Struggling for Power:
Policies, Coalition Politics and Elections in Malaysia

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Introduction: Losing support, retaining power

Malaysia’s 13th General Election on 5 May 2013 was a highly contentious and closely contested electoral battle between the country’s longstanding ruling coalition, the Barisan Nasional (BN, or National Front), and the relatively newly-formed opposition alliance, the Pakatan Rakyat (PR, or People’s Coalition). The BN lost the popular vote, but retained power by securing more seats in parliament than PR. After this election, one party, the United Malays National Organization (UMNO), preserved its hegemony over the BN and the political system in spite of its steadily diminishing capacity to muster strong electoral support. UMNO has been the single dominant force in Malaysian politics since the 1950s, though it claims that it shares power through a consociational framework with a dozen odd parties in the BN (Mauzy 1993). All BN component members are subservient to UMNO as they depend on this Malay-based party to win seats, with the exception of Parti Persaka Bumiputera Bersatu (PBB, or United Traditional Bumiputera Party), the dominant political force in the Borneo state of Sarawak. UMNO’s hegemonic position in the Malaysian peninsula is acknowledged since there are no checks and balances in BN’s form of consociationalism. UMNO has always held the largest number of seats in parliament, won during elections that are free, though marred by various types of malfeasance. During the regular elections that have been held freely enough to allow the opposition to capture control of state governments in the Malaysian federation, the BN has persistently availed itself to highly racialized political discourses that are propagated through its control of the mainstream media, as well as other unfair means such as its access to extensive private funding, the abuse of government agencies to offer programmatic and non-programmatic resources during election campaigns, and control over purportedly independent oversight institutions like the Electoral Commission. Malaysia is thus seen as a “quasi authoritarian”, “semi-democratic” or “competitive authoritarian” state (Zakaria 1989; Case 1993; Slater and Wong 2103). However, UMNO’s influence in society has been steadily eroding since 2008, seen in its overwhelming rejection by the urban middle class and a large segment of rural Malays, long its primary support base.

UMNO’s persistent hegemony in spite of a steady erosion of support raises questions about the political system as well as the relationship between the state and a society that has rapidly modernized and where an intelligent and demanding middle class now exists. UMNO’s

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1 The BN comprises about a dozen parties. Incorporated in 1974, this coalition is an expansion of a tripartite union called the Alliance that contained three race-based parties, UMNO, the Malaysian Chinese Association (MCA) and the Malaysian Indian Association (MIC). The Alliance was handed power by the British colonial government when Independence was declared in 1957.

2 UMNO has no presence in Sarawak. PBB’s longstanding president, Abdul Taib Mahmud, Sarawak’s chief minister from 1981 to 2014, progressively became the foremost force in the state but maintained a close relationship with UMNO. Taib remains influential in Sarawak politics although he stepped down as chief minister in 2014.
enduring rule is not merely due to a deeply flawed electoral system characterized by significant gerrymandering and malapportionment of constituencies. After all, in 1999, following another contentious and deeply divisive general election, UMNO lost considerable support in rural constituencies in the peninsula, but retained the vote of the urban middle class; in Malaysia’s deeply gerrymandered system, such results could have worked in favor of the opposition. In 2013, UMNO was overwhelmingly rejected by the urban middle class but regained sufficient support in rural constituencies to barely retain power. Crucially too, UMNO suffered a major defeat in the 2008 election when the BN lost its two-thirds majority in parliament for the first time since 1974; the ruling coalition also lost control of five state governments in the Malaysian federation, another unprecedented event. Going into the 2013 election, UMNO was not confident of victory and worried that deep party factionalism that had undermined the BN’s performance in 2008 would continue to hinder attempts to recover loss of support to PR.

To understand UMNO’s persistent hegemony in spite of eroding support, Malaysian politics has to be evaluated from the lens of two key issues: public policies and political institutions. A review of the outcomes of the government’s industrialization endeavor along with an appraisal of electoral trends over the past two decades provides insights into the implications of the conduct of coalition politics, specifically that by the opposition, as well as how UMNO has sustained its dominance. The first section of this article will assess the consequences of Malaysia’s development and social policies on the economy and the political system. The second section will review the nature of coalition politics in the BN and PR. The final section will draw conclusions why the BN continues to remain in power in spite of the unfulfilled goals of its development policies and the rise of a powerful opposition coalition.

Mixing policies, patronage, development

An assessment of Malaysia’s rapid industrialization would indicate an odd blend of policies linking a highly interventionist “developmental state” (Johnson 1982), archetypical non-interventionist neoliberal programs, specifically the extensive employment of privatization, and affirmative action. The developmental state and neoliberalism, though diametrically opposed to each other in terms of the role of state, share a common trait: in both models, there is an intimate state-business nexus. This state-business relationship was created in Malaysia ostensibly to nurture domestic enterprises through a system of selective patronage. Affirmative action, introduced in 1970, determined who received privatized rents, while selective patronage was instituted by the state to promote Malay capital (Gomez and Saravanamuttu, 2013). The twenty year affirmative action-based New Economic Policy (NEP) served to eradicate poverty and redress inequitable wealth distribution between the

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3 Since the mid 1980s, Malaysian leaders have been inspired by neoliberalism, based on the ideas of Friedrich von Hayek and Milton Friedman. Neoliberalism advocated the need for limiting state intervention in the economy and the virtues of allowing the private sector to drive growth. See Harvey (2005) for a discussion on the rise of neoliberalism.

4 Affirmative action was the primary economic policy outcome of the 13 May 1969 race riots, an event attributed to inter-ethnic wealth and income disparities that had emerged during British rule but had not been addressed since 1957. In response to the riots, in the political arena, UMNO enlarged its tripartite alliance into a multi-party coalition, the BN, incorporating numerous opposition parties.
predominantly Malay Bumiputera (or “sons of the soil”) and other ethnic groups. Affirmative action’s system of selective patronage would foster and subsequently embed state-business ties in UMNO. A careful analysis of the simultaneous implementation of programs from these three policies offers insights into the conduct of politics in UMNO.

Malaysia’s employment of developmental state-type programs contributed to strong economic growth in the 1980s (Jomo et al. 1999). With its focus on promoting heavy industries, the state transformed Malaysia from a commodities-producing economy to one that is well-diversified and extremely industrialized. Malaysia is now acknowledged as an upper-middle income country with a good Human Development Index (HDI) ranking. Affirmative action, which served to redistribute wealth more equitably among all ethnic groups, was an endeavor that was effectively realized, particularly in the first decade after it was introduced (see Table 1). Developmental and redistributive policies had helped the BN to consistently retain power from 1974. However, this unique employment of diverse policies from the early 1980s contained provisions for a system of selective patronage that would embed unproductive and wasteful state-business ties involving major parties in the BN, though most specifically UMNO. The manner of implementation of these policies would contribute to acute factionalism in UMNO, disputes that would contribute to enormous loss of support during the general elections in 1990, 1999, 2008 and 2013 (Welsh, 2004; Puthucheary and Norani, 2005; Pepinsky 2009b; Ostwald 2013). By 2009, the need to review the adoption of this eclectic development model would become evident amid growing concerns over a persistent fall in domestic and foreign investments in the economy.

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

<table>
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</thead>
<tbody>
<tr>
<td>Bumiputera individuals &amp; trust agencies</td>
<td>1.5</td>
<td>2.4</td>
<td>9.2</td>
<td>12.5</td>
<td>19.1</td>
<td>19.2</td>
<td>20.6</td>
<td>19.1</td>
<td>18.9</td>
<td>19.4</td>
<td>21.9</td>
</tr>
<tr>
<td>Chinese</td>
<td>22.8</td>
<td>27.2</td>
<td>n.a.</td>
<td>n.a.</td>
<td>33.4</td>
<td>45.5</td>
<td>40.9</td>
<td>37.9</td>
<td>39.0</td>
<td>42.4</td>
<td>34.9</td>
</tr>
<tr>
<td>Indians</td>
<td>0.9</td>
<td>1.1</td>
<td>n.a.</td>
<td>n.a.</td>
<td>1.2</td>
<td>1.0</td>
<td>1.5</td>
<td>1.5</td>
<td>1.2</td>
<td>1.1</td>
<td>1.6</td>
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<tr>
<td>Other</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>0.9</td>
<td>0.4</td>
<td>0.1</td>
</tr>
<tr>
<td>Nominee companies</td>
<td>2.1</td>
<td>6.0</td>
<td>n.a.</td>
<td>n.a.</td>
<td>1.3</td>
<td>8.5</td>
<td>8.3</td>
<td>7.9</td>
<td>8.0</td>
<td>6.6</td>
<td>3.5</td>
</tr>
<tr>
<td>Locally-controlled firms</td>
<td>10.1</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>7.2</td>
<td>0.3</td>
<td>1.0</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Foreigners</td>
<td>62.1</td>
<td>63.4</td>
<td>53.3</td>
<td>42.9</td>
<td>26.0</td>
<td>25.4</td>
<td>27.7</td>
<td>32.7</td>
<td>32.5</td>
<td>30.1</td>
<td>37.9</td>
</tr>
</tbody>
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n.a.: not available.

5 Of Malaysia’s 29.6 million multiethnic population in 2014, Bumiputeras accounted for 65 percent, Chinese constituted about 26 percent and Indians 8 percent. The rest of the population comprised other ethnic groups. The term “Bumiputera” refers primarily to Malays and indigenous communities.

6 With the NEP, governance and policy frameworks shifted to much stronger and more centralized state control and aggressive redistributive interventions to raise Bumiputera participation in the corporate world. In 1969, Bumiputera ownership of corporate equity stood at a mere 1.5 percent; within a span of just over a decade, it had increased a remarkable 17 percentage points (see Table 1).
There were growing fears in other areas too. A perceptible decline in the quality of education and health services was now patently obvious, while social protection policies for the vulnerable were grossly inadequate in a society that had high inequality of income, wealth and opportunities. Malaysia has one of the highest ratios of inequality in East Asia. The Gini coefficient has not significantly improved despite economic growth. Household income is extremely unequally distributed. In 2009, the mean household income for the top 20 percent of urban households was around RM11,312 (or about US$2,700) while the top 20 percent of rural households had a mean income of around RM6,028. Inequality also persists across different categories of resources including wealth, financial assets, real estate, investment assets and savings. Around 90 percent of Malaysians have no savings and 14 percent have no wealth. The bottom 80 percent of individuals holds only 5 percent of total financial assets with the top 20 percent holding nearly 95 percent of private assets. Meanwhile, the rate of growth has dropped in recent years and as a result Malaysia has fallen into a "middle-income trap" (Hill, Tham and Ragayah, 2011), a factor that compelled the government to debate the need for a "new economic model", particularly after the 2008 global financial crisis exposed the country’s deep structural problems. The government’s new model, outlined in public documents such as the New Economic Model, Parts I & II, the Economic Transformation Plan and the Tenth Malaysia Plan, 2011-2015, would however present a system that would persist with this mix of interventionist, neoliberal and affirmative action programs.

The NEP had two key dimensions when implemented during its first decade. The original primary emphasis was on education. Poor rural Malays were sent to well-equipped residential schools and then on to local and foreign universities, with government scholarships. The provisioning of sound education for this poor as a means to achieve social mobility was a phenomenal success, resulting in the rise of a new independent Malay middle class while reducing poverty appreciably. The NEP’s success in advancing social mobility among poor Malays would garner UMNO colossal rural support between the 1970s and late 1980s, fortifying its hegemony over the political system.

The NEP’s second original feature entailed state intervention in the economy through public enterprises and trust agencies to accumulate corporate equity on behalf of the Bumiputeras. These agencies, now called government-linked companies (GLCs), were endowed with substantial public funds to acquire large firms, a process aided by a public dictate that each quoted company had to ensure that a minimum 30 percent of its equity was allocated to Bumiputera agencies or individuals. GLCs soon secured a huge presence in all major sectors: plantations, mining, manufacturing, services, agriculture, banking, insurance and finance and construction and property development. This pattern of acquiring equity in trust for the Bumiputeras was altered by Mahathir Mohamad when he was appointed prime minister in 1981, a position he would hold for the next two decades. The ever-pragmatic Mahathir experimented with developmental techniques, mixing affirmative action-driven enterprise development with state-led heavy industrialization and the privatization of key public enterprises. Mahathir justified his policy maneuverings on the grounds that this mix-and-match of programs would help him attain his core goal: create a collection of entrepreneurial Malay capitalists leading highly-diversified conglomerates, with a presence globally, which would also contribute to Malaysia’s industrialization. He further defended his selective form of patronage by arguing that the NEP had increased the Bumiputera ownership of corporate wealth during the 1970s but had made no progress in creating Malay entrepreneurs in control
of large companies (see Table 1). This was the commencement of a patronage system that would define Mahathir’s premiership and emerge as the foremost feature of UMNO-led governments.

Mahathir initial policy experiment was with developmental state ideas, adopted primarily from Japan and South Korea, and seen patently in his “Look East” program. He was then also a major critic of Western imperialism, particularly of Britain’s influence in the world economy, and seen clearly his “Buy British last” sanction to the public and private sectors. He would, however, soon come to have his own neoliberal moment, with an unexpected turn to the right epitomized in a public appreciation of privatization. Mahathir would become an intimate ally of his once nemesis, Margaret Thatcher. A sweeping privatization program was executed from the mid 1980s to nurture these new corporate captains, officially known as the Bumiputera Commercial and Industrial Community (BCIC) policy. Privatization would facilitate Malay capital accumulation and those privy to these rents had a triple role – be profit-oriented, drive industrialization and foster Bumiputera-owned small- and medium-scale enterprises (SMEs). This hive of privatizations to rapidly create Malay-owned conglomerates peaked over 1991 to 1995.

As affirmative action warranted privatized rent transfers to Bumiputeras, government leaders would publicly contend two things: first, in keeping with neoliberal tradition, the private sector, not public enterprises, was now the main vehicle for economic development. Second, the practice of political patronage and rent-seeking would be curtailed since the private sector was responsible for driving growth. However, privatization, like affirmative action, would fuel extensive clientelistic ties involving key UMNO leaders. This was primarily due to the absence of an independent and accountable monitoring body to ensure the transparent implementation of the policy (Tan 2008). By the mid-1990s, most large Malay-controlled companies were linked to one of the then three most powerful politicians – Prime Minister Mahathir, Deputy Prime Minister Anwar Ibrahim and Economic Advisor Daim Zainuddin, who had also served as Finance Minister between 1984 and 1990 (Gomez 2009). The concentration of access to privatized resources in the hands of a few politicians contributed to the rise of personalized politics, which exacerbated UMNO factionalism (Hilley, 2001).

Mahathir’s plans to develop Malay entrepreneurs swiftly crumbled when the 1997 Asian currency crisis occurred. Well-connected businesses that had obtained substantial loans from state-owned banks to buy their way to conglomeration found themselves severely over-leveraged, necessitating bailouts by the GLCs. These bailouts were instituted to prevent a collapse of the financial system 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 endeavors had failed and that affirmative action-based patronage had resulted in a “crutch mentality” among Malays.

Another factor had contributed to the fall of well-connected firms post-crisis. The fortunes of the well-connected depended on whether their patrons remained in power. After a serious feud between Mahathir and Anwar, the latter was removed from office in September 1998. Anwar’s associates subsequently struggled to protect their corporate interests; many of them

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7 Sloane (1999) provides an insightful account of how Mahathir would go on to create an ensemble of well-connected Malay capitalists within a span of just a decade.

8 For an extensive critique of the implementation of privatization, see Tan (2008).

are no longer prominent in business. Similarly, when Daim fell out with Mahathir in 2001, the corporate assets of his allies and proxies were taken over by GLCs.  

Abdullah Ahmad Badawi, prime minister from 2003 to 2009, advocated policies markedly dissimilar from Mahathir’s. Abdullah persisted with a developmentalist model that promoted Bumiputera capital, but he showed little interest in developing Malay – or Malaysian – big businesses. He nurtured SMEs, including cottage industries dealing with halal products, dominated by poor rural Malays, as well as Islamic-based financial services as he believed firms in these sectors had export capacity potential if developed well.  

Abdullah appeared to embrace democratic reforms, including liberalizing control of the media for open criticism of state policies. He also expressed his intent to curb patronage and deal effectively with corruption, core issues that had undermined support for UMNO.

Since the 2005 census of the corporate sector revealed that SMEs constituted about 99.2 percent of all business establishments, this new effort to develop these firms was an astute economic – and political – move. SMEs then employed 5.6 million workers and contributed about 32 percent of real GDP. However, selective patronage was similarly applied when SME programs were implemented. For example, when the government created links between SMEs and multinational companies (MNCs), Chinese firms were seldom allowed access to the domestic and overseas markets that these foreign enterprises offered. Since local firms left out of these SME-MNC associations could produce better quality products at cheaper rates that would have helped them break into foreign markets, this denied domestic entrepreneurial companies the prospect of expanding. Selective patronage would soon undermine the relationship between MNCs and SMEs, when the latter produced poor quality products.

When Najib Razak replaced Abdullah as prime minister, he was confronted not merely with a political crisis – the BN had fared poorly in the 2008 general election – but a profound economic downturn precipitated by a global financial crisis that plainly disclosed the problems associated with neoliberalism, including the impairment of core social services such as affordable and high quality education and health services and the escalating cost of privatized energy and water, a reason why society would become more politically active. Since the crisis had publicly exposed grave structural problems in Malaysia, Najib assembled a team of foreign and domestic specialists to fashion a “new economic model” to foster “sustainability” and “inclusiveness” (Malaysia 2010a). What had become patently obvious during the ensuing recession was the need to liberalize longstanding ethnic quota regulations involving corporate equity ownership, specifically to draw domestic investments that had been in rapid decline since 1999 with continued implementation of affirmative action.

When the government subsequently released a series of plans including the New Economic Model, Parts I and II and the Tenth Malaysia Plan, its primary contention was that its “new model” of development would be devoid of “rent-seeking and patronage”. It was, however, evident that Najib’s new model clearly persisted with Mahathir’s fusion of neoliberal,

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10 For details on the takeover of assets controlled by Anwar allies and Daim protégés, see Gomez (2006).
11 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.
12 87 percent of SMEs are in the services sector, 7.2 percent in manufacturing and 6.2 percent in agriculture. 99 percent of firms in agriculture are SMEs. Key sub-sectors within services comprise those related to Islamic financial products, including banking and takaful (insurance). See Malaysia (2006: 166-67) for further details about public programs to aid SME development.
developmental state and affirmative action programs. The government mounted a review of its persistence in enforcing affirmative action regulations in business, specifically to draw domestic investments. However, UMNO members mounted a major protest against this review. They argued that deregulation would permit greater foreign presence in an economy still in the process of nurturing domestic enterprises. Embedded in Najib’s development plans was the idea of a government confronting a conundrum: the need to remove race-based policies while pursuing the goal of increasing Bumiputra-owned corporate equity. In the area of politics, Najib called for the elimination of “rent-seeking” and spoke of political reforms containing a legislation to oversee the proper functioning of political parties, including how they would be funded. There was, however, no mention in his copious government plans of devolving power to oversight institutions, nor was there any mention of amending unfair electoral practices including instituting a reasonable re-delineation of state and parliamentary constituencies. UMNO was aware that such reforms would work against it in free and fair elections (Slater and Wong 2013), thus necessitating continued control over key oversight agencies such as the Election Commission and the Registrar of Societies, the unit under the Home Affairs Minister that is responsible for registering new parties and ensuring that all parties abide by the conditions under which they were established. This resistance to change was due to the patronage mechanism that had been created and embedded in UMNO which, in turn, had contributed to persistent factionalism, a key factor that has threatened its hegemony.

**New opposition, hard fought elections and state-society mismatch**

With Mahathir preoccupied with heavy industrialization, privatization and nurturing huge conglomerates, he gave inadequate attention to agriculture and rural industries, core sectors where poor rural Bumiputeras were situated. Mahathir’ key policy initiatives had been of no benefit to those involved in rural-based sectors. Inevitably, UMNO’s rural Malay support commenced a steady descent from the late 1980s as this cohort found themselves increasingly marginalized from mainstream economic activities. The BN was first confronted with an appreciable swing in rural Malay support to the opposition during the 1990 election. However, this was also attributable to UMNO factionalism.

In 1987, UMNO came to be divided into two major factions when former finance minister and party treasurer Razaleigh Hamzah launched an intense campaign to depose Mahathir as party president and prime minister. Razaleigh’s faction alleged that wealth concentration through selective patronage had led to the making of a “new rich” closely aligned with a kitchen cabinet Mahathir had formed comprising Daim and Anwar (Gomez and Jomo 1999). Razaleigh lost narrowly in this party election and was subsequently maneuvered out of UMNO. He went on to establish Parti Semangat 46 (S46, or Spirit of 46 Party) – UMNO was formed in 1946 – and then crafted alliances with the leading opposition parties to unseat the BN during the 1990 general election. Razaleigh’s coalition with the Islamic party, Parti Islam SeMalaysia (PAS), would help the latter secure control of the Kelantan state government in this election, while the BN also registered a decline in votes in other states with a large Bumiputera population, specifically the poor Malay heartland state of Terengganu. The BN also lost control of one of the poorest state, Sabah, located in Borneo (Crouch 1992).

Following the shock of losing two states to the opposition, coupled with the potentially growing electoral influence of an alliance comprising S46 and PAS among rural Malays, Mahathir recognized the need to adapt to the demands of the rural poor and address the
increasingly perceptible intra-Bumiputera class and spatial divides; but, he would not move to revamp his economic policies. Instead, Mahathir introduced programs to bolster his support among non-Malays and the urban middle class. His Vision 2020 was introduced, and its key feature was his concept of a Bangsa Malaysia, an attempt to indicate his objective of forging a united nation where no ethnic group would feel marginalized. The other core aspects of Mahathir’s response to the 1990 election included allowing non-Malay entrepreneurs access to privatization in order to build “Malaysian” – not just Malay – conglomerates. In education, licences were issued to establish private universities to cater to well-qualified non-Bumiputeras who were unable to secure tertiary education in public institutions because of ethnically-based entry quotas under affirmative action. In the area of culture, the government lifted the ban on lion dance performances during the Chinese New Year.

These policy changes had a huge impact. In the 1995 general election, the BN registered its best electoral victory, obtaining 65 percent of the popular vote coming largely – and an in an unprecedented manner – from the Chinese. This non-Malay urban support was also due to the phenomenal growth that the economy had registered since 1990. Since these reforms and the economic boom had had little impact on rural Malays, UMNO continued to register a fall in support from this electoral cohort (Gomez 1996). Following this election, Razaleigh disbanded S46 and returned to UMNO’s fold expressing concern over PAS’s unwillingness to reappraise its Islamic policy agenda. PAS, however, retained control of Kelantan.

In September 1998, another serious UMNO factional dispute spilt out into the public domain, resulting in a mass-based reformasi (reformation) movement that sought to unseat Mahathir. The reformasi had emerged in protest over Mahathir’s controversial dismissal of Anwar as deputy prime minister and UMNO deputy president and the latter’s subsequent arrest under widely-believed trumped-up charges of sexual impropriety and corruption. While Anwar had appeared to undermine Mahathir’s handling of the economy in response to the 1997 Asian currency crisis, the manner of his public humiliation and prosecution visibly revealed the subservience of the media, police and judiciary to the executive. Anwar’s dismissal compelled NGO activists to enter mainstream politics through the formation of Parti Keadilan Nasional (Malaysian National Justice Party), whose members included Anwar’s UMNO faction. An unlikely coalition was then forged that united Keadilan with socialists and Islamists. This coalition, Barisan Alternatif (BA, or Alternative Front), comprised PAS and the other leading opposition party, the multiethnic (though predominantly Chinese-based) Democratic Action Party (DAP). This was the first time in history that the DAP and PAS were members of the same coalition. Anwar was declared BA’s de facto leader during the 1999 general election, though he would remain in prison until 2004.

While the BN was expected to fare poorly in the 1999 election, possibly even fall from power, the voting trends indicated an ambivalence; there was immense electoral discontent with the BN, but the BA appeared to be an unviable alternative to Malaysians (Gomez 2004). The BN retained Malay support in the industrialized southern areas of the peninsula, but Bumiputera support for UMNO declined even further in the economically less-developed Malay-majority constituencies in the north, confirming intra-ethnic class dichotomies. The BN encountered heavy defeats in Kelantan and another state, Terengganu, fell to PAS. The DAP, however, won only one additional parliamentary seat in 1999 compared to 1995, in spite of a decline in Chinese support for the BN. Shockingly, two longstanding and prominent DAP leaders, Lim Kit Siang and Karpal Singh, lost the parliamentary and state seats they contested in the Chinese-majority state of Penang whose government did not fall as expected. After his defeat, Lim admitted he knew that the DAP would “win big or lose big and (it) lost big”, clearly
drawing reference to the consequence of his party’s cooperation with PAS in the BA (Gomez 2004). Keadilan’s alliance with PAS hindered the former’s capacity to secure non-Malay support, winning only five parliamentary seats. Prominent Keadilan leaders publicly admitted the repercussions of PAS’s theocratic brand of politics. Two years later, DAP left the BA citing irreconcilable differences with PAS over its Islamic state agenda.

PAS profited most in the 1999 election because of intra-ethnic Malays splits, but the results disclosed that an opposition alliance comprising this Islamic party would not be able to garner backing in a majority of the parliamentary constituencies. PAS commanded little support in the southern industrialized states of Malacca, Negeri Sembilan and Johor. In Sabah and Sarawak, PAS had no support. Protests against Mahathir’s policies were the key reason for PAS’s electoral gains, not its espousal of an Islamic state. The BN’s victory was also due to the BA’s inability to articulate a common vision that could unify Malaysians.

When Abdullah took over as prime minister, he realized the need to address rural Bumiputera discontent, by promoting agricultural sectors, as well as urban unrest by curbing corruption. Abdullah spoke of reforms that had been voiced by the BA, stating his resolve to create an inclusive government through his concept of Islam Hadhari (Islamic civilization), a moderate vision of the religion compared to PAS’s Islamic state. Abdullah’s advocacy of Islam Hadhari and his stress on curbing corruption were well received by the urban middle class while his policy intent to alleviate the plight of the rural poor pleased the electorate in the Malay heartland and the two Borneo states. In the 2004 general election, the BN secured a remarkable 90 percent of the seats in parliament and 64 percent of the popular support. Urban middle class support was comfortably retained. In the Malay heartland, the BN recaptured an extensive number of seats that it had lost to PAS, bucking the trend of declining rural Malay support since 1990. Terengganu was recaptured but Kelantan remained under PAS, though by a mere seat (Case 2005). This major political transition in rural areas coincided with the government’s new found support for agricultural policy.

PAS’s parliamentary performance was dismal, retaining a mere seven of its 27 seats. Six of these victories were in Kelantan, the other in Kedah. PAS failed to win a single seat in Terengganu, a state under its control. PAS’s sole partner in the BA, Keadilan, fared worse, winning just one of the 58 seats it contested, Anwar’s constituency, held by his wife while he remained in jail. DAP, however, now out of the BA, secured two additional seats, with Lim Kit Siang returning to parliament. DAP had more electoral support when not in coalition with PAS, in an election where the BN had recorded an outstanding victory.

Abdullah, however, failed to deliver on his pledges. He did not mount an effective political action program to curb racialized politics and corruption and could not drive through his reforms to eradicate poverty due to gross inefficiencies in the public sector he did not firmly tackle. In the economy, Abdullah had not been able to foster entrepreneurial SMEs, bringing into question the practice of selective patronage and the effectiveness of race-based targeting (Gomez and Saravanamuttu 2013). With the opposition in disarray after 2004, UMNO saw no need to check patronage and rent-seeking. To Abdullah’s detriment, corporate scandals were exposed involving his family members, including his brother, son and son-in-law. It became commonplace to talk of the influence of warlords in UMNO as these party division leaders controlled large swaths of the grassroots. While power was concentrated in UMNO’s apex under Mahathir, the most striking feature of the transition of the presidency to Abdullah was the growing power of the warlords. This was due to Abdullah’s attempt to consolidate his own position in UMNO by accommodating influential grassroots leaders. This warlordism
was indicative of a party now replete with disruptive conflicts, clearly manifested during the 2008 general election when the BN registered considerable loss of popular support.

In the 2008 election, BN’s presence in parliament was reduced by nearly 30 percentage points, down to 63 percent. In state-level elections, for the first time in history, the opposition secured a majority in five states: Kelantan, Kedah, Penang, Selangor and Perak; the latter three states are among the most industrialized in the peninsula, while the former two are among the poorest. The BN obtained a mere 51.2 percent 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 BN registered a massive double-digit fall in Chinese support, particularly in urban constituencies, and lost in nearly all Malay-majority constituencies, indicating a now constant swing in the Malay heartland between PAS and UMNO. PAS had instituted changes to muster lost support. After the thrashing it received in 2004, PAS began emphasizing the promotion of a welfare state, not an Islamic state, a core factor that helped it regain much of the support it had lost to UMNO (Pepinsky 2009a).

The BN secured a majority in the lower house only because it won 55 of the 57 parliamentary seats in Sabah and Sarawak. In the peninsula, the BN obtained a mere 49.8 percent of the total votes cast, meaning that the opposition had more popular support in this part of Malaysia (Pepinsky 2009a). Serious factionalism had contributed to UMNO’s electoral performance. Party members purportedly sabotaged their own candidates for fear that if the latter secured ascendancy in UMNO, they would channel state rents to themselves. Abdullah was blamed for UMNO’s poor performance and was forced to step down as prime minister. Within UMNO, however, there would be no review of an electoral contest that had severely undermined its political dominance.

Since the opposition, collectively, had secured sufficient seats in five states to form the government, Keadilan, PAS and DAP were re-institutionalized as a coalition, Pakatan Rakyat (PR). This tripartite alliance was forged after the general election, unlike in 1999 when these parties went united, as the BA, into the general election and fared poorly. Going into the 2008 election, the opposition parties had tacitly agreed that in order to defeat BN candidates they would ensure two-cornered fights so that votes were not split. After the election, DAP’s Lim publicly admitted that he had to consider deeply the viability of taking his party into a coalition that included PAS. The possibility of ruling five states was, however, too compelling for the DAP to forgo as this was the first time in its history that it had secured sufficient seats to form state governments, albeit in coalition with other parties. This also meant that PR-led state governments could now show that they had the capacity to govern, thereby convincing the electorate that they could rule at the federal level.

To counter PR’s multiethnic image, Najib actively marketed his 1Malaysia slogan, ostensibly his endeavor to unify the nation through tranethnic politics. He endorsed numerous policies to address the plight of the poor in the Malay heartland and to counter domestic outcomes of the global financial crisis. Najib’s policies would, however, feature 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 secured a strong presence. If his policies did not explicitly mention that Bumiputera economic interests would be protected and promoted, Najib feared this would

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13 The BN would subsequently regain control of the state of Perak following defections from the opposition.
jeopardize UMNO’s support in rural areas. Since these regional and social inequities had emerged because of an abuse of provisions within race-based policies, Najib also promised to end rent-seeking and patronage.

But problems emerged, undermining Najib’s pledge to check malpractices. Corporate scandals were exposed involving government-controlled firms through which well-connected businesspeople and prominent BN politicians had secured lucrative rents.\(^\text{14}\) In spite of the pledge to curb patronage, major projects were selectively privatized.\(^\text{15}\) Money politics remained a key scourge in UMNO; one leader in Sabah had reportedly received a RM40 million donation from one individual. Corruption remained rife. Sarawak’s chief minister Taib Mahmud and his family were critiqued for having amassed enormous wealth by abusing the state’s vast natural resources. Najib was implicated in a scandal involving kickbacks from MNCs during the acquisition of defence equipment.

In April 2013, having had four years to implement his policies, Najib dissolved parliament. The BN’s manifesto spoke of the reforms in Najib’s numerous government plans that he wanted to continue, but the results indicated an electorate unconvinced by his transformation agenda. The BN fared even more badly in this election, securing only 133 parliamentary seats compared to the 140 it had obtained previously. UMNO performed better though, winning 88 parliamentary seats, nine more than it previously held while also emerging as the party with the largest presence in the lower house. The BN registered huge defeats in urban middle class constituencies and obtained just partially more support than PR in the Malay heartland. The BN secured national victory only because of its support in Sabah and Sarawak. However, the BN lost the popular vote, obtaining only 49 percent of electoral support nationally and 43 percent in the peninsula. PR retained control of Selangor and Penang and made huge inroads in Johor – Malaysia’s three most industrialized states – while maintaining its rule in Kelantan.

By 2013, PR had shown its capacity to govern state governments and went into the election confident of securing federal power, in spite of the gerrymandering and malapportionment that favored BN. While PR evidently had immense support in urban industrialized states with the middle class demanding political and socioeconomic reforms, the Malay heartland was fairly equally divided. PR retained control of Penang, Selangor and Kelantan, but lost Kedah and narrowly failed to wrest power in Perak. The results suggested problems with PR’s form of governance. From a policy perspective, PR had, interestingly, not managed to offer a mode of development that was different from that proposed by Najib in his *New Economic Model*. In fact, when this plan was presented in parliament by the prime minister, Anwar reacted angrily, arguing that the BN had stolen his ideas! This was not surprising as the *New Economic Model* was basically a reconstitution of Mahathir’s mix-and-match development plan. Anwar was deputy prime minister when these policies were being implemented. There were only two policy areas where a difference was noted from that proposed by Najib in his *New Economic Model*. First, while both coalitions agreed to continue with affirmative action, PR argued that the policy had to be based on class, not race, targeting all Malaysians in poverty. Second, during the execution of policies, there had been a discernable reduction in corruption in state governments led by PR. When PR and BN released their election manifestos, they were so markedly similar that each

\(^\text{14}\) These scandals included the Port Klang Free Zone (PKFZ), Sime Darby and NationalFeedlot Corporation (NFC), enterprises in which the government had a majority stake.

\(^\text{15}\) Najib had to deal with serious allegations of favoritism involving the award of lucrative state-generated contracts to George Kent, a company owned by his ally, Tan Kay Hock. One individual, Syed Mokhtar Al-Bukhary, aligned with Mahathir, received privatized projects such as the Penang Port and Proton Holdings, the company that runs Malaysia’s car project.
coalition would argue that the policies on offer were originally conceived by them. The fact remained, however, that these policies were being questioned by the electorate, both the rural poor and the urban middle class. This suggested that PR was devoid of fresh policy initiatives, a criticism lodged by business groups and NGOs. Crucially too, PR could not counter Najib’s new programmatic initiative of direct cash transfers to the poor, with the BN’s pledge of more handouts if returned to power. This was a blatant bid to create new patron-client relationships with sections of the electorate that could swing votes in UMNO’s favor. These cash transfers, officially referred to as BRIM (Bantuan Rakyat 1Malaysia, or 1Malaysia Peoples Aid), were extremely expensive, involving a payout of RM4.6 billion that reached seven million citizens. BRIM drew the BN the support of the poor across ethnic lines, including minority Indians whose votes could swing marginal seats either way. Indians had, unprecedentedly, swung heavily in favor of the opposition in 2008, due to their protests against their long marginalization in spite of their citizenship.

Another reason why PR failed to win the 2013 election was that PAS’s leadership of the Kedah government had been extremely contentious, wracked by party factionalism and the implementation of Islamic rules that were seen to be reactionary and divisive. In this underdeveloped state, the electorate’s primary concern was poverty alleviation, an issue PAS had not addressed. PR also had problems mustering support south of the peninsula – the coalition had hoped to make major inroads in these states – and in the Borneo states where there was hope of securing control of Sabah. PR’s inability to win support in these states was partly due to PAS’s insistence that hudud law be implemented.\(^{16}\) In Keadilan, Anwar articulated a message of change but went on to name prominent ex-BN leaders as his party’s candidates. Even Anwar’s party members protested these nominations, and some stood as independent candidates against these nominees. With the opposition vote split, these Keadilan candidates lost parliamentary constituencies that the opposition could easily have won. PR's failure to accommodate more opposition parties from Sabah and Sarawak worked against the coalition. Anwar was so confident of an overwhelming sweep in the peninsula that he felt he could dispense with the 56 parliamentary seats in these Borneo states, much to PR’s detriment.

**Conclusion**

Malaysia’s extraordinary mix of policies panned out poorly. Heavy industrialization projects involving steel and cement production have been procured by foreign firms, while the Proton model car project remains stalled in a deep losses with failed negotiations with several foreign car companies about a joint-venture or takeover. Mahathir’s failure to incorporate highly enterprising Chinese firms in these sectors was the key reason why his developmental state policies had performed so badly (Jomo et al. 1999). Neoliberal policies have fared no better, with costly re-nationalizations of major privatized projects. Privatization, through selective patronage, has contributed to growing intra-Bumiputera wealth and income disparities, a core factor for UMNO’s growing loss of rural Malay support. And, affirmative action, though successful in creating a new middle class when the focus was on education, has resulted in considerable wastage of resources when employed to develop Malay entrepreneurs.

On two occasions, in 2003 and 2009, a change of prime minister – and UMNO president – occurred, following major electoral contests that ate into the BN’s support base. On both

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\(^{16}\) In Johor, for example, the electorate supported Keadilan and DAP candidates, but voted against PAS’s nominees, including its prominent vice-president, Salahuddin Ayub.
occasions, this led to major programmatic innovation, encompassing a change in policy direction. In 2003, Abdullah initiated a slew of policies that suggested critical changes in form of governance. Abdullah’s failure to deliver contributed to the BN’s hefty loss of popular support in 2008. Najib similarly introduced policy reforms, for the economy and in politics. His failure to institute real change contributed to further loss of popular support for the BN. However, the BN managed to muster support from two groups that have long been marginalized in the economy, poor rural Malays and disenfranchised Indians, through cash handouts, an indication of the employment of money politics among the electorate. These two groups, though long marginalized, are not powerless and can determine electoral outcomes in closely contested elections. This necessitated an appeal by Abdullah and Najib to UMNO to heed their call to change to stem the BN’s declining support, particularly among rural Malays. UMNO, however, refuses to change, seen in the re-election of tarnished leaders in the party elections not long after the 2013 general election, indicating no desire to bring to an end the politics of patronage; nor is there any support for reforms to devolve power, both factors that may continue to undermine the BN’s electoral performance.

A feature the BN and PR share is that multi-party coalition formation has not informed policy-making. In the BN, there is little evidence of dialogue between UMNO and its partners, with the former dictating in isolation the policy agenda. There is no indication of a novel policy framework in the PR, one that is distinct from the BN’s neoliberal and affirmative action programs. In terms of programmatic ideas, serious divisions exist within the PR, specifically over PAS’s desire to institute the hudud, one that does not have the support of its coalition partners. Intriguingly, PAS has UMNO’s support for hudud, even though all other BN parties oppose its implementation. There is little sense of cohesiveness in both coalitions. If UMNO and PAS insist on instituting the hudud, their partners in the BN and PR have no viable alternative option to tackling this issue apart from leaving their respective coalitions. This is unlikely as UMNO’s partners, with the exception of PBB in Sarawak, will not remain in power if they leave the BN. PAS’s partners in the PR are concerned that a fallout would mean loss of control of Kelantan and that their influence would be severely diminished in another state, Selangor, while deeply undermining their prospects of securing power in the next general election. Any support of PAS’s Islamic state agenda would jeopardize the legitimacy of PR’s professed desire to create a “new politics”, one that transcends race and religion, while UMNO believes that the implementation of hudud will help stem the BN’s diminishing rural Malay support.

One factor that has diminished UMNO’s institutional strength is debilitating party feuds due to crony-based patronage. UMNO factionalism signifies considerable elite differentiation within the party and the existence of several locations of power. This factionalism, arising from the pervasiveness of patronage that defines its politics, has led to warlordism. This warlordism has contributed to two factors that are inhibiting cohesion and weakening UMNO’s dominance and long-term stability. First, disputes over the disbursement of rents to warlords have resulted in the backstabbing of UMNO candidates during elections. Second, warlords prevent young members, particularly the well-educated, from ascending UMNO’s hierarchy. Warlords are unwilling to relinquish positions such as branch and division leaders for fear of losing access to state rents. UMNO, inevitably, re-nominates parliamentarians and state assemblymen with tarnished records, in spite of the BN’s constant rhetoric of the need to curb rent-seeking and corruption. During the 2013 election, UMNO grassroots bitterly

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17 Interview with young UMNO member in Kedah during the 2013 election campaign.
complained about their inability to convince voters to support the BN because of the re-
nomination of parliamentary candidates with severely blemished reputations.

While Mahathir had used the office of the executive to control disputing warlords, subsequent
prime ministers have not been as astute in controlling these factions at the federal and state
levels. Moreover, since factional leaders have secured some leverage to undermine the
capacity of party presidents to act unilaterally, UMNO’s patron-client ties are not as
asymmetrical as they once were, with a notable decline in personalized politics. Abdullah and
Najib were openly critiqued by UMNO members when lucrative rents were channeled to their
business cronies.

UMNO no longer has cross class, cross ethnicity and cross regional support, with an
appreciable plummeting in popular support in the most industrialized states where a majority
of the middle class is situated. UMNO retains power solely because of the support of the
Sarawak-based PBB. The BN’s inability to retain a two-thirds majority in parliament over the
past two general elections indicates that UMNO’s domination over the political system is
under serious threat unless major structural reforms are instituted, though this appears
improbable. No fundamental changes were introduced after the unprecedented results of the
2008 election, apart from removing the president, Abdullah. Since the 2013 election, there
have similarly been no major reforms in the UMNO or among the BN component parties.

Due to serious contestations among UMNO elites, Najib has struggled to find a fine balance
between serving public interests and pacifying faction leaders through a fair distribution of
state-generated rents. Leadership changes have done little to rein in unproductive forms of
patronage in spite of the clear need to end these practices to maintain electoral support and
secure domestic and foreign investments. Electoral results further indicate an electorate
uncomfortable with the BN’s pattern of economic and enterprise development, one
characterized by reconfigured state-business links leading to the persistent rise and fall of
corporate elites and serious charges of cronyism and nepotism. However, while UMNO
factions without access to state rents have left the party, formed alliances with opposition
parties and mounted a strong challenge to unseat the BN, their leaders have failed to convince
the electorate that they now represent real change in Malaysia.

For this reason the opposition has not managed to garner sufficient support to secure power,
even though UMNO faces growing public discontent over its manner of rule. The UMNO-led
government has also shown the capacity to act as a responsive state by introducing policy
reforms to check growing discontent, a core reason why it stemmed its decline and registered
phenomenal victories in 1995 and 2004. If Najib had called for an election soon after
introducing his policy agenda, instead of waiting for four years to do so, history suggests the
BN would have fared better in Malaysia’s 13th general election. Najib’s decision to wait gave
the electorate time to assess his policy outcomes, a factor that did not work in his favor given
the evident lack of support from UMNO for his policies.

UMNO’s persistent dominance is due to the nature of opposition coalitions, one that has not
secured sufficient appeal nationwide. PR component members are evidently aware that class
is a social cleavage that shapes voting behavior, seen so clearly in electoral trends in poor
rural areas. While the opposition has benefited from this class cleavage, they have not
managed to consistently maintain the support of the rural poor. PAS, driven by its struggle to
institute an Islamic state, has not heeded the lessons of the history of elections, losing in
particular middle class support. Meanwhile, Anwar’s nomination of former BN leaders,
including those who had been accused of serious corruption, undermined the PR’s pledge to heed public calls for real change.

What is evident is that society has consistently been sending a message to all parties about the need to dispense with race- and religious-based politics. The government’s promotion of concepts such as Bangsa Malaysia, Islam Hadhari and 1Malaysia indicates that prime ministers are aware of transitions in society and the importance of espousing a transethnic national identity. But past and present UMNO presidents must contend with the call of members for ketuanan Melayu, or Malay supremacy. UMNO’s racialized discourse indicates a party caught in a time warp, while society has moved on. PAS is confronted with a similar problem. Racialized and religious discourses remain key features of both PR and BN, inhibiting constructive dialogue among member parties, suggesting the existence of two dysfunctional coalitions. This explains calls in civil society to establish a “third force”, though they are also aware of the spoiler effect this can have in the first-past the-post system, with the BN continuing to win elections even as its popular vote diminishes.

Since UMNO still enjoys support in the Malay heartland, though it is rapidly losing support in the rest of the peninsula, it is unlikely to dispense with race-based policies. However, since society has punished parties articulating race- and religious-based politics, in the long term UMNO’s position appears precarious, particularly if it cannot sustain rural Malay support which in the 1990, 1999 and 2008 elections had swung strongly to the opposition. Electoral trends further indicate 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 in the prelude to and in the immediate aftermath of the 2013 elections indicate an electorate increasingly intolerant of power concentration and abuse. For this middle class, a potential agent of political change, it is not sufficient for UMNO to ensure economic growth to justify retaining power. BN component members have recognized this and that to retain power, UMNO requires internal reforms. However, UMNO has shown no desire to adapt to changing electoral trends and to cull a patronage system that allows members to feed off policies to enrich themselves. The BN remains in power solely because the opposition has shown little tactical nous to turn societal misgivings of UMNO’s misrule into electoral support, a reason Malaysia remains under authoritarian rule.

References


