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## **LABOUR INSTITUTIONS AND THE REGULATION APPROACH:**

### **THE MALAYSIAN CASE**

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## Introduction

Malaysia's rapid economic growth, industrial development and state policies is subject for numerous studies emphasising, among other things, the expansion of certain industries, structural barriers on the labour market, accumulation of local (manufacturing) capital, establishment of resource-based industries, state-participation in manufacturing activities and the ethnic configuration of social forces. The studies have produced an extensive and varied knowledge about various aspects of the structural transformation process in Malaysia. Some of the studies focus on selected elements of the capitalist accumulation process but none of them are based on a general theoretical framework aiming at a characterization of different phases within capitalist development.

This paper contains some preliminary reflections from a new research project, entitled "State regulation, social institutions and entrepreneurial initiative - key factors in development dynamics of industrialising countries", on possible ways to use the knowledge about the Malaysian industrialisation process in order to further develop a theoretical framework that is known as the regulation approach. The regulation approach has so far primarily been used to explain the different phases of capitalist development in a North-American and West-European context. The objective is to develop regulationist concepts to explain the development dynamics in societies which are based upon different institutional relations with regard to industrial, welfare and labour market policies.

## Regulation

The **regulation approach** is the common name for a large number of marxist based, theoretical contributions which aim at a better conceptualisation of different phases in capitalist development. The contributions develop concepts and analytical procedures to periodise capitalist development in the long term while at the same time taking into consideration the implications of time and place specificities. Particular attention is paid to changing forms and mechanisms that secure the maintenance and expansion of capitalism; or, in marxist terminology, the means by which the expanded reproduction of capital as a social relation is secured. In this sense the regulation approach must be considered as a means of establishing a "language of the middle ground" that links the structural logic of capital with the many faces of capitalism (Jessop, 1990; Walker, 1990).

However, despite the common concern for the institutional framework in which capitalist development takes place, there are wide differences between the theoretical contributions. On the basis of a comprehensive review, Jessop (1990) identifies certain "schools" each having a common theoretical point of departure and focusing on the same fields of regulation. But owing to the lack of a strictly coherent theoretical framework (even within some of the "schools") as well as the changing focus of individual scholars there are uncertain distinctions and mutual overlapping between them. This is illustrated by the fact that a classification on the basis of other criteria, for instance on substantive focus (national or international) and relative theoretical complexity (concern with economic mechanisms alone or with the so-called "societalisation" as well as economic mechanisms) yields another result in terms of "schools". Lastly, the continuing production of concepts within each "school" (and by each individual scholar) without the necessary clarification of content and mutual relationships complicates systematical progress in theoretical elaborations.

This paper focuses on selected works of two of the influential (French) regulation theorists, namely Alain Lipietz and Robert Boyer. Even though there are differences between these two writers they can be considered as formative and representative of one "school" (Kotz, 1990). In the remaining part of the paper we shall denote this narrow version as "regulation theory". The selection delimits the discussion from the internal theoretical mess within the regulation approach. We do not find this internal discussion irrelevant or sophistic but the purpose of this paper is rather to discuss some of the more basic theoretical and methodological problems in relation to the application of regulation theory (in the above narrow sense) on the Malaysian industrialisation process.

The two central concepts within regulation theory are the regime of accumulation and the mode of regulation (Lipietz, 1986). A **regime of accumulation** denotes a specific and stable allocation of the net product between consumption and accumulation so that circulation of capital at the aggregate level is ensured. According to Lipietz it is possible to formally represent a specific regime of accumulation in a coherent schema of reproduction thus demonstrating that aggregate production equals aggregate consumption under a given social allocation of resources.

However, this is only the necessary condition; there are no organising rules that entail individual capital and social agents within the system to behave in accordance with the structure and thereby support the sustainability of the regime. The actual existence of a regime of accumulation requires a specific **mode of regulation**. The mode of regulation constitutes a body of interiorised rules and social processes (norms, habits, laws, regulating network, etc.) that ensures the stability and dynamics of a regime of accumulation. Thus, a specific mode of regulation "fits" a specific regime of accumulation.

This is not yet another functionalist construction within the social sciences. The mode of regulation should not be perceived of as an invention geared to make the regime of accumulation work. Within the regulation approach it is stressed that the specific combination of a regime of accumulation and a mode of regulation is the outcome of social conflict. A stable combination of the two will condense under certain conditions and in certain periods where social relations are reproduced without crisis. At the same time, this means that obvious or hidden social contradictions embodied in the regime of accumulation, but previously apprehended within the mode of regulation, for one or the other reason, may materialise in social struggles and destabilise the regime of accumulation. This new round of struggles may under certain circumstances lead to a change in the pattern of social and economic reproduction of the system, i.e. the establishment of a new regime of accumulation and mode of regulation.

The regulation approach has primarily been applied to studies of the capitalist development process in the industrialised countries and has focused on the establishment of Fordism in the USA during the middle decades of the twentieth century and the transfer of this regime of accumulation to Western Europe, notably to France and the Federal Republic of Germany in the initial decades after the Second World War. The Fordist regime of accumulation is based on mass production of standardised goods for price competitive mass-markets. Semi-skilled labour makes up the major segment of the labour force. The corresponding mode of regulation is based on state-centred macro-economic regulation, public welfare programmes, and standardisation of conditions in the labour market, notably the link between wage increases and manufacturing productivity increases through collective bargaining processes

on the labour market.

The changing faces of capitalism in the major industrialised countries, starting in the mid-1970s and continuing in the 1980s, questioned the stability of the Fordist regime of accumulation. The discussion was spurred by a trend towards quality-competitive production for shifting and differentiated markets in combination with an increasing dichotomisation of the demand for labour into highly qualified and low skilled labour. Basic changes in the mode of regulation were also noted: less state intervention in the labour market left more room for flexible company management of employment and market relations as well as a reduction of public welfare expenditures. At the public policy level the change was visible in the conversion to "Reaganomics" in the USA, "Thatcherism" in the UK and the decline of social democratic parties in Northern Europe. The debate focused on these new traits in the accumulation process and asked whether they were so profound that they signalled the emergence of a new regime of accumulation (by some entitled post-Fordism) or alternatively, just a result of conjunctural trends within the old regime of accumulation. Other contributions, focusing on the same issue but from a non-marxist theoretical perspective, carried out the discussion in terms of a transition from "mass production" to "flexible specialisation" (see Harvey (1989) and Walker (1990) for reviews of the debate).

Lipietz (1986) has also applied the regulation approach to a categorisation of industrialisation models in developing countries. New terms are introduced such as "sub-Fordism", "bloody Taylorism" and "peripheral-Fordism" indicating the heavy theoretical ballast from the discussion centred on the industrialised countries. **Sub-Fordism** denotes a regime of accumulation in which Fordist methods of production have been unsuccessfully implanted with the objective to substitute imports of industrial goods. However, the importing social formation lacks the societal conditions for the maintenance of a sustainable Fordist regime in terms of qualified labour, competitive production (at the international market) and a sufficient internal market. An isolated acquisition of Fordist production methods without the adequate institutions for Fordist regulation is bound to fail.

Other social formations are dominated by industrial production characterised by fragmented and monotonous processes carried out by low qualified but highly disciplined (female) labour. This regime is described as **bloody Taylorism**. The existence of this regime is made possible by the technological development in Fordist regimes and realised by industrial fractions of capital that relocate labour-intensive parts of Fordist production in low wage-cost areas.

Lastly, **peripheral Fordism** denotes a sort of hybrid of the former two models; a regime in which a certain part of production, primarily durable consumer goods, is consumed within the domestic economy although the lion's share is exported to proper Fordist or post-Fordist - social formations. Local capital groups have increased their technological capability and successfully conquered control of both the more advanced segments of the relevant export industries and the import substituting industries, the latter stimulated by demand from a growing domestic middle class.

However, Lipietz's categorisation does not enrich the theoretical knowledge. The new terms are merely synonyms for well-established concepts such as import-substituting industrialisation and different phases of export-promoted industrialisation, viz. the establishment of labour-intensive production of consumer goods or components for export markets (primarily textiles, clothing and electronics) and the additional production of durable consumer goods (including cars) both for export markets and for the domestic market.

Amsden (1990) points out that the concepts lay the ground for misinterpretation of the development dynamics in the Third World. The industrialisation process, particularly in the East Asian high-growth economies, cannot be interpreted as a diffusion of industrialised-country capitalism. The industrial expansion in the region has to be conceptualised as a qualitatively new process based on a specific and complex interaction between state and market mechanism.

However, Amsden's criticism is directed towards the unsuccessful attempt to deduce the concept of Fordism on Third World industrial development rather than towards the basic concepts and relations within regulation theory. A more positive approach towards a theoretical and methodological development of regulation theory would not focus on whether it is possible to modulate the concept of Fordism to cover different place- and time-specific phases of capitalism. We think that there is a case for further elaboration of regulation theory and that this discourse has the potential to develop concepts and analytical procedures that are adequate for analysis of processes at a level between the structural logics of capitalism and the many different historical forms of capitalism.

In this perspective, Lipietz's tri-polar categorisation is rather disappointing as the introductory sections of his paper point to a framework for analysis that adopts an open attitude towards variations in the capitalist development process of developing countries. According to this view, an outline of the regime of accumulation is principally produced by internal class struggle and consolidated by forms of regulation sustained by the local state. Thus, the state is seen as the archetypal form of any regulation within a social formation. It is within this institutional form that periodic compromises between different and opposing social groups are entered, moulded and regulated, stifling endless struggles and ensuring a (periodic) crisis-free capital accumulation. The national social formation is proclaimed as the basic analytical starting point and not some all-embracing concept of global capitalism. External relations might play decisive roles in the dynamics of some existing regimes of accumulation but that does not imply that they were initially established for that purpose. In the way of a methodological conclusion, he states that:

*"Thus the goal is to study for itself each national social formation, to observe the succession of its regimes of accumulation and modes of regulation, to analyze its expansion, its crisis and the role therein of its external relations" (Lipietz, 1986, p. 21).*

Despite its very general content, this short statement opens up a much broader conceptualisation of the differentiated capitalist accumulation process in developing countries. At the same time it provides a starting point for methodological work related to analyses of different aspects within the development process. The next section discusses an attempt to outline a methodological framework.

### **Limiting Or Expanding Confusion?**

#### **Boyer's Framework For Institutional Analysis Of Growth Regimes**

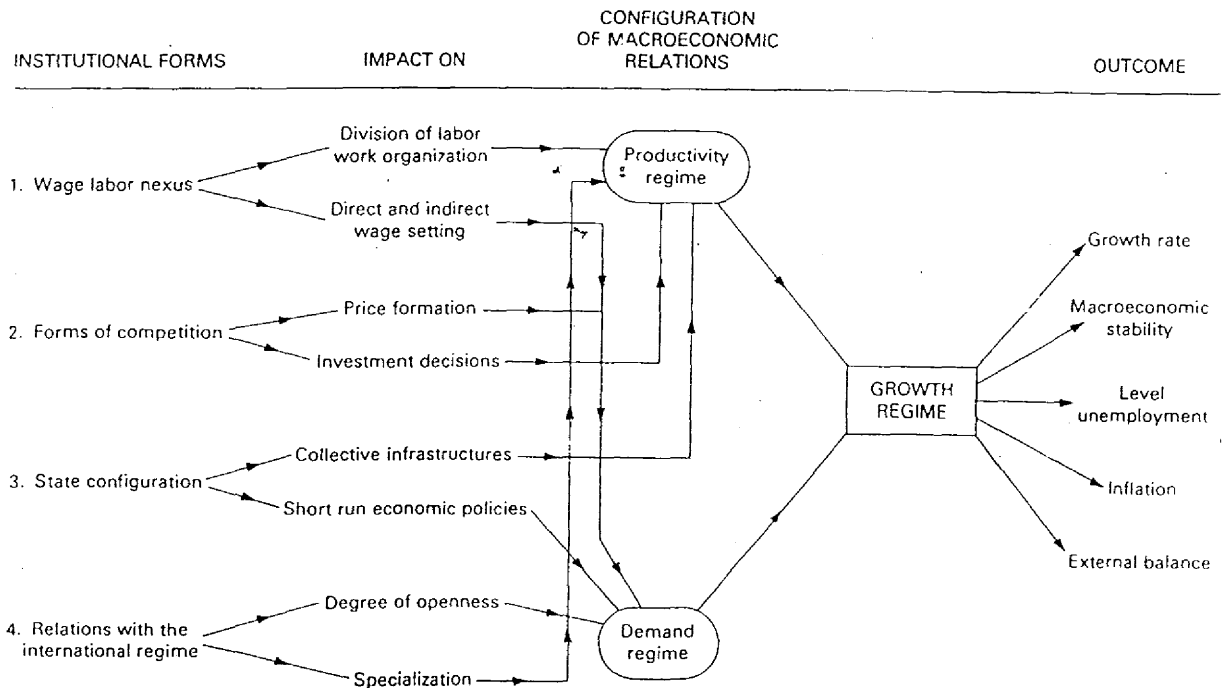
There is a large gap between the basic concepts of regulation theory (i.e. the regime of accumulation and the mode of regulation) and concrete research. The theoretical framework encompasses a number of different elements in the mode of regulation. Religious, legal and cultural norms and rules are materialised in different kinds of institutions and act in

combination with economic institutions to maintain and possibly expand the regime of accumulation. Viewed in this perspective the regulation approach is extremely complex in terms of concepts and relations, not to speak of the necessary methodological elaborations for empirical research.

Boyer (1993) has made an effort to outline a methodology for institutional analysis within the framework of regulation theory. The point of departure is the capitalist accumulation process, an uneven and contradictory process which he perceives as the driving force of capitalism. Boyer emphasizes the specificity of institutions and considers institutional differences to be of decisive importance for economic growth paths. A large part of his paper is made up by arguments against the neo-classical conception of institutions as mere neutral or in the worst case interfering structures in the market. Boyer, on the contrary, argues that institutions actually transform the inner economic mechanisms. It is therefore necessary to deal with specific local (in the national sense) institutions and not perceive them as exceptions to a general development model. As a consequence, the starting point for development theories should be at the local level before the contours of a general development theory can be diagnosed. Or in the language of economists: the institutional setting must be mapped out before any formalization.

He identifies four institutional forms that determine whether the inherent conflicts and disequilibria in capitalist accumulation are encapsulated. The institutional forms comprises the wage labour nexus, the forms of competition, the state configuration, and the relations with the international regime. The national economic system is moved into a state of sustained growth, a so-called growth regime, if the four institutional forms propel a productivity regime and a demand regime that *ex post* are coherent. The growth regime is characterized by being self-equilibrating with respect to internal dynamics as well as external shocks.

Figure 1. An Institutional Analysis of Growth Regimes: Basic Concepts of the *Regulation* Approach



As such, the model is a methodological direction to a study of the mode of regulation as it points towards four institutional forms that influence the allocation of the net product between consumption and accumulation, i.e. the regime of accumulation. As it appears on figure 1, each of the institutional forms exerts an influence on both the productivity regime and the demand regime via its impact on certain sub-categories but-unfortunately, the theoretical position and status of these sub-categories are not revealed in the paper. The sub-categories are grouped in pairs, each linked to either the productivity regime or the demand regime.

However, there are a number of uncertainties in the model, primarily in relation to the rudimentary explanation of the substance of the four institutional forms, their mutual relationship and their impact on the sub-categories belonging to each of them. Firstly, it is not clarified or explained why these four institutional forms are supposed to include all important institutions and, even if the evident economic perspective is accepted, one lacks an explanation of the logical deduction leading to just these forms as well as a specification of their content, i.e. a discussion of what kind of institutions we are going to study.

This criticism can also be levelled against the sub-categories; are they thoroughly covering the main institutional forms and how and why are they influencing the productivity regime and the demand regime? The relationship between the main institutional forms and the two regimes - mediated via sub-categories - are discussed in a rather sloppy manner. Some of the relationships are commented, others are not mentioned at all. One obvious flaw is the missing discussion of the relationship between the sub-category "direct and indirect wage setting" and the demand regime. The link is intuitively straightforward but not the less is one of the main arguments in the remaining part of the paper that wage-setting institutions have been of crucial importance for long term technological and organizational innovations and therefore heavily influenced the division of labour and the work organization, i.e. the productivity regime. Furthermore, a subsequent section on the long term changes of the major institutional forms in France is included to illuminate the application of the basic methodological framework but - O horror unspeakable! - new sub-categories are introduced in a comprehensive table without any comments (Boyer, 1993, p. 40).

The last point of criticism, which we shall elaborate in more details below, is concerned with the question of how the four institutional forms are mutually interlinked. Are they of equal importance, do they have to "fit" in a certain manner in order to create a specific growth regime or can a possible "key" institutional form ensure a coherence between the productivity regime and the demand regime? According to an isolated remark, regulation theory "*stresses the structural compatibility of the major institutional forms*" (Boyer, 1993, p.46), but the analytical consequences are not specified. On the contrary, the implicit answer to these questions seems to confirm the existence of a "key" institutional form, viz. the wage labour nexus. Based on empirical evidence from Western European countries and the USA, labour institutions are emphasised as being key components of the post WWII Fordist growth regime.

We shall not deal with this issue. However, as it was pointed out above, the identification of key institutional forms in Fordism and subsequent modification and application of these on developing countries - of all kinds - is beside the point. If the objective is to generate a subtle and comprehensive regulation theory it is necessary to outline more distinctive forms of institutions that could be made subjects of systematical investigations, singled out for special attention or assigned to a position of less importance. An open attitude towards the

existence of other key institutional forms or combinations thereof might unveil new theoretical insights and progress in terms of methodological specifications. Thus, there is a contradiction between on the one hand, Boyer's proposition to investigate, as a starting point, the local institutions and their impact on the growth regime and on the other hand, his *a priori* determination of the wage labour nexus as the key institutional form.

In the remaining part of this paper we will illustrate this argument through a discussion of key characteristics of labour institutions in Malaysia.

### **The wage labour nexus in Malaysia: static efficiency vs. dynamic flexibility**

Boyer defines the wage labour nexus in this way:

*'the wage labour nexus describes the configuration associated to a given state of division of labour, as well as income distribution...Each stage in the history of the division of labour is associated with definite factors of productivity increases, which combine in various proportions the impact of specialization, learning by doing, design of equipment, the size of minimum efficiency scale' (Boyer, 1993, p. 36).*

Boyer summarises his discussion on variations of the wage-labour nexus by identifying two broad concepts. The first one is based on low wage and external defensive flexibility towards unexpected disturbances; in this case, a fair performance might be achieved in the short run, but at the expense of rising social inequality and barriers to long-term organisational and technical change.

In the second one, savings on labour cost is replaced by the capture of key innovations and employment of polyvalent workers in a regime of internal offensive flexibility towards surviving international competition; this approach might involve short-run rigidities, but creates pressures for long-run innovation, rising wages and social peace (Boyer 1993, 65).

In a parallel approach, Guy Standing discusses the choice between static flexibility versus dynamic efficiency in labour market policy-making in Malaysia. Based upon a study on the flexibility of the Malaysian labour market conducted in 1988, in which a series of company interviews was conducted, he observes, that the Malaysian labour market displays minimum regulation to counter efforts of the companies to achieve a high external flexibility:

*'faced with uncertainty and the need for labour flexibility, enterprises in Malaysia and elsewhere respond by trying to by-pass (not evade) such regulations as well as social security contributions and other institutional "rigidities" such as collective agreements. Firms find ways of containing wage and non-wage labour costs, while regulations and "rigidities" act not so much on the level of employment as on the nature of employment' (Standing 1991, p.227).*

After elaborating on the various ways to create casual forms of employment, Standing emphasises the social implications of these trends:

*'...the most disadvantaged groups tend to be crowded into more precarious forms of employment. It would in nobody's interest for industrial fragmentation to undermine the considerable social achievements of the past two decades (Standing 1991, p.205).*



Standing rejects wage-cutting as a measure to maintain competitiveness on the world market and defines the developmental challenge for Malaysia as a definite departure from static flexibility:

*'A basic issue for Malaysia in the post-NEP era will be the awkward transition from an economy geared to exports based on low-cost, semi-skilled labour to one based on dynamic efficiency and technical skills' (Standing 1991, 234).*

In his paper, which was originally presented at the annual conference of the Malaysian Economic Association in Kuala Lumpur, Standing goes to great lengths to argue important advantages of employment security regulations in terms of increase in productivity, lower turn-over, higher work flexibility.

### **Malaysia's competitive labour market**

The comments made by the opponent to Standing's paper at the conference was not very receptive to these suggestions. On the contrary, the Malaysian opponent seems to assume the advantage of a highly competitive labour market:

*'If the proportions are small [casual, temporary and contract workers], even though they may be increasing particularly during a recessionary period, one wonders if it is worth the additional costs needed to monitor this problem or to enforce additional labour legislations designed specifically for such categories of workers' (Commentary by Lee Kiong Hock, in: Standing 1991, 240).*

It is widely recognised that the bottleneck, which is most crucial in order to sustain high economic growth in Malaysia, concerns the undersupply of skilled workers, technicians and engineers in the manufacturing sector. In the competition for foreign investment, it is vital that Malaysia is able to move up in terms of providing manpower for the operation of sophisticated manufacturing technology, as simple, labour-intensive production is shifted to Thailand, Indonesia, Vietnam and China.

However, the combined effort of public educational institutions, private training courses, and skills upgrading centres organised by subsidiaries of transnational companies in Malaysia falls short of fulfilling the needs for skilled staff. The in-house training, that major companies undertake, are hampered by extensive job-hopping in a close to full employment situation.

Thus, for transnational companies depending on rapid model change towards higher-end products for export, training is a perpetual effort at sharply rising cost. Other companies, including Malaysian owned medium scaled companies, experience negative incentives in a highly competitive labour market with regard to skills development, as argued by Boyer:

*'If...the labour contract is essentially a spot transaction or, at least is of short duration, firms will underinvest in the specific skills of workers, and will prefer layoff to internal flexibility, employment reduction to product innovation' (Boyer 1993, 56).*

In a recent study on NICs in Latin America and Asia, in which Boyer compares macro-economic indicators of the two regions, his findings support the argument about the counterproductive nature of such labour relations in a situation similar to the Malaysian case,

as Boyer's conclusion...

*'...totally challenges the conventional view according to which export-led growth supposes strictly competitive wages. This might have been the case in the early phase of the process, but it is no longer an efficient strategy when the economy is hitting a full employment barrier and/or rising social demands for economic and political rights' (Boyer 1994, p.82).*

However, the Malaysian government is definitely not flexible on this point. Checking wage increases is a principal policy concern in order to fight back inflationary pressures and maintain labour cost as a key incentive for foreign investment. This stand is distinctively clear in Malaysia's rejection of the introduction of a social clause in international trade agreements, as expressed by the Prime Minister:

*'The proposal for a worldwide minimum wage is one blatant example [of proposing to eliminate the competitiveness of the East Asian economies]. They know very well that this is the sole comparative advantage of the developing countries' (Dr. Mahathir Mohamad's speech at 'The 1994 China Summit Meeting' in Beijing 11/5/94, New Straits Times 12/5/94, 14).*

Nominal wages are rising in Malaysia. The tri-annual renewal of collective agreements in manufacturing may include upward pay revisions of 9-10 per cent. Major unorganised foreign owned companies offer increments up to three times a year and two months pay or more in annual bonus as part of their pay package, which may also include medical benefits for family member and loan facilities.

While the government claims that the wage trend is overtaking the rate of growth in productivity, the trade union movement retorts that the pay rise is a matter of catching up with earlier losses of purchasing power, while at the same time matching the soaring rate of inflation, which recently passed the four per cent mark.

Employers have launched and relaunched the concept of flexi-wage on several occasions with government backing. Flexi-wage ties wage levels to up- and downward trends in company performance. Unions have stiffly opposed the idea; they have also faced quite reluctant employers when enquiring about detailed financial information as the baseline for such wage-setting in the individual company. The counterdemands of the union movement are a national minimum wage by legal enactment, which is flatly rejected by the government, and shorter collective agreements.

The use of foreign labour is the principal measure of the government to maintain a competitive labour market. An estimated more than one million Indonesian workers are present in Malaysia, first of all in the construction sector. They are replacing Malaysian labour in the plantations, and are more recently - together with newly arrived workers from Bangladesh, Thailand and East Malaysia - filling vacancies in the manufacturing sector. Labour contractors provide this workforce on two-year contracts - a most welcome supply with employers, who have to cope with exorbitant turnover rates.

Unions and other critics questions the rationale of employing foreign workers in a production, which takes a heavy toll on the environment and the infrastructure, exports most of its product, leaves little impact in terms of linkages and technological capacity, and eventually might cause serious social problems.

The reverse strategy, as suggested by the Singaporean experience, of deliberately raising

wages to provide a strong incentive to upgrade to capital-intensive technologies, is not at all on the agenda. Employers are in now way discouraged from attempting to exhaust all available labour by recruiting handicapped workers, prisoners and in some cases by putting out simple assembly to households in rural areas.

### **Malaysia going high-tech: computer-assisted Taylorism**

In Amsden's argument, that an industrialization process based on borrowing technology is entirely different from one based on the generation of new products or processes, she identifies one main characteristic in the work organisation, i.e. the continuous troubleshooting exercised by all workers on the production lines:

*'the shop floor tends to be the strategic focus of firms that compete on the basis of making borrowed technology work...where the achievement of incremental, yet cumulative, improvements in productivity and product specification occur, and therefore enhance competitiveness' (Amsden 1990, 17f).*

Methods of quality control and problem solving exercised in small group activities extract higher productivity from workers within an limited agenda of employee participation focused on individualised labour-management relations, that sidetracks or makes obsolete any trade union representation.

The incremental accumulation of troubleshooting develops operational capabilities only. However, in the Malaysian case, even this type of experience barely contributes to the development of a national technological capacity. There are very few Malaysian industrial capitalists who can borrow foreign technology in first place. Advanced technologies are present in Malaysia due to direct investments of foreign transnationals. The example of the largest Japanese investor in Malaysia, Matsushita, shows that operational experience is relayed back to headquarters in Japan, who maintain control of the core technologies (Wangel 1993).

Matsushita has located its Airconditioner world production centre in Malaysia. While operational capability is being perfected in Malaysia, basic innovation and design remain at headquarters in Japan. Development and supply of machinery is strictly Japanese domain; development of the product itself is also primarily the responsibility of headquarters. However, the adaptation to various customer preferences is partly the task of the Malaysian operation.

The developments in the Matsushita Airconditioner plant are part of a broader trend. The earlier phase of import-substitution did not require advanced machinery to produce goods targeted at the domestic market only. However, the inflow of direct investment following the Yen appreciation after 1985 with the objective of relocating an export base needs production facilities that can manufacture quality products to the level of international competition. These new operations are equipped with automatic and robot controlled, high-tech inspection machines and import qualified parts from Japan and NICs, in order to immediately fill the - gap in terms of technological level between the Japanese and local factories.

Yamashita points out, that this gap between the Japanese requirements and the Malaysian technicians make these operations 'inactive in transferring higher technology'. A 'black box'

of production technology is created, as the gap is filled by automated and computer-controlled machines, which are not matched with an upskilling of the workforce, because that is considered to be a too lengthy exercise. This knowledge then remains inaccessible to Malaysian technicians. These Japanese subsidiaries become strong exporters of high-tech products, but rely on imported components, automatic assembly equipment and Japanese-style management (Yamashita 1991, 19).

Preliminary evidence from the electronics industry, including the disk drive manufacturers who have recently shifted from Singapore to Malaysia, seems to indicate that advanced technologies are applied selectively in the production process. The number of production operators going for training at the main site of transnational companies is relatively small compared to the total workforce in these plants, which are considered 'high-tech'. Rather than flexible specialisation, the work organisation is characterised by computer-assisted Taylorism. Automation is introduced in certain areas of the assembly line to speed up the flow, avoid bottlenecks and to enhance product quality; e.g. test functions are supported by a computerised diagnostic system, which suggests corrective procedures to the production operator. Also materials handling and output performance are made transparent by a computerised information system in order to instantaneously adjust pressure for effort according to fixed production targets.

In policy-making, the particular skills requirements of the foreign owned manufacturing sector is considered an independent variable, which the educational profile of the Malaysian workforce should match. Guy Standing considers this kind of passive response to e.g. change of product models another shortcoming in the labour market policies:

*'Too often, a perceived shortage of skilled labour is presumed to mean that the appropriate policy is more schooling or training. It is conceivable that a more appropriate and cost-effective approach would be a policy to alter job structures rather than the attributes of people required to fill them. It is technologically deterministic to focus exclusively on training' (Standing 1991, 215).*

## Labour and growth regime

The Malaysian case is an excellent illustration of Amsden's observation, originally made for Korea:

*'While Fordist theorists seem to view growth through higher productivity, and growth through harder work, as independent regimes of accumulation - characterizing different groups of workers or different time periods - it is the case that in Korea the two forms of profit making [relative and absolute surplus-value extraction] operate side by side, and characterize the same group of workers simultaneously' (Amsden 1990, 14).*

The regime seems to be betting on all horses at the same time. What is distinct for the Malaysian case is an effort to defy the conventional Western wisdom in economic development as well as other matters, against which the Prime Minister not only is a

provocative spokesman of the South, but also one who suspects quite sinister motives:

*'they will colonise again if given the opportunity...the colonisation methods include instigation by their trade union leaders and wild accusations by their media' (Dr. Mahathir Mohamad's Hari Raya message over RTM 13/3/94, The Star 14/3/94, 2).*

The Prime Minister is rumoured to aim for 10 per cent growth and zero per cent inflation annually. Recently, he publicly topped the current campaign against inflation, which involves reduction of import duties, more controlled consumer items, and fair price shops, with an invitation to economists to consider a proposal for minus inflation, whereby prices are rolled back, for example, with a 10 per cent all around reduction with no change in exchange rates:

*'If indeed it is doable, what a powerful weapon it would be for this nation. So, before you dismiss it as another of the Prime Minister's fantasies, why not light up your computer screens and fantasise with him' (Dr. Mahathir Mohamad's speech at the annual dinner of financial institutions 7/9/94, New Straits Times 8/9/94, 1; 12-13).*

Such an approach further indicates that a proper analysis of the Malaysian case not only has to go beyond the models of the wage-labour nexus offered by the Regulation approach; it has to adopt a much wider perspective covering institutional forms other than those of the wage-labour nexus.

Earlier analyses of the dynamics of capitalist development in Malaysia, none of which have adopted a Regulationist approach, focus primarily on class and ethnicity as reflected in the state, the distribution of resources, in the business sector and its relations to the state, and in the overall development model relying on foreign investments for export. As such, these studies reveal important institutional forms in the social formation of Malaysia.

In this section, we will summarize these perspectives as an agenda for further discussion and research within a forthcoming Regulationist interpretation.

A common observation concerns the irregularities of the structure of the Malaysian economy as compared to Western patterns of capitalist development. The most distinct term was put forward by Yoshihara Kunio in his study on Malaysia:

*'What is ersatz about South-East Asian capitalism derives from the fact that the development of South-East Asian capital has been largely confined to the tertiary sector' (Yoshihara Kunio 1988, 3).*

Lack of export capability and the fact that Malaysian owned industries act as agents of foreign manufacturers, depend foreign technology and fail to compete on the international market, makes them 'comprador capitalists'. Yoshihara Kunio also explores the rent-seeking nature of the national bourgeoisie, which involves protection from foreign competition, licenses, monopoly rights and government subsidies.

The definite departure from laissez-faire policies following the racial riots in 1969 gave rise to a substantive body of research on the new state elite, the settlement between the ethnic communities, and the policy instruments adopted. Concepts on state autonomy and bureaucratic bourgeoisie was widely discussed (see Wangel 1991).

Studies on the foundations of the New Economic Policy (NEP) and the competing approaches (Faaland & Parkinson 1990) as well as efforts to explain the class nature and ethnic dimensions (Jomo, 1986; Bowie, 1991; Jesudason, 1989) was followed by more specific evaluations of the impact of NEP on the socio-economic structure and discussions on the revisions made in its successor in 1991, the New Development Policy (NDP).

A detailed and revealing account of rent-seeking in the exchanges between the corporate sector and the political system, termed 'money politics' was made (Gomez 1994), and the closely related problems in creating a significant Malay entrepreneurial segment highlighted (see Wangel 1991).

The recession in the mid-1980s prompted a challenge to the overall development model; one was explicitly inspired by the dependency paradigm (Khor Kok Peng, 1987). The 'Look East' policy was the subject of a similar discussion on modernisation patterns, however thorough analyses of the cultural dimensions of social change in Malaysia was absent, as pointed out recently (Loh Kok Wah & Kahn 1992).

## Conclusion

In the research project, our immediate objective will be to review, synthesise and reinterpret this extensive body of research with the objective of identifying institutional forms originating first of all from the ethnic configuration of Malaysian society. One key focus will be the significance of the authoritarian nature of the state in the configuration of accumulation regime and mode of regulation. In political terms, the Prime Minister offers this rationale of an authoritarian state, once more put forward as part of his polemic against Western societies:

*'No one really wants authoritarian rule. But democratic anarchy and poverty, brought about by the inability of the free market system to function, create the conditions for opportunists with ambition to seize power and rule by fiat. In East Asia we believe in democracy and we are anxious to practise it. But we also believe in strong stable governments that are not easily pressured' (Dr. Mahathir Mohamad's speech at 'The 1994 China Summit Meeting' in Beijing 11/5/94, New Straits Times 12/5/94, 14).*

If Malaysia is not to develop labour institutions in the form, which has proven conducive to dynamic flexibility, as claimed by Boyer and Standing, then, on what basis can a 'social contract' be sustained? How can social order be maintained in a society experiencing growing inequalities and rapid socio-economic and cultural transformations.

Nelson observes that states in most developing countries are unable to procure the amount of financial resources needed to establish employment benefits and other social benefits, as they are found in Western welfare states. Likewise, the trade union movement is seldom prepared to play its part in labour market policies of a corporatist nature.

Thus, Nelson - concerned with measures to promote long-term non-antagonistic relations between the major social actors - suggests alternatives with similar effects, although he is not very specific:

*'...both institutional arrangements and policy outcomes must build up confidence that the benefits of economic reform and recovery will be widely shared. The modest measures likely to be feasible to increase equity in the 1990s - more progressive taxation (or simply the enforcement of taxes on the books) and reorientation of social services to better serve the working class and the poor - will not eliminate conflict over which groups bear the costs of adjustment. But such modest measures might reduce anger and distrust and improve the chances for constructive dialogue and bargaining' (Nelson 1991, 54).*

As a heuristic procedure, we will too try to identify 'functional equivalents' aimed at establishing a long-term 'social contract' between the major interest groups, i.e. the development of institutional forms in Malaysia with regard to distribution of resources and welfare services, in economic terms as well as ideologically.

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