Industrial Relations in Malaysia Multinational Preferences and State Concessions in Dependent Development: A Case Study of the Electronics Industry

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Industrial Relations in Malaysia –
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The Malaysian economy has been highly dependent on Japanese
and American inward investment to further its export-oriented
industrialization strategy. At the outset of this strategy the state
effectively banned unionization in the electronics sector as an
explicitly stated strategy to attract inward investors. The article
explores state and multinational anti-union strategies in the
electronics sector at macro- and organizational levels. It is argued
that while opportunities for trade unionism are affected by domestic
and international political environments which can exert pressure on
states to adopt particular policies, multinationals are subject to
fewer constraints. This can give rise to state concessions to trade
unions which are not only undermined by multinational capital but
can bring the state and multinationals into public conflict. Using the
electronics sector as a case in point this article explores the
underlying dynamics of Malaysian state policies towards trade
unions within the paradigm of dependent development. Second, the
article explores micro-level multinational strategies in union
avoidance where state-level strategies have been felt to be
weakened. The article concludes by arguing that the debate on
social clauses and trade needs to target the first world as well as the
third, and until this occurs future prospects for trade unionism in the
electronics sector are slim, irrespective of the needs and desires of
the Malaysian state and its labour movement.

Introduction

The literature on the issue of unionization of the Malaysian elec-
tronics sector has mainly focused on the Malaysian state’s
opposition to unionization as policy dictated by the needs of
dependent development (Grace, 1990; Kuruvilla, 1995; Arudsothy,
1994). It is generally argued that the state allowed unionization of
the electronics sector in the late 1980s as a result of international

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pressure but in particular the action of US labour organizations which aimed to link Malaysia’s generalized system of preferences (GSP) status with human rights violations. Such analysis, however, has neglected consideration of internal political factors that led to the Malaysian state assuming the role of union sponsor and the consequent conflict between it and multinational capital. Such a case is relevant insofar as it enables an assessment of the dependency school assumptions – namely, the outcome of South-East Asian states’ subjugation to domestic or multinational capital is state suppression of independent trade unionism and authoritarian regimes (Deyo, 1989; Arudsothy, 1990). It is argued that these assumptions have wrongly underpinned the analysis of state–union relations in the Malaysian electronics sector by underlaying internal political explanations of the policy change in favour of external international pressure by the metropolitan state. It is the contention of this article that partial regime opening in the period between the mid-1980s and 1990 (Case, 1993) provided a ‘window of opportunity’ or a ‘critical historical juncture’ (Collier and Collier, 1991) over the issue of the unionization. While the primacy of international economic pressure in changing state policy towards unionization is not disputed, the article argues that the Malaysian state’s policy response to such pressure can only be understood in the context of addressing a ‘crisis of legitimacy’ which threatened to break the post-independence hegemony of the ruling alliance and was thus aimed at an internal as well as external audience. Retraction of state concessions over the unionization issue and subsequent ‘regime closure’ (Valenzuela, 1992) resulting in a lost opportunity to change the sectoral landscape of industrial relations in electronics was a result of first world multinational action with home state support. The article concludes by arguing that it is not just the (intrinsic?) authoritarianism of South-East Asian states that gives rise to union repression but their lack of power in the global political economy, and despite domestic political imperatives to the contrary political elites can become powerless spectators and actors to union-busting activities rather than active participants or supportive partners as assumed in much of the literature. The manner in which this powerlessness has been packaged for internal Malaysian consumption is via the state-led discourse on Asian values, patriotism and nationalism to ensure continued regime legitimacy and suppression of opposition. This discourse, however, is an outcome of dependency and like the past is an attempt at author-
itarianism driven by the hegemony of the first world order, but new insofar as authoritarian legitimacy is sought on the terrain of culture, identity and nationalism in addition to economic development and growth.

Theoretical Positions – Dependency and Relative Autonomy

Use of power as a legitimate variable in pursuit of self-interest has been extended to the analysis of multinational corporation (MNC) and host country relationships. While authors in this school argue that the use of such power is acceptable only insofar as it does not lead to unethical or illegal behaviour (Aldehyde et al., 1991), radical writers rooted in the dependency paradigm point to the significant imbalance of power in favour of MNCs in developing countries and explicitly point to labour and political oppression as the outcome. In their view, dependent states, in their drive for industrialization and development, implement policies which advance the interests of foreign capital to the detriment of local interests. These states may be pressured by MNCs or their home states. The latter may attempt to support the interests of their MNCs via aid, technology agreements and other measures to ensure a favourable investment climate. The result is the impediment of local development and democracy while supporting the development in the core at the expense of the periphery (Alatas, 1993; Southall, 1988).

In terms of South-East Asian labour the outcome is argued to be bureaucratic authoritarian states, which unencumbered with political competition at best limit freedom of association and bargaining to ensure labour subordination and expropriation (Deyo, 1980, 1989). This is assumed to be particularly, though not necessarily only, the case where a country pursues multinational-driven simple export-oriented industrialization (EOI) based upon low skill, low value added, low cost labour (Bjorkman et al., 1988). While there are a number of strategies a state can utilize to control labour (see Valenzuela, 1992), in dependent development state attempts to sponsor and incorporate the labour movement to create a cooperative and populist movement accepted by workers requires concessions to labour. In the case of simple EOI based on low labour costs such an approach may be unstable. The state may thus become labour repressive by incorporating the labour movement and utilizing them as a means of controlling autonomous action by
unions and employees, as in Mexico, South Korea, Taiwan and Singapore. However, such a policy requires a context where state and labour relationships are deemed to be historically and currently important for political control as a result of geopolitical considerations (for instance, Taiwan and South Korea) or party–trade union links (for example, Mexico or Singapore). From the perspective of independent labour this could be labelled ‘failed corporatism’. However, where there are fissures between political parties and the labour movement the state may pursue a policy of control based on fragmentation and decentralization. Attempts to weaken the union movement by exposing it to ‘market mechanisms’ are strengthened by constraining and limiting its ability to organize and mobilize via restrictive legislation, such as outlawing strikes, introducing state-controlled compulsory arbitration, minimal support for union organizing. The aim of such fragmentation is not only to prevent the labour movement from exerting economic pressure but also to prevent it from becoming a platform for political opposition to the regime (Valenzuela, 1992).

While these approaches can be criticized for operating at too high a level of abstraction and analysis, some industrial relations writers in the dependency paradigm develop their analysis by recognizing that economies have a mix of industrial sectors resulting in differential industrial relations approaches and state policies. Dependent states may develop state-led ventures in import substitution or advanced EOI (high value added, high skill, high wage development) (Petras and Engbarth, 1988) giving rise to the development of primary and secondary jobs and labour market duality. The creation of a ‘labour aristocracy’ in capital-intensive industries reduces the likelihood of political opposition by labour and enhances nationalist support (Deyo, 1980) by incorporating it into the material and political fabric of the nation. Power based substantive bargaining with normative incentives, particularly in relation to nationalism and national security, is more likely to be used to reduce labour protest than in labour-intensive industries. In the latter, government imposes strict wage control and restricts the freedom of unions to bargain or engage in collective action, to maintain competitive labour costs and attract foreign investment (Harrod, 1988).

However, such approaches can be criticized on the charge of economic determinism, particularly in societies with electoral competition, which has the potential to break or weaken the controlling
political elite. Those that view the state as an ‘arena for interest group and class-coalitional conflict’ argue that the changing balance of power results in policy changes which are ‘dynamic’ and reflect the relative balance of internal and external power (Smith, 1993), and more specifically the tensions and contradictions inherent between capitalism and political competition. In the context of democratic political systems the state will have survival interests which in part conflict with capital or indeed labour, and thus state accommodations may be renegotiated and refashioned according to a political state interest. Thus analysis of conflict even in the dependent state may require a multidisciplinary analysis rooted in international political economy and internal class and ethnic structures (Alatas, 1993). The fact that dependent economies have a mix of sectors, ownership, types of labour and capital, as well as a mix of predatory and development elements (Evans, 1995) against a backcloth of the need in many cases to ensure regime legitimacy and political supremacy, results in complexity, ambiguity and uncertainty, even in the least democratic of democratic states. In the context of dependent development, to argue that industrial relations policies at national or sectoral level reflect economic imperatives ignores not only that such states have political agendas but also that they may have power resources that they can utilize towards these ends. It may be mistaken to unambiguously assume that dependent states are necessarily fully captive to MNCs, for they can command economic and political resources which while favourable to foreign capital can be withdrawn from individual companies (Aldaeaj et al., 1991), particularly when resources by the MNC have been committed. Collective withdrawal is also possible where agglomeration occurs and the dependent state acquires a form of monopoly via well-developed industrial linkages and infrastructures or in other non-substitutable ‘factor endowments’, rather than simply low wage costs, as in Singapore’s high wage policy to encourage automation or relocation of labour-intensive and low value added industries (Ho, 1995).

Malaysia has been described as one of the most democratic of South-East Asian countries until recent years (Jesudason, 1996), while its labour movement has remained largely independent of the state and employers (Jomo and Todd, 1994). Nonetheless, the economy and the EOI strategy have been and remain heavily reliant on the low value, low skill, low cost elements of the new international division of labour and the global production strategies
of American and Japanese multinationals, though there are indications this may be changing in the Malaysian electronic component sector (O’Connor, 1993; Henderson, 1994). These, perhaps unique, circumstances provide a good basis on which to assess the dependency vs autonomy argument and the extent to which dependent development deterministically affects unionization. I present a brief outline of the political economy of Malaysia, which provides a necessary backdrop for appreciating the circumstances of the Malaysian labour movement and identifying Malaysia’s degree of dependency. The section below outlines the issue of unionization of the electronics sector and explores the triadic dynamic and contradictions and conflicts between (and within) the state, labour and multinational capital.

The Political Economy of Malaysia

Trade Unions and the State

The country comprises three ethnic groupings, Malays (61 percent), Chinese (30 percent) and Indians (9 percent), which are largely represented by ethnically based political parties. Attempts by oppositional parties to transcend ethnic mobilization have failed because of the primacy of ethnicity in the economic, social and cultural spheres dating from British rule and consolidated by the post-independence elite accommodations between the coalition parties – United Malays National Organization (UMNO), the Malaysian Chinese Association (MCA) and the Malaysian Indian Congress (MIC) and in recent years by the state-controlled media together with the politics of patronage (Jesudason, 1996; Boullanger, 1993). Historically, the trade union movement has been unable to operate in the political domain without potentially compromising the fundamental class-based organizational principles of trade unionism and unable to develop a long-term ideological political partner owing to the communally based polity. Legislation passed by the British to break communist and militant trade unions in the ‘Malayan Emergency’ and regulations to ensure a ‘moderate and responsible’ union movement formed the basis of initial post-independence industrial relations legislation. Subsequently, these and additional powers vested in state officials have been used to fragment the union movement by interpreting legislation in the
most limited and restrictive manner (Arudsothy, 1990), while minimizing labour potential for forming or contributing to political opposition.

The ‘race riots’ of 1969 led to an attempt to redress the association of ethnicity with economy via the New Economic Policy (NEP) (Bowie, 1994; Comber, 1983). Thus while electronics-based industrialization has been highly sought after by developing states (Henderson, 1994) it was particularly attractive to the Malaysian government because of three factors relating to the political economy of the country. First, it provided non-domestic and in particular non-Chinese capital (Means, 1991), and was thereby able to effect economic growth and employment without enhancing the power position of non-Malays or redistributing wealth from them. Second, while electronics was seen as a growth industry and a good basis for EOI, it was sufficiently labour intensive to attract a large number of Malays into the urban wage economy (Grace, 1990), thus enhancing Malay income. Third, large-scale improvement in the economic position of the Malays was a requisite to political stability and thus the retention of UMNO political control and hegemony.

The ‘success’ of electronics-based EOI is evidenced in the fact that while exports account for 61 percent of GNP (Kuruvilla and Arudsothy, 1994), in 1995 manufacturing goods accounted for 76.7 percent of all Malaysia’s exports. More significantly, just two sectors accounted for 70.2 percent of manufactured exports, with electrical and electronic goods and electrical machinery, appliances and parts accounting for 50.3 percent and 16.9 percent respectively, making its EOI highly dependent on MNCs. Despite significant amounts of Japanese inward investment in consumer electronics, American investments made Malaysia the largest exporter of semiconductors in the world and the third largest producer, 14 US semiconductor firms accounted for 21.1 percent of manufactured exports and employed 31.5 percent of the estimated 130,000 electronics employees in 1990 (Malaysian–American Electronics Industries Annual Report, 1992–3).

A further consequence of the ‘success’ of electronics-based industrialization and the NEP is a growth of the Malay working class (Jomo and Todd, 1994) and accompanying changes in the ethnic composition of trade union membership, such that while Malays accounted for 16 percent of trade union members and 35 percent of wage workers in 1957 (Wadd, 1988), by 1988 they
comprised 59 percent of trade union members and 54 percent of wage workers (Malaysian Ministry of Human Resources, 1987–8). The parallel emergence of a Malay business class giving rise to a potential threat to intraethnic Malay unity, has further contributed to the creation of a new dynamic in the political economy of Malaysia. These factors have largely underpinned explanations of state encouragement and sponsorship of ‘in-house’ unions (Wadd, 1988), a ‘look east’ policy and the promulgation of ‘Asian values’. Such a trade union structure fits with the ideology of enterprise consciousness driven by broader agendas of nation building and Malay economic advancement while separating the new Malay working class from the established union movement (Yun, 1990; Wadd, 1988; Wadd and Jomo, 1994). This policy has been accompanied by the development and attempted maintenance of good relations with the unions in the Malay-dominated public sector, marginalization and attack on many private sector unions and some of their leaders together with sponsorship of a moderate alternative private sector trade union centre – the Malaysian Labour Organization (MLO) – in 1989.

Labour and Dependent Development

However, it is generally accepted that to allay the apprehension among US electronics firms over the adverse effects of industrial strife in their assembly operations and thus to attract investments in this industry, the Malaysian government offered a ‘union-free’ environment. Rather than outlawing unions in the sector, non-unionism was to be achieved by protecting ‘pioneer industries’ against demands that were stronger than basic statutory rights, and by granting the minister of labour powers to outlaw recognition disputes and to impose other restrictions on the labour movement. These included powers to define the scope of trade union membership, to withhold registration on grounds of current or potential incompatibility with trade union legislation and to affirm the suitability of trade union officers to hold office, including a provision that they have three years’ experience in the relevant industry. Provisions to accommodate MNCs’ preferences regarding trade unions, despite implications to the contrary, have followed and supplemented, rather than broken with a historical pattern of the post-independent Malay state (Arudsothy, 1988; Jomo and Todd,
1994) which has aimed to weaken unions as political players and bargaining agents to the maximum extent, rather than eliminate them.

**Trade Unionism and the Electronics Sector**

However, in the context of increasing concern over the deindustrialization of the West, accusations of human rights abuses led between 1988 and 1993 to American labour organizations pressurizing the US state to review Malaysia's generalized system of preferences (GSP) status, which enabled exports to receive favourable tax treatment. It is generally agreed that the Malaysian government conceded unionization of the electronics sector as a result of the 1988 threat, while the subsequent threats have ensured that the concessions remain. While such action was not unprecedented – GSP status was withdrawn from Taiwan in the mid-1980s as a result of US protectionism and the successful American Federation of Labor and the Congress of Industrial Organizations' (AFL-CIO) lobby to link such aid with violation of workers’ rights (Bello and Rosenfeld, 1992) – withdrawal of Malaysia’s GSP status would have been contrary to self-interested protectionist US state action for two reasons. First, US semiconductor producers in Malaysia were prime beneficiaries of GSP status insofar as they exported 36 percent of their chips to America. Second, the late 1980s saw the formation of the US government-sponsored SEMATECH (semiconductor manufacturing technology) – a consortium of the leading US semiconductor manufacturers – as a result of state concern over the ability of its national electronics industry to survive the Japanese threat and thus ensure the military and economic security of the USA. Among the strategies to achieve a US ‘world leadership manufacturing position by the mid 1990s’ were improvements in manufacturing processes and management of factories (Browning et al., 1995), which has resulted in the implementation of total quality management (TQM) and associated human resource management (HRM) practices on a global scale by the leading manufacturers. Insofar as these techniques have been associated with assertion of management prerogatives, individualism and the need to manage culture to gain commitment, they raise considerable debate as to the unions' role in their success and failure (see Parker and Slaughter, 1988; Delbridge et al., 1992).
Given the strategic importance and anti-unionism of US electronics companies, it was unlikely that the withdrawal of GSP on the grounds of abuse of human and unions rights, which would adversely affect US capital, would materialize, particularly given the republican control of American politics.

This situation, however, was most likely misread by the Malaysian state, as indicated by its acceptance of the idea of a national electronics union at cabinet level without informing or consulting the electronics industry prior to the 1988 GSP hearings. However, the wide coverage in the state-owned media accorded to the change in policy, in an expressed confidence that investments would not be affected, together with general ministerial pro-union sentiments, would indicate that the policy served domestic economic and political agendas. Not only did the potential withdrawal of GSP affect the attractiveness of Malaysia as a location for foreign direct investment (FDI), but its withdrawal would affect the claims of the developmentalist state to advance industrialization and Malay prosperity while underscoring the increasing erosion of ruling elite legitimacy on the grounds of unjustifiable authoritarianism. The Malaysian state, caught between the US state and US labour, international criticism and domestic political challenge in the tail end of recession, was forced into a conflict with US MNCs which it felt it needed to, and could, win as a result of both international and domestic circumstances. Certainly after wide publicity a capitulation to MNCs would have highlighted the state dependency on MNCs as well as the limits to its autonomy in advancing the Malay national interest.

The international pressure focused additional domestic attention on the Malaysian administration, which was undergoing a crisis of legitimacy that had been gathering momentum since 1983 and reached its peak in 1987. As Means (1991) documents, centralization of powers into the prime minister’s office, bypassing of second-level political elites, the politics of ‘non-institutionalized bilateral agreements’ and political patronage giving rise to secret government all increased the erosion of regime legitimacy and intensified intra-elite conflicts. Growing splits in rural Malay community support between the ruling UMNO and Partai Islam Se Malaysia (PAS) in the context of Islamic revival and electoral competition led UMNO to attack PAS as being undemocratic, ‘extremist’ and anti-developmental while ironically the state arrested a number of Islamic leaders and muzzled reform-minded
Islamic intellectuals. Further intra-coalition interethnic conflicts, particularly over the issue of Chinese schools and gerrymandering, threatened to break Chinese participation in the Malay-dominated alliance. In the economic field scandals of mismanagement and corruption, particularly in the prime Malay financial institutions, the collapse of commodity prices and the impact of a worldwide recession led to public loss of confidence, public expenditure cutbacks and temporary abandonment of the NEP. These factors led to regime instability and saw attempts at formation of a non-communal labour-based political party and at creating a cross-ethnic oppositional front to challenge the government in the 1986 election, while the predominantly Chinese opposition, the Democratic Action Party (DAP), campaigning on issues of equality, democracy and human rights, made substantial electoral gains. Despite the opposition being unable to break the mould of electoral choices, the crisis of legitimacy continued. Post-election criticism from public interest groups and participation of Malaysia’s ‘founder’ and publicly revered figure Tunku Abdul Rahman in critical human rights and constitutional conferences, together with internal UMNO divisions, threatened and eventually split the ruling Malay party. The new Spirit of ’46 party (SEMANGAT ’46), which was supported by the ‘Tunku’ and many leading Malay trade unionists explicitly fought for workers’ rights, against corruption and the inequity of differential intra-Malay benefits from the NEP (Jesudason, 1996; Means, 1991). Thus, when in 1987 oppositional elements, including trade unionists, were imprisoned, the opposition within UMNO purged and senior judges removed and dismissed (Means, 1991), the UMNO leaders were still facing the problem of restoring the confidence and support of the Malay constituencies well into the late 1980s. Change in unionization policy in the electronics industry and the release of some detainees in 1988 was intended to be a ‘timely and convincing demonstration that democracy is very much alive in Malaysia’ (Sunday Star, 25 September 1988), nationally and internationally.

The following sections explore the unfolding conflict between American semiconductor multinationals and the state. The first section, in a macro-analysis, shows how the Malaysian state under American pressure group activity conceded to unions only then to find these concessions undermined domestically by American capital with the support of elements of the American state. The second section explores the union-busting tactics in the first attempt at
union recognition in an American electronics company in Malaysia.

State and Electronics Capital – The Issue of Unions

Within four days of the government announcement cited earlier, an industry discussion on the unionization issue instigated by US electronics employers led to a publicly declared acceptance of the change of policy, on condition that employees be allowed to choose between no union, in-house union or industrial union (Business Times, 28 September 1988), thus widening the scope for US-style anti-union campaigns. In anticipation of unionization attempts, some companies hired 'union-busting' consultants and initiated training sessions for managers and supervisors on union avoidance. The state-controlled media widely and extensively reported intimidation of workers, including dismissal and plant closure threats with the clear implication that the MNCs were challenging state policy in an unacceptable way. Without warning or consultation and in breach of Malaysian legislation, Advanced Micro Devices (AMD) announced 900 redundancies in an action which was regarded by the labour movement as deliberate intimidatory tactics by US MNCs acting as a collective to increase their bargaining power in an imminent meeting on the unionization issue between the Minister of Labour and the electronics companies. Within a week of the announcement and after the meeting with Malaysian–American Electronics Industry (MAEI) representatives, the Minister of Labour announced a volte-face and an acceptance of the employer position; a national union was no longer guaranteed and the application for the formation of a national union was again ignored. The anti-unionism of electronics capital was reinforced by the international business press, such as the Far Eastern Economic Review, The Wall Street Journal, East Asia High Technology Review, supporting the notion that unionization and electronics investment were related. US trade officials and electronics executives reinforced the message that investment would be jeopardized as a result of unionization. Despite, but more probably because of, the anti-unionism of American electronics firms, a senior official of the US trade representatives office intimated considerable latitude in declaring that the Malaysian government was required only to take 'positive steps' towards improving human rights and the for-
mation of in-house unions was not necessarily significant in helping Malaysia retain its privileges under GSP (Business Times, 29 October 1988). Thus it would appear that the US state was able to accommodate its overseas capital while simultaneously preempting the domestic political concerns arising from concern over the impact of 'social dumping'.

On the other hand, the Malaysian state was thus able to continue its policy of resisting potentially strong unions in general, and a national electronics union in particular, and a policy of in-house unions for the electronics workers. The US state had provided the Malaysian state with a domestic and international defence against accusations of violating workers' rights while enabling the accommodation of the preferences of Japanese electronics companies whose investments were becoming increasingly significant. By November 1989, when the economy was recovering from recession, GSP status had been secured and the state was entering a phase of regime closure, Prime Minister Mahathir publicly announced that only in-house unions would be allowed. Subsequent efforts by the Malaysian Trades Union Congress (MTUC) to raise the issue of a national electronics union at the ILO have led to increasing government criticism for tarnishing the image of the country and potentially jeopardizing foreign investments and thus employment levels and workers' welfare, acts which have been described as unpatriotic, disloyal and treacherous in the media. In the meantime, US labour organizations, without reference or consultation with the Malaysian labour movement, have continued to pursue the issues within the US political system. In 1991 and 1993 the International Labour Rights Education and Research Fund (ILRERF) and the AFL-CIO, respectively filed petitions to remove Malaysia from the GSP on account of the unionization issue. The 1993 petition, backed by President Clinton's Deputy Under-Secretary for Labor, Mr Otero, ex vice-president of AFL-CIO (Star, 19 June 1993), has resulted in the Malaysian government and others arguing that US labour organizations were driven by self-interest to stem the loss of jobs owing to globalization (Benider, 1987; Hecker, 1993). Labour movement criticism of government trade union policy has resulted in accusations of it being the 'mouthpiece' of US trade unions and thus implicitly supportive of their aims to reduce the attractiveness of overseas locations by 'creating industrial unrest and political instability' (Deputy Prime Minister Ghafar Baba, cited in New Straits Times, 15 January 1993). In an era of an
impending election, with SEMANGAT '46 campaigning on workers’ rights and creating an alliance with the main opposition parties, unionists have been identified as opposition party leaders acting from political self-interest and to the detriment of the nation. By July 1993 the MTUC began to be bypassed in national tripartite bodies in favour of the 1989 pro-government Malaysian Labour Organization (MLO) (New Straits Times, 15 July 1993). The MTUC leadership dropped their 20-year campaign for a national union in 1994, while in the same year leading activists in the MTUC and opposition parties were charged with criminal breach of trust, with the case pending as of 1996. In the meantime, the notion of trade and democracy has been attacked as another form of neoimperialism and racism as embodied in the emergent debate about the relationship between Asian democracy and development and the notion of Asian values.

Thus, having geared its labour policies in favour of multinational export-oriented enterprises, the Malaysian state was obliged to retract earlier accommodations not only because of international economic pressure but as a result of the legitimacy crisis of the ruling party. Western liberal democratic states, subject to domestic parochial labour concerns over the impact of globalization, have been unable to resist considering human and workers’ rights abuses as a leverage to argue for withdrawal of trading privileges (Benider, 1987). This pressure has provided local independent labour organizations with the potential to make gains that could not have been otherwise possible. However, lack of will and desire among Western decision-makers to pay anything more than lip service to the issues of freedom of association, while serving the needs of home-based multinationals, has served not only to minimize the impact of unionization of electronics workers but also to weaken the domestic labour movement and its most vociferous voices. The Malaysian government, in conceding in-house unions, had not escaped international pressure. However, the in-house union policy forms the cornerstone of not only the Malaysian government’s defence against accusations of anti-unionism and dependency on multinational capital but also its long-term strategy of at best incorporating the Malay working classes into UMNO interests and at minimum reducing labour protest and potential for political mobilization by attempting to embed an enterprise consciousness while fragmenting the labour movement.

In the next section the focus shifts from a macro- to a micro-level
analysis. In particular the section details the trade union, multinational and government strategies and tactics in the formation of a union rather than in the principle of unionization itself. Whether the Malaysian state could be seen as having been able to exercise power over MNCs via the de jure concessions can only be assessed against the de facto outcome. Clearly, at the implementation stage the state has been unable to consolidate its gains despite a clear desire to do so.

**Labour Unions and Electronics Capital – The Absent State**

Lawler (1986) proposes that employer strategies of union avoidance are influenced by, and aimed at controlling, (1) contextual influences (labour markets, product markets, legal system, political system, demographics), (2) employee sentiments and preferences and (3) union campaigning strategies. Electronics companies, having failed to control unionization at the level of the political system, refocused their efforts at the organization level via union avoidance tactics. Lawler (1986) argues that at this level an employer will use a mixture of tactics from five broad categories. First, an employer can influence employees’ sentiments and preferences through communications, inducements, threats and so on. Second, buffers may be deployed to limit interaction with external and internal contextual influences (including union activists/organizers) via direct supervisory action, no solicitation or distribution rules, illegal job discrimination against union officials and activists to limit interaction and so forth. Third, internal contexts may be controlled by making real, as opposed to perceived, changes to substantive and procedural elements of the employment relationship, for example, wage increases and grievance procedures. Fourth, monitoring tactics to detect current and changing employees’ sentiments can be instituted via employee surveillance, surveys and interrogation. Finally, direct action can be taken, whereby the employer attempts to change the environment within which unionization is (or is about to be) expressed, that is, via election delays, plant relocation, plant closures and procedural manoeuvring.

All the above tactics were utilized in the case discussed below with the sequence moving from preferences and sentiments in the pre-recognition stage; buffers, threats, intimidation and monitoring in the union organizing and membership phase, and environmental
change where all else had failed. The particularly interesting aspect of this case, however, is the use of the specific Malaysian socio-political dynamic of ethnicity.

The case of the Harris Solid State Workers' Union

In 1988 the Harris Corporation acquired General Electric's semiconductor (RCA) operation to expand its operations in commercial markets. In 1995 the Harris Corporation employed 27,000 people in 150 countries and had sales of US$3.4 billion. The Harris Corporation is involved in the production of electronic software and hardware and its markets include defence, space exploration, aerospace, satellite communications and commercial applications. Harris Semiconductor had 8000 employees worldwide and sales of US$635 million. The Malaysian operations are primarily assembly and testing. As a result, 85 percent of its staff of 2600 (in 1989) are unskilled Malay women workers. Semi-skilled supervisors are mainly men (though more women are entering these positions), skilled workers are predominantly Chinese males and the indigenous management staff are mainly Chinese, with some Malays.

Contextual Influences – The First Electronics In-House Union

The RCA Workers’ Union, the first attempted in-house union in the electronics industry, applied for registration on 23 January 1989 and, in contrast to the 20-year struggle for a national union, was registered within eight days. The union proceeded to attempt to gain majority membership in the hope of achieving automatic recognition. Such was governmental support of the in-house union and willingness to be seen to support the workers’ cause that the Deputy Minister of Labour agreed to officiate at the opening ceremony of the union’s first AGM.9

In September 1988 RCA management brought in consultants to develop a union avoidance strategy and advise management and supervisors in its implementation. Subsequent accusations of harassment and intimidation resulted in an investigation into breaches of the Industrial Relations Act of 1967 which prohibits interference in trade union recruitment and organizing efforts. The government
unequivocally stated that action would be taken against any party found to be interfering in the exercise of employees' choice to join or form an in-house union (New Straits Times, 25 February 1989). While the MAEI denied concerted coordination in opposing unionization, including in-house unions, the state media reported that American employers were backing the RCA in the test case.10

Despite state sponsorship, the in-house union's claim for recognition was rejected by the company pending an application to the Director-General of Trade Unions (DGTU) to ascertain whether the union had majority membership. In the meantime RCA changed its name to Harris Solid State whereupon the union changed its name to Harris Solid State Workers' Union (HSSWU) in response to the DGTU's ruling that the RCA in-house union could not represent employees of Harris Solid State. As an indication of continued state support for the in-house union, the company was advised to recognize the renamed union within 14 days.11 In response the Harris Corporation called in their human resources international director and a legal advisor from the USA. Twenty-four hours before the expiry of the deadline the company transferred the contracts of 2500 production and technical staff, excluding union activists, on better terms and conditions, to its sister company, Harris Advanced Technology which had 100 employees.12 The staff transferred were given no warning of the change and were asked to sign contracts on the job without consultation with the union or anyone else. Employees' protests against these heavy-handed tactics and claims that they were being forced to sign under the threat of dismissal, led to the Minister of Human Resources personally investigating the situation.

**Employee Sentiments and Preferences**

In an attempt to avoid unionization management initially directed their strategy at employee and union organizer sentiments simultaneously. International media reports, critical of the government's unionization policy, were circulated with the aim of buffering the workforce from the effects of the strong pro-union government stance. The day following the inaugural meeting of the union (21 January 1989) letters were sent from the Director of Human Resources to staff at and above supervisory level, warning them about the need to remain loyal to the company and 'to ensure that
company employees do not carry out any activity not connected with their work [without] permission'. As an indication of the seriousness with which the company viewed the union issue, senior managers for the first time in at least seven years were present during the first nightshift after the formation of the union. Additional middle and line management were transferred to the nightshift for some months afterwards. Supervisors who were identified as union activists were warned that they were an exempt group and therefore not entitled by law to membership and that such membership could constitute serious misconduct.

In addition to such buffering and influencing tactics, the particular dynamic of the Malaysian sociopolitical context was used in an attempt to divide the union along religious and communal lines. Twenty-five Malay employees, including prominent union activists, from supervisory rank and above, were called to two unofficial meetings by a senior Malay staff manager to discuss 'Muslim welfare', 'Muslim solidarity' and the formation of a Muslim committee to channel workforce grievances. These Malay unionists were rebuked for having been 'used by the Indians when the Malays had always taken the leadership role in [the] country'. It was suggested that the Malays were being led by self-interested Indians who had little regard for their fellow Malay workers. The onus was said to be on the Malays to 'be the guardians of themselves and the company [emphasis added]'. The group was informed that Mat Salleh ('the whites') could transfer operations resulting in unemployment and 'misery' but at the minimum they would shelve expansion plans. When these tactics failed, a senior Malay union official was called to a series of meetings with a departmental staff manager at which pressure to leave the union was brought to bear. Each meeting lasted more than two hours and occurred on more than four consecutive days. Similar tactics were deployed at the non-supervisory staff level, whereby the company organized for an ustaz (religious teacher) purporting to be a government official, to lecture on 'work ethics'. These lectures occurred twice a day over two consecutive weeks and were delivered to groups of approximately 100 each, during company time. In these lectures the audience was warned that 'a certain group', under 'police surveillance', were out to 'create trouble', and if allowed to succeed the outcome would be job loss and possible plant closure. RCA was praised for its facilities and the need to give management undivided loyalty was stressed.
In the meantime the Labour attache of the US Embassy in Kuala Lumpur invited several union activists to dinner to advise them that the unionization drive was sheer folly and that career prospects which were otherwise excellent would be hampered. The reply to one senior activist’s exclamation that the anti-union stance was unjust was ‘Justice is not my stock and trade’. As an indication of the failure of these tactics, intimidation was used to discourage workers from attending the union’s inaugural annual general meeting. Small group meetings were held where workers were informed that attendance would be ‘asking for trouble’, wage increments would be affected, they would have ‘a miserable life in the company’ and could lose their jobs. Secret attendance would be discovered owing to the company having ‘spies’ in the union (one executive committee member was expelled for cooperating with management to undermine the union), while managers would be present to take pictures. Supervisors, claiming to pass management messages, informed staff that ‘the union AGM was a private matter and as such employees attend at their own risk, the company would take no responsibility for insurance compensation and medical charges should anything happen’. Some employees were threatened with disciplinary action for mere attendance at the meeting (Business Times, 3 April 1989).

**Counter-Union Strategies**

Union officials were denied entry to premises after working hours for any union activity. As a result the union gained a high court injunction on 30 May 1989 to restrain the company from interfering with the union’s organizing activities. In response management followed union officials into the canteen and played, at full volume, newly installed television sets while union activists were recruiting or collecting dues (Sunday Star, 4 June 1989).

After sustained and intensive persuasion by higher level management, activists refusing to give up membership suffered more intimidatory tactics. These included transfer to less desirable duties and into areas where contact with the workforce was minimized and could be monitored. Tactics varied from case to case and would involve psychological, physical, procedural and economic intimidation. The pressure applied was viewed by the activists as designed for maximum impact and tailored to the economic and domestic
circumstances facing the individual as well as their personal character and position. The least confident were subject to considerable individual pressure, high achievers to demotions or withdrawal of work, unskilled/semi-skilled women activists were required to be accompanied by anti-unionists when going to use the toilet. They were forbidden to nod, smile, speak or socialize with friends while at work. Transferred staff were frequently not provided training in new tasks and necessary operations instructions were withheld. Union activists who were highly qualified, experienced and skilled, were left idle, transferred or demoted to lower status repetitive and monotonous jobs. Those in supervisory positions had their responsibilities eroded, decisions overturned and were bypassed by subordinates and managers. Some suffered extreme financial loss because of transfers to day work. Such rostering not only ensured isolation and monitoring but it simultaneously deprived the individual of overtime and shift allowances.

Most activists were subject, for the first time in their work and company careers, to regular actual and threatened disciplinary proceedings on matters of established custom and practice. The slightest breach of rules, despite the acceptance by management of such breaches by non-activists, could lead to disciplinary investigations. One popular and highly regarded unskilled Malay female activist, with an impeccable record, excellent ratings and who had always been awarded the best operative jobs, was subject to eight disciplinary investigations within a ten-month period of joining and becoming active in the union. Such tactics induced some union activists to resign from their posts and leave the company, while for others it increased their resolve to fight. Permission for special leave of absence was extremely hard to get. Performance review gradings plummeted from the regular outstanding and above average ratings (the average length of service of the activists was eight years) to below average between 1988 and 1989. This resulted in smaller wage increments and salary reductions. Attempts were made via three anonymous letters to implicate two senior executive committee members by stating that ‘they tried to molest two girls at the union office’. Such was the pressure brought to bear that some union activists had to be treated for high blood pressure due to the stress.

In April 1990 the company transferred 700 employees at a branch plant from a temporary building the company had been occupying to the main plant. The entire executive council of the union and
activists, comprising 24 workers, were left behind or transferred from the main plant to work in a building which had previously accommodated 750. Initially no work was provided and the unionists ‘had nothing to do and . . . were left to loiter in the abandoned building’. After protest, some testing work was made available, though without the necessary environmental controls. They were also denied access to workers in the main plant while access to the company clinic and offices was available only under a security escort. The staff were required to work a 24-hour shift system and permission for dayshift work was denied to two women in late pregnancy. The building was thought to be haunted and there had been ‘many cases of mass hysteria before’, necessitating plant closure and exorcism of ‘bad spirits’.\(^\text{13}\) Meanwhile, the Minister of Human Resources ordered the company to recognize the HSSWU which, because of the transfers, represented 24 employees all of whom were union officials or activists. The company complied within seven days. Meanwhile the Minister, ignoring the intimidatory tactics deployed by the company, stated that Harris Advanced Technology workers ‘have the right under law to form an in-house union [and I] will try [my] best to speed up its recognition’ if an application was submitted.

In early June 1990 the Harris Corporation publicly unveiled plans to relocate operations from California, Taiwan and Singapore to Malaysia. The company announced that it expected to invest M$60 million the following year to bring the corporation’s investments in Malaysia to M$7 billion while creating an additional 600 jobs (Business Times, 7 June 1990). In late September, after almost two years of struggle over the unionization of electronics workers and six days before a conciliation meeting over the first collective agreement covering the 24 employees of Harris Solid State, the Harris Corporation decided to close its ‘bogus’ operation. The unionists were made redundant, despite advertised company recruitment campaigns immediately before and after this event. The immediate response of the government, which had presented itself publicly as the champion of the in-house union, was to ask for an ‘amicable settlement’. Ministers stated that ‘employers should not have a negative attitude towards trade unions but instead should take appropriate action in the interests of the company and nation’ (Business Times, 24 September 1990). The redundant unionists were asked by the Minister of Human Resources to file reports of wrongful dismissal which would be investigated as a
matter of 'top priority' (Star, 25 September 1990). After a meeting with senior management, the Minister stated that he 'was not satisfied with the explanations given by the company' regarding the dismissals (Business Times, 27 September 1990). Because of this case the ILRERF independently filed a petition to remove Malaysia from the GSP, although the main protagonist was the American company. The unionists’ cases relating to infringements of the right to organize and not be dismissed for undertaking union activity were repeatedly delayed and postponed in the courts and by mid-1994 were finally lost. Appeals have been entered, but at the time of writing no judgement has been delivered.

Summary and Discussion

Society-centred perspectives would appear to be particularly pertinent to the Malaysian case. Lack of successful hegemony of any one ethnic group in the Malaysian labour market poses potential political inter- and intraethnic group conflicts in a policy of ethnically based labour market segmentation, particularly where such workers possess political and social power. Thus in the case of dependency, employer domination strategies, using economic coercion by retaining the employer’s right to dismiss, while being possibly preferred (Harrod, 1988), may be politically unacceptable in the Malaysian context. Nonetheless, the dependency paradigm may be embedded within such an analysis whereby US electronics MNCs’ demands for cost minimization and restrictions on freedom of association and bargaining have been politically enabled by gender, as opposed to ethnic, subordination, in particular by the use of young Malay female labour (Grace, 1990). Despite this, however, the article argues that while political elites may be able to direct their policies in favour of export-oriented enterprises, such strategies can only be sustained where domestic and international repercussions are negligible. Domestic repercussions can arise from electoral competition and/or labour mobilization and are particularly significant where both these factors combine. While Malaysian electoral competition revolves around issues of ethnicity rather than class, this pattern can be broken where division in the ruling ethnic elite raises the possibility for electoral competition on grounds of intraethnic divisions which enable class issues to arise as different constituencies are identified as the basis of mass support.
It was this, in conjunction with international pressure with all its potential for adverse economic outcomes, which provided the 'window of opportunity' for unionization in the electronics sector and led to significant state concessions on unionization.

However, the case shows that US multinational capital was backed by the US state and US resources, and this has undermined the domestically promulgated image of the independent Malaysian state. The impact of exposing the effects of the limited autonomy and intrinsic commitment of political elites to advance the interest of Malay workers partly accounts for governmental resistance to Western concerns over human rights and labour repression. Instead, the state advocates 'Asian values' of family order, hierarchy and benevolence in addition to the more usual argument of the primacy of economic development over democratization priorities. In some respects this has led to the growing suppression of the labour movement, with the Malaysian state attempting to minimize the domestic impact of international pressure group activity by (1) undermining the integrity of such groups on the charge of self-interest and (2) forcing the domestic labour movement to dissociate itself from international action thus strengthening the first strategy. On a broader front, Western states have been criticized for attempting to impose Western notions of democracy, liberty and freedom, thus implicitly for being neoimperialist supremacists in what is being argued by Malaysian and other politicians to be an inappropriate socioeconomic and cultural context. Trade union attempts to gain Western support have thus led to accusations of political opportunism, lack of loyalty and patriotism and a misguided Westernization. Thus society-level perspectives, based as they are on notions of liberal democracy, pluralism and elements of balance of power, may not only overestimate the space for countervailing power between nations of unequal strength, small dependent nations and large international capital, domestic labour and states as well as labour and capital, but fail to highlight the potential of these to consolidate dependence and repression. This may occur between state and capital, state and labour and labour and capital.

Despite more than 20 years of continuous effort by the Malaysian labour movement to organize the electronics sector, it is commonly argued that state policy changed under international pressure. It is my contention that while this was an undoubted factor, the volatile domestic political climate in Malaysia softened its stance towards
Malaysian labour, resulting in the withdrawal of the locational advantage valued by US MNCs – namely, a union-free environment. However, when this domestic and international pressure receded, under the strength of the intimidatory counter-pressure applied by multinationals, the state rescinded any overtures to the Malaysian trade union movement. This would indicate that while there are opportunities to break away from the labour movement implications of dependent development, such opportunities arise from a combination of internal and external forces – the momentum of which can easily be lost particularly as a result of withdrawal of the external pressures, which are rarely in the hands of the state. This analysis points to the fact that states, while by no means benevolent to labour, can nonetheless be coerced to make concessions to it which serve the interest of the state. However, where these interests conflict with MNCs, the latter can hinder these concessions, although the sectoral and country of origin effects of MNCs are particularly significant in explaining the extent of capital’s anti-unionism. In Malaysia, Japanese companies have sought to be reclassified as electrical, as opposed to electronics, companies to allow unionization (Abdullah and Keenoy, 1995), and German companies (for example, Siemens) have also been willing to recognize unions. Those advocating social clauses in trade must recognize the need for, and limits of, first world capital being regulated by first world states rather than exclusively focusing on developing states as intrinsically and exclusively repressive states in themselves.

As a final note, it is significant that attempts to use ethnic divisions in an ethnically divided society such as Malaysia’s, provide no guarantee for division of the working class where the latter perceives a commonality of purpose and interest. Despite this, it is unfortunate, given the analysis, that resistance to unionization among American employers is not expected to diminish and a large section of Malaysian labour will remain non-unionized and thus vulnerable to the vicissitudes of American capital, particularly in the light of continuing US investments and their increasing shift to new, more automated, higher value added production processes (O’Connor, 1993). The prospects for unionization, at least among American electronics employers, are grim and the willingness and intensity with which they will fight unionization clearly constitutes a lesson not only for the Malaysian state and its labour movement but for other dependent nations as well.
Acronyms and Abbreviations

AFL-CIO American Federation of Labor and the Congress of Industrial Organizations
AMD Advanced Micro Devices
DAP Democratic Action Party
DGTU Director-General of Trade Unions
EIWU Electrical Industry Workers' Union
EOI export-oriented industrialization
FDI foreign direct investment
GSP generalized system of preferences
HSSWU Harris Solid State Workers' Union
ILRERF International Labour Rights Education and Research Fund
MAEI Malaysian-American Electronics Industry
MCA Malaysian Chinese Association
MIC Malaysian Indian Congress
MLO Malaysian Labour Organization
MNC multinational corporation
MTUC Malaysian Trades Union Congress
NEP New Economic Policy
PAS Partai Islam Se Malaysia
SEMANGAT '46 The Spirit of '46
SEMATECH semiconductor manufacturing technology
TQM total quality management
UMNO United Malays National Organization

Notes

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1. See O'Connor (1993) for a discussion of this in relation to the Malaysian case.

2. While the anti-unionism of American electronics capital has been noted to be a matter of management policy (Scott and Angel, 1988) it needs to be noted that a fear of industrial action was not unfounded since Fairchild electronics workers in Hong Kong took strike action against the company in pursuit of a wage increase in 1970 (Kowalewski, 1987).

3. While officers of a trade union were required to have three years' service in the industry in which they were standing for election, managerial prerogatives over hiring, firing and transfer were not subject to negotiation, political funds were prohibited and officials of political parties barred from holding union office. Many of these restrictions dated from the days of British colonial rule (Jomo and Todd, 1994) and thus the labour incentives did not solely arise from the need to attract MNC
4. The chairman of the MAEI, and managing director of Harris Solid State, Jerry Lee, publicly stated that he had no prior knowledge of the cabinet's change of policy and that he was 'seeking a meeting with the labour minister to clarify the status of the industry with regard to the cabinet's reported approval to allow unionisation of the electronics workers'. The Minister of Labour in reply stated clearly that the electronics industry was not consulted because we 'already knew their stand' (Sunday Mail, 25 September 1988).

5. Among the many public statements was included 'encouraging all types of workers to form unions ... we believe an organisation that works as a unit will contribute to better employer-worker ties and ensure industrial harmony' (Minister of Labour Lee Kim Sai, 23 September 1988). The Deputy Prime Minister, establishing democratic pluralist credentials, stated 'unions should be used as a healthy negotiating tool'.

6. The Minister of Human Resources is reported to have stated that Japanese and US electronics companies had expressed support for the government's uncompromising stand in allowing the formation of in-house unions for the industry. A chief executive officer of a Japanese company was reported to have 'come all the way from Japan just to express his concern over the matter' of the formation of a national union (Business Times, 4 September 1992). On 23 June 1990 Hitachi Consumer Products dismissed 1000 workers who went on strike demanding affiliation with the nation-wide Electrical Industry Workers' Union (EIWU) (Star, 23 June 1990).

7. Hecker (1993) writes that 'The election of Bill Clinton as President has, of course, changed the political landscape [but] Clinton's political backing, in spite of his endorsement by organised labour, largely lies in centrist Democratic circles sympathetic to free trade. Labour can expect more of a hearing from the incoming government, but it is not clear how different the outcome will be.' In late 1993, the AFL-CIO petition to remove Malaysian GSP status failed for the fourth time.

8. GE Solid State Electronics, the parent company of RCA (involved in assembly, testing and packing) employing more than 3000 employees, was taken over by the Harris Corporation in December 1988. Harris thus had three companies in Malaysia, the others being Harris Semiconductor (assembly operation) with over 800 employees and Harris Advanced Technology (testing and packing) with 100 employees. The takeover made the Harris Corporation the sixth largest electronics component group in the world (New Straits Times, 23 February 1989). All the companies were managed by the same management team.

9. At the last minute apologies were sent.

10. Between January and February 1989, the managing director of RCA was also chair of MAEI, whose membership at the time included Hewlett Packard, Intel, Integrated Device Technology, Litronix, Monsanto Electronics, Motorola Semiconductor, National Semiconductor, Quality Technologies Ottoelectronics, Western Digital, Advanced Micro Devices Export, Texas Instruments and RCA and Harris Semiconductor (Business Times, 9 March 1989).

11. The company did not reply to nor implement the DGIR's instruction (Business Times, 18 April 1990).

12. The Minister of Labour stated he would not intervene as the issue of transfer and union recognition were separate issues. The Minister has powers under the 1967 Industrial Relations Act to enforce recognition and take action against the company. The act states that 'no employer shall declare a lock out or terminate the services of
a [worker] once a trade union has served on the employer a claim for recognition' (Industrial Relations Act, Section 10). Thus it can be concluded that, despite its rhetoric, the government, having committed itself to a course of action supporting in-house unions, appeared increasingly to be looking for a way to withdraw without being exposed publicly. Such a conclusion is supported by the fact that the ministries and departments started conducting their affairs with employees and union officials of the company with increased formality (see, for example, Star, 6 February 1990).

13. The use of rural Malay female labour has not been unproblematic. And there have been numerous reports of hauntings, spirit possession and mass hysteria requiring exorcism and factory shutdowns.

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