitrant labour 'voices' vulnerable to overt state suppression, vilification and the accusation of being politically, and thus ethnically, partisan. Incorporation via state sponsorship was sustainable only while there were no fundamental conflicts of interest, and while this came under pressure as contradictions appeared, the ability of the labour movement to act in such a situation was constrained by the ethnic configuration of the labour movement and the wider population.

Union opposition to the state's labour policy was exposed in the Malaysian Airlines dispute of 1980. The dispute was multi-racial, with heavy activism on the part of Malays, and supported by solidaristic international and domestic secondary action. In light of this, the state felt compelled to

break the class basis of the confrontation at the outset (Munro-Kua, 1996). This led to arrests and dismissals of union activists, deregistration and a new wave of labour repression.

Union deregistration led to part-replacement by in-house unions, and set the state's agenda for future labour policy. Such policy promoted decentralized, in-house unions, in which the market mechanism driven by the changing vagaries of the labour market would be replaced by the discipline of product-market competition, and the economic performance of the firm as the prime driver of labour-management relations.

This structure, it was hoped, would create a less combative and more cooperative union movement, in a project of enterprise partnership and a micro-corporatism that would advance Malay and Malaysian economic development.

Premised on the 'Asian model' of development, based on the Japanese productionist model and underpinned by the notion of 'Asian values', the Malaysian 'Look East' policy was promulgated in order to deal with the need for international competitiveness in attracting foreign direct investment, whilst ensuring the incorporation of the emerging Malay working class into the superordinate goal of Malaysian development and thereby meeting the potential 'challenge from below' arising from the growth of a Malay working class (Wad & Jomo, 1994; Kuruvilla & Arudsothy, 1995; Bhopal & Rowley, 2002).

This, in short, represented an ideological and structural strategy aimed at incorporating the Malay working class into the state capital interest, but at a local level with a national focus—a micro-corporatism encouraging productivity coalitions without political 'voice'. Such features also resonated with the value system of Malay village society, which emphasised *gotong royong* (cooperation), *usaha* (labour) and conformity (Kaur, 1999).

At a macro-level, the state invoked notions of 'national interest' in order to undermine a 'confrontational' union leadership that supported opposition parties and policies. Labour leaders were accused of being anti-nation, anti-democratic and, therefore, anti-Malay, in a debate centred around not only identifying the guardians of the Malay interests, but also defining what those interests were.

In an increasing differentiation between 'East' and 'West' in the context of the debate about Asian democracy and

development, the minister for Human Resources warned ASEAN [Association of Southeast Asian Nations] members to be 'watchful' of Western unions attempting to extend influence in Asian labour movements in order to 'destabilise' employee relations and 'impose' labour practices that were 'unsuitable' in the Asian context (*Star*, 1992). This 'East-West' discourse was reflected in a *New Straits Times* (1993) editorial:

Trade union leaders no longer listen to voices [of workers] ... pay no heed to their need for leadership ... These leaders ... warble and yodel on international platforms [a reference to ILO] to besmirch the government ... [they turn] ... a blind eye to the nation's achievement in protecting the labour force. Yet it has been a trend in developed countries for unionists to hammer the ruling party ... In such countries the 'workers versus vampire-like ruling elite' mind set was responsible for the conversion of the labour movement into political parties. But surely such a trend has no legitimacy in a political and socio-economic climate that protects and promotes workers' rights and well being.

As a consequence, the state was instrumental in an attempt to fragment the labour movement through, for instance, the 1988 sponsorship of an alternative trade union centre—the Malaysian Labour Organisation (MLO), which supported in-house unions. The MLO justified its strategy on the grounds that the MTUC, amongst others, was criticising government policy without positive suggestions, and that its leadership was motivated by oppositional politics and parties, while the public perception of trade unions was as troublemakers (source: undated MLO booklet).

As a consequence, the state increasingly bypassed the MTUC in favour of the MLO. The need for a more pliable labour movement needs to be seen in the context of growing and wider dissension. For instance, the state development strategy has produced a Malay business class embedded in networks of different political factions. As a consequence, intra-Malay, inter-class economic inequality grew and, by the mid-1990s, led to explicit concern over 'political business', particularly from the emergent Malay professional middle class (Gomez, 1991; Munro-Kua, 1996). This era, in which the moderate union of the colonial period was increasingly seen as

oppositional by the post-colonial state, fits with the third and first of Valenzuela's (1992) typologies. The state found it increasingly difficult to incorporate or control the dilemmas posed by dependent development.

Attempts at fragmentation, division, decentralisation and legislative constraint were failing in light of domestic political competition and international scrutiny. In order to ensure domestic and international legitimacy, the state attempted to sponsor an alternative, more moderate centre. This development indicates a move to the first of the typologies, whereby it recognised the desirability of a cooperative and populist labour movement, not least in providing the potential for state legitimacy for its industrialisation and economic development strategy.

3.4.4. Factionalism and opposition?

Changing ethnic composition meant that the state could not continue to ignore the labour movement by playing the ethnic card in order to marginalise opposition. The state's recognition of this is seen in the minister for Human Resources' advising the MLO to dissolve itself and join the MTUC in 1996-97 (interview notes, MTUC, 1999). This was prompted not only by the failure of the MLO to undermine the MTUC, but also by potential internal reconfiguration of the balance of forces within the MTUC itself. In 1994, the position of the Malay MTUC's president was under threat from more oppositional and leftist activists.

He resigned from Semangat 46 ('Spirit of '46'—a now-defunct political party) and was wooed by Anwar Ibrahim (who was, at that time, prime-minister-in-waiting) to join the UMNO. The re-entry of the MLO consolidated and enhanced the president's support, and enabled him to retain control of the MTUC and advance his developing vision for the Malaysian labour movement, which increasingly veered towards the incorporationist strategy of the Singaporean developmental state.

The above analysis indicates that individual union activists and leaders tend to be party activists with diverse affiliations to various, but essentially ethnically based, parties that do not necessarily pursue a labour agenda; but this has not fundamentally undermined a cross-ethnic trade union identity and a commitment to the labour interest on the parts of those activists. As a consequence, the MTUC proudly claims to be the only mass multiracial organisation in Malaysia.

Nevertheless, the 'pulling' integrative forces of a labour identity come into conflict, at times with the 'push' forces arising from identities implicated through the attachment to ethnically based political agendas, parties and their shifting cross-ethnic affiliations. This complexity reflects the significance of ethno-political discourse and identity in a class-differentiated society.

This complexity also represents, more than anything, a recognition of the failure of the earlier state strategy to set up a more moderate alternative centre. The new strategy most approximates the second of Valenzuela's (1992) typologies, whereby the state attempts to incorporate the oppositional peak labour movement(s) by co-opting parts of the leadership, while simultaneously bolstering its support base by reintegrating the peak labour organisations, thereby deflecting the emerging relationship between the peak organisation and new oppositional political parties, NGOs and other aspects of civil society.

4. Labour and state intra-ethnic tensions

While the MTUC's Malay president asserts a commitment to 'worker advancement', in the context of Malay proletarianisation this has increasingly become *Malay* worker advancement, indicated by his 1996 UMNO application (personally handled by Anwar Ibrahim, and passed to the ex-prime minister, Mahathir bin Mohamad). And with Zainal Rampak's membership of the UMNO, his senatorship (recommended by Anwar Ibrahim), and his appointment to the national economic advisory committee, there was increasing concern within MTUC ranks over its possible 'incorporation' into the government. This was particularly pertinent given Rampak's previous and longstanding attachment to the opposition, and his personification as the union voice of Malaysian workers.

In response, it may be argued that, since 1996-97, some believe there is a possibility of gaining concessions through incorporation.

Such incorporation within the context of factionalism enables the utilisation of a large, Malay working-class base as a bargaining counter when internal fractures open up, and provides scope for political compromises. However, within the MTUC it is felt that such thinking was a way of

marginalising opponents, as attempts are made to fill the MTUC and the union movement with new and upcoming but moderate Malay trade unionists.

As one union activist reported, the Indian general secretary 'is the last remnant of Indian influence in the movement' (interviews, MTUC: 2000). In the last MTUC elections, it was felt that the president 'wanted to push away all the Indians ... [however] he needed [the general secretary] because he was able to bring a lot of the Indian delegates into Zainal's camp, but the Indians are feeling very much pushed out' (interviews, MTUC: 2000).

However, such a position, while opening access directly to the prime minister, seems to have resulted only in concessions from the labour movement. For instance, the MTUC agreed to reverse its opposition to in-house unions (*New Straits Times*, 1997), and decided against issuing a labour manifesto in the 1999 elections—the result of behind-the-scenes mobilisation by Zainal Rampak. As one trade unionist said, 'The outcome was orchestrated by Zainal. He mobilised his supporters to ... block the manifesto. More than eighty members were present, double than we normally have ... some who have never attended a meeting before' (interviews, MTUC, 1999).

Yet some seventeen unions independently issued a manifesto indicating division within the movement over the best tactics to use in order to advance the labour and political interests of Malaysian workers. Indeed, *de-facto* political involvement is exemplified by a number of trade unions which, in 1999, presented joint demands to the opposition as a condition of their support, resulting in the inclusion of a number of them.

The internal divisions created by a moderate stance that provided few returns possibly led to the MTUC's losing an opportunity to exert leverage over the labour question in order to advance labour interests—which, in the case of Malaysia, go beyond distribution, and arguably to issues of democracy and social justice.

As a consequence, in late 2004, control of the leadership of the MTUC fell to radical elements who had been leading players in the oppositional parties that developed in the wake of the 1997 Asian financial crisis. This has given rise to the possibility of a more oppositional stance with symbiotic links to the emerging civic and political opposition (personal communication, 2005).

5. Discussion and conclusion

The case of Malaysia shows that states, even dependent ones, have choices in labour strategies; and that these are not deterministic, but contingent on the interplay and perceived priorities in the order of the political, economic and social configuration. Valenzuela (1992) asserts that states could adopt at least three strategies, reflecting labour and political considerations. Each strategy gives rise to its own particular tensions, which provide potential opportunities for 'action'. In the case of Malaysia, each has been shown in this paper to have existed over time, and to have coexisted, as predicted, at particular times. We have also shown that, economics aside, a significant driving force of the strategies is the need for the retention of state legitimacy or political support in a political structure dominated by an ethnic discourse, which itself is constructed as fundamental to the construction of regime legitimacy. This paper is intended to indicate that, while frameworks like that of Deyo (1989) are limited, and developments such as Valenzuela's (1992) are to be welcomed, there remains a need to operationalise them in specific contexts in order to unpack the forces of change and order. We contend that ethnicity is a significant factor in those societies where ethnicity is an implicit or explicit part of the political and cultural discourse.

While states can sponsor and incorporate labour movements in attempts to create cooperative and populist movements accepted by workers, such a strategy is only possible where there is ethnic harmony or coincidence, or the absence of a differentiating ethnic political or cultural discourse. Even in these circumstances, such a strategy may become unstable where concession-making is undermined by the contradictions between capital, labour and the state. However, there would also be difficulties in cases in which any of these contradictions could be interpreted as having a differential ethnic impact.

Labour strategies are not just driven by capital: labour has a role not only as a 'voice', but potentially as a political actor itself—although this can be undermined when the organising principle of politics and its framing discourse elevates non-class issues such as ethnicity above class issues. However, changing structures and opportunities for ethnic groups can give rise to a potentially new 'politics of labour'. Here, potentially, unable to accommodate unions, the state

may attempt to incorporate peak labour movements in order to control autonomous action. This may only be possible if the following elements are present: first, coincidence of ethnicity among the peak of the labour movement, its members and the state. Second, that the union leadership should have sufficient power to stop autonomous action by subordinate levels in the labour movement and in the labour movement hierarchy, which, due to the ethnic segmentation of labour, will contain significant pockets of ethnic 'others' or ethnic 'we's' who may invoke other aspects of their identity. In the former case, questions of union legitimacy and representativeness may give rise to challenges to 'official' labour movements; and in the latter case, they may give rise to union fragmentation on ethnic and other identity grounds.

The Malaysian case indicates the significance of ethnic 'subjectivities' in state-labour relations. For instance, where unbridgeable differences between political parties and labour movements exist, policies of control based on fragmentation and decentralisation have been used. This is to employ ethnic identity as a means of controlling trade unions in a negative way —i.e. unions as the ethnic 'other'—or, from the state's point of view, is an attempt to deem unions as antithetical to the ethno-development project.

Such attempts to expose union movements to the 'market mechanism' are associated with attempts to weaken market power by constraining and limiting the ability to organise and mobilise via restrictive legislation, decentralisation and structures of mediation (i.e. forms of media). In this case, it is clear that the aim is not only to prevent labour movements from exerting economic pressure, but also to restrain them from becoming a platform for political opposition to the regime.

In sum, we have demonstrated that in the case of Malaysia, labour has been subject to several strategies that have changed over time as the context (political, economic and social) has evolved. The different actors have utilised a variety of resources, from the legislative to the symbolic; and there are not necessarily any hard-and-fast, determinate rules governing the decisions that actors make about the content and their position towards the preferred order of things. What is clear, however, is the need to recognise the significance of ethnicity as a factor in state-labour relations. It is an enduring phenomenon that is visible in multi-ethnic societies; and possibly invisible, but no less salient, in perceived 'mono-ethnic' societies.

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Notes

1. The NEP was a series of five-year development plans from 1971, following the 1969 'race riots' that were the result of perceived differences in economic status of the ethnic communities. The NEP was a major policy instrument and it politicised ethnic identities. Its aims were to eliminate the identification of economic function with specific racial groups, e.g. through an affirmative action approach focusing on Malays, which was aimed at increasing their equity holdings via economic growth, and via some redistribution from 'foreign' holdings.
2. The 1974 Industrial Coordination Act meant that ethnic groups' population levels needed to be represented at all levels of the organisation.
3. In 1929, Chinese plantation workers received around 85-90c per day in comparison with the 50-55c earned by Indians, although Chinese earnings declined to 30-40c in the Depression year of 1931 (Ramasamy, 1994).

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Contributors to this issue

Alexander Anievas is a Ph.D. student at the Centre of International Studies, University of Cambridge.

Mhinder Bhopal is a senior lecturer in employment relations at London Metropolitan University. His research interests include human resource management in multinational corporations, ethnicity and labour markets, and representation.

Simon Blackburn is an associate lecturer with the Open University, teaching social policy and criminology. His current area of interest is the role and purpose of policing, and he is in the process of writing a book which, from a Poulantzasian perspective, considers the police as a 'social relation' embodying the balance of forces within wider society.

Dorothee Bohle is an assistant professor in the Department of Political Science at the Central European University, Budapest, and is currently a visiting scholar at the Minda de Gunzburg Center for European Studies, Harvard University. Her research areas include international and comparative political economy, and she is especially interested in developing a critical understanding of the political economy of the eastward enlargement of the EU and of the transformations in eastern Europe.

Neil Curry teaches sociology in the School of Applied Social Sciences at St Martin's College, Lancaster.

Robert Fine is a professor of sociology in the Department of Sociology, Warwick University. His books include *Democracy and the Rule of Law*, *Political Investigations: Hegel, Marx, Arendt*, and *Beyond Apartheid: Labour and Liberation in South Africa*. He is currently engaged in research on cosmopolitan social theory.

Alan Freeman is a visiting professor of economics at the University of Greenwich. He is co-editor, with Andrew Kliman and Julian Wells, of *The New Value Controversy in Economics*; of *Marx and Non-Equilibrium Economics* with Guglielmo Carchedi; and of *Marx, Ricardo and Sraffa* with Ernest Mandel. He also recently co-edited, with Boris Kagarlitsky, *The Politics of Empire and the Crisis of Globalisation*.

David Gent is a graduate student at the University of York.

David Harvie 'belabours the heads' of students at the University of Leicester's Management Centre, amongst other activities.

Jonathan Joseph teaches international relations at the University of Kent. He is the author of a number of books, including *Hegemony: A Realist Analysis*, *Social Theory: Conflict, Cohesion and Consent*, and *Social Theory: A Reader*. His most recent book is *Marxism and Social Theory*. He is a former member of the *Capital & Class* editorial board.

Andrew Kliman is a professor of economics at Pace University in New York, and a founder of the New School for Pluralistic Anti-Capitalist Education (New SPACE). Co-editor of the 2004 collection *The New Value Controversy and the Foundations of Economics*, he regularly publishes on value theory, economic crisis and Marxian thought in this and other journals, and has recently completed a book that reclaims Marx's *Capital* from the myth of internal inconsistency.

David Layfield is making the final changes to his Ph.D. thesis on Marxism and environmental political theory for the University of Nottingham. He now lives in Okinawa, in the far south of Japan, and continues to work on problems in left/green political theory.

George Liodakis is a professor of political economy in the Department of Sciences at the Technical University of Crete, Greece. His work includes writings on the political economy of agrarian change, international relations and development, and technology and environment.

Christopher May is co-editor of the *International Political Economy Yearbook* series, and has published widely on the subject of intellectual property rights. The content of his work has ranged from AIDS patents and the use of intellectual property in the workplace, to wider issues regarding the (so-called) information society and the global governance of intellectual property rights.

Sara Motta teaches Latin American and comparative politics at the London School of Economics and Political Science (LSE), and researches the political economy of neoliberalism, alternatives to neoliberalism, and the politics of resistance in Latin America.

Mark Neocleous is a professor of the critique of political economy at Brunel University. His most recent book is *The Monstrous and the Dead: Burke, Marx, Fascism*. He is a member of the *Radical Philosophy* editorial collective.

Luis M. Pozo studied history at the Universidad Autónoma de Madrid, where he specialised in modern and contemporary history.

Gonso Pozo-Martin is a Ph.D. student at the School of Slavonic and East European Studies, University of Cambridge.

Chris Rowley is the inaugural professor of human resource management at Cass Business School, City University, London. He is editor of the *Asia Pacific Business Review*, and founding editor of the *Asian Studies* series of books. His research interests include international and comparative human resource management, and Asia Pacific management and business, especially in Korea. He has written over a hundred articles, eighty book chapters and entries, and twenty books.

Jeffery R. Webber is a Ph.D. student in political science at the University of Toronto.