

# Malaysia

---

*Recent Trends and Challenges*

The **Institute of Southeast Asian Studies (ISEAS)** was established as an autonomous organisation in 1968. It is a regional research centre for scholars and other specialists concerned with modern Southeast Asia, particularly the many-faceted issues and challenges of stability and security, economic development, and political and social change.

The Institute's research programmes are Regional Economic Studies (RES, including ASEAN and APEC), Regional Strategic and Political Studies (RSPS), and Regional Social and Cultural Studies (RSCS).

**ISEAS Publications**, an established academic press, has issued more than 1,000 books and journals. It is the largest scholarly publisher of research about Southeast Asia from within the region. ISEAS Publications works with many other academic and trade publishers and distributors to disseminate important research and analyses from and about Southeast Asia to the rest of the world.

# Malaysia

---

*Recent Trends and Challenges*

EDITED BY

SAW SWEE-HOCK

K. KESAVAPANY



INSTITUTE OF SOUTHEAST ASIAN STUDIES  
Singapore

First published in Singapore in 2006 by  
Institute of Southeast Asian Studies  
30 Heng Mui Keng Terrace  
Pasir Panjang  
Singapore 119614

*Internet e-mail:* [publish@iseas.edu.sg](mailto:publish@iseas.edu.sg)  
*World Wide Web:* <http://bookshop.iseas.edu.sg>

All rights reserved.

No part of this publication may be reproduced, translated,  
stored in a retrieval system, or transmitted in any form or by any means,  
electronic, mechanical, photocopying, recording or otherwise,  
without the prior permission of the Institute of Southeast Asian Studies.

This book is published under the Malaysia Study Programme  
funded by Professor Saw Swee-Hock.

© 2006 Institute of Southeast Asian Studies, Singapore

*The responsibility for facts and opinions in this publication rests exclusively  
with the editors and contributors and their interpretations do not necessarily reflect  
the views or the policy of the Institute or its supporters.*

---

#### ISEAS Library Cataloguing-in-Publication Data

---

Malaysia : recent trends and challenges / edited by Saw Swee-Hock and  
K. Kesavapany.

1. Malaysia—Politics and government.
2. Islam and politics—Malaysia.
3. Malaysia—Population.
4. Elections—Malaysia.
5. Malaysia—Economic conditions.
6. Corporate governance—Malaysia.
7. Malaysia—Foreign relations—Singapore.
8. Singapore—Foreign relations—Malaysia.
- I. Saw, Swee-Hock, 1931-
- II. Kesavapany, K.

DS597.2 M232 2006

ISBN 981-230-336-7 (soft cover)

ISBN 981-230-339-1 (hard cover)

---

Typeset by International Typesetters Pte. Ltd.  
Printed in Singapore by Utopia Press Pte. Ltd.

# Contents

---

Preface	vii
Foreword by Wang Gungwu	viii
Contributors	xi
1 Population Trends and Patterns in Multiracial Malaysia <i>Saw Swee-Hock</i>	1
2 The Emerging Politics of <i>Islam Hadhari</i> <i>Terence Chong</i>	26
3 Bangsa Malaysia: Vision or Spin? <i>Ooi Kee Beng</i>	47
4 The 2004 Malaysian General Elections: Economic Development, Electoral Trends, and the Decline of the Opposition <i>Edmund Terence Gomez</i>	73
5 The UMNO-PAS Struggle: Analysis of PAS's Defeat in 2004 <i>Ahmad Fauzi Abdul Hamid</i>	100

6	The Malay Electorate in 2004: Reversing the 1999 Result? <i>John Funston</i>	132
7	UMNO and BN in the 2004 Election: The Political Culture of Complex Identities <i>Zainal Kling</i>	157
8	Malaysia's Civil Service Reform: Mahathir's Legacies and Abdullah's Challenges <i>Ho Khai Leong</i>	195
9	Reinventing Governance in Corporate Malaysia: The Challenges Ahead <i>Michael Yeoh and Farizal Hj. Mohd. Razalli</i>	210
10	Globalisation and Ethnic Integration in Malaysian Education <i>Lee Hock Guan</i>	230
11	Globalisation and the Challenges Facing Malaysia's Economy <i>Denis Hew</i>	260
12	Promising Start to Malaysia-Singapore Relations <i>K. Kesavapany</i>	275
	Bibliography	287
	Index	305

# Preface

---

The chapters in this book are derived from commissioned papers and those presented at an ISEAS Workshop entitled “The Political Economy of Malaysia: Current Trends and Future Challenges” held in September 2004. Chapters 1, 2, 10, and 12 are specially commissioned from ISEAS scholars who are experts in their own field of interest. The other eight chapters are extensively revised versions of the papers presented at the Workshop. Both the Workshop and this book are the products of the Institute’s Malaysia Study Programme.

We would like to thank Professor Wang Gungwu, Chairman of the ISEAS Board of Trustees, for contributing the Foreword, ISEAS scholars for preparing the commissioned essays, and the Workshop speakers for revising their papers for publication.

*Saw Swee-Hock and K. Kesavapany*

# Foreword

---

I am very pleased to have been invited to take part in the one-day workshop on “The Political Economy of Malaysia: Current Trends and Future Challenges” held at the Institute of Southeast Asian Studies, Singapore, in September 2004. Most of the papers were by scholars from Malaysia and Singapore who were still very young at the time when Singapore was separated from the Federation of Malaysia. They would not have had the searing experience of the tensions that led the two to separate in 1965, but both have lived through some of the consequences of that separation and are now able to examine coolly the most recent manifestations of what I see as the “one plural society, two countries, two systems” syndrome. There have certainly been many ups and downs in that bifocal effect for the past 40 years.

After an absence of 28 years, I returned in 1996 to the plural society in which I had grown up, from where I had received my education and where I had taught for ten exhilarating years. This was on the eve of the financial crisis that badly hurt the region. That crisis contributed to the tense relationship between Malaysia and Singapore for the next seven years, although among observers, some of the issues seemed unnecessarily discordant. Only on the rare occasions when scholars of both countries came together to discuss the issues in dispute, often at the Institute of



Southeast Asian Studies (ISEAS), was I reminded of the underlying oneness of all the protagonists concerned. The workshop in 2004 that led to this volume of essays was an exceptionally warm gathering of like-minded authors who rejoiced at the restored friendliness between the two countries. It had, of course, as everyone commented, much to do with the fresh tone of the administration under the new prime minister, Datuk Seri Abdullah Badawi. The 11 months before the workshop had seen a marked improvement in the way various leaders of the two countries had begun to conduct diplomacy with one another. The changes are outlined in the last chapter in this volume by the Director of ISEAS, K. Kesavapany, who also recalls for us what he knows only too well: how it felt during those difficult years before he joined ISEAS, when he served as Singapore's High Commissioner to Malaysia.

The chapters here contain detailed information about the changes that are taking place in Malaysia, much of it of great importance to all Singaporeans who have business or family in Malaysia, those who have to deal with Malaysian officials at all levels, and not least, those whose job it is to analyse the longer-term trends in development that are likely to have profound bearing on both countries. Of immediate interest are the chapters examining the Malaysian general elections of 2004. The many facets of Malaysian society reflected in the way opposition political parties and their allies have sought to challenge the new leadership of the dominant member of the Barisan Nasional, the United Malays' National Organisation (UMNO), are particularly revealing. Understanding the changes occurring in that arena leads one to better appreciate the broader issues of governance and adaptation to global economic challenges that Malaysia still has to confront. At an even deeper level, we are shown some of the longer demographic trends, the undercurrents in the shaping of *Islam Hadhari* as a new marker for social harmony, and the re-examination of educational goals for nation-building, all key factors that will surround the future of *Bangsa Malaysia* for a long time to come. How these are eventually resolved would be of special importance to those tasked with determining how Singapore itself moulds its own national identity. Although such subterranean currents are difficult to observe from year to year, they should always be kept in mind as new generations in Malaysia and Singapore contemplate the darker aspects

of their heritage, those earlier acts of truculence, and displays of distrust that had prevented greater cooperation in areas of mutual interest.

I am encouraged to see so much fraternal feelings among Malaysians and Singaporeans coming through in the 12 chapters here. It reminds me how strong that had been when I was young and how carefully nurtured it was in ISEAS right from the day it was founded. ISEAS was established in part to help ameliorate the painful feelings that accompanied the separation and to put in place a cross-border institution that would regularly bring scholars to re-examine and keep alive the positive relations that the peoples on both sides of the Straits of Johore have long enjoyed. I am delighted that ISEAS has sustained this role in the way that it has. This volume is a fine example of the efforts made by scholars on both sides to cement a feeling of trust.

*Wang Gungwu*  
*Director*  
*East Asia Institute, Singapore*

# Contributors

---

**Ahmad Fauzi Abdul Hamid** is Senior Lecturer in Political Science at the School of Distance Education, Universiti Sains Malaysia, Penang. He holds a Ph.D. from the University of Newcastle-upon-Tyne and has published widely in recent years. He has also been an active contributor to the discourse on political Islam in Malaysia. In July 2005, he delivered the findings of his research entitled “The Education Strategy of Islamic Movements in Malaysia” at a regional workshop in Solo, Indonesia.

**Terence Chong** is a Fellow at the Institute of Southeast Asian Studies (ISEAS), Singapore, co-editor of *SOJOURN*, and editor of *TRENDS in Southeast Asia*. He received his Ph.D. in Sociology from the University of Warwick. As a sociologist, his research interests include the Southeast Asian middle-class and globalisation, political Islam in Malaysia, civil society in Southeast Asia, and the sociology of culture. He is currently the editor of a book on cultural globalisation in Southeast Asia and is the author of a forthcoming book on the sociology of Singapore theatre.

**John Funston** is Executive Director of the National Thai Studies Centre and a Visiting Fellow in the Faculty of Asian Studies, Australian National University. He holds a Ph.D. from the Australian National University. His major publications include the edited volume *Government and Politics in Southeast Asia* in which he contributed chapters on Malaysia and Thailand, and *Malay Politics in Malaysia: A Study of UMNO and PAS*.

**Edmund Terence Gomez** is Research Coordinator at the United Nations Research Institute for Social Development. He was formerly Associate Professor in the Faculty of Economics and Administration, University of Malaya. He received his Ph.D. in Development Studies from the University of Malaya. Among the books he has published are *Malaysia's Political Economy: Politics, Patronage and Profits*; *Chinese Business in Malaysia: Accumulation, Accommodation, Ascendance*; *Ethnic Futures: The State and Identity Politics in Asia*; *Chinese Business in Southeast Asia*; *Political Business in East Asia*; *Chinese Enterprise, Transnationalism and Identity*; and *The State of Malaysia: Ethnicity, Equity and Reform*.

**Denis Hew** is a Fellow and Coordinator of the Regional Economic Studies Programme at the Institute of Southeast Asian Studies, Singapore. He is also co-editor of the *ASEAN Economic Bulletin*, a leading academic journal that focuses on economic issues in Southeast Asia. Before joining ISEAS, he was Senior Analyst at the Institute of Strategic and International Studies, Malaysia. He holds a Ph.D. in Finance from the University of Manchester. His research interests include economic and financial development in Malaysia and ASEAN economic integration. His major publications are the edited volumes *Capital Markets in Asia: Changing Roles for Economic Development*; *APEC in the 21st Century*; and *Entrepreneurship and SMEs in Southeast Asia*.

**Ho Khai Leong** is a Research Fellow at the Institute of Southeast Asian Studies, Singapore. He received his Ph.D. from Ohio State University, USA. His current research interests include Malaysia and Singapore politics, political economy of Southeast Asia, China-ASEAN relations, corporate governance, and administrative reforms. He is the author of

*Shared Responsibilities, Unshared Power: The Politics of Policy-making in Singapore* and his latest publication is *Reforming Corporate Governance in Southeast Asia: Economics, Politics and Regulations*, in which he is both editor and contributor.

**K. Kesavapany** is Director of the Institute of Southeast Asian Studies, Singapore. He was Singapore's High Commissioner to Malaysia from 1997 to 2002. He also served as Singapore's Permanent Representative to the UN in Geneva and was concurrently accredited as Ambassador to Italy and Turkey. He was elected as the first Chairman of the General Council of the WTO when it was established in January 1995. He also led the Singapore team in the Korea-Singapore Free Trade Agreement (FTA) negotiations. Mr Kesavapany was awarded the Singapore Government Public Administration Medal (Gold) and the Long Service Medal. He was also awarded Order of Independence (first class) by the Hashemite Kingdom of Jordan and the Chilean Presidential Medal of the Centennial of Pablo Neruda in July 2004.

**Zainal Kling** is Professor in Anthropology and Sociology at the University of Malaya. He received his Ph.D. from the University of Hull. His interests are in the areas of social sciences in Southeast Asia with particular emphasis on family and kinship, social policy, social problems, and culture and socialisation. He has written several books as well as numerous journal articles.

**Lee Hock Guan** is a Fellow and Coordinator of the Regional, Social, and Cultural Studies Programme at the Institute of Southeast Asian Studies, Singapore. He received his Ph.D. in Sociology from Brandies University and his current research interests are civil society and democratisation, and ethnicity, nationalism, and citizenship in Southeast Asia, with special focus on Malaysia. His major publications include an edited volume on *Civil Society in Southeast Asia*.

**Farizal Hj. Mohd. Razalli** was formerly Head of the Policy and Research Unit at the Asian Strategy and Leadership Institute, Kuala Lumpur, and is currently undertaking an Erasmus Mundus scholarship under

the European Union in Germany and Austria. His research interests are international political economics, international organisations, and trade arrangements. Among his recent publications are *ASLI's Business Outlook Survey Report 2004/2005* and *2005/2006* and *ASLI's Economic Forecast 2005*. His most recent paper, "The Impacts of Foreign Workers on Malaysian Society", was presented at the National Seminar on Unity.

**Ooi Kee Beng** is a Fellow and Coordinator of the Malaysia Study Programme at the Institute of Southeast Asian Studies, Singapore. He received his Ph.D. in Sinology from Stockholm University, Sweden. He is presently working on a biography of Malaysia's Tun Dr Ismail. His publications include reviews, articles, and books on Malaysian ethnography, politics, history and current affairs, the Chinese diaspora, language philosophy, political theory, Asian regionalism, and Chinese philosophy. Between 1996 and 2004, he lectured on Chinese history, history of Chinese ideas, and general knowledge of China at Stockholm University. Between 1997 and 2002, he translated Chinese classics on war strategy into Swedish for the Stockholm Military College.

**Saw Swee-Hock** is Professorial Fellow and Adviser to the Malaysia Study Programme at the Institute of Southeast Asian Studies, Singapore. He received his Ph.D. in Statistics from the London School of Economics. He was formerly Senior Lecturer in Statistics at the University of Malaya, Kuala Lumpur, and Professor of Statistics at the University of Hong Kong and the National University of Singapore. He is currently Council Member of the National University of Singapore and a recipient of its Distinguished Alumni Service Award. Among his major publications are *A Guide to Conducting Surveys*; *Malayan Economic Statistics*; *Changing Labour Force of Malaysia*; *The Population of Peninsular Malaysia*; *The Population of Singapore*; *Population Policies and Programmes in Singapore*; *ASEAN Economies in Transition* (editor); and *Investment Management*.

**Michael Yeoh** is Co-Founder and Chief Executive Officer of the Asian Strategy and Leadership Institute, Kuala Lumpur. He received his Ph.D.

in Organisational Development from the Irish International University. He is Secretary-General of the Corporate Malaysia Roundtable, the Non-Aligned Movement Business Council, and the Malaysia-China Business Council. He served on the Royal Commission on Police and the National Economic Consultative Council. He is the author of several books including *Vision and Leadership: Strategies for Vision 2020*; *Management Strategies for Vision 2020*; and *Globalization and the New South*. He also edited the book *Bridging the Divide*.

