The Institutions of Authoritarian Neoliberalism in Malaysia: A Critical Review of the Development Agendas Under the Regimes of Mahathir, Abdullah, and Najib

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After toppling the 61-year dominant Barisan Nasional through a historic election victory in May 2018, expectations are high for the new ruling government led by Mahathir Mohamad and the Pakatan Harapan to fulfil their promises for socio-economic reforms and regime change in Malaysia. But what have been the institutions of the prevailing regime that need to be reformed and changed? This article offers a critical review of the evolving development agendas since the 1990s of the successive governments of Mahathir Mohamad, Abdullah Badawi, and Najib Razak, each couched in different catchphrases: Wawasan 2020, Islam Hadhari, and 1Malaysia. A close reading of these programs suggests that their substance articulates two persistent logics: the ruling elite's constant requirement for political stability enforced by a strong state; and, the need to adapt to the demands and opportunities of accumulation in specific phases of Malaysia's capitalist development in the context of globalization. The analysis reveals the attempts at maintaining authoritarian neoliberalism, or a neoliberal economy embedded in an authoritarian polity, as the de facto social regime in contemporary Malaysia. By examining policy documents, speeches, and news reports, the article discloses how this regime had been enunciated or reified in public discourses, policies, and actions of the respective administrations.

Keywords: Abdullah Badawi; Authoritarian Neoliberalism; Mahathir Mohamad; Malaysia; Najib Razak

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INTRODUCTION

Malaysia's 14th general election (GE14) on 9 May 2018 was a historical turning point in the country's politics. It marked the end of the uninterrupted electoral dominance of the *Barisan Nasional* (BN, or the National Front) coalition – particularly its major party, the *United Malays National Organisation* (UMNO) – which had governed the country since independence from Britain in 1957. It also paved the way for Mahathir Mohamad to return to premiership at the age of 92 after his first long stint as prime minister in 1981-2003. In a surreal political moment, Mahathir emerged as the leader of the opposition coalition *Pakatan Harapan* (PH, or Alliance of Hope) in partnership with his old critics and enemies, notably Anwar Ibrahim and Lim Kit Siang. He challenged his former friends and allies in the UMNO/BN coalition led by his protégé, then incumbent premier, Najib Razak. Eventually, the Mahathir-led opposition pulled off an electoral upset on a

campaign platform that promised institutional reforms, anti-corruption, democracy, rule of law, and a range of populist economic policies (including the revival of fuel subsidies, increase in minimum wage, and the abolition of the controversial goods and services tax). Yet, any reform efforts by the new ruling government will have to proceed from the existing structures and institutions in Malaysia's socio-economic environment that have been adapted and forged by UMNO/BN in the last 60 years.

The purpose of this article is to take stock of the historical trajectory of Malaysia's contemporary development policies. In doing so, the article reveals a compelling institutional pattern in the structure of the country's political economy in which ethnic and other social relations are embedded. This is important to understand in the current context when the new government under Mahathir enjoys a popular mandate to undertake comprehensive reforms. The prevailing institutions in Malaysia's political economy that are unpacked in this article can be considered: firstly, as a structural reflection of the 'initial conditions' where reform initiatives begin; secondly, as a 'normative indicator' of the specific policies and practices that must be reformed; and thirdly, as a 'benchmark' against which the processes towards the objective for regime change are to be monitored and evaluated.

Historically, the political-economic attributes of Malaysia have been a mesh of a strong state and a relatively open market economy since the colonial period (De Micheaux, 2017; Tajuddin, 2012). Politically, Malaysia has had strong features of authoritarianism where the general citizenry has been deprived of at least the procedural requirements of fair elections, equal privileges before the law, and a modicum of civil liberties and human rights (Case, 1993; Gomez & Jomo, 1997; Zakaria, 1989). Economically, Malaysia's open economy is manifested in its pragmatic – rather than theoretical – adaptation of trademark neoliberal policies of privatization, liberalization and deregulation, as well as in its active production, trade, and financial activities in the world market. Even though *laissez faire* economic policies in Malaysia became more prominent since independence, the British state had already set in train in colonial Malaya the rudiments of the capitalist institutions that structured the unequal relations between classes and ethnicities (Nonini, 2015; Stubbs, 2004). The New Economic Policy (NEP) of 1971-1991 combined state intervention for the reduction of inter-ethnic disparity with the empowerment of private sector activity in the development process. By the 1980s, intensified privatization and deregulation initiatives and other structural adjustments through the Malaysia Incorporated Policy were undertaken (Gomez & Jomo, 1997).

This article examines the evolution of Malaysia's political economy through an analysis of the post-NEP development strategies undertaken by successive governments since the 1990s, namely: Mahathir Mohamad's *Wawasan 2020*, Abdullah Badawi's *Islam Hadhari*, and Najib Razak's *1Malaysia*. The analysis is done through an inductive approach derived from examining, as well as making extensive references to official policy documents, the speeches of the prime ministers, and news reports. The article suggests that the changing slogans from administration to administration are essentially articulations of two persistent and interdependent logics. The first logic is the incessant need of the ruling elites for a strong state to safeguard social and political stability. The second logic is the consistent stance of the elites in government to adapt to the evolving accumulation demands and opportunities

at particular periods in Malaysia's capitalist development. This is manifested by the series of adjustments in the country's development plans in accordance with the shift in neoliberalism's policy emphasis. In general, neoliberal development strategies have shifted from the so-called Washington Consensus during the 1980s-1990s to the Post-Washington Consensus by the mid-1990s. The Washington Consensus had a rather limited focus on *open market economy* through macro-economic programs of privatization and liberalization. The Post-Washington Consensus has a broader and more comprehensive set of policies focused on *competitive capitalism* through deep-seated institutional reforms and behavioral changes – lodged in the agendas on good governance, competition cultures, labor market flexibility, human capital, and social capital (Cammack, 2006; Fine, 2001a, 2001b). Against the background of globalization, Malaysia's national development policies have been adapted to specific phases of neoliberalism and the changes in the geopolitical economy, in particular:

1. Mahathir-style neoliberalization-with-industrialization during the 1980s-1990s, in between the paradigm shift from a declining Keynesian developmentalism and an emergent Washington Consensus;
2. Abdullah's agenda for a 'moderate' Islamic capitalism in the aftermaths of the 1997 Asian financial crisis and the 9/11 terror attacks; and
3. Najib's strategy for competitiveness as a response to the 2008-2009 global economic recession, the decline of oil prices in the world market in 2014, and the new scramble for capital from the rise of China.

The article's analysis reveals the apparent attempts of the governing elites at maintaining a peculiar form of regime which can be referred to as *authoritarian neoliberalism* – that is, a neoliberal economy embedded in an authoritarian polity. As the de facto social regime in Malaysia, the aims and strategies of authoritarian neoliberalism across the tenures of Mahathir, Abdullah, and Najib had remained roughly consistent: (1) operating a strong state; (2) managing social conflicts; and (3) perpetuating a type of neoliberalism that expands the economy in a changing global context while enriching entrenched local elites.

By charting the discursive mutations of Malaysia's authoritarian neoliberalism, the article puts forward an interpretation which has implications for a number of important contributions from regime studies and transitions literature. In regime studies, the debate whether to categorize Malaysia as a 'developmental state' depends on how this concept is defined (Stubbs, 2009). Some analysts have classified Malaysia as a developmental state (Embong, 2008; Jomo, 1997, 2001) or a semi-developmental state (Rhodes & Higgott, 2000) mainly due to its state intervention in the economy through conscious policy planning of the nation's industrialization strategies. However, Malaysia's long history of corruption and wasteful rent-seeking activities (Gomez & Jomo, 1997; Jomo & Gomez, 2000) are indications that it has not embodied the key institutions and mechanisms that are noted in more developed Asian capitalist developmental states/cities of Japan, South Korea, Taiwan, Hong Kong, and Singapore. Specifically, each of these developed economies has a Weberian 'rational' bureaucracy, which is autonomous from particular vested interests, and which has a strong sense of corporate coherence built around a concrete set of social ties that

have been forged through negotiations of collective goals (Evans, 1995; Gomez, 2009; Johnson, 1987, 1999).

The end of UMNO's hegemony and the recent electoral success of longtime opposition groups from the *Reformasi* movement that formed the PH coalition have significant implications for transitions literature on Malaysia's 'democratization processes', particularly those studies on protest actions and other forms of contestations (Loh & Khoo, 2002; Shamsul, 2002; Weiss, 2006). Thus far, the literature on Malaysian politics has offered valid accounts and arguments about both the country's democratization processes and its resilient authoritarianism. The outcome of GE14 calls for a note of caution against tendencies in political analysis to either underestimate democratization or overestimate authoritarianism. In light of this, the analytical focus of the article is on the project of the then-dominant UMNO/BN elites to consolidate Malaysia's neoliberal capitalism within an authoritarian political framework. Knowledge of this has empirical and normative ramifications for current and future reform processes in Malaysia under the new government of Mahathir and the PH.

MAHATHIR'S WAWASAN 2020

The first tenure of Mahathir as prime minister (1981-2003) was associated with his development program called *Wawasan 2020*, or *Vision 2020*. Within the framework of the National Development Policy (NDP) of 1991, and complemented by the *Malaysia Boleh!* (Malaysia Can!) campaign, Wawasan 2020 was packaged with a populist message to revitalize the growth and redistributive objectives of the NEP. The NDP's 30-year plan proclaimed the vision for social justice, political democracy, and competitive capitalism (Malaysia, 1991a). However, the legacy of Mahathir's 22-year regime exhibited a distinct mix of authoritarianism, crony capitalism, and neoliberalism (Gomez, 2009; Gomez & Jomo, 1997; Khoo, 1995).

The *Fifth Malaysia Plan* 1985-1990 (5MP) was a precursor to Wawasan 2020. It embodied Mahathir's restructuring policies for both the government and the economy. These programs were expressed in the concepts: *Looking East*, *Malaysia Incorporated*, *Privatization*, and *Leadership* by example. The 5MP was the first development plan drafted under Mahathir to implement the last phase of NEP. Arguably, it was also the first articulation of the Mahathir regime's authoritarian neoliberalism. Its objective was to further Malaysia's entanglement with global capitalist processes, consistent with neoliberalism's private sector-led growth strategy. Moreover, the 5MP made a policy shift from 'growth with equity' to 'growth with stability' aimed at securing market mechanisms through disciplinary state power. Amid threats to his leadership in the run-up to the 1987 party elections and the worsening recession, Mahathir resorted to authoritarian responses in both the political and economic spheres: through the Internal Security Act (ISA) to stifle his critics even those within UMNO; and through the imposition of the premier's power over the bureaucracy under the guise of government streamlining for market reforms (Khoo, 1992; Khoo, 1995; Milne & Mauzy, 1999; Munro-Kua, 1996). Having won this election, Mahathir carried on with the same peculiar methods of patronage politics, authoritarianism, and economic restructuring. Powerful executive institutions continued to encroach on the bureaucracy and the economy.

Wawasan 2020 was introduced at the end of the Cold War and signaled Mahathir's embrace of neoliberal globalization. It served as a "state-class ideology" in which cross-ethnic alliances were based on a particular class interest (Hilley, 2001). But since repression had limitations as a political strategy, Mahathir opted for consensus-building to consolidate a power bloc around Vision 2020 (Hilley, 2001; Munro-Kua, 1996). As John Hilley (2001) has aptly described, the UMNO/BN under Mahathir's leadership was able to forge a hegemonic network that "[extended] outwards and beyond conventional party arrangements, with chains of influence ranging from corporate elites to the BN media, from party affiliates to Islamic fora, voluntary bodies and a panoply of NGOs" (pp. 117-118). At the heart of the regime's politics of consociationalism was the practice of a fluid, interactive, and accommodating art of "hegemonic networking", which tried to balance the protection of "particular sectoral interests" with their "shared outlook on the maintenance of the broader power structure" (Hilley, 2001, p. 118). This network was constantly engaged in the reproduction of "dominant ideas and interests through diverse processes of political, corporate and ideological exchange" and was receptive to "the incorporation of new interest groups and alliances" (Hilley, 2001, p. 118).

Economic Heterodoxy

Unlike other developing countries such as the Philippines and parts of Latin America which embarked on neoliberalism *without* specialization in the manufacturing industry, the kind of neoliberalization in Malaysia was pursued *with* a national industrialization strategy oriented towards exports to the world market (Juego, 2013, 2015). Yet, this neoliberal industrialization project for the economy was anchored to the politics of authoritarianism and the discourse of nationalism. Authoritarianism was conducive to the industrialization project not as part of the official development plan, but as a proactive realization of the governing elites on the advantages of repressive state measures for their stability (Crouch, 1994). The "Mahathirist programme" pursued a blend of capitalism and nationalism for socio-economic development – that is, "a nationalist project driven by capitalist impulses or a capitalist project imbued with nationalist aspirations" (Khoo, 2003a, p. 5). The anchoring of the economic project for neoliberal industrialization to the politics of authoritarianism and nationalism served a three-pronged purpose for the regime, notably: (1) to expand profitable opportunities for the local capitalist class in a diversified manufacturing sector, (2) while meeting the security requirements of the ruling elites in business and government, and likewise (3) gaining a substantial degree of social legitimacy.

It is suggested here that Mahathir adopted a 'heterodox' economic policy which was different from the orthodox prospectus of neoliberalism under the Washington Consensus. This is revealed through a scrutiny of the political imperatives *behind* the regime's economic reform initiatives in the policies of liberalization, austerity, deregulation, and privatization.

First, Mahathir had a calibrated perspective on trade and industrial policies. On the one hand, he appreciated the benefits of gradual liberalization; on the other, he understood the necessity of protectionism in the industrialization process. In his own words:

> We should take into the fullest consideration Malaysia's capacity to undertake liberalization. We should not dismiss the infant industry argument, but we should not bow to illegitimate pressure. (Mahathir, 1991)

He argued that "it is important for [Malaysia] that free trade is maintained" due to its very small domestic market; at the same time, he claimed to adhere to a principle in international relations where "the emphasis should be less on politics and ideology but more on economic imperatives" (Mahathir, 1991). In a blog post entitled "Protectionism", then-private citizen Mahathir (2011) decried G20's double standard and noted that while Malaysia believes in competition it is important to have protection in its domestic economy because it is "up against countries which protect their industries against foreign products".

Secondly, Mahathir's agenda on austerity had both economic and political rationales. Managing inflation was intended for stabilization of the economy and the regime. The bottom line of belt-tightening measures was that the citizenry had to bear the brunt of an economy undergoing the process of neoliberalization, absorb the consequences of market failures, and be subjected to disciplinary whipping from the state. Mahathir (1991) minced no words:

> The public must understand what causes inflation and must be disciplined enough to combat it. In some countries when inflation rates go up to thousands of per cent per year, Governments have been changed again and again without inflation being contained. The reason is that the people are not disciplined and prepared to restrain themselves. No Government can put a stop to inflation unless the people are prepared to accept the discomfort of austerity.

Thirdly, Wawasan 2020 adopted the policy of *deregulation* while insisting on the need for *regulation*. Its logic equated the economic policy of regulation with the politics of 'order'. Mahathir (1991) argued:

> The process of deregulation will continue. There can be no doubt that regulations are an essential part of the governance of society, of which the economy is a part. A state without laws and regulations is a state flirting with anarchy. Without order, there can be little business and no development. What is not required is over regulation although it may not be easy to decide when the Government is over regulating.

Here, it is implied that the source of strength of the market order and elite hegemony had to be state regulation and repression. This dynamic interdependence for survival between the market, elites, and state became more pronounced in times of crises. The observations have been that Mahathir's government acted even more authoritarian over both the public and the economic spheres during the 1997-1998 Asian crisis and its aftermath than during periods of relative stability (Pant, 2002; Pepinsky, 2009). To a large extent, the 9/11 event also provided the government the legitimacy to implement repressive laws, to suppress public protests, and to pass new electoral laws conducive to gerrymandering – all of which were hostile to the opposition.

Lastly, the Malaysian privatization experience had been an inherently political process. The Mahathir administration's privatization program was shaped by the intractable political economy of rent-seeking in the regime's state-class relations. Implementation of the *Privatization Master Plan* (PMP) in the 1990s was plagued with the same failures as in the early privatization projects in the 1980s. The PMP failed to meet its foremost objective to restructure ownership of public assets to encourage competitive private sector activity. Instead, the privatization of public wealth, assets, and services had enlarged UMNO's patron-client network, encouraged the proliferation of rentier activities, escalated corruption, politicized business, and institutionalized money politics (Gomez, 1997; Jomo, 1995; Tan, 2008). In terms of policy implementation, notable reasons for failures were the absence of transparency in the selection process, weak regulation, and the lack of complete divestiture. A comprehensive study by Jeff Tan (2008) shows the 'ex ante' and 'ex post' failures of the state in the major privatization projects from 1983 to 2000.[1] Ex ante failures were flaws in project planning, including wrong choice of industries and bidders, regulatory capture, and contract provisions disadvantageous to the state. Ex post failures were deficiencies in the government's capacity in project management, including issues on resolute state regulation for the general public.

The privatization experience under the Mahathir regime suggests that political-business elites, as well as domestic and foreign capital, dominated the conflict-ridden scramble for rents. It also tells that the process entailed both state and market failures. Yet, the drive for private appropriation tried to avoid any public responsibility and resulted in the deprivation of the general population of their collective resources.

But how did the Mahathir regime's ethnic cronyism and state-orchestrated redistribution policy relate to its adoption of neoliberal policies based on pro-market ideology? This seemingly contradictory nature of the political economy of authoritarian neoliberalism was likewise one of its most compelling features for the ruling elites. The state had sanctioned accumulation activities of its cronies in an enlarging market space opened up by *selective* privatization and liberalization policies (Gomez, 2009). In the process of neoliberalization, the state had allowed entrenched cronies to exploit bigger market spaces and use broader market means, purportedly to attain the developmental goals of an ethnically defined and biased redistribution policy. For instance, in the bidding of projects associated with policies of liberalization and privatization, business cronies had first-mover advantages in the competition due to their political connections and access to state decision-makers (Juego, 2013, 2015). Apparently, such scheme did not necessarily result in regime stability, but rather it had been ridden with corruption, ethnicized divisions, and social conflicts.

Mahathir's perspective on economic development may be a strange mix of nationalism, protectionism, and neoliberalism; but it was by all means capitalist and elitist. The NDP was forthright in its call on the citizens to accept the fundamental nature of unequal social relations. It posited that inequality between human beings and uneven development across spaces are intuitive and normal. The *Second Outline Perspective Plan, 1991-2000* affirmed that "uneven development is characteristic of most market

1 The case studies in Jeff Tan's (2008) book covered the four largest privatization projects, namely, Indah Water Konsortium (the operator of the national sewerage system), Kuala Lumpur's Light Rail Transit, Malaysia Airlines (the national airline), and Proton (the national car company).

economies" (Malaysia, 1991a). Mahathir (1991) also clarified that, under Wawasan 2020, the principle of "individual income equality" does not mean that "all Malaysians will have the same income". His argument was premised on an individualistic ontology, contending that "by sheer dint of our own individual effort, our own individual upbringing and our individual preferences, we all have different economic worth, and will be financially rewarded differently" (Mahathir, 1991). He then went on to assert that "an equality of individual income as propounded by socialists and communists is not only not possible, it is not desirable and is a formula for disaster" (Mahathir, 1991).

Anti-Democracy

Even though Mahathir spoke of Malaysia's variant of 'democracy' in some occasions, he believed that the political regime of authoritarianism was the most conducive to Wawasan 2020 to flourish. In his classic *The Malay Dilemma* (1970), Mahathir's ethnicity-based analysis of backwardness and prescription of cultural conditioning for attaining modernization defeats the principle of liberal freedoms. In "The New Malay Dilemma", which was one of his last speeches before he resigned as prime minister, Mahathir (2002) discussed the two *new* dilemmas of the ethnic Malays and the society of Malaysia, namely, affirmative action and democratization. As regards the first of the new dilemma, Mahathir (2002) asked whether Malays "should or should not do away with the crutches [i.e., affirmative action] that they have gotten used to, which in fact they have become proud of". The second new dilemma that Mahathir (2002) identified was framed in the question: "Can we take a leaf from their [i.e., most liberal democracies] book and risk condemnation for not being democratic?". He asserted that "Malaysia is committed to democracy", which he conceptually reduced to its "most important element" – that is, the mere conduct of elections, or the act of ensuring the voters' "right to elect" for the party they want to represent them in government. As one of the staunchest proponents of Asian Values, specifically the idea to prioritize economic development over political democracy, Mahathir's (2002) polemics was straightforward and warned against democratization in the context of a developing Malaysian economy: "The dilemma that the Malays and the peoples of Malaysia face is whether we should in the name of democracy allow the country to be destroyed, or we ensure that people are not subjected to manipulations to the point where they will use democracy to destroy democracy".

Furthermore, during the Mahathir regime, harassment of the opposition and social movements was accompanied by legislative regulations and repressive practices to discipline the media (Munro-Kua, 1996; Tapsell, 2013). In 1999, the Committee to Protect Journalists (CPJ) (2000) included Mahathir in the list of "Ten Worst Enemies of the Press" and described him as "a master puppeteer, … [pulling] the strings of the major media, mostly owned or controlled by his ruling coalition, to perpetuate his power". Mahathir (2002) also censured the nurturing of politically conscious (Malay) students who "don't seem to appreciate the opportunities they got" but instead "become more interested in other things, politics in particular, to the detriment of their studies". This implies that the banner of Wawasan 2020's goal of attaining a fully developed economy with 'productive' workforce had to co-exist with a strategy for the de-politicization of the youth and students. All these authoritarian means

signified the bold assertion of Mahathir and his UMNO/BN allies to protect their monopoly not only on politics and public discourse but also on the wealth of material resources that come with the control of state power and social institutions.

Mahathir officially left the premier's office after 22 years in power. Yet, Wawasan 2020 has remained, in principle, the development vision of Malaysia. Succeeding governments of Abdullah and Najib had expressed their commitments to it. Having been functionaries themselves during Mahathir's regime, Abdullah and Najib were conscious of the deepened and widened system of patronage in Malaysia's power relations. True to form, they had consistently envisioned a society governed within the general framework of a capitalist economy resting upon elite interests and guarded by an authoritarian state.

ABDULLAH'S ISLAM HADHARI

Upon taking over the government from Mahathir and having been part of the hegemonic network that forged and promoted Wawasan 2020, Abdullah Badawi (2003-2009) declared that "My vision for Malaysia is Vision 2020" (Wain, 2009, p. 307; see also Abdullah, 2006a, 2006b). In line with this affirmation, and hence the resolve to pursue the NEP and NDP objectives, in 2004 Abdullah's government introduced the concept of *Islam Hadhari* (Civilizational Islam) as "a comprehensive and universal development framework for the nation" that balances "between physical and spiritual development" – meaning, the "imperative for the people" to have economic "progress" and civilizational "advancement" that is "firmly rooted in the universal values and injunctions of Islam" (Malaysia, 2005, p. 9). Even though "the tenets of Islam" would be the basis of the development framework, its proponents claimed that it should benefit all people regardless of religion, race, and other identities in the multiethnic society of Malaysia. In theory and practice, Islam Hadhari was made to ground in the regime of authoritarian neoliberalism.

With hindsight, the discursive appeal of linking Islam Hadhari to Wawasan 2020 served some important political, electoral, and economic objectives for Abdullah, the UMNO/BN coalition, and Malaysia's neoliberalism. Firstly, it attempted to sustain support of the elites and masses across classes and ethnicities who continued to believe in Mahathir's leadership and the modernization project. Secondly, it had enlarged UMNO/BN bailiwick coming from moderate Muslim constituencies. And thirdly, especially in a post-9/11 moment, it was designed to attract foreign capital and investments from both the Muslim world and 'Western' economies. Mahathir later turned out to be the most vehement critic of Abdullah's leadership, and he denounced Islam Hadhari, which he argued to be as a misnomer since Islam itself as well as being a Muslim is compatible with living a balanced life and with the belief in progress. But the nub of the conflict between Mahathir and Abdullah was more due to political and personal reasons than based on ideological differences (Wain, 2009). Both of them adhered to the idea of capitalist market-oriented development and to a critique of democracy.

The impressive victory of the BN coalition in the 2004 general elections, winning an overwhelming majority of votes and securing 199 of 219 parliament seats, was often credited to Abdullah's charisma, his well-received attempts at 'de-Mahathirization' or

not living in the shadow of Mahathir, and the drawing power of the Islam Hadhari slogan (Chong, 2006; Khoo, 2003b). However, beyond personality-based analysis of election success, the fact was that Abdullah and UMNO were the greatest electoral beneficiaries of the regime of authoritarian neoliberalism that Mahathir and his power clique had long instituted. Decades of UMNO dominance of money politics made possible the consolidation of a wealthy and powerful electoral machinery, the control of mainstream media, and the crippling of dissenters (Loh, 2005). The modernization project of the Mahathir regime's power bloc also built the foundations for: the promotion of the image of a moderate Islam especially after 9/11; the normalization of the perception of the conduciveness of neoliberal policies to economic growth and long-term social development; and the popularization of the Asian Values discourse that conceptually separates or detaches development from democratization.

Capitalism With Islamic Characteristics

With a fresh mandate from party mates and the electorate, Abdullah launched the *National Mission* in 2005, the midpoint between the introduction and termination of Vision 2020. As a policy framework for a 15-year period, the National Mission recognized that while "Malaysia is now an open trading economy participating in an extremely competitive and fast-moving global marketplace", there persist "considerable income and wealth inequalities", uneven rural-urban development, and "racial polarization" (Malaysia, 2005, pp. 3-4). It expressed the usual development rhetoric of the previous regime: "a resilient and competitive economy" based on the goals of "equity" and inclusive growth (Malaysia, 2005, p. 4). Guided by the principle of Islam Hadhari, the National Mission wanted to avoid the "danger of … possessing first-class infrastructure but third-class mentality" by fortifying "moral and ethical foundations" and changing "mindset and attitudes" to be able to compete globally "through meaningful participation … in the competitive and productive growth process" (Malaysia, 2005, p. 4). To this end, the Abdullah administration expanded free-trade agreements with the US, India, Chile, Pakistan, and the Asia Pacific region including Australia and New Zealand to complement Mahathir's earlier negotiations with Japan and China (Wain, 2009).

The *Ninth Malaysia Plan* (9MP) detailed the strategies and budgetary allocations to realize the National Mission. Its program for continued macroeconomic reforms were buttressed by a new discursive thrust at the turn of the 21st century (Abdullah, 2006a; Malaysia, 2005). The discourse of 'ownership' was emphasized to instill a sense of responsibility among stakeholders from the private and public sectors to civil society in the accumulation regime. The objective of 'human capital development' aimed at capability building and skills upgrading, as well as the conditioning of values and mentalities of the population attuned to the capitalist ethos. The idea of 'transborder development' meant restructuring the geography of capital accumulation where competing centers are clustered as productive corridors for the market.

In sum, the National Mission's agenda was indicative of the twofold feature in Malaysia's envisioned modernization process. The first was the country's struggle with the intractable problems of economic poverty, social inequalities, and political-cultural conflicts. The second was the country's alignment with the evolving

discourse in global development whereby neoliberalism has moved away from a narrow concern on macro-economic adjustments to a broader project for competitiveness through institutional and human behavioral change.

Overall, Abdullah's Islam Hadhari project was illustrative of the contradictions of the regime of authoritarian neoliberalism in *conceptual*, *pragmatic*, and *empirical* terms. Despite the principle's ambiguity, its particularly capitalist, racist, and non-democratic orientations were revealing of the class, ethnic, and political interests behind the ideology.

Conceptually, Islam Hadhari defines a vision of creating a civilization of Malaysian capitalism with Islamic characteristics. There are ideological or religious debates about the compatibility of Islam with capitalism, or Islamic economics with modern capitalism, and the extent to which capitalist penetration impacts on the rise and decline of civilizations. However, the history of both the Islamic civilization and global capitalism has shown how the encroachment of capital on cultures and religions, particularly through imperialist wars, can appropriate surplus from them and can become an influential force in their evolution (Atasoy, 2009; Bayat, 1992; Kadri, 2016; Karim, 2011; Rodinson, 1973). Theoretically and historically, capitalism and Islam can accommodate each other but in ways that necessarily induce ideological contestations and social conflicts. What the Islam Hadhari experiment desired to prove was the case that Islam could flourish on a capitalist system.

Abdullah's (2006a) program in "building a civilization to elevate the nation's dignity" was aimed at unleashing the capitalist spirit from Muslim and non-Muslim citizens of Malaysia. This was evident in the objectives and strategies delineated in the National Mission and the 9MP, where Islamic values would be a thin icing on a largely neoliberal capitalist cake. The crux of the logic of changing behaviors and mindsets – that is, towards a 'first-class mentality' – is for culture to adapt to and facilitate the requirements of economic productivity and competitiveness. In essence, the development approach of Islam Hadhari was to strengthen the materiality of capitalism within which the ideology of Islam is to be imbued.

Failed Political Reforms

Pragmatically, Islam Hadhari had served as an ideological façade of the interests of ethnic Islam and UMNO. This became more pronounced in an issue in early 2006, when nine non-Malay ministers submitted a memorandum to Abdullah calling for a review of laws affecting rights of non-Muslims (Chow & Loh, 2006). UMNO took offense of this initiative, which was eventually withdrawn through the usual politics of consociation, notwithstanding its legitimacy.

Further, the executive and the parliament had systematically ignored the advocacy and work of the civil society and SUHAKAM (the Human Rights Commission of Malaysia) that proposed reforms and investigations on human rights cases, which also implicated some UMNO officers (Rodan, 2009). While Abdullah appointed a Royal Commission for Police Reform, his administration did not act upon its report on issues such as police payoffs and extrajudicial killings, as well as their recommendations which included the establishment of the Independent Police Complaints and Misconduct Commission and a possible repeal of the ISA (Tikamdas, 2005). This

inaction was telling of the regime's unwillingness to restructure the coercive apparatuses of the state according to human rights principles.

Empirically, the attempts at governance reforms under the rubric of the Islam Hadhari principle were not only thwarted by the established structures of patronage, impunity, and corruption, Abdullah himself was also accused of nepotism and cronyism. Despite gaining a very popular mandate and a generally positive international media perception as Malaysia started off a post-Mahathir era, Abdullah's anti-corruption campaign and anti-cronyism promises to ensure some sense of integrity in government contracts for a supposedly liberal economy soon faltered. The investigative journalist Barry Wain (2009) observed that: "While Abdullah deserved the sobriquet Mr. Clean in the sense that he had not enriched himself, his family and friends had benefited from the system of patronage he was supposed to be dismantling" (p. 312). In his book *Malaysian Maverick: Mahathir Mohamad in Turbulent Times*, Wain (2009) also revealed features of authoritarian neoliberalism under the Abdullah government. These were evident in a number of the Abdullah administration's parochial decisions and anti-democratic actions that specifically privileged family- and crony-based *interests* of executive dominance over the competitiveness *ideology* of a neoliberal economy. Firstly, one of the most controversial issues was the reported favors granted to Abdullah's brother in the catering business servicing the armed forces and the national airlines (Wain, 2009).[2] Secondly, media remained in the hands of the political and business cronies of UMNO leaders as Abdullah loyalists and trusted allies were appointed to key media posts, including the management of TV3 and the national news agency *Bernama* (Brown, 2005; Wain, 2009). Thirdly, there was growing perception from local and international human rights organizations that the Malaysian Anti-Corruption Commission (MACC) – supposedly Abdullah's reform legacy – turned out to be an instrument of the incumbent government to selectively prosecute the political opposition.[3] Lastly, institutions for the strengthening of democratization, especially the Election Commission to guarantee free, fair, and credible elections and the MACC (the restructured Anti-Corruption Agency) to ensure government integrity and end the culture of impunity, were within the Prime Minister's Department itself.

If there was any strong indication of the general shortcomings of the Islam Hadhari project, it had to be the dismal electoral performance of the Abdullah-led BN in the 2008 general elections that caused the ruling coalition the loss of the key states of Selangor, Penang, Kelantan, and Kedah to the political opposition *Pakatan Rakyat*. While there might be several contributing factors to the project's failure, it is instructive to point out three important explanations. The first was the apparent disappointment of the electorate on the inability of Abdullah to deliver on his reform promises. The second was the fragile discursive construction of the Islam Hadhari concept that was framed along conflict-inducing religious and ethnic undercurrents – which was unlike Mahathir's Wawasan 2020 that used a 'more inclusive' language

2 The corruption allegations implicating Abdullah and family were issues related to: a 15-year contract for canteens in the armed forces when Abdullah was defense minister, and the awarding of a nine-year guaranteed return with the privatization of the catering service of the national airlines (see Wain, 2009).

3 This was amplified as a result of the suspicious death of Teoh Beng Hock from the then opposition Democratic Action Party while under custody of MACC for corruption allegations.

for a multiethnic society and was built on a more solid hegemonic network. The third was the precariousness of the regime of authoritarian neoliberalism whose hegemony had been challenged by different social forces with respective visions for alternative futures. In particular, this signified that a counter-hegemonic movement of the opposition had arisen to contest the hegemony of UMNO. In 2009, even though BN still had a slim parliamentary majority, Abdullah resigned and officially handed on the government leadership to his deputy.

NAJIB'S 1MALAYSIA

Najib Razak (2009-2018) took over the premiership from Abdullah with: the party mandate to regain UMNO's dominance; the ethnic Islam and Malay interest to keep their socio-economic privileges; the capitalist development objective to overcome the impact of the 2008 global recession; and a personal ambition to craft his own legacy. As a strategic step to address these aims and demands, Najib (2009a) launched the program *1Malaysia*, or "1Malaysia: People First, Performance Now", as a key pillar of his administration's agenda for national transformation. The articulation and execution of 1Malaysia evoked the earlier observed *modus operandi* of authoritarian neoliberalism – that is, attuned to the incumbent government's interests in the maintenance of the status quo and to the exigencies of the global and domestic economies. It was presented as a perpetuation of UMNO's historical hegemony. As Najib (2009b) asserted:

> 1Malaysia does not reject our past in order to secure our future. Rather it is a clear reaffirmation of the 'documents of destiny' that have shaped this great nation and bound it together since our Independence – the Federal Constitution, the Rukun Negara, the guiding principles of the NEP, Wawasan 2020 and the National Mission.

Spanning nine years and two terms, the Najib administration's economic vision for competitiveness was carried out through policies for further liberalization, privatization, fiscal discipline, and market reforms. These were formulated in the context of the effects on the domestic economy of the 2008 global economic crisis, the 2014 oil crash, and the re-emergence of China as an economic superpower. At the same time, repression of civil and political rights persisted (Case, 2017). In essence, Najib's 1Malaysia would be best understood as: an *electoral campaign and political agenda*; a *socio-economic development strategy*; and a *crisis response*.

Political Doublespeak on Democracy

As an electoral campaign and political agenda, the 1Malaysia slogan made a populist appeal while the regime continued on repressive measures against dissenters. On the one hand, it promoted the discourses of national unity, socio-economic reforms, and political democracy to muster a broad inter-ethnic support. On the other hand, the discourse was buttressed by the government's harassment of critics and opposition. Examine, for example, the contradictions in Najib's pronouncements about democracy

under existing power relations and the announcement about the repeal of the draconian ISA. In a speech where he outlined his administration's media relations policy, Najib (2009c) spoke of the "need to renew [Malaysia's] democracy" by establishing a "new national discourse on the principles of transparency and accountability; service to all, not just the few; and respect and fairness in the public dialogue". He then proclaimed a version of democracy based on the principles of consensus, social equality, and interactivity that can be qualified as 'radical' given the historically institutionalized stratification in the society: "a constructive civilized consensus – across all people, races, parties and media – that engages the Nation in the political process" (Najib, 2009c). Yet, even at the discursive level, the 1Malaysia concept's allusion to a certain kind of 'inclusive' politics was contested not only by sections of the Chinese and Indian communities, but also by some factions within the UMNO social bloc and their grassroots constituencies. The latter groups strongly believed in preserving the privileges of Malays and Islam in government policies and social institutions. Indeed, Najib's rhetoric on 'democratic' governance was faced with disparate communal interests from ethno-religious groups and with the often competing political-business interests within the UMNO network. In its strategy to keep the opposition at bay, the Najib regime had also denied civil liberties through violent dispersal of peaceful protests such as the *Bersih 2.0* demonstrations for electoral reforms, arrests of opposition politicians, and the clamp down on free press including threats to imprison critical bloggers. All of these were done in the name of unity, order, and stability under the 1Malaysia banner.

On 15 September 2011, the eve of Malaysia Day, Najib announced the abolition of the ISA whose detention-without-trial provision had been a serious human rights concern since 1960 (Munro-Kua, 1996). A careful examination of his speech for this occasion would reveal his political doublespeak on democratization where he made a distinction between the aspirations of the people for democracy and the imperative of the state for social order. Speaking with a Lincolnian rhetoric, Najib (2011) claimed to have been "feeling the pulse, agitation and aspiration of the [people] … for a more open and dynamic democracy, where the opinions, ideas and concerns of the masses are given due attention". He then emphasized his aim for Malaysia "to be at par with other democratic systems in the world which are underscored by the universal principle from the people, by the people and for the people". However, this rhetorical aspiration for democracy had to be sidelined by the post-9/11 security concerns and subsumed under the doctrine of the protection of authority as the *raison d'état*. Najib (2011) justified the legitimacy of the authoritarian disposition by arguing it is a "global truth" because the objective of national security "unavoidably … demands special measures [such as preventive detention] which sometimes are outside the democratic norms". He substantiated this argument with "Islamic law" by highlighting the principle of *Usul Fiqah* on "the need to prevent a wrongdoing from occurring" and the belief "that the decision of the ruler is a trust which must be implemented for the people being governed for their general benefit" (Najib, 2011). Then he framed tough state security enforcement as a normal empirical reality that is "not something strange, unusual or alien" because in the 9/11 aftermath "it has been proven that developed democratic countries such as the United States of America and the United Kingdom had also enacted special legislative framework to deal with terrorist threats" (Najib, 2011).

After the ISA was formally repealed in 2011, SOSMA (the Security Offences Special Measures Act of 2012) was enacted (Malaysia, 2012). SOSMA has been complemented by the Prevention of Terrorism Act of 2015 and the National Security Council Act of 2016 (Malaysia, 2015a, 2016). Akin to the ISA, these expanded national security laws are not aligned with international human rights standards. They continue to give special powers in terms of legal rules and discretionary authority to the prime minister and the whole state apparatus, especially the police and public prosecutors over issues of preventive detention without judicial review, arbitrary arrests, surveillance, and access to sensitive information.

Global Competitiveness, Large-Scale Corruption, and Megaprojects

As a socio-economic development strategy, 1Malaysia was designed for the continuity of neoliberalization. Its immediate economic agenda was to overcome the global recession which posed difficulties on the Malaysian economy, especially the slowdown of the exports industry. The 1Malaysia program was the first of the "Four Pillars of National Transformation" of the Najib administration which enjoined the government to act as a "competitive corporation" with market-friendly policies in pursuit of global competitiveness (Najib, 2010a, 2010b). It was envisioned to work with the other pillars: *Government Transformation Programme* (GTP), *Economic Transformation Programme* (ETP), and the *Tenth Malaysia Plan* (10MP).

Central to GTP are good governance (to fight corruption) and social order (to reduce crimes) with a view to making state institutions responsive to the requirements of local and foreign capital for security and calculability. As Najib (2008) remarked at the Malaysian Capital Market Summit: "Stability, predictability and certainty … have been the corner-stones of our economic development, prosperity and progress as a nation. We have built prosperity for Malaysia and Malaysians because we have a Government which is stable, united, liberal and pro-business."

The highlight of the ETP was the New Economic Model (NEM), which charted the strategies to escape the "middle-income trap" by upgrading productivity and enhancing national competitiveness in the real economy and engaging in huge financial investments (Najib, 2010a, 2010d; NEAC, 2010a, 2010b). At the inaugural of the National Economic Advisory Council (NEAC), which drafted the NEM, Najib (2009d) pronounced the continuation of economic reforms en route to neoliberal convergence by "realigning … economic strategy to accommodate today's competitive environment"; by accelerating liberalization efforts; and by continuing post-1997 crisis plans of action that "fostered the transformation of Malaysia into a free market economy". He then instructed NEAC "to review the importance of traditional relationships and responsibilities in the economic sphere", so as to "create a new relationship of public/private partnership", where *the government* "manages the economy and ensure[s] an economic environment that is conducive to long term, stable growth", and where *the private sector* "provides a strong engine for growth, as it is able to react almost immediately to changes in market conditions, much faster than any government" (Najib, 2009d).

The *1Malaysia Development Berhad* (1MDB) was established in 2009 to carry out ETP's strategizing activities and meet funding requirements. It turned into a sovereign wealth fund with diversified interests in key economic areas identified under the

ETP such as oil and energy, financial and business services, and communications and infrastructure. The Government of Malaysia was 1MDB's only shareholder, ensuring "a unified public-private sector approach and policy alignment towards a competitive Malaysia" (1MDB, n.d.). The Sovereign Wealth Fund (SWF) Institute characterized 1MDB as an enterprise "funded by debt guaranteed by the Malaysian federal government" (SWF Institute, 2012).

Early on, critics were wary of Najib's intention in creating 1MDB on suspicion that its funds could be used as electoral capital for BN's money politics and as a business machine to enrich or bail out UMNO cronies (Zahiid, 2011). Soon after, corruption allegations and financial scandals surrounding the mismanagement of the 1MDB immensely contributed to the dismal electoral showing and eventual defeat of Najib and BN during the 2013 and 2018 general elections. The Najib government tried to contain local media news on the 1MDB controversy through censorship of critical online media outlets, like *The Malaysian Insider* news site. Nonetheless, international news agencies, particularly *The Wall Street Journal* and *The New York Times*, have followed the controversy and regularly published reports on the 1MDB scandal since July 2015, including the exposé that some USD 1 billion from the state investment fund had been deposited to Najib's personal bank account (Hope, Paige, Welch, Murray, & Canipe, 2016). The 1MDB scandal elicited a motley crew of discontents with Najib even within the UMNO, not least the sustained criticism from Mahathir who unequivocally demanded Najib's removal and finally resigned from the party in February 2016 (Murad, 2016). On his part, in 2015, Najib sacked cabinet officials over the 1MDB controversies, notably his deputy minister Muhyiddin Yassin and Attorney-General Abdul Gani Patail (Teoh, 2015). Muhyiddin was openly critical of the government's handling of the 1MDB case, and Abdul Gani led a high-level investigation of the alleged money trail of the 1MDB funds ending up in Najib's bank accounts. In 2016, the Najib government classified the Auditor-General's report on the financial transactions and accounting of assets of the 1MDB under the Officials Secrets Act. But within a week after Najib had lost the 2018 general elections, the new government under Mahathir made this report public. The Auditor-General's report basically confirms previous news and longstanding criticisms on 1MDB's poor corporate governance and illicit transactions – including the claim that, between 2009 and 2014, the company had accumulated debt and inherited loans totaling MYR 42 billion (USD 10.6 billion) (The Edge Singapore, 2018). The U.S. Department of Justice (USDOJ), together with the Federal Bureau of Investigation and the Internal Revenue Service, also launched an investigation into alleged fund misappropriations of the 1MDB. In June 2017, the USDOJ filed "civil forfeiture complaints" under its Kleptocracy Asset Recovery Initiative, seeking to recover nearly USD 1.7 billion worth of assets that might have been laundered through financial institutions in the United States (Hui, 2018; Paddock, 2017; USDOJ, 2017).

The 10MP provided the details of growth targets, budgetary allocations, and implementation of 1Malaysia, GTP, and ETP-NEM for 2011-2015 (Malaysia, 2010). It maintained the development objectives of previous administrations, with emphasis on continuous financial and institutional support for the Bumiputera Commercial and Industrial Community and affirmative actions for Bumiputeras in equity ownership restructuring efforts (Najib, 2010a). Yet, it was especially intended to deal with the impacts of the global economic crisis on the domestic economy. Najib (2009d) had

outlined state-market relations in Malaysia's neoliberalism during crisis moments: "When the dynamic private sector retreats, the government must step in and increase its investments to fill the void." This, as Najib (2009d) pointed out, had been the case since the 1997 Asian crisis which made it difficult to realize private sector-led growth and market-led development as envisaged in Vision 2020. The NEM and the 10MP defined the "strategies for a more focused role for the government as an enabler, regulator and catalyst" and emphasized the "shift [of] the onus now for the private sector to step up its role as the true engine of growth" (Najib, 2010c). To stimulate participation of the private sector, which "has not been playing its part" since the 1997 crisis (Najib, 2009d), the government had planned to venture into massive investments in megaprojects and allotted a Facilitation Fund of MYR 20 billion (USD 5 billion) for public-private partnerships (Najib, 2010a, 2010d).

1Malaysia was also the development program for the last leg of the journey to Vision 2020 as laid out in the *Eleventh Malaysia Plan* (11MP) for 2016-2020. The Malaysian National Development Strategy (MyNDS) is the guiding action plan for the 11MP. MyNDS enjoins market-based solutions to attain the goals of social inclusion and environmental sustainability through increasing high impact labor productivity and technological innovation at low cost for the government. Thus, what the 11MP's theme of "anchoring growth on people" means is that its real centerpiece is the advancement of the "capital economy" (GDP growth, big businesses, mega investment projects, and financial markets) under which the "people economy" (workers, small-and-medium enterprises, families, and communities) is subsumed (Malaysia, 2015b).

Neoliberal Crisis Responses

As a crisis response, 1Malaysia undertook several key institutional measures, of which six of them were notable. These economic policies and strategies were aimed at weathering the impact of the 2008 global economic crisis and the effects of the sharp drop in oil prices in the world market that followed. Their goal was to restore growth in the export-oriented industries.

The first of these measures was the expression of the Najib regime's interests in the stability of the global capitalist system. As he was about to assume the premiership, Najib (2008) called for the reform of the global financial architecture and urged governments to draw on the lessons of the Malaysian 'successful' experience of capital and exchange controls in dealing with the 1997 Asian financial crisis. He appealed to the G8 countries to "come to grips with the seriousness of the global financial turmoil, so that the capitalistic system as we know it do not break down or collapse amidst rising bank failures, bankruptcies and market meltdown" (Najib, 2008). Then, at the 2009 World Capital Markets Symposium, he proposed for a "regulatory *laissez faire*" in the financial system where "regulatory oversight should take precedence over the pursuit of private profit through the manipulation of unfettered capital" (Najib, 2009e).

The second measure was for the restoration of political order, immediately following the 2008 general elections. Najib (2008) claimed that "predictability, stability and certainty in [Malaysia's] system of governance" have been the linchpin of the country's capitalist development, as these conditions are needed for market security and profitability. This particular crisis response signified a couple of important

features in the regime of authoritarian neoliberalism under Najib: (1) Democracy is limited to the electoral exercise; and (2) the objective of securing market order entails an *anti-politics* attitude towards the opposition where "[there] is no time for politicking or to score points politically" (Najib, 2008).

The third of these measures were the two Economic Stimulus Packages (ESPs) roughly amounting to MYR 67 billion (USD 16.5 billion), or 9% of GDP, to inject spending into the domestic economy with the hope of recovery of the private sector and the economy as a whole during the 2009-2011 period (Goh & Lim, 2009; Mahani & Rasiah, 2009; Najib, 2009f). ESP 1 was allotted for infrastructure, transportation, education, banking, and finance. ESP 2 took the forms of bank guarantees, tax incentives, and allocations to the National Sovereign Fund. These packages were appropriated *mostly* for private sector assistance and infrastructure, and *the rest* for social protection programs and subsidies for food, toll, fuel, and low-cost housing.

The fourth measure had to do with further liberalization. At the 13th Malaysian Banking Summit, Najib (2009g) commented that "to make 1Malaysia a reality … the Government needs to partner actively with the business community". Accordingly, Najib (2009g), as concurrent Finance Minister, announced the liberalization of the *financial* sector "as a key enabler and catalyst of economic growth". This was earlier complemented by the liberalization of the *services* sub-sectors and related efforts to "continue to modify or eliminate policies that inhibit growth" (Najib, 2009f). Other reforms that Najib (2009e, 2009f) announced include: removing 30% bumiputera equity requirements for listed companies; liberalizing the capital market growth agenda by attracting international firms in broking and Islamic finance; deregulating the Foreign Investment Committee guidelines; and restructuring government-linked companies to be globally competitive. These liberalization schemes were connected to the ambition for Kuala Lumpur to become a "global financial center" through a megaproject of the 1MDB in partnership with Abu Dhabi's Mubadala Development Company to construct the Kuala Lumpur International Financial District – a 34-hectare real-estate development amounting to around MYR 26 billion (USD 6.5 billion) (Najib, 2010e). Renamed as the Tun Razak Exchange (TRX) after Najib's father, the construction of this megaproject only began in 2013 and the plan expanded to 70 hectares. But the Najib government was soon compelled to de-link the TRX from the 1MDB state fund and the money laundering controversies surrounding it.

All these liberalization agendas, however, cannot be construed as the Malaysian state's unqualified embrace of orthodox neoliberalism. As Najib (2009b) categorically declared:

> We welcome others into Malaysia, while maintaining our own special identity and protecting our economic interests … [W]e are not liberalising to conform to some new economic orthodoxy … Our objective is clear: to ensure that Malaysians – our people and our companies … benefit from the competitive dynamics that are shaping the global marketplace.

The fifth measure was fiscal discipline, mostly imposed during Najib's second term (2013-2018), through austerity programs that cut subsidies and funds for welfare, health, and education. The government implemented a series of major tax and fiscal

reforms to replace long-running populist economic policies to address the challenges of budget deficit, the fall in global oil prices, and the depreciation of the Ringgit. Firstly, the Najib administration removed blanket subsidy for fuel in 2014 and then proposed to cut electricity subsidy in 2017. Energy subsidies, especially on electricity and transport fuel, have existed since the 1980s to protect low-income households and stimulate economic activity. The rolling back of this state-subsidized fuel consumption is in line with the neoliberal principle of getting prices 'right' by letting the market set the 'real' costs of energy usage.

Secondly, the government implemented the GST (goods and services tax) at the standard rate of 6% in April 2015. The GST was intended to increase revenue to offset decades-long fiscal deficits. From 1988 to 2017, the government budget deficit of Malaysia averaged 2.97% of GDP (Trading Economics, 2018). During the 2009 global recession, the deficit further ballooned to its highest level equal to 6.7% of GDP due to stimulus packages and subsidies for the domestic economy. It was also hoped that the income generated from GST would reduce government's dependence on oil and natural gas revenues, especially from the state-owned Petronas. The GST was a broad-based tax on most consumptions and imports made *in* Malaysia. But the exports of goods and services from Malaysia were generally GST-free; thus giving incentives to an export-oriented production system to encourage GDP growth. The GST was implemented when the Ringgit was depreciating, when currencies of commodity exporting countries like Malaysia were negatively affected by oil price fluctuations since 2014. The combined effects of GST and the weakening Ringgit on rising prices and living costs have been mostly felt by poor households, ordinary workers, and the middle class (cf. Ng, 2015).

China Policy

The sixth crisis response measure was the strategy to look to or emulate China's economic strategy and integrate Chinese capital into Malaysia's accumulation regime. This was in line with the overall plan to attract more foreign direct investment (FDI) and portfolio investments from emerging economies that form part of the BRICS (especially China, India, and Brazil) while continuously engaging with traditional partners US, EU, Japan, South Korea, Australia, and the ASEAN. Najib (2009b) candidly justified that his first official visit to a non-ASEAN country was made to China upon the invitation of the former Chinese Premiere Wen Jiabao because Malaysia's relationship with China is "fundamental to our national interests" and "there are many mutual lessons to be learnt and shared between our countries".

Firstly, Najib (2009b) had expressed Malaysia's interest in getting a market share of Chinese capital in recognition of the fact that "China has enormous foreign exchange reserves which amount to larger than the combined reserves of all the G7 countries added together". At the Business Forum organized by the Government of Malaysia in Beijing, Najib (2009h) regarded China as a "strategic partner", and thus laid down his economic agenda for expansion with his state counterpart and China's business community (see also FMPRC, 2011; Najib, 2010f).

Secondly, Najib (2009b) highlighted one of the important lessons from the Chinese development experience: "the realization that for China, like Malaysia, an

open door economic policy has brought extraordinary economic progress". At the 2010 World Chinese Economic Forum in Kuala Lumpur, held exactly a year after the former Chinese President Hu Jintao visited Malaysia, Najib (2010f) announced that "Malaysia has become China's largest trading partner among ASEAN countries". Najib (2010f) then went on to declare: "The lessons that can be learned from China, and from the rise of Asia as a whole, is that Free Trade, open markets, and openness to investment are the way to prosperity". Since 2009, China has been Malaysia's largest trading partner. Between 2009 and 2017, Chinese exports to Malaysia amounted to USD 41.7 billion (i.e., 10.8% year-over-year increase), and Malaysian exports to China amounted to USD 54.3 billion (i.e., 10.2% year-over-year increase) (Liu, 2018).

In terms of investments, Chinese FDI in Malaysia were relatively small until 2012. But both Chinese FDI in, and trade volume with, Malaysia skyrocketed during Najib's second term starting in 2013, at the time when Chinese President Xi Jinping assumed power and China's Belt and Road Initiative (BRI) was launched. Within the BRI framework, Chinese FDI into Malaysia during 2013-2017 grew nearly 350%, totaling USD 2.36 billion – which is a 20.2% contribution to FDI growth (Liu, 2018). Big investments from China got increasing public attention since the late 2015 when the 1MDB sold its entire assets in the power sector under the Edra Global Energy Berhad to China General Nuclear Power Corporation for MYR 9.83 billion (USD 2.3 billion) cash (Chin, 2015). Then, in 2016, Najib made another official visit to China to formalize dozens of agreements between Malaysian and Chinese companies worth around MYR 144 billion (USD 36.1 billion), covering diverse sectors such as infrastructure, manufacturing, and real estate ("M'sian, Chinese firms sign", 2016). Eleven high-profile deals between China and Malaysia totaling USD 134 billion had been reported, including the controversial East Coast Rail Link (Liu, 2018). The Malaysian government guaranteed the loans to finance the high-risk megaprojects. With these agreements, the Najib regime had tied Malaysian society and economy to the Chinese government and business interests for decades ahead. These deals generated political opposition, and became a critical issue against the Najib administration during the 2018 elections. The increasing presence of Chinese workers and enterprises in Malaysia is also creating social tension among the local population (Tham, 2018).

Indeed, Malaysia under Najib had economic interests in China's capital reservoir. But it may also be the case that the Najib government looked to China as an exemplar of an authoritarian-neoliberal regime with a strong state that is capable of managing a capitalist production system and its social consequences.

In his bid for re-election in 2018, Najib campaigned for *continuity* of 1Malaysia's purported accomplishments and its transformation program towards a high-income and equal country. But Najib and the UMNO/BN suffered a stunning defeat from the Mahathir-led coalition Pakatan Harapan, which campaigned on the message of *change* and criticized the actual political, societal, and economic achievements of the 1Malaysia vision – particularly the authoritarianism, neoliberalism, and corruption of the Najib regime.

CONCLUDING REMARKS

The GE14 put an end to 61 years of UMNO/BN dominance. It also culminated the two decades of the *Reformasi* movement's electoral opposition. Among other things, the outcome of the historic election signifies a loud 'protest vote' against the more advanced version of the regime of authoritarian neoliberalism under Najib and the large-scale corruption that came with it.

The new ruling government under Mahathir promises an ambitious agenda for 'regime change', encompassing the spheres of governance, ethnic relations, and economy. This article has attempted to reveal the operating principles and institutions of the enduring regime of authoritarian neoliberalism in Malaysia – which must be the targets of reform initiatives, and against which the extent of the promised social change shall be evaluated.

Authoritarian neoliberalism has been the de facto social regime in Malaysia where the neoliberal economy was being made to operate within a strong state. It evolved through the administrations of Mahathir, Abdullah, and Najib. The political-business interests of the ruling elites largely shaped the priorities and tendencies of this regime. Since the official termination of the NEP in 1991, the discursive mutations in Malaysia's development agendas have conformed to the discernible shift in specific phases of the global political economy of capitalism. However, as this article has shown, the Malaysian state's policy choices cannot be reduced to some overarching ideology of orthodox neoliberalism, or process of neoliberalization, according to the templates of the Washington Consensus and Post-Washington Consensus. Formal compliance to the evolving global discourse on capitalist development might have been based on the calculations of the state elites on the benefits of adopting neoliberalism in their domestic laws, external agreements, and policy pronouncements – thereby, avoiding the cost of being excluded from the expanded market share and accumulation opportunities under conditions of globalization (Tabb, 2004). Arguably, Malaysia's governing elites and their cronies were motivated by their self-interests, rather than pure ideology, in yielding to neoliberal discourses and policies.

Mahathir's 22-year premiership hammered out and nurtured the foundations of authoritarian neoliberalism. His administration laid out the Wawasan 2020 development framework upon which the subsequent programs of Islam Hadhari and 1Malaysia were built. Wawasan 2020 was: constructed by a hegemonic network that cut across classes and ethnicities; operated by a political-business alliance within the UMNO power bloc; characterized by a calibrated neoliberalism with a national industrialization strategy; and orchestrated by an authoritarian state. It tried to ensure political stability through state's anti-democratic, coercive means. In addition, it sought to manage the economic accumulation process through active state intervention in favor of its cronies and of what it perceived to be 'the national interest'.

Abdullah's Islam Hadhari envisioned a state-managed capitalist development with ethnic Malay and religious Islam undertones. It was presented as a socio-political and economic program for a moderate Islam in the aftermaths of the 1997 Asian financial crisis and the 9/11 global war on terror. It initially succeeded as an electoral campaign to win over a larger Malay constituency but later failed to sustain the confidence of both the electorate and the UMNO network. Abdullah failed to deliver on his reform

promises. His anti-corruption initiatives were thwarted by entrenched vested interests including from his own family.

The 1Malaysia agenda of Najib built on the neoliberalization process started off by Mahathir with a view to more open real economy and financial sector towards global competitiveness. Amid the stagnating effect of the 2008-2009 global economic recession on Malaysia's export industry, the competitiveness project to venture out into high value-added production system was coupled with investments in megaprojects and an ambitious scheme to make Kuala Lumpur a global financial center. Central to this drive for competitiveness were Najib government's conscious efforts in emulating as well as making lucrative business deals and high-risk investments with the rising China. During its second term, the Najib administration also resorted to government austerity and other fiscal disciplinary measures to supposedly address budget deficits, fall in oil prices, and the depreciation of the Ringgit. Embroiled in massive corruption scandals and crime allegations, Najib's rhetoric involved a doublespeak, especially about democratization, but his anti-democratic actions spoke for themselves. The Najib regime saw authoritarianism as the most viable political system on which intensified capital accumulation and the maintenance of UMNO/BN hegemony were to be embedded.

The reform programs of Mahathir's new government will be closely scrutinized by the now opposition UMNO/BN and the vibrant new media. Most crucially, Mahathir will be held accountable by his current political supporters from Pakatan Harapan, originally belonging to the *Reformasi* movement, who once faulted him for much of what ails contemporary Malaysia in terms of a culture of impunity, corruption, and other institutional malaises. This article's exposition of the enduring institutions of authoritarian neoliberalism in Malaysia points to where and why reforms for genuine democracy, social justice, economic development, and wealth redistribution must be made.

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