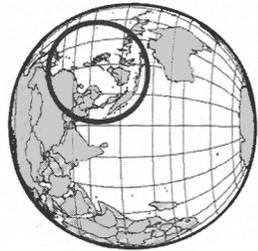


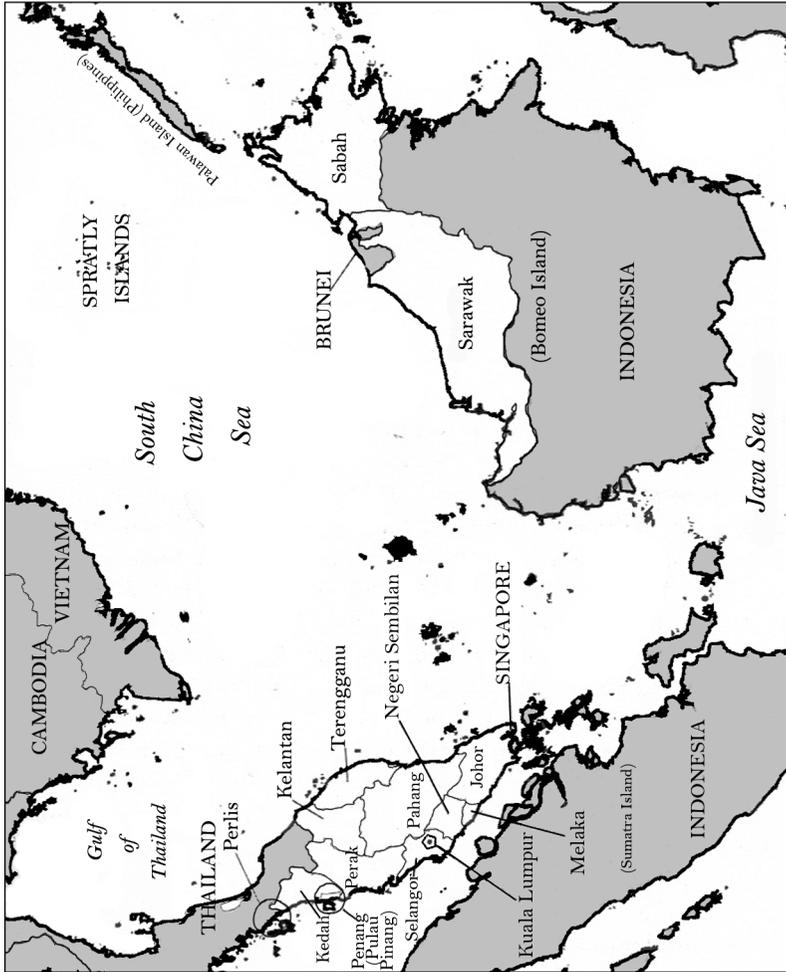
Federation of Malaysia

Capital: Kuala Lumpur
Population: 24.3 Million
(2002)

Boundaries and place names are representative and do not imply any official endorsement.



Sources: ESRI Ltd.; CIA World Factbook; Times Atlas of the World



Federation of Malaysia

FRANCIS KOK WAH LOH

Globalization has made economic issues ever more central to foreign relations and foreign policy. In most federal countries, formal or informal restructuring of federal-state relations has occurred to accommodate the enhanced roles of constituent units in foreign trade and foreign investment. However, no formal restructuring of these relations has occurred in Malaysia. The scope of new, informal intergovernmental arrangements that link the states to foreign policymaking has also been limited.

There are several reasons why Malaysia's states play such limited roles in foreign affairs, notwithstanding globalization. First, the Constitution clearly favours the central over the state governments. Second, the political process has been dominated by a single political party, the Barisan Nasional (BN) coalition, which has held power at the centre for fifty years, facilitating BN control uninterruptedly over most of the constituent states. Only three of the thirteen states have been governed by the opposition and, except in one case, only for short periods. This domination coincides with the increased role of the executive in decision making. In turn, centralization has been legitimized in terms of the need to combat subversion and terrorism – once associated with communists, nowadays with extremist Muslims – and to preserve ethno-religious harmony in multiethnic, multi-religious Malaysia. In pursuit of the latter, the New Economic Policy (NEP), an affirmative-action policy that discriminates in favour of the Malays and Indigenous peoples, was launched in 1971, further contributing to the expansion and consolidation of the BN government. Consequently, although it maintains a formal federal and parliamentary structure, Malaysia has been described as a “semidemocratic” country, a “statist democracy,” and a “centralized unitary system with federal features.” That said, conflicts and tensions in intergovernmental relations have occurred from time to time.

This chapter traces changes in Malaysia's foreign relations, which culminated in the adoption of an economic foreign policy in 1985. It then discusses how this change in policy had an impact on interdepartmental

relations at the centre and on intergovernmental relations as well, without, however, resulting in formal restructuring. The constraints and inefficiencies arising from a centralized federalism in an era of globalization are then investigated and evaluated via two examples of state-led efforts, namely to promote Penang as a regional hub of the global information and communication technology (ICT) industries and to develop the cross-border Association of South-East Asian Nations (ASEAN) Growth Areas, particularly in East Malaysia.

MALAYSIA: AN OVERVIEW

At independence in 1957, the Federation of Malaya, a former British colony, comprised the eleven states of the Malayan peninsula. In 1963 the federation was expanded to include Singapore, along with Sabah and Sarawak in northern Borneo, and was renamed the Federation of Malaysia. Due to various disagreements, Singapore withdrew from the federation in 1965. Today, Malaysia comprises the eleven peninsular states of West Malaysia, the states of Sabah and Sarawak in East Malaysia, and three federal territories (Kuala Lumpur, Putra Jaya, and Labuan).

Malaysia's multiethnic society comprises 25 million people. Malays constitute the major ethnic group, most residing in the peninsula. The largest Native group in Sabah is the Kadazandusun, while Dayaks predominate in Sarawak. Malays, Kadazandusuns, Dayaks, and the members of other smaller Indigenous communities are categorized as *bumiputeras* (sons of the soil) and account for 65% of the population. The two principal non-*bumiputera* groups are the Chinese (about 26%) and Indians (about 8%), who immigrated to Malaysia during colonialism. Linguistic, cultural, and religious differences distinguish the ethnic groups from one another. Malays are invariably Muslim; Chinese are predominantly Buddhist or Taoist; and Indians are mostly Hindu, with smaller numbers of Muslims and Sikhs. About half the Natives of Sabah and Sarawak are Christian, and another one-third are Muslim.

Due to a consociational arrangement among the three major ethnic-based political parties that formed the Alliance coalition at independence, Malay was adopted as the national language; the Malay sultans were acknowledged as the heads of state and Islam as the official religion; and "special rights" were reserved for Malays in land allocation, bureaucratic appointments, and scholarship awards. In exchange, non-Malays were offered citizenship and allowed to practise, study, and promote their languages, cultures, and religions. Except for a brief period during 1969–71, following ethnic riots in Kuala Lumpur, Malaysia has maintained political stability and enjoyed economic growth. It has been moving up the Human Development Index (HDI) of the United Nations Development Program

(UNDP) since the 1990s. In 2004 it ranked number 59, putting it among the top medium HDI-ranking countries. According to official estimates, gross domestic product (GDP) per capita in 2005 was approximately US\$10,300. That year access rates to education were 96% for primary schools, 85% for secondary schools, and 30% for tertiary-level institutions. The infant mortality rate (per 1,000 live births) was only 5.8%, while the absolute poverty rate was down to 5.7% (in 2004).¹

Beginning from the early 1970s, Malaysia embarked on a policy of export-oriented industrialization (EOI), which emphasizes electrical and electronic components, textiles and garments, and resource-based industries. EOI resulted in increased foreign exchange earnings and employment opportunities. Following a recession in the mid-1980s, the Malaysian government identified the private sector as the new engine of growth and promoted economic deregulation, liberalization, and privatization in keeping with global neo-liberal trends. The result was a spectacular increase in foreign direct investment (FDI), especially from the East Asian countries, which promoted steady economic growth with low inflation until a regional financial crisis occurred in 1997–98.²

In response to the crisis, Malaysia introduced a package of initiatives in 1998 that included pegging the Malaysian ringgit to the US dollar and introducing currency controls. Beginning in 2002, currency controls were eased, and in 2005 they were lifted completely. During that latter year, the ringgit was also depegged. Consequently, FDI again flowed in (increasing from US\$2.473 billion in 2003 to \$4.624 billion in 2004 and to \$6.06 billion in 2006), thus underlining growing confidence in Malaysia as an investment destination.³ Meanwhile, due to the earlier growth and the current growth, the structure of the Malaysian economy was transformed from one dependent on raw materials (e.g., tin ore, natural rubber, palm oil, and tropical timber) to one based on EOI, the export of petroleum and natural gas discovered in the early 1970s, and services. All told, Malaysia possesses strong economic fundamentals and is regarded as East Asia's "fifth tiger," or a second-generation Newly Industrialized Country (NIC).

Following the 1969 ethnic riots, various measures were introduced to restrict political participation and to resolve ethnic conflict. As mentioned, the affirmative-action NEP was adopted in 1971. It sought to eradicate rural Malay poverty and to restructure the ethnic division of labour. Accordingly, the state intervened in the economy in unprecedented ways. It established statutory bodies and public corporations and appointed *bumiputeras* to head them. *Bumiputera* individuals and companies were also given preferential treatment in the awarding of government contracts, licences, and loans. Special education institutions catering exclusively to young *bumiputeras* were created, while ethnic quotas were introduced to increase their intake into the universities and their receipt of scholarships.

The goal was to create a *bumiputera* commercial and industrial community as a means to reduce inequalities and thereby foster national unity.

No doubt, *interethnic* inequalities have been reduced since the 1970s. However, because of the emergence of “money politics” and nepotism related to the expansion of the public sector, *intraethnic* inequalities have also increased, especially within the Malay community.⁴ Regional inequalities have also widened. According to the Ninth Malaysia Plan (2006–10), whereas the overall rate of poverty in peninsular Malaysia was 3.6% in 2004, it was 23% in Sabah, 15.4% in Terengganu, 10.6% in Kelantan, and 7.5% in Sarawak. Hence the NEP’s results have been mixed. More important for this study, implementation and monitoring of the NEP required the expansion of the public sector and tight control by the central authorities, measures that have had an impact on federal-state relations.

THE REGIONAL AND GLOBAL CONTEXT

By constitutional design, foreign relations and foreign policymaking fall under the purview of the federal government. In the early decades after independence, Malaysia’s role in international relations was quite inconsequential. During the leadership of the first prime minister, Tunku Abdul Rahman (1957–69), which coincided with the height of the Cold War, Malaysia adopted a pro-West, anticommunist stance. Under the second prime minister, Tun Abdul Razak Hussein (1969–76), the policy shifted to one of nonalignment, neutrality, and peaceful coexistence. Like the United States, which pushed for rapprochement with China, Malaysia, too, established diplomatic relations with Beijing. Under the auspices of ASEAN, Tun Razak led an initiative to declare Southeast Asia a Zone of Peace, Freedom, and Neutrality (ZOPFAN). These foreign policy orientations were consolidated under the third prime minister, Tun Hussein Onn (1976–81).

However, major changes in foreign policy occurred under the fourth prime minister, Tun Dr Mahathir Mohamad (1981–2003). First, Malaysia began to prioritize its relations with ASEAN partners, the Organization of the Islamic Conference (OIC), and the Non-Aligned Movement (NAM). Second, while developing these ties, a new assertive role with regard to regionalism and South-South cooperation was discerned as well. This new assertive role coincided with a shift from traditional geo-political diplomacy to geo-economic considerations.⁵ As shown below, these changes were in response to economic globalization, which had been spurred by the end of the Cold War on the one hand and by the rise of political Islam globally on the other.

Kuala Lumpur pushed for a number of changes within ASEAN during the 1980s and 1990s, among them drawing Vietnam, Laos, Cambodia, and Myanmar into the group. It further promoted the ASEAN Free Trade Area as a means to engage with globalization. Mahathir also pushed for closer

ties with Japan, China, and South Korea, initially via his proposal to form an East Asia Economic Community and later by setting up the ASEAN Plus Three grouping.

Beginning from the 1980s, Malaysia also reached out to Muslim countries partly in response to Islamic resurgence in the OIC countries as well as in Malaysia. The plight of Muslims in war-torn Palestine and Afghanistan and also in nearby Cambodia, southern Thailand, and southern Philippines, where they were discriminated against as minorities, was especially highlighted. Malaysia also deployed officers as part of the UN Protection Force (UNPROFOR) in Bosnia-Herzegovina and hosted a meeting of the OIC to discuss the role of UNPROFOR in 1995. Such initiatives shored up Mahathir's credentials as a leader among the heads of Islamic countries.⁶

In fact, Mahathir's ties with Islamic countries were also economically motivated. He courted the oil-rich Arab countries in order to finance the establishment of the International Islamic University and other development projects in Malaysia. Regarding the OIC as a somewhat cumbersome grouping, Mahathir supported the Turkish initiative to establish the Developing Eight (or D-8), which comprises more-developed OIC countries, in order to promote economic and technical cooperation. Hence the symbolic and economic interests converged.

Involvement in NAM was useful for promoting common stances in multilateral trade negotiations such as the Uruguay Round of talks, the United Nations Conference on Trade and Development (UNCTAD), and meetings of the World Trade Organization (WTO). However, NAM was too unwieldy when it came to promoting trade, education, and technical cooperation. Consequently, Malaysia pushed for the formation of the Group of 15, which comprises the more economically dynamic NAM countries.⁷

Apart from these initiatives, Malaysia also established bilateral relations with many developing countries for the first time, all with an eye to promoting investment and commerce. In this regard, Malaysian companies invested in forestry in Guyana and Papua New Guinea, infrastructure projects in South Africa and Uruguay, power generation plants in Kazakhstan and Cambodia, and oil-field development in Iran and Vietnam.⁸ The corollary to these trade and investment ties was the Malaysian Technical Cooperation Programme (MTCP), under which auspices Malaysia provided human resource development aid to about eighty developing countries.⁹

This stance in foreign policy continued under the fifth prime minister, Datuk Seri Abdullah Badawi. Until 2006 Malaysia chaired both the OIC and NAM. In December 2006 Kuala Lumpur hosted the first Asian Summit, which brought together the ASEAN 10, China, Japan, and Korea, as well as India, Australia, and New Zealand. Nowadays, Malaysia is considered a champion of the developing countries and is dubbed a "middle-range power" in international relations.

However, Malaysia's championing of the South did not imply shunning the developed countries, which would have proven disastrous economically. Its new thrust toward geo-economic considerations included consolidating its ties with the developed countries too. Malaysia's new Foreign Economic Policy, enunciated for the first time in 1985, identified three principal objectives: to expand its markets with the United States, Japan, and the European Union (EU); to look for new markets for Malaysian exporters; and to encourage South-South cooperation.¹⁰

THE CONSTITUTIONAL SETTING AND SEMIDEMOCRATIC POLITICAL PROCESS

Article 74 of the federal Constitution is explicit about the federal government's preeminence in foreign relations. The ninth schedule further details the distribution of legislative powers and responsibilities between the federal and state governments. Apart from foreign affairs, defence, internal security, and law and order, the purview of the federal government includes trade, commerce and industry, physical development like communication and transport, and human development (e.g., education, health, and medicine). By contrast, the state governments' purview is restricted to areas like lands and mines, Muslim affairs and customs, Native laws and customs, agriculture and forestry, local government and public services, burial grounds, markets and fairs, and licensing cinemas and theatres. The concurrent list covers social welfare, scholarships, town and country planning, drainage and irrigation, housing, culture and sports, and public health.¹¹

Apart from the federal bias in the constitutional design, the political process wherein the Barisan Nasional coalition has controlled the federal Parliament and most of the state assemblies uninterruptedly since independence further ensures the states' compliance with federal priorities. Hence the federal government has been able to dictate the pace and direction of development in the constituent states via its control of development funds (as provided for under the Constitution),¹² even when state governments are held by the opposition parties, as in Kelantan state (1990 till today), Terengganu state (1999–2004), and Sabah state (1985–94). Additionally, the federal executive may invoke party discipline and removal of the *menteri besar* (chief minister) of any constituent state that challenges the prerogatives of the centre.¹³ With the abolition of local government elections in the early 1970s, the BN federal government's reach penetrated even deeper through appointments of its functionaries to municipal, town, district, and local authorities. With privatization of public utilities, beginning from the late 1980s, these local and municipal authorities have been charged largely with monitoring local development planning (especially building activities),

petty business licensing, and maintenance of local authority properties. Their roles being largely inconsequential in scope politically speaking, it follows that they hardly ever play any role in foreign affairs.

The federal executive has further consolidated power at the expense of the legislature, the judiciary, and civil society generally through the use of the Internal Security Act (which allows for detention without trial) and other coercive laws like the Official Secrets Act and the Printing Presses and Publications Act that actually circumscribe civil liberties and political rights enshrined in the Constitution. In short, the government resorts to "coercive legalism," which is why researchers have described Malaysia as a semidemocracy or a statist democracy. Hence, by constitutional design and a process dominated by a strong executive, Malaysia's federalism has evolved into a centralized one.¹⁴ To some observers, Malaysia might better be described as a centralized unitary state with some federal features. It is therefore not surprising that foreign affairs, even under increasing globalization, remain the prerogative of the central government. The constituent states (let alone local authorities) have virtually no say on foreign affairs even when they are drawn into economic, social, and cultural relations with foreign third parties.

Moreover, decision making on foreign policy and security matters, as well as on foreign trade and investments, is not only a federal prerogative but also a particularly elitist federal-executive affair. It has been noted that "debates on foreign policy in the Malaysian Parliament have been generally scanty and sparse."¹⁵ Likewise, the media controlled by the government and BN parties do not foster debate on foreign policymaking or, indeed, on policymaking generally.¹⁶ Hence, contrary to the more pluralistic process in Western democracies, the foreign policymaking process in Malaysia is a top-down one dominated by the prime minister and an elitist group within the Cabinet, who are assisted by a specialized group of administrative elites in the Ministry of Foreign Affairs. That said, it is not suggested that the idiosyncracies of the prime ministers have prevailed. Rather, as Joseph Liow recently emphasized, foreign policymaking is determined by the preferences of the prime minister as well as by international exigencies and domestic contingencies.¹⁷ The external exigencies in particular have contributed to a more assertive foreign policy anchored in geo-economic considerations.

Although the shift carried Mahathir's imprint, two other agencies were increasingly consulted as this shift occurred. One, the Economic Planning Unit (EPU), is attached to the Prime Minister's Department and is the central planning agency responsible for formulating policies, strategies, and programs for economic development of the country, especially the preparation of five-year plans. Its input on foreign economic policymaking is crucial. The other, the Institute of Strategic and International Studies (ISIS), a

think-tank, was established with a government grant in 1983. It was tasked with conducting policy-oriented research in the realm of strategic and international relations. These, then, were the main actors in the development of a new economic foreign policy beginning in 1985.

Beginning from 1990, other stakeholders like the Malaysian Business Council (MBC)¹⁸ became involved in foreign policymaking. MBC members frequently accompanied Mahathir on his overseas trips to look for investment opportunities. Over time, other government agencies, semigovernmental bodies, and even nongovernmental organizations (NGOs) were drawn into the web of foreign policymaking during Mahathir's tenure, without, however, playing any direct role in the process.

INTERGOVERNMENTAL RELATIONS THROUGH INCREASED INTERDEPARTMENTAL CONSULTATIONS

The organizational structure and role of the Ministry of Foreign Affairs, often referred to as Wisma Putra in reference to the building it occupies, also changed with the adoption of an economic foreign policy. Promoting trade and investment, educational and technical exchanges, and active involvement in various international forums became integral parts of conducting diplomacy.¹⁹ Since many of these nontraditional diplomatic activities come under the purview of other ministries and departments, interdepartmental meetings become an important feature of policymaking in Wisma Putra. It is only because of such increased interdepartmental consultations, especially in the realm of economic and investment matters, that the constituent states began to be drawn into foreign policymaking, albeit indirectly.

Whenever Wisma Putra performs the role of lead agency on a matter involving other government agencies like the EPU and ISIS, or perhaps the MBC and other interested NGOs, consultations with these bodies are conducted prior to submitting the recommendations to the secretary general of Wisma Putra, who then forwards them to the foreign minister. Once approved, the resolutions are moved downward to the Wisma Putra division responsible for execution. The foreign minister subsequently briefs the prime minister either immediately or during the weekly Cabinet ministers' meeting.

Not infrequently, the lead agency, especially concerning foreign economic policy, is no longer located in Wisma Putra. For instance, the lead agency for the MTCP is the EPU. Its section on external assistance acts as the MTCP secretariat. Given that the principal function of the MTCP pertains to education and training, the Training Division of the Public Services Department and the Ministry of Education are also consulted; so too are the directors of various training institutes and universities. Meanwhile, Wisma Putra, acting as gatekeeper, is responsible via its embassies for

disseminating information from the MTCP and for collecting and forwarding applications and project proposals from the many developing countries to the EPU. Once the decisions on the applications have been made, the MTCP's assistance is offered via Wisma Putra.²⁰

Hence the constituent states are drawn into the web of foreign policy-making indirectly. As clarified, this development is not due to any new initiative on the part of Wisma Putra. Rather, it results from increased interdepartmental consultations involving Wisma Putra with other federal government agencies. For instance, during negotiations with the WTO, the Department of Trade in the Ministry of International Trade and Industry (MITI) consults with the state governments (and the corporate sector). Likewise, in deliberations about foreign investments, the Malaysian Industrial Development Authority (MIDA) of MITI consults with the state development authorities.

Foreign trade missions to woo investors to Malaysia and also to seek investment opportunities, particularly in developing countries, are now commonplace. Often led by the federal minister, and sometimes by the prime minister, these missions, conducted by MITI, include local industrialists and entrepreneurs as well as state government leaders and officials. Some state governments, such as those of Penang, Selangor, Sabah, and Sarawak, occasionally organize their own trade missions. Invariably, these missions are conducted with the cooperation of MITI. To date, no state government has established its own offices abroad, conceivably because they are expensive to maintain but also perhaps because the states might not be allowed, legally speaking, to utilize public funds to do that. In any event, the states depend on MIDA, which has established offices abroad – initially in the United States, Europe, and Japan, later in other Asian capitals, and even in Johannesburg and Dubai – to sell themselves as investment centres. It is also MITI's Department of ASEAN Economic Cooperation that functions as the lead agency on the ASEAN Free Trade Agreement (FTA), and it is the EPU, which is the lead agency for the ASEAN Growth Areas, that draws in the states for consultations, not Wisma Putra.

In the case of illegal immigration, it is the Department of National Security (involving the home affairs, defence, and foreign ministries) that oversees the problem. In this regard, it consults with the chief ministers and *menteri besars*,²¹ who head their respective state security committees. There are also occasions when the state governments (and business and civil society groups) are invited to participate in closed-door meetings on global and security issues organized by ISIS. However, unlike in some countries, state governments rarely ever comment on foreign policy matters, even in support of federal government stances, let alone in opposition to them.²²

As the shift to a more economic-oriented foreign policy occurs, existing or new federal lead agencies are identified to oversee new concerns. However,

because state governments do not become involved in foreign policy matters, it is simply particular departments, units, or officers that are identified or assigned to work with the federal lead agencies, often on an ad hoc basis, or as more often is the case, as an add-on to existing functions.

The above shows that, at best, the state governments play rather passive and limited roles in foreign economic policymaking. This is also true vis-à-vis socio-cultural foreign affairs. For instance, in the 1980s and early 1990s a few municipal authorities like Georgetown (in Penang) twinned with sister-cities elsewhere – in this case with Adelaide, Medan, and Xiamen – and began to establish cultural, educational, sports, and trade ties with them. Ostensibly on the ground that the local authorities might be held liable under common law for not fulfilling provisions contained in the memoranda of understanding (MOUs) signed with their foreign counterparts, the local authorities were advised by Wisma Putra not to formalize those ties, an argument that might have carried additional weight especially following the 1997–98 regional financial crisis when the country, generally, was strapped for funds. Apparently, the substantive question of whether local authorities have a legal basis to sign MOUs with foreign counterparts was not raised directly; the issue was certainly not debated openly.²³ In any event, many of these twinning arrangements persist and the exchanges continue, although the former hype surrounding them appears to have been muted.

As well, it appears that the seemingly innocuous effort of the Penang Heritage Trust, an NGO, in collaboration with the Penang state government to have the historic city of Georgetown listed as a United Nations Educational, Scientific and Cultural Organization (UNESCO) World Heritage site has also come under the scrutiny of federal authorities. Belatedly, the federal Ministry of Culture, Heritage and the Arts has suggested that the NGO and the Penang authorities work in cooperation with counterparts in Malacca, another historic city, as well as with ministry officials, to seek a joint listing as “Straits Settlements twin sites” instead of seeking a separate listing. To persuade the Penang NGO and authorities, the ministry offered to provide federal funds and expertise for restoration and remedial measures to prevent the deterioration of heritage buildings, which is a requirement for UNESCO listing.²⁴

All told, therefore, the roles of the state and local authorities in foreign economic and even socio-cultural policymaking remain indirect and very limited, notwithstanding their being drawn into the web of foreign affairs following globalization. Although they are consulted, their suggestions are seldom given the serious attention they deserve. Consequently, conflict has occasionally occurred between the federal and state governments. That said, these conflicts do not raise questions of competing jurisdictions. On no occasion have any of the state governments demanded that the foreign policymaking process be revamped so that the states can play increased roles. In

this regard, all but one (i.e., Kelantan) of the state governments currently belongs to the BN ruling coalition. There have been demands by opposition parties and critical NGOs for amendments to one or another constitutional provision on several occasions. Invariably, these demands have been rejected, often on the basis that they have “hidden ethno-religious agendas” that might generate conflict; this is so even when the intent might be to preserve civil liberties or to deepen democratic practices.²⁵ In any event, there has been no demand by the states, opposition parties, or NGOs for comprehensive constitutional reform, even though the Malaysian Constitution is fifty years old.

Instead, the focus of the state governments has been on improving federal bureaucratic procedures by removing some of the many rules and conditions, control points, and layers of approvals or by countering the nonaction, delay, and corruption that currently characterize their dealings with the federal authorities. Alternatively, on the basis of personal relations with federal leaders, the chief minister might seek “special considerations” in order to expedite specific requests within the existing framework.²⁶ Apparently, the states consider it fruitful to make gains in this manner, rather than demanding constitutional reform. In the early 1990s several opposition leaders calling for greater autonomy for Sabah were detained without trial on the ground of fostering secession,²⁷ and on other occasions BN state leaders who questioned BN federal leaders have been put into political limbo.

MANIFESTATIONS OF INTERGOVERNMENTAL ENGAGEMENT: SCOPE OF THE PROBLEMS

In this section, two different but related issues in foreign relations during Mahathir’s tenure are discussed as examples of the tight rein kept by the national government over the state governments: the Penang state government’s attempt to promote itself as the regional hub for the global ICT industries; and joint efforts by the federal and several state governments to promote the so-called ASEAN Growth Areas. These cases highlight how the constituent states have been drawn into foreign relations, defined broadly, yet are not able to play meaningful roles in resolving problems occasioned by foreign relations due to the centralized federal system. Consequently, the inefficiencies of centralized federalism emerge, while tensions in intergovernmental relations fester.

Promoting Penang as a Regional Hub of the Global ICT Industries

The Penang state government was the first to embark on export-oriented industrialization in a comprehensive manner during the early 1970s. Under the auspices of the predecessor to the Foreign Investment Act, a

federal law, it set up free trade zones (FTZs) that offered multinational corporations (MNCs) tax incentives to invest in the island. A statutory body, the Penang Development Corporation (PDC), was established and put in charge of planning, implementing, and monitoring development in the state, especially in the FTZs.²⁸ A special relationship between the then long-standing Penang chief minister and the federal executives (first Abdul Razak, then Hussein Onn, followed by Mahathir Mohamad) promoted good relations between the state and federal governments (both belonging to the BN coalition) and facilitated ties between the PDC and various federal agencies, especially MIDA, responsible for approving foreign direct investments (FDIs). The special relationship also facilitated Treasury and EPU approval of various incentives and exemptions granted to the MNCs under the Foreign Investment Act.²⁹

By the 1990s Penang had already built up impressive manufacturing capabilities for producing electrical machinery and for assembling and testing various electronic products. Hence it desired to attract high value-added ICT investments to transform Penang into a regional ICT hub. However, this goal has proven difficult. The major problem relates to developing the necessary technological capability. Apparently, the Penang government is keen to adopt the strategies undertaken by the Singapore government; this means encouraging the MNCs to bring successive waves of new technologies into their subsidiary operations, thereby inducing technological capabilities among local subcontracting firms, promoting the adoption of new technologies among the local small and medium-sized enterprises (SMES), and advancing technical manpower training programs. These strategies require sustained government intervention.³⁰

In 1990 a new chief minister was appointed in Penang. Aware of the need for government intervention, he has undertaken measures to maintain Penang's competitive edge in the ICT industries. The task of attracting a new round of FDIs has been given to InvestPenang, a PDC subsidiary created in 2001. Like the PDC previously, it regularly conducts trade missions overseas, sometimes led by the chief minister, to attract investors. In the past, these missions visited the United States, Great Britain, Europe, Japan, Korea, and Taiwan regularly. Recently, China, India, and eastern Europe have been included in the itineraries. As evidenced by the wide scope of FDIs in Penang, these missions have been fruitful.³¹ However, attracting more value-added FDIs in the current competitive environment has proven more difficult.

Nowadays, it is InvestPenang that helps these investors to apply to MIDA for approvals and to the Ministry of Finance for tax incentives. Seeking these approvals from federal authorities results in delays and has hampered Penang's competitiveness because competitors like China, India, and Vietnam, apart from Singapore and Thailand, have reportedly decentralized decision making

with regard to these matters.³² Due to a labour shortage, it has also become necessary to import foreign workers, necessitating an additional approval from the Immigration Department of the Ministry of Home Affairs.³³

Another initiative undertaken by the Penang government in 1989 was to establish the Penang Skills Development Centre (PSDC), with the collaboration of industry and the local public university. Setting up the PSDC was no mean achievement because human resource development falls under the purview of the federal authorities, specifically the Ministry of Education, the Ministry of Higher Education, and the Ministry of Human Resources. This means that the PSDC receives no federal funding. Yet the PSDC has trained about 2,400 students to date, most of whom have been absorbed into the electronics and electrical industries in Penang.³⁴

However, the level of support required cannot be met by the Penang government alone. Federal support is critical not only to produce skilled workers and to attract FDIs but also to promote global marketing and branding, as well as research and development. Yet the latter has not been forthcoming for several reasons, the most important being the federal government's own development of Cyberjaya, touted to become a "world-class ICT hub" connected to the Multimedia Super Corridor (MSC), which in turn is linked to the new administrative capital of Putrajaya, the new Kuala Lumpur International Airport, and the new Kuala Lumpur City Centre, where the major Malaysian corporations are located. By 2006 about 1,621 companies had registered in Cyberjaya, allowing them to take advantage of the incentives offered to MSC-status companies. Several major Penang-based MNCs like Intel and Motorola have also registered in Cyberjaya. It was only after much lobbying by the Penang government that the MSC's "roll-out program" was extended to Penang-based companies, allowing them to enjoy the same incentives. By 2005 there were about sixty such companies based in Penang, lagging far behind Cyberjaya.

In spite of Penang's headstart and initial advantages in the ICT industries, it is clear that Cyberjaya will emerge as a more important regional ICT hub. The domination of the federal over the state authorities in the area of foreign ICT investments, the federal government's enormous financial outlay for Cyberjaya, and the close connections between the federal departments and the MSC authority ensure this outcome. More likely, Penang will consolidate as a regional manufacturing centre for the ICT hardware supply chain, apart from being an extension of the MSC via its roll-out program. Even here, the Penang government continues to face obstacles.³⁵

A case in point is the proposal by a Penang government unit, the Collaborative Resource and Research Centre (CRRC), to the federal government that called for revising the scheme of incentives offered to the MNCs. The CRRC argued that it should no longer be based on the volume of products exported; rather, it should encourage higher value-added production activities.

One proposal was that the MNCs should be offered incentives for retraining the workforce (as in Singapore and Taiwan) to encourage the MNCs to relocate product research and development activities to Penang. Under the auspices of the CRRC, several rounds of dialogue between the MNCs and various federal agencies were held with no progress made. Related attempts to work with the local public university to introduce new courses in order to meet the needs of industry have not been encouraging either, not least because higher education and human resource development come under the purview of federal bodies. Consequently, the MNCs and the Penang government complain that the overly centralized federal system is compromising Penang's competitiveness, not only vis-à-vis Cyberjaya but vis-à-vis its foreign competitors too.³⁶ Here, then, is a case of how the centralized federal system constrains the ability of state governments like Penang to respond to the needs of the global ICT industries adequately, in the process threatening Penang's competitiveness.

Promoting the ASEAN Growth Areas in Cross-Border Regions

The notion of ASEAN Growth Areas is based on transborder economic cooperation at the subregional level. Compared to the proposed ASEAN Free Trade Area, a Growth Area would be a looser arrangement requiring fewer trade-barrier adjustments on the part of three to four, rather than all ten, ASEAN countries. Presumably, the Growth Areas should be more easily realized than the ASEAN FTA. The focus of this section is on the Indonesia-Malaysia-Thailand Growth Triangle (IMT-GT), proposed by Malaysia in 1991, and on the Brunei-Indonesia-Malaysia-Philippines East ASEAN Growth Area (BIMP-EAGA), proposed by the president of the Philippines, Fidel Ramos, and launched in 1994.³⁷

Far from the capital cities, it was hoped that joint efforts could promote economic development in ASEAN's subregional border areas, which are rich in resources. As well, it was hoped that economic integration would be accelerated and that security and stability in the transborder regions would be enhanced.

Central to the success of the Growth Areas is the role of the private sector as the engine of growth, while the public sector facilitates the effort through infrastructure development. Coordination is at the level of the ASEAN Ministers Meeting (MM), which convenes annually, and at the Senior Officials Meeting (SOM), which convenes once or twice a year. The Asian Development Bank (ADB) was appointed to conduct investigative studies into the viability of the proposal and to identify policies, programs, and projects. Based on the ADB studies, joint working groups involving the subregional authorities (the federal/central officials of participating countries) and business communities were set up, and countries were identified to take charge of each working group.

The ADB completed its study of the IMT-GT in 1994. The proposal included new forms of government cooperation at the subregional level involving joint policy formulation and consultation and collaboration on transport and communications, agriculture and fisheries, trade investment and labour mobility, and tourism.

A major goal was to develop the Seamless Songkhla-Penang-Medan (SSPM) Economic Corridor. To achieve this goal, a “land bridge” consisting of six major components – namely oil and gas pipelines; road, rail, and sea links; and electricity interconnection – was proposed. Major infrastructure projects such as the development of ports, highways, railways, and ferry services were identified. In-situ development projects were geared toward developing the IMT-GT into a “regional hypermarket” that would necessitate harmonization of customs, immigrations, and quarantine (CIQ) requirements and the creation of “special trade zones” incorporating border towns, among other initiatives. Tourism development was to be promoted by the tourist associations acting jointly to market the region as a common destination. A final goal was to link up to the hinterland of the SSPM Economic Corridor via agriculture and fisheries projects.

In Malaysia’s case, an IMT-GT Liaison Secretariat was established in Alor Setar, Kedah, following a meeting of the chief minister of Penang and the *menteri besars* of the other three northern peninsular states. The secretariat, headed by an official from the Economic Planning Unit (EPU) in the Prime Minister’s Office, liaises with the economic planning units of the concerned states (UPEN). In the initial stages, there appeared to be much interest in the IMT-GT on the part of the federal authorities, perhaps because the establishment of the Growth Area coincided with Mahathir’s foreign policy notion of “prosper-thy-neighbour.” If the IMT-GT proves successful, the Muslim-majority population in the two strife-ridden regions of southern Thailand and northern Sumatera would be helped as well. Success could also stem illegal immigration into Malaysia. However, the 1997–98 regional financial crisis caused most plans to be scuttled as Thailand and Indonesia refocused their attention at the national level. Meanwhile, public security in southern Thailand and in Aceh worsened due to the insurgencies there. Since the December 2004 tsunami, rehabilitation of Aceh, rather than realizing the IMT-GT, has been the focus of Jakarta’s attention in the region. For its part, Malaysia has also refocused attention on the problem of forced migration from Indonesia and Thailand.

The BIMP-EAGA³⁸ has made more progress than the IMT-GT. As for the latter, the ADB proposed that governments provide the policy framework, build the necessary infrastructure, and facilitate the freer movement of people, goods, and services in the BIMP-EAGA. A BIMP-EAGA Facilitation Centre comprising one minister and one senior official from each country was set up. In turn, country secretariats linked the centre to working-group clusters in each country. As for the IMT-GT, the BIMP-EAGA national secretariat in

Malaysia was run by an EPU unit located in Kota Kinabalu, Sabah. An East ASEAN Business Council (EABC) comprising business associations in the sub-region was also established. As it turned out, it was the EABC, with the support of the subregional authorities, that pushed hardest for the realization of the EAGA.

Some gains were made during 1994–97, noticeably in liberalizing air and sea transport policies, which resulted in the establishment of new commercial sea and air routes between Indonesia, the Philippines, and Malaysia. Within the area, tariff charges on long-distance calls were reduced, while the travel tax was waived. However, due to the 1997–98 financial crisis, there was little progress in promoting manufacturing.

The most significant gains were in tourism and trade: EAGA-wide trade fairs, tour exchanges, sports events, and investment in hotels. Significantly, many of these projects drew from special funds made available by the states rather than by the federal government. Even so, the 1997–98 financial crisis caused major plans to be shelved. It was only in November 2001 at the Seventh ASEAN Summit that a decision was taken to revitalize the Growth Areas, and the ADB was asked to conduct a follow-up study.

It was obvious from the earlier experience that the push for the EAGA had come from the respective subregional authorities – in Malaysia’s case, the Sarawak and especially Sabah state governments – and from their private sector counterparts. Based on such observances, one researcher concluded that although “central government control and decision making appear crucial to the ebb and flow of regional cooperation, a certain degree of independence is nevertheless necessary for enhancing socio-economic results. A decentralization of authority would ensure that subunits are able to gear to changes in the economic environment and seek to adjust accordingly. The leadership of the sub-region may also be more aware of the specific needs of the varied constituents in their locality.”³⁹

Yet when the BIMP-EAGA Facilitation Centre was established in August 2003 in Kota Kinabalu, it was made responsible to the ASEAN governments in the capital cities rather than to the constituent governments. In this regard, many researchers have commented that ASEAN regional cooperation is readily supported only when it coincides with national interests. In other words, there was the usual fear that one’s country might not benefit equitably from specific EAGA projects even though these projects might be supported by one’s own subregional authorities. Hence, in Malaysia’s case, the chain of control flowed from the national EAGA secretariat down to the state EAGA coordinators in the Sabah and Sarawak governments. The implementation of EAGA-wide programs, projects, and activities in Malaysia was also coordinated by the national secretariat. These vertical links within Malaysia were clearly evident, less so the horizontal links between Sabah and Sarawak with their subregional counterparts. Paradoxically, this might

work out for the better because the EAGA's success has necessitated greater intervention by the central governments, especially in promoting the development of land, sea, and air linkages and other social infrastructure, as well as in helping to attract non-ASEAN foreign investors to participate in the EAGA. However, the sustainability and further promotion of the EAGA requires that initiatives ultimately be passed down to the subregional level.

CONCLUSION

During the tenure of Mahathir Mohamad as prime minister, Malaysia championed the South and prioritized relations with ASEAN, the OIC, and NAM at the expense of the Commonwealth and the West. However, its new Foreign Economic Policy of 1985 highlighted the importance of consolidating its economic ties with the United States, the EU, and Japan while promoting regional economic cooperation and seeking out new markets in the South. A more assertive foreign policy anchored in geo-economic considerations was henceforth discernible. This shift coincided with the end of the Cold War, which facilitated economic globalization, which in turn was considered to have been responsible for Malaysia's recession in the mid-1980s and, later, for the 1997–98 financial crisis.

After adopting a more economic-oriented foreign policy, the organizational structure and role of Wisma Putra changed to include nontraditional diplomatic activities, particularly the promotion of trade and foreign investments and educational and technical exchanges. Given that many of these activities came under the purview of other ministries and departments, interdepartmental meetings became an important feature of policymaking in Wisma Putra. Through consultation with the other ministries and departments like MITI, MIDA, and the EPU or with the semigovernment think-tank ISIS, the states were drawn into foreign policymaking, albeit indirectly. Due to the constitutional design of a centralized federal system, as well as a political process dominated by a single ruling party for fifty years, the state governments still play rather limited and passive roles. As well, central control is considered necessary for implementing and monitoring the New Economic Policy (NEP). Given the circumstances, no formal restructuring of federal-state relations has occurred, nor have there been sustained pressures by the states to usher in a more cooperative federalism.

This is not to say that no conflicts of interests have arisen in federal-state relations since the federal government adopted a more assertive and geo-economic-oriented foreign policy. This chapter has discussed how the Penang state government was unable to transform the state into a regional hub of the global ICT industries because of the federal government's own plan to develop Cyberjaya and the MSC on the one hand and because of Penang's inability to overcome various federal bureaucratic obstacles and

inefficiencies on the other. The chapter has also demonstrated that, despite a desire on the part of the state governments in the border regions to promote the ASEAN Growth Areas, there has been limited progress. The regional financial crisis of 1997–98 and the worsening security situation in neighbouring Thailand, Indonesia, and the Philippines are partly to blame. However, it also appears that the federal government via the EPU is keen to maintain control of the entire project. Consequently, horizontal linkages between the Sabah and Sarawak state governments and their sub-regional counterparts remain very limited in scope.

The overall lack of change in federal-state relations in a multiethnic developing country like Malaysia is not surprising. In fact, much centralization of power has occurred not only in terms of federal-state relations but also in terms of the relationship between the federal executive and the two other branches – indeed, between the state and civil society generally. A major theme arising from previous research in developing countries is the so-called issue of the “democratic trade-off” – that is, the idea that democracy is usually sacrificed for the sake of development. In Malaysia this appears to be the case. Although parliamentary rule has persisted and the formal structures of a federal system have been adopted, Malaysia is better characterized as a semidemocracy or a statist democracy and as a centralized unitary system with federal features. Recent globalization has accentuated the tensions in intergovernmental relations. Although nowadays there is more consultation with the constituent states, their involvement remains limited and indirect via increased interdepartmental consultation between the Ministry of Foreign Affairs and other ministries, resulting no doubt in a certain amount of inefficiency on the part of the federal authorities. However, if Malaysia continues to register respectable economic growth and if there are no sustained pressures from either the constituent states or civil society to redress the situation, executive dominance and centralized federalism will persist, with foreign affairs largely determined by a small group of political elites at the centre.

NOTES

- 1 United Nations Development Program, *Human Development Report 2004* (New York: United Nations, 2005), 140; and United Nations Development Program, *Ninth Malaysia Plan 2006–2010* (Kuala Lumpur: Government Printers, 2006), 6–12.
- 2 K.S. Jomo, *Growth and Structural Change in the Malaysian Economy* (London: Macmillan, 1990); and R. Thillainathan, “Malaysia and the Asian Crisis: Lessons and Challenges,” in Colin Barlow and Francis K.W. Loh, eds, *Malaysian Economics and Politics in the New Century*, 13–28 (Cheltenham: Edward Elgar, 2003).
- 3 Bank Negara, *Annual Economic Report*, various years.

- 4 Edmund Terence Gomez and K.S. Jomo, *Malaysia's Political Economy: Politics, Patronage and Profits* (Cambridge, UK: Cambridge University Press, 1997).
- 5 Ahmad Faiz Abdul Hamid, *Malaysia and South-South Cooperation during Mahathir's Era* (Subang Jaya: Pelanduk, 2005), 18.
- 6 Sheila Nair, *Islam in Malaysian Foreign Policy* (London: RoutledgeCurzon, 1997), 83–5; Mohd Abu Bakar, “Islam in Malaysia’s Foreign Policy,” in Mohammed Azhari Karim, Llewellyn Howell, and Grace Okuda, eds, *Malaysian Foreign Policy: Issues and Perspectives*, 77–88 (Kuala Lumpur: National Institute of Public Administration Malaysia, 1990).
- 7 Ahmad Faiz, *Malaysia and South-South Cooperation*, 97.
- 8 *Ibid.*, 45.
- 9 *Ibid.*, 55–67.
- 10 Minister of Foreign Affairs, “Malaysia’s new foreign economic policy,” *Foreign Affairs Malaysia*, March 1985, 21–3.
- 11 See Mohamad Agus Yusoff, *Malaysian Federalism: Conflict or Consensus* (Bangi: Penerbit Universiti Kebangsaan Malaysia, 2006), 68–76; Tan Sri Datuk Mohd. Salleh bin Abas, “Federalism in Malaysia – Changes in the First Twenty Years,” in Tun Mohamed Suffian, H.P. Lee, and F. A. Trindade, eds, *The Constitution of Malaysia: Its Development 1957–1977*, 163–91 (Kuala Lumpur: Oxford University Press, 1978); Jeffrey G. Kitingan, “Thorny Issues in Federal-State Relations,” in Tan Chee Beng, ed., *Reflections on the Malaysian Constitution*, 149–68 (Penang: Aliran, 1987); and Shafruddin Hashim, “Thirty Years on the Road between Centre and States in Malaysia,” in Tan Chee Beng, ed., *Reflections on the Malaysian Constitution*, 169–85 (Penang: Aliran, 1987).
- 12 See Yusoff, *Malaysian Federalism*, 76–83; and Shankaran Nambiar, “The Practice of Fiscal Federalism in Malaysia,” in Anwar Shah, ed., *The Practice of Fiscal Federalism: Comparative Studies*, 178–203 (Montreal and Kingston: McGill-Queen’s University Press, 2007).
- 13 Lim Hong Hai, “Sabah and Sarawak in Malaysia: The Real Bargain, or What Have They Gotten Themselves Into?” in Francis K.W. Loh, ed., *Sabah and Sarawak: The Politics of Development and Federalism*, special issue of *Kajian Malaysia* 15, no. 1–2 (January and December 1997): 21–5.
- 14 See Francis K.W. Loh, “National Security, the Police and the Rule by Law,” in Jayadeva Uyangoda, ed., *Militarising State, Society and Culture in Asia*, 179–208 (Hong Kong: ARENA, 2005); and Rais Yatim, *Freedom under Executive Power in Malaysia: A Study of Dominance* (Kuala Lumpur: Endowment 1995).
- 15 M. Pathmanathan, “Formulation and Administration of Malaysian Foreign Policy,” in Mohammed Azhari Karim, Llewellyn Howell, and Grace Okuda, eds, *Malaysian Foreign Policy: Issues and Perspectives*, 17–30 (Kuala Lumpur: National Institute of Public Administration Malaysia, 1990), 28.
- 16 J. Saravanamuttu, *The Dilemma of Independence: Two Decades of Malaysia’s Foreign Policy, 1957–1977* (Penang: Penerbit Universiti Sains Malaysia, 1983); J. Saravanamuttu, “Malaysia’s Foreign Policy in the Mahathir Period, 1981–1995: An Iconoclast Come

- to Rule,” *Asian Journal of Political Science* 4, no. 1 (June 1996): 1–16; M. Pathmanathan, “The New Dimensions of Malaysia’s Foreign Policy,” in M. Pathmanathan and D. Lazarus, eds, *Winds of Change: The Mahathir Impact on Malaysia’s Foreign Policy*, 28–55 (Petaling Jaya: Pelanduk, 1984); Pathmanathan, “Formulation and Administration,” 17–29; Ahmad Faiz, *Malaysia and South-South Cooperation*.
- 17 Joseph Liow, “Personality, Exigencies and Contingencies: Determinants of Malaysia’s Foreign Policy in the Mahathir Administration,” in Ho Khai Leong and James Chin, eds, *Mahathir’s Administration: Performance and Crisis in Governance*, 120–60 (Singapore: Times Books International, 2001), 126.
 - 18 The MBC was set up in February 1991, bringing together corporate leaders, Cabinet ministers, and top officials involved in foreign affairs and international trade and investment. The MBC’s role was to facilitate cooperation between the public and private sectors via exchange of information and ideas and to propose trade and investment policies. A back-up research centre was subsequently established in ISIS to service the MBC. It was at the inaugural meeting of the MBC that Mahathir delivered his keynote address titled “Malaysia: The Way Forward,” which became the basis of “Vision 2020,” his strategy to promote Malaysia’s emergence as a developed nation by 2020. See Khoo Boo Teik, *Paradoxes of Mahathirism* (Kuala Lumpur: Oxford University Press), 227–38.
 - 19 Ahmad Faiz, *Malaysia and South-South Cooperation*, 68.
 - 20 *Ibid.*, 58–9.
 - 21 Chief ministers and *menteri besars* perform essentially the same functions, but the first term refers to the chief executives of the former Straits Settlements (e.g., Penang), whereas the latter refers to the heads of former Federated Malay States (e.g., Kedah).
 - 22 See below for a discussion of Sabah’s criticism of the worsening security problem in the state posed by the influx of illegal immigrants, an area that falls under the federal government’s purview.
 - 23 Wisma Putra’s stance on local authorities signing MOUs with foreign counterparts was clarified by a senior official who participated in the Penang Roundtable. Apparently, there is no public documentation of this stance.
 - 24 “Federal govt to aid UNESCO listing application,” *TheSun* (Kuala Lumpur), 3 May 2007.
 - 25 For instance, opposition parties and prodemocracy NGOs have been calling for the repeal of coercive laws, including the draconian Internal Security Act (ISA), for inclusion of proportional representation in the simple-majority electoral system, and for the reintroduction of local government elections. With a stronger opposition and more democratic space, there would presumably be greater scope for constitutional reform, including changes that would allow states and local authorities to play increased roles in foreign policymaking and foreign affairs.
 - 26 The problem of bureaucratic obstacles and weaknesses is linked to the politicization of the bureaucracy itself under the NEP. Among others, promotions and recruitment were based on ethnic quotas rather than on meritocracy. Reforms were

- slow in coming not least because of the political costs involved in removing the entrenched, politicized, and predominantly Malay bureaucracy. See Lim Hong Hai, "Public Administration: The Effects of Executive Dominance," in Francis K.W. Loh and Khoo Boo Teik, eds, *Democracy in Malaysia: Discourses and Practices*, 165–97 (Richmond, BC: Curzon, 2002).
- 27 Francis K.W. Loh, "A New Sabah and the Spell of Development: Resolving Federal-State Relations in Malaysia," *Southeast Asia Research* 4, no. 1 (March 1996): 63–84.
 - 28 Chan Huan Chiang, "The Penang Economy: Rapid Growth and Its Implications," in Tan Pek Leng, ed., *Agenda 21: Building a Fully-Developed Penang*, 10–25 (Penang: Penang State Executive Committee for Education, Economic Planning and Information, 1996); Chong Eu Choong, "Perindustrian Pesat dan Perhubungan Persekutuan-Negeri di Malaysia: Kajian Kes Negeri Pulau Pinang" [Rapid industrialization and federal-state relations in Malaysia: A case study of Penang State] (MA thesis, Universiti Sains Malaysia, 1997), 72–114.
 - 29 Chong, "Perindustrian Pesat," 61–70.
 - 30 On difficulties in moving up the value chain of the ICT industries, see Lai Yew Wah, "Pemindahan Teknologi di Sektor Elektronik dan Elektrik di Malaysia: Paras, Takat dan Kekangan" [Transfer of technology in the electronic and electrical sectors in Malaysia] (Professorial Public Lecture, School of Social Sciences, Universiti Sains Malaysia, 2001). On the need for more proactive state interventions to further the competitiveness of Penang, see Wong Poh Kam, "Technological Capability and Development Strategies in Asian NIEs: Possible Lessons for Penang," in Tan Pek Leng, ed., *Agenda 21: Building a Fully-Developed Penang*, 26–43 (Penang: Penang State Executive Committee for Education, Economic Planning and Information, 1996).
 - 31 Apart from political leaders and PDC/InvestPenang officials, these missions usually include local industrialists looking for foreign partners or for investment opportunities in the countries visited. Similar trade missions are conducted by other states. All venture to neighbouring ASEAN and regional countries, while some others, say Selangor, Johore, Sarawak, and Sabah, like Penang, venture farther, travelling to the United States, the United Kingdom, and Europe.
 - 32 This point was made by several participants from the private sector during the Penang Roundtable. Their complaints are supported by a recent World Bank report which claimed that a potential investor in a factory had to undergo 25 procedures that would take 281 days, whereas the same required 17 procedures in 140 days in Australia, 11 procedures in 129 days in Singapore, and only 9 procedures in 127 days in Thailand. On the basis of this report, the prime minister set up a task force called Pemudah, jointly headed by the chief secretary to the government and a corporate leader, to look into the matter. See "Govt heeds World Bank report, cuts red tape," *TheSun* (Kuala Lumpur), 12 January 2007.
 - 33 Numerous complaints have been raised in private as well as in the media about irregularities and the incompetence of the Immigration Department officers. See for instance, Joachim Xavier, "Let's Put Our House in Order First," *Aliran Monthly* 25, no. 1 (2005): 25–8; and Michelle Lee Guy, "'Globalization Dilemma': Immigrants

- in Malaysia,” in Bridget Welsh, ed., *Reflections: The Mahathir Years*, 417–27 (Washington, DC: Southeast Asia Program, Johns Hopkins University, 2004), 423–4.
- 34 “PSDC – history of achievements,” *The Star* (Kuala Lumpur), 20 September 2006.
- 35 Perhaps this is why the Penang government has been promoting the state as a biotechnology centre more recently. This shift is in line with the goals of the latest five-year development plans of the federal government. See “Biotechnology Push,” *The Star* (Kuala Lumpur), 6 December 2006.
- 36 This section is based on an interview with the former coordinator of the CRRC. On the existing scope of tax incentives offered, see United Nations Conference on Trade and Development, *Foreign Direct Investment and Performance Requirements: New Evidence from Selected Countries* (New York and Geneva: United Nations Conference on Trade and Development, 2003), 176–80.
- 37 It was Goh Chok Tong, then Singapore’s prime minister, who first proposed an ASEAN Growth Area – in this case, the SJJORI Growth Triangle involving Singapore, Johore (in Malaysia), and the Riau Islands (in Indonesia) – in the late 1980s.
- 38 More has been written on the BIMP-EAGA than on the IMT-GT. See for instance, Mohd Yusof Kasim and Mohd Shukri Haji Noor, “Sabah dan Sarawak dalam Konteks Kawasan Pertumbuhan Asean Timur” [Sabah and Sarawak in the context of the East ASEAN Growth Area], in Mohd Yusof Kasim and Sabihah Kasim, eds, *Sabah dan Sarawak dalam Arus Globalisasi* [Sabah and Sarawak under globalization], 39–51 (Bangi: Penerbit Universiti Kebangsaan Malaysia, 2002); Pushpa Thambipillai, “Competing Interests in Regional and Sub-Regional Cooperation: ASEAN and BIMP-EAGA,” in Abdul Maulud Yusof, Dg Suria Mulia, and Roszman Hussin, eds, *Proceedings A Regional Conference on Academic Cooperation in BIMP-EAGA: Prospects and Challenges*, 38–43 (Kota Kinabalu: School of Social Sciences, Universiti Malaysia Sabah, 1999); Bilson Kurus, “The East ASEAN Growth Area: Prospects and Challenges,” in Mohd Yaakub Hj Johari, Bilson Kurus, and Janiah Zaini, eds, *BIMP-EAGA Integration: Issues and Integration*, 17–30 (Kota Kinabalu: Institute of Development Studies, Sabah, 1997); Bilson Kurus, “The BIMP-EAGA: Growing Pains and Teething Problems,” in Mohd Yaakub Hj Johari, Bilson Kurus, and Janiah Zaini, eds, *BIMP-EAGA Integration: Issues and Integration*, 31–44 (Kota Kinabalu: Institute of Development Studies, Sabah, 1997); and Asia Development Bank, *East ASEAN Growth Area* 4, no. 2 (1996).
- 39 Thambipillai, “Competing Interests,” 42–3.