Transparency and Authoritarian Rule in Southeast Asia

Singapore and Malaysia

Garry Rodan

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TRANSPARENCY AND AUTHORITARIAN RULE IN SOUTHEAST ASIA

The 1997–98 Asian economic crisis raised serious questions for the remaining authoritarian regimes in Southeast Asia, not least the hitherto outstanding economic success stories of Singapore and Malaysia. Could leaders presiding over economies so heavily dependent on international capital investment ignore the new mantra among multilateral financial institutions about the virtues of 'transparency'? Was it really a universal functional requirement for economic recovery and advancement? Wasn't the free flow of ideas and information an anathema to authoritarian rule?

In *Transparency and Authoritarian Rule in Southeast Asia* Garry Rodan rejects the notion that the economic crisis was further evidence that ultimately capitalism can only develop within liberal social and political institutions, and that new technology necessarily undermines authoritarian control. Instead, he argues that in Singapore and Malaysia external pressures for transparency reform were, and are, in many respects, being met without serious compromise to authoritarian rule or the sanctioning of media freedom.

This book analyses the different content, sources and significance of varying pressures for transparency reform, ranging from corporate disclosures to media liberalisation. It will be of equal interest to media analysts and readers keen to understand the implications of good governance debates and reforms for democratisation. For Asianists this book offers sharp insights into the process of change – political, social and economic – since the Asian crisis.

Garry Rodan is Director of the Asia Research Centre, Murdoch University, Australia.

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SERIES EDITORS' PREFACE

The establishment of the Southeast Asia Research Centre at the City University of Hong Kong in 2000 reflected an increased interest in Southeast Asia following two watershed changes. The first was the end of colonialism in Hong Kong, as the territory became a Special Administrative Region of China in 1997. This coincided with the second event, the Asian Economic Crisis, that struck down some of the major economies of the region, with important political consequences.

The RoutledgeCurzon/City University of Hong Kong Southeast Asia Series reflects the Centre's research agenda and seeks to advance understanding of the political, economic and social forces that are shaping contemporary Southeast Asia. The Series aims to produce books that are examples of the Centre's emphasis on multi-disciplinary, comparative and holistic research. It also recognises that the political and economic development of Southeast Asia has often been turbulent, and that the contemporary era is no different.

As the region emerged from decolonisation and war, rapid economic development reconfigured the societies of Southeast Asia. From the mid-1970s, a number of Southeast Asian economies enjoyed periods of significant economic growth. The economies of Singapore, Malaysia, Thailand and Indonesia benefited from a more generalised development in East Asia, and made rapid advances, becoming some of the most dynamic economies and societies in the world. Huge flows of foreign capital and the development of relatively powerful domestic capitalist classes rapidly transformed these economies and their societies. The international financial institutions celebrated the region's economic success, urged a continued unfettering of markets, and extolled the benefits of enhanced globalisation.

But the negative social outcomes of the 1997 economic crash posed new challenges for the region's development models and a questioning of the processes associated with capitalist globalisation. Furthermore, the economic crash confronted the region's political regimes with significant challenges. This confluence of economic and political turmoil stimulated a reassessment of the impacts of globalisation and associated ideas about regionalisation. Nowhere has this re-assessment been more vividly revealed than in the economic rise of China and the challenges and opportunities this poses for Southeast Asia.

Understanding how Southeast Asians are negotiating the broad and multiple challenges – economic, political, social, religious and cultural – posed by globalisation, and how they are reinventing their societies are critical tasks. This is a central concern of the Southeast Asia Research Centre's research agenda. A second research focus is the divisions of class, ethnicity, gender, culture and religion that appear as faultlines underlying Southeast Asia's post-colonial nations. Such rifts shape diverse patterns of conflict in the region. A third area of research interest involves regional interactions, including those between states, within transnational civil society, business, labour and migration flows in and beyond the region. Finally, attention is given to the ways in which Southeast Asian political economies are being reinvented following the Asian Crisis, examining new patterns of politics, accumulation and allocation in the region.

When the crisis struck, many commentators argued that one of the main causes for the downturn had been 'crony capitalism'. Attention was drawn to poor corporate governance in the close relationships that had sprung up between business and government. For many, including international financial institutions, one of the remedies was increased transparency. Indeed, transparency has become a widely used term with universally positive connotations. In *Transparency and Authoritarian Rule in Southeast Asia*, Professor Garry Rodan examines various reform agendas and meanings associated with notions of 'transparency'. In particular, he counterposes notions of freedom of the press and expression or political transparency with the push for transparency by interests aligned with neo-liberal objectives of securing increased and sustainable capital mobility.

It is often asserted that globalisation, with its new media technologies, is an irrepressible force for increased openness in a range of areas, including the political. Enhanced transparency and the increased access to more information are usually seen as unimpeachable outcomes of increased globalisation. In this highly original study, the author comes to different and more nuanced conclusions. In examining Singapore and Malaysia, Rodan finds that authoritarian regimes have more to gain than lose by trying to accommodate business information needs. In this area, then, the pressures for reform are more likely to be accommodated. Political transparency is another matter. New media technologies and enhanced information flows can be important in the struggle to increase political reform, but only where there are social and political forces capable of, and motivated towards, harnessing them for that end.

This book highlights the different forms that authoritarianism can take and their differential capacities to accommodate pressures for change. In

Singapore, where political space has been limited, the pressures for transparency reform have been dealt with more adeptly than in Malaysia. The contrasting power relations defining these regimes have translated into different strengths and vulnerabilities in the face of pressures for transparency reform. This suggests that the arrangements within which advanced forms of capitalism can progress might not necessitate institutions imbued with liberal democratic values and practices. Rather, the pressure is for transparency in information sharing, and the right to collective political action is not necessarily a part of such an agenda.

Professor Rodan's timely intervention in these debates alerts us to the fact that the prospects for political transparency and media freedom rest not with forces associated with the development of the market but other social and political forces, driven by less instrumental concerns, and with an agenda that is as much local as it is global.

PREFACE

In the longstanding and unresolved debate over the relationship between capitalism and political regimes, experiences within Asia in recent decades have provided ammunition for a range of arguments. The demise of authoritarian regimes in Taiwan and South Korea, for instance, was drawn on as evidence of the ultimately irrepressible link between capitalist market development and political pluralism. Yet the continued capacity of authoritarian regimes in China, Singapore, Malaysia and Indonesia to preside over rapidly expanding market systems also supported ideas about the variable institutional settings within which markets could operate. Indeed, during the 1990s there were even bold claims about the superiority of an illiberal 'Asian way' to capitalist development.

As well as precipitating the collapse of the New Order in Indonesia, the advent of the Asian financial crisis in 1997 unleashed a new round of counterclaims among theorists, commentators and multilateral organisations about the functional economic necessity of institutional convergence towards the proven ways of developed economies in the West. Within this discourse, there was no more important theme than that of transparency and the free flow of information, the absence of which was widely considered to have exacerbated if not caused the financial crisis. Effective and sustainable engagement with increasingly sophisticated and globalised financial and technology markets was now seen as contingent on vastly improving the quality, quantity and timeliness of information available to investors within East and Southeast Asia. Some argued that the transparency reform agenda would need to extend to a free press and greater political openness, without which a thorough critical analysis of market conditions was not possible. Authoritarian regimes, which by definition seek to control access to information in order to obstruct effective political competition, seemed therefore to be facing a profound challenge to their integrity.

If that wasn't enough, the role that new electronic media technology played in the political mobilisation against Soeharto raised doubts too about the viability of the remaining authoritarian regimes in the region maintaining tight controls over information flows. Subsequently, the case for transparency took a further twist with the advent of Severe Acute Respiratory Syndrome (SARS). Hundreds of deaths and widespread economic devastation to Asian economies resulted from the suppression of information about the virus by Chinese authorities upon its outbreak in late 2002.

These were not just issues concerning the durability or otherwise of authoritarian regimes in Asia following the crisis, but of authoritarian regimes everywhere trying to foster market development. After all, it is increasingly being recognised that although crude forms of authoritarian rule have been in decline around the world in the last decade, much of the time it is not democracies that replace them but new forms of authoritarian regime whose formal appearances belie their true character.

The detailed examinations of the Singapore and Malaysia cases in this book are especially important test cases of the capacity or otherwise of authoritarian regimes to withstand the transparency push. Authoritarian regimes in these countries proved before the crisis to be adept at combining rapid market development with extensive controls over information flows. Yet because the respective economies these regimes preside over are among the most heavily reliant in the world upon international investment and trade, policymakers can ill-afford to ignore the functional needs of business – especially those pivotal to the upgrading of these economies. For this reason, neither the Singapore nor Malaysian governments have been indifferent to the transparency needs of investors. They have also readily adopted the rhetoric of transparency, thereby inviting even greater scrutiny from critics advocating increased media freedom and other forms of openness. Their suitability as test cases of general theoretical propositions about the relationships between advanced capitalism, information flows and political regimes are all the more compelling since in both instances there has been an ambitious embrace of new electronic media technologies as part of the official drive towards more sophisticated market activities.

This is, therefore, not simply a study of any two authoritarian regimes at some random point in history, but of two especially significant and timely experiments in trying to facilitate advanced market capitalism – including through an accommodation to its transparency needs – without undermining authoritarian rule.

Garry Rodan

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GLOSSARY

ABIM	Angkatan Belai Islam Malaysia Muslim Youth Movement
ABN	Asia Business News
ACA	Anti-Corruption Agency
ACGA	Asian Corporate Governance Association
AFP	*Agence France Presse*
AG	Attorney-General
AP	*Associated Press*
APEC	Asia-Pacific Economic Co-operation
Asean	Association of Southeast Asian Nations
AWSJ	*Asian Wall Street Journal*
Barisan Alternatif	Alternative Front
Barisan Nasional (BN)	National Front
Barisan Sosialis	Socialist Front
Berita Keadilan	Justice News
Berita Reformasi	Reform News
BBC	British Broadcasting Corporation
BMF	Bumiputera Malaysia Finance
Calpers	California Public Employees' Retirement System
CAT	Committee Against the Takeover of Nanyang Press by MCA
CCDG	Council on Corporate Disclosure and Governance
CDRC	Corporate Debt Restructuring Committee
CGC	Corporate Governance Committee
CHI	Citizens' Health Initiative
CLOB	Central Limit Order Book
CLRFC	Company Legislation and Regulatory Framework Committee
CMS	Cahaya Mata Sarawak Berhad Cahaya Mata Sarawak Company
CNA	Channel News Asia

COAC	Centre for Orang Asli Concerns
COAT	Chinese Organisations Against the Takeover of Nanyang Press
CPF	Central Provident Fund
CPI	Consumer Price Index
CPJ	Committee to Protect Journalists
CSI	Coalition of Service Industries
CTI	Corporate Transparency Index
C@MP	Centre for Advanced Media Prague
DASC	Disclosure and Accounting Standards Committee
DBS	Development Bank of Singapore
DIC	Discovery Communications Incorporated
DOS	Department of Statistics
EDB	Economic Development Board
EPF	Employees' Provident Fund
ERC	Economic Review Committee
EOI	Export-Oriented Industrialisation
FCA	Foreign Correspondents' Association
FCAG	Financial Centre Advisory Group
FEER	*Far Eastern Economic Review*
FMUTM	Federation of Malaysian Unit Trust Managers
FOMCA	Federation of Malaysian Consumers
FPLC	Federation of Public Listed Companies
FSAP	Financial Sector Assessment Programme
FTA	Free Trade Agreement
GDDS	General Data Dissemination System Site
GIC	Singapore Government Investment Corporation
GIF	Graphic Interchange Format
GLC	Government Linked Company
HDB	Housing Development Board
HPL	Hotel Properties Limited
IAC	International Advisory Council
IAP	International Advisory Panel
IDA	Infocomm Development Authority
IFC	International Finance Corporation
IHT	*International Herald Tribune*
IMF	International Monetary Fund
IPO	Initial Public Offering
ISA	Internal Security Act
IASP	Internet Access Service Provider
ISD	Internal Security Department
ISIS	Institute for Strategic and International Studies
IT	Information Technology
Jaring	Joint Advanced Research Networking

JI	Jemaah Islamiyah
jihad	holy war
JTC	Jurong Town Corporation
KAMI	Kumpulan Aktivis Media Independen Independent Media Activists' Group
KLSE	Kuala Lumpur Stock Exchange
KMM	Kumpulan Mujahidin Malaysia Malaysia Mujahideen Group
KWAP	Pensions Trust Fund
LTA	Land Transport Authority
Malaysiakini	*Malaysia Now*
MAS	Monetary Authority of Singapore
MAS	Malaysian Airlines System
MASB	Malaysian Accounting Standards Board
MCA	Malaysian Chinese Association
MCP	Malayan Communist Party
MDC	Multimedia Development Corporation
MediaCorp	Media Corporation of Singapore
menteri besar	chief minister
MIC	Malaysian Indian Congress
MICCI	Malaysian International Chamber of Commerce and Industry
MICG	Malaysian Institute of Corporate Governance
MIMOS	Malaysian Institute of Microelectronic Systems
MITA	Ministry of Information and the Arts
MNC	Multinational Corporation
MOF	Ministry of Finance
MPI	Malaysia Press Institute
MRCB	Malaysian Resources Corp Berhad
MSC	Multimedia Super Corridor
MSCI	Morgan Stanley Capital International
MTUC	Malaysian Trade Union Congress
NEAC	National Economic Action Council
NEP	New Economic Policy
NIAC	National Internet Advisory Committee
NGO	Non-Government Organisation
NMP	Nominated Member of Parliament
NPPA	Newspaper and Printing Presses Act
NST	*New Straits Times*
NSTP	New Straits Times Press
OCBC	Overseas Chinese Banking Corporation
Operasi Lallang	Operation Lallang
Orang Asli	Indigenous People
OSA	Official Secrets Act

OSC	Open Singapore Centre
OSI	Open Security Institute
OUB	Overseas United Banking Group
PAC	Publications Advisory Committee
Pahlawan	Warrior
PAP	People's Action Party
Parti Keadilan Nasional	National Justice Party
PAS	Parti Islam SeMalaysia Pan Malaysian Islamic Party
PDI	Partai Demokrasi Indonesia Indonesia Democratic Party
PERC	Political and Economic Risk Consultancy
Perspektif Pedas	*Spicy-hot Perspective*
PPPA	Printing Presses and Publications Act
PRM	Parti Rakyat Malaysia Malaysian People's Party
PSA	Port of Singapore Authority
PTB	Port at Tanjung Pelepeas
PUTRA	Projek Usahsama Transit Ringan Automatik Automatic Light Transit Joint-venture Project
PwC	PricewaterhouseCoopers
reformasi	reform
Reporters Sans Frontières	Reporters Without Borders
RM	Malaysia Ringgit
RTM	Radio Television Malaysia
RTS	Radio Television Singapore
saksi	witness
SAFTA	Singapore–Australia Free Trade Agreement
SARS	Severe Acute Respiratory Syndrome
SBA	Singapore Broadcasting Authority
SBC	Singapore Broadcasting Corporation
SBS	Australian Special Broadcasting Service
SCV	Singapore Cable Vision
SDDS	Special Data Dissemination Standard
SDP	Singapore Democratic Party
Seapa	Southeast Asian Press Alliance
SES	Stock Exchange of Singapore
SESDAQ	Secondary Stock Exchange
SGX	Singapore Stock Exchange
SIA	Singapore Airlines
SIAS	Securities Investors Association (Singapore)
SIM	Singapore International Media
SingTel	Singapore Telecommunications
Sintercom	Singapore Internet Community

SIP	Suzhou Industrial Park
SIS	Sisters-in-Islam
SPH	Singapore Press Holdings
SPNB	Syarikat Prasarana Nasional Berhad National Infrastructure Company
STAR	Sistem Transit Aliran Ringan Light Rapid Transit System
STI	Straits Times Index
STV	Singapore Television
STWE	*Straits Times Weekly Edition*
STWOE	*Straits Times Weekly Overseas Edition*
Suhakam	Suruhanjaya Hak Asasi Malaysia Human Rights Commission of Malaysia
TCB	The Conference Board
TCS	Television Corporation of Singapore
TI	Transparency International
TMNet	Telekom Malaysia
TNC	Transnational Corporation
TRI	Technology Resources Industries
TV3	Sistem Televisyen Malaysia Malaysian Television System
UEM	United Engineers Malaysia
UMNO	United Malays National Organisation
UPA	Undesirable Publications Act
URL	Uniform Resource Locator
USSFTA	United States–Singapore Free Trade Agreement
UTM	Universiti Teknologi Malaysia University of Technology Malaysia
WAC	Women's Agenda for Change
WAMI	Writers' Action for Media Independence
WTO	World Trade Organisation

1

INFORMATION CONTROL AND AUTHORITARIAN RULE IN EAST AND SOUTHEAST ASIA

Under challenge?

Introduction

The 1997–98 Asian economic crisis raised serious questions for the remaining authoritarian regimes in East and Southeast Asia,[1] not least the hitherto outstanding economic success stories of Singapore and Malaysia. Could leaders presiding over economies so heavily dependent on international capital investment ignore the new mantra among multilateral financial institutions and business commentators about the virtues of 'transparency'? Would these leaders be capable of, or interested in, responding? Was it possible to embark on a selective reform agenda – one that steered well clear of political openness and scrutiny but delivered on some improvements to corporate disclosures and other limited forms of transparency? Or would any accommodation compromise the integrity of authoritarian power relationships and set in train pressures and dynamics towards more comprehensive reforms, including much greater media freedom? And just how vital was transparency – however defined – to the actual decisions of investors? Was it really a universal functional requirement for economic recovery and advancement, or was its importance being overplayed in reaction to the dramatic events of the crisis?

Authoritarian regimes are characterised by a concentration of power and the obstruction of serious political competition with, or scrutiny of, that power. The free flow of ideas and information is therefore an anathema to authoritarian rule. Almost by definition, authoritarian regimes involve censorship. This doesn't mean, however, that mass media and other publicly available sources of information and analysis are necessarily discouraged. On the contrary, sophisticated authoritarian regimes harness these to propagate their own messages and to promote economic objectives. Yet in such cases considerable selectivity still exists in what media content and other expressions and information in the public domain are tolerated.

From the early 1990s, the viability of authoritarian regimes and the effectiveness of curbs on expression and information flows in East and Southeast Asia were increasingly questioned. Many theorists believed that the earlier collapse of authoritarian regimes in the Philippines, South Korea and Taiwan would eventually be replicated across the region. Social transformations wrought by capitalism were thought to be releasing powerful pressures for political pluralism, including demands by educated middle classes for free expression and independent media (Huntington 1991). New global electronic media technologies – especially the Internet – were also regarded as a universal threat to control-minded authorities (Pye 1990, Kelly 1995, Barkham 1998), and a force for democracy (Grossman 1995).[2] Indeed, according to a draft bill introduced to the US Congress to fund hackers battling authorities in China and other authoritarian regimes in Asia, 'the Internet stands to become the most powerful engine for democratization and free exchange of ideas ever invented' (quoted in Hiebert 2002). Moreover, new electronic media technologies and the associated free flow of information were depicted as functional imperatives for graduation to more advanced forms of economic activity and the attraction of international capital (Ohmae 1990, Brandon 2000). Since the political legitimacy of authoritarianism rests so heavily on economic growth, could pragmatic rulers resist change?

However, some regimes proved much more durable than this prognosis anticipated. In particular, among the dynamic Asian countries that seemed to be inexorably clawing their way up the global economic ladder was a number of politically stable authoritarian regimes where the free flow of ideas and information had remained unlikely. Authoritarianism in Singapore and Malaysia seemed capable of reproducing itself for the foreseeable future. In these societies, the middle class has been more a force for regime consolidation than regime change, while international capital also appeared content to operate within authoritarian frameworks – including international media organisations within which self-censorship had become extensive (Rodan 1998a). Nor was the universal body blow the Internet was expected to deliver to the political controls of authoritarian regimes yet in evidence in Singapore and Malaysia (Rodan 1998b).

With the advent of the 1997–98 Asian economic crisis, though, a new critical focus centred on the institutional make-up of governance systems in the region. The scale and nature of this critique varied, as did the prescriptions for reform. For some analysts and activists, the Asian crisis confirmed the fundamental incompatibility of authoritarian rule and capitalist markets (Lohr 1998, Rudolph 2000). Democracy and civil society became clarion calls, especially from within non-government organisations (NGOs), to counteract state power and increase the accountability of public officials (*Asiaweek* 1999). Others concentrated their critique on more specific governance shortfalls in the region, emphasising the need for rule of law, transparency, regulatory systems and other institutional prerequisites for more robust market systems (Camdessus 1998a, Roubini, Corsetti and Pesenti 1998, World Bank 1998).[3] Such prescriptions were an explicit attack on practices identified as arbitrary and corrupt exercises of power in favour of universal, rule-based procedures to enforce greater accountability of decision-makers in both the public and private sectors. The unifying theme to the various arguments for institutional reform was an instrumental rationale for change: that this is a functional necessity for sustainable capitalist market systems in Asia.

Of all the claims about the functional need for institutional reform, none featured more prominently nor had wider appeal than those concerning transparency and the free flow of information. The severity and suddenness of the crisis led to claims of information 'black holes' and insufficient media probing of the problems beneath the surface of the 'Asian miracles' – including corruption and other forms of power abuse (Balgos 1999). The absence of accurate and reliable information was widely thought to have compounded, if not caused, the collapse in international investor confidence in Asian markets (Devinney 1998, Coronel 1999).

However, the precise meaning and emphasis of reform prescriptions attached to the notion of transparency differed among its champions. There were at least two reform agendas running. On the one hand transparency was equated with the need for new systems of disclosure and scrutiny in the exercise of public and private power, explicitly advocating political openness and accountability on a broad scale. On the other hand transparency was expressed in more limited terms, principally or exclusively as improved corporate disclosures and other information availability of immediate market relevance.

These differences in emphasis reflected contrasting ideas about the primary utility of, and constituents to be served by, increased transparency. For some the point was to enhance the accountability of public officials and institutions to a wide range of social and political groups, whereas for others it was to increase accountability to the market. Whether the respective reform agendas of democrats and neo-liberals naturally intersected, or were in tension, was open to question. But despite variance over the meaning of transparency, in all cases it represented some sort of shift towards increased information being routinely placed on the public record and a whittling away of the discretionary powers of public officials on information availability. To that extent all transparency reform is intrinsically political, bolstering some interests and threatening others (Florini 2000).

Before distilling in any detail the main propositions developed throughout this book, a more detailed engagement with the literature on authoritarianism and governance in East and Southeast Asia is necessary. This will help to locate the assumptions and intellectual influences brought to bear on the contemporary debates about transparency, and precisely what is at stake theoretically in the cases under study. This discussion will focus particularly on modernisation theory and new institutional theory, two approaches that in different ways claimed to be vindicated by the Asian crisis but are challenged by the propositions in this book.

Capitalism and democracy as natural partners

Early modernisation theorists in the 1950s and 1960s operated from an assumption that there was only one institutional model on the road to progress. It involved the joint adoption of liberal economics and liberal politics (Higgott *et al.* 1985: 17–18). Essentially, to modernise, traditional societies needed to adopt the same organisational structures and social and political values as in the West. This entailed a largely technical process of diffusion, including diffusion of capital and technology (Rostow 1960), cultural values (Lerner 1968), and Western political values (see Higgott 1980). From this perspective, authoritarian regimes were regarded as remnants of traditional societies and inevitable casualties of modernisation.[4]

Theorists from the modernisation school developed empirical models identifying correlations, depicted as law-like relationships, between political development and various socio-economic variables – such as education, literacy and income levels (Potter and Goldblatt 1997: 12). One of the most influential studies in this vein was by Lipset, who concluded that 'the more well-to-do a nation, the greater the chances that it will sustain democracy' (Lipset 1960: 31).[5] However, identifying a correlation is not the same thing as explaining it. On the actual causal links, modernisation theorists were less precise, although the political consequences of expanded middle classes and more extensive civil societies were thematic and strategic elements of most accounts. It was assumed that the higher educational levels of the middle class would translate into greater political rationality and tolerance of diversity. More broadly, increased complexity of social groups and plurality of interests resulting from economic and social transformations were thought to translate into a shift away from the centralisation of power in the state. In short, modernisation was seen to generate pressures for a political accommodation that only liberal democracy could effectively provide.[6]

The demonstrable capacity of authoritarian regimes not only to survive but also to preside over rapid industrialisation – especially in East and Southeast Asia – ensured that traditional modernisation theory diminished in influence by the early 1970s. Ironically, it was during this period that one of its most eminent exponents actually argued that authoritarianism was a necessary interim regime to establish the requisite social and political order for capitalist development – a position that assisted authoritarian leaders to rationalise repression within and beyond East and Southeast Asia (Huntington 1973).

However, modernisation theory proved only to be in temporary retreat. From the late 1980s, numerous authoritarian regimes collapsed in East Asia, Latin America and Eastern Europe. Now Huntington (1991) argued we were witnessing an historical 'third wave of democratization' that was related to the last few decades of rapid capitalist market development. The arguments this time were generally far more sophisticated than earlier modernisation accounts, with more attention to the factors mediating the political impact of economic development (see Diamond, Linz and Lipset 1989, Diamond 1993). Nevertheless, expanded middle classes, better educated populations, increased exposure to international influences via sophisticated communication and media technologies, and other consequences of economic transformation, argued modernisation theorists, had both raised political expectations and fostered the organisational means for more liberal political regimes.

A feature of this literature was the emphasis on functional pressures towards liberal democracy deriving from more advanced and globalised market systems. This was encapsulated neatly in Pye's (1990: 6) observations that:

> All governments are put under pressure by the increasingly significant flows of international trade, finance and communications; by the effects of contemporary science and technology; and by all the other elements that make up what we imprecisely call modernisation. But the authoritarian regimes are the most vulnerable and are therefore being seriously undermined.

Moreover, the technically educated, middle class populations ensuing from this market development were understood to create new centres of power that simply can't be accommodated under authoritarian rule. They represented a force for civil society and decentralised political systems (Pye 1990). Fukuyama (1992) reinforced this theoretical direction, boldly restating the idea of a linear pattern of human history with his claim that the conclusion of the Cold War represented the 'end of history' and the triumph of liberalism.

Modernisation theorists were not alone in restating the view that whatever detours might occur along the way, capitalist development was necessarily charted within limited institutional paths. Adopting a Marxist analysis, Harris (1988: 247), for example, argued that when capitalism matures in late industrialising countries: 'The old state must be reformed or overthrown, to establish the common conditions of all capital: a rule of law, accountability of public officials and expenditure, a competitive labour market and, above all, measures to ensure the common interests of capital can shape the important policies of the state.' In other words, corruption and crony capitalism would increasingly rub up against the functional requirements of more sophisticated forms of capital accumulation. However, the prospect of this resolving in favour of liberal democracy was contingent on social and political struggles.

There were other writers who also argued that, due to historically specific conjunctures of class and state interests, continued accommodations between advanced forms of capital and authoritarian regimes remained possible and viable within the region (Robison, Hewison and Rodan 1993, Khoo 1997). This work underlined the importance of distinguishing between liberal democracy and Weberian rationalism, suggesting that regardless of whether liberal democracy was the best political shell for capitalism it was by no means the only one.

For quite different reasons, a range of other perspectives countenanced the possibility of authoritarianism surviving within different parts of East and Southeast Asia in spite, and even because, of the rapid advance of capitalism. Cultural determinist arguments were revived, spearheaded by self-interested authoritarian leaders but often picked up with gusto by their functionaries and apologists who emphasised the distinctiveness of 'Asian values' and its implications for political regimes (Zakaria 1994, Emerson 1995, Mahbubani 1995, Robison 1996, Kausikan 1997). This was very much an attempt to hose down expectations that political pluralism was simply a matter of time throughout the entire region. Transitions theory literature analysing divergent experiences of collapsed authoritarian regimes in Latin America and East and Southern Europe also suggested a less certain trajectory for political regimes in East and Southeast Asia. It emphasised factors like leadership, negotiation processes and even chance as influential determinants in the survival and possible effective reorganisation of authoritarian regimes (O'Donnell, Schmitter and Whitehead 1986).

However, the point was that during the late 1980s and early 1990s modernisation theory regained much of its earlier ascendancy in the literature and policy circles. Remaining authoritarian regimes in the region were increasingly being viewed as exceptions to the general rule rather than as viable alternative political models for capitalist development.

Governance and authoritarianism

The late 1980s and early 1990s was also a period when, within the broad framework of neo-classical economic thought, the emerging new institutional economic theory began to exert a significant influence (Bates 1981, North 1981, 1995). New institutionalism is grounded in the notion that individuals make rational market choices, but that institutions – represented both by organisations and broader sets of procedures, rules and laws – fundamentally shape the choices available. This contrasts with the orthodox neo-classical conception of abstract, atomised individuals as well as the Marxist conception of class relations as the defining context within which market choices are made. From the new institutionalist perspective, institutions exert an influence in their own right and generate a logic that conditions actors' behaviour. This represented a shift away from seeing institutions as the passive by-products of market forces to the potential generators of more rational and efficient market systems.

Within elements of the neo-classical camp, new institutional theory inspired a reassessment of the relationship between markets and states, most notably within the World Bank. Concern had surfaced over development failures in Africa and Eastern Europe, where despite Bank projects market systems were seen to be struggling due to what were seen as governance shortfalls. It was observed, for example, that: 'Privatization may not succeed or be politically sustainable . . . unless clear rules and institutions contain transaction costs (i.e. the cost of arranging, monitoring and enforcing contracts)' (World Bank 1991: i). This approach had implications for East and Southeast Asia, although they didn't seriously manifest until after the Asian crisis of 1997–98.

The Bank (1991: i) broadly defined 'governance' as 'the manner in which power is exercised in the management of a country's economic and social resources for development'. It argued that sound development management was hampered by such factors as 'weak institutions, lack of an adequate legal framework, damaging discretionary interventions, uncertain and variable policy frameworks and a closed decision-making process which increases risks of corruption and waste' (World Bank 1991: i). Towards improving public administration and thus development management, the Bank prescribed four main areas of reform: increased accountability of public officials; a legal framework for development; the availability of accurate information about the economy, market conditions and public policies affecting the private sector's competitiveness; and the adoption of transparency in decision-making to enhance accountability, restrict corruption and generate consultation between government and private interests over development policy.

Yet the Bank seemed to be open to the possibility that 'good governance' didn't necessarily entail liberal democratic regimes. Thus, on the issue of accountability, it explained that how this might happen varies 'widely in different countries, depending upon cultural characteristics, history, political institutions, administrative capacities and the public's level of information' (World Bank 1991: 26).[7] Not surprisingly, authoritarian leaders and their custodians who were irritated by increased international scrutiny over human and political rights issues following the end of the Cold War preferred talk of 'good governance' to 'democracy'. They staked claims to the former on the basis of sound market administration (see Koh 1993).

Though slower to move in this direction, the International Monetary Fund (IMF) also adopted the *Declaration on Partnership for Sustainable Growth* in late 1996 that committed it to 'promoting good governance in all its aspects, including ensuring the rule of law, improving the efficiency and accountability of the public sector, and tackling corruption' (quoted in Camdessus 1998b). So-called 'second generation reforms' were to be developed in support of this, including measures to raise transparency in both the public and private sectors.

Despite the belated recognition of the dependence of markets on wider institutions for their effectiveness, this new emphasis on institution building nevertheless exhibited a continuing conception of the development process in fundamentally technical, elitist and voluntarist terms (Leftwich 1993, 1994, 1996). Institutions were seen as something that could be injected into countries through well-informed project design. Moreover, by breaking up distributional coalitions and predatory states through institution building, it was thought that politics was being removed from public administration in favour of rational markets. This reflected a naive understanding of politics, since institutions supportive of free markets also have their power bases (see Rodan, Hewison and Robison 2001, Harriss 2002). What the World Bank wanted to effect was the removal of a certain sort of politics – that which frustrated reforms towards economic liberalisation and fuller integration of late industrialising countries into the global capitalist system.

However, both economically and politically, institutional alternatives to liberal orthodoxy survived well into the 1990s. Authoritarian rule in Taiwan and South Korea may have been dismantled, but both developmental and predatory states in the region continued to preside over prosperous capitalist economies. Moreover, continued economic prosperity under authoritarian regimes in China, Singapore, Malaysia and Indonesia, made possible the strident assertions of a distinctly 'Asian way' to the political and social organisation of capitalism (Zakaria 1994, Mahbubani 1995). The notion of 'developmental journalism' that gave priority to 'nation building' and was sensitive to the 'Asian cultural context' fitted neatly into this framework (Mehra 1989, Masterton 1996, Mrinal 1996, Romano 1999).

Asian crisis, transparency and institution building

The Asian economic crisis of 1997–98 had dramatic consequences for the above debates, and indeed for the fortunes of some of the region's political and economic regimes. It released a new and more concerted array of arguments and pressures for institutional conformity with orthodox liberal economic and/or political models. The big lesson of the crisis, it was argued, was that market systems in the region were not sustainable unless substantial governance reform took place. Transparency reform was uniformly viewed as fundamental. However, owing to the varied understandings of this concept, for some advocates of change the developmental state was the principal target while for others is was authoritarian rule.

For one group of analysts, nothing short of a complete institutional convergence towards Western economic and political systems would suffice, leading Fukuyama (quoted in Lohr 1998) to claim that 'what the current crisis will end up doing is to puncture the idea of Asian exceptionalism'. Economic crisis was thus viewed in certain quarters as a function of the lack of political openness in the region. Along these lines, Rudolph (2000: 24) asserted that: 'In order to prevent future crises, the crisis economies will have to (further) strengthen their institutions and deepen reforms. These goals can only be achieved by greater accountability and transparency, which, in turn, would depend on further democratisation.'[8]

Expectations and hopes that authoritarianism was now untenable were buoyed by dramatic events in Indonesia precipitated by the Asian crisis where President Soeharto and his authoritarian New Order regime quickly unravelled. Moreover, the *reformasi* movement that rapidly emerged to play such a decisive role in this had made strategic political use of the Internet to bypass the government-controlled media and mobilise social forces in huge public demonstrations (Hill and Sen 2000). The limitations of authoritarian media controls appeared to have been emphatically exposed by new electronic communications media.

A number of academics (see Grier 1998), and some of the region's more liberal past and present political leaders, such as Fidel Ramos and Kim Dae-Jung (Ramos 1998, *Asiaweek* 1999: 52–3), pointed to the greater durability and swifter recoveries of economies in the Philippines, South Korea, Taiwan and Thailand as further evidence to support the proposition that democracy was market functional. Even the Asian Development Bank proclaimed that democracy had helped the Philippines weather the impact of the Asian financial storms (*AP* 1998).[9]

These sorts of arguments had obvious appeal to social and political activists within NGOs who were struggling to expand the space of civil society. They were now able to maintain that their longstanding demands for freedom of expression, association and assembly (Nissan 1999), pivotal to the increased accountability of governments, were also market functional. This view was supported by liberal political theorists who underlined the importance of strong, independent civil societies as a partial but necessary brake on the exercise of state power. Moreover, Rudolph (2000: 67) argued that: 'Civil society is highly dependent on information. Laws prohibiting the free flow of information are another way of debilitating NGOs . . . Regimes which lack the checks and balances of civil society and independent media will continue to perpetuate collusion, corruption and repression.' From this perspective, the transparency reform agenda was therefore a necessarily broad one that would enable wide-ranging scrutiny of decision-making processes by interest groups and the media.[10]

Ironically, though, it was neo-classical economic theorists who seized on the financial crisis to lead the charge for governance reform in general and transparency reform in particular. The market deregulation they aggressively prescribed had gathered considerable momentum during the 1990s in Asia, and was in many observers' views instrumental in the crisis (see Wade 1998a). Furthermore, far from being swept aside in the face of such reform, rent seekers had often consolidated and extended their positions through deregulation (Jayasuriya 2001). Now neo-classical economists argued that successful deregulation required particular sorts of institutions that were missing in the region. Close business–state relationships, lack of transparency, inadequate laws and regulations, and the absence of independent supervisory agencies presiding over the market had generated a misallocation of resources through distorted price signals (Frankel 1998, Roubini, Corsetti and Pesenti 1998, Wolf 1998, Arndt and Hill 1999).

Transparency became something of a refrain among neo-classical adherents generally (see Granitsas *et al.* 1997, Hormats 1998, Reyes 1998).[11] At times the hyperbole nearly approached the scale of Fukuyama's earlier claim about the end of history. The absence of transparency not only represented a fundamental flaw in so-called Asian capitalism, according to Devinney (1998: 36), but: 'The success of the Anglo-Saxon model of capitalism is due to its embodiment of the principle of transparency and all that flows from it.' But just what flowed from it was far from clear, not least because different constituents had contrasting ends in mind.

For advocates of economic liberalism, the Asian crisis was above all else an opportunity to deliver an assault on the concept of the developmental state. The triumphant pronouncement of one newspaper headline, 'Asian Model: R.I.P' (Brittan 1997), was indicative of the mood.[12] Yet, in effect, the neo-classical reform agenda also now included a form of 'state capacity' building, a characteristic hitherto associated with developmental states (Weiss 1999). It was a form of state capacity though that was meant to enforce market discipline further, not to consolidate or restore the ability of the state to deflect it. Within the IMF, the priority accorded 'second generation' institution building reforms thus took a quantum leap (Camdessus 1997). The IMF looked to the regulatory capacity of the state to insulate public decision-making from the influence of vested interests as a way of curbing corruption, cronyism and rent seeking. A lack of transparency, according to the IMF's managing director Michel Camdessus (1999), 'has been a pernicious feature of the "crony capitalism" that has plagued most of the crisis countries'. Transparency, according to the IMF, 'refers to a process by which information about existing conditions, decisions and actions is made accessible, visible and understandable' (IMF 1998: v, as quoted in Langley 2000: 8).[13] Camdessus (1998b) urged transparency of government financial operations and the creation of 'systems that minimize the scope for making decisions on an *ad hoc* basis and for giving preferential treatment to individuals and organizations'.

The emphasis on transparency among adherents to neo-classical theory was also grounded in a belief that it was fundamental to more informed investment decisions. Information imperfections are thought to increase transaction costs and give rise to market failure (Vishwanath and Kaufmann 1999), especially within information sensitive capital markets (Berry and Howe 1994, Wang 1995, Kocagil and Shackmurove 1998). Camdessus (1998b) thus explained that: 'the Asian crisis has demonstrated in a very dramatic way how the lack of transparency about underlying economic and financial conditions can feed market uncertainty and trigger large capital outflows that can, in turn, threaten macroeconomic stability'. The absence of adequate, timely and reliable information was similarly held responsible by the World Bank's vice president Jean-Michel Severino (1999) for the 'emotion and herd instinct' of investors behind the crisis's escalation.[14]

The IMF has consequently urged, promoted and supported significantly improved official economic data among member countries in Asia and elsewhere since the crisis. This has included data on foreign reserves, more transparent budget and monetary policy statements by governments, and the adoption of internationally agreed standards in accounting, disclosure and bankruptcy codes within the corporate sector. Such information has been elicited through the Special Data Dissemination Standard (SDDS),[15] the Code of Good Practices in Monetary and Financial Policies, and the Code of Good Practices on Fiscal Transparency. Importantly, though, as Johnson (2001) points out, IMF efforts to improve information disclosures have excluded disclosures about the actual decision-making process that might enable non-economic actors to question economic policy, or exert any more influence over it. Indeed, the Fund has been quite explicit that a major motivation for this greater transparency is to police macroeconomic policies better by governments. Describing transparency as 'the golden rule for a globalized economy', Camdessus (1998a) explains that: 'In order for our surveillance to be effective, however, data provision needs to be timely, accurate, and comprehensive. Thus, the IMF has decided to be more demanding about the coverage and quality of the data provided to us and communicated to the markets.'[16]

Within the World Bank a wider view has been articulated on the institutional requirements of sustainable market systems. It extended into the realm of social and political institutions and deployed concepts of community participation, civil society, social safety nets and social capital (World Bank 1998, Stiglitz 1998a, 1998b, 1999). It was through such institutions that social cohesion and political consensus functional for market systems could be generated. These were ideas associated with the so-called 'Post-Washington Consensus' that sees broad state capacity building as the primary post-crisis reform objective, thereby departing from the exclusive emphasis on economic liberalisation, privatisation and macroeconomic stability characteristic of the earlier 'Washington consensus' (Williamson 1994). Such emphasis manifested in public differences with the IMF, whose promotion of fiscal austerity in Indonesia in particular was regarded as destabilising, threatening the social and political consensus necessary for markets to function on a sustainable basis (World Bank 2001, Stiglitz 2002).

To be sure, this difference in emphasis between the IMF and World Bank didn't in any way represent a tension over the fundamental reform agenda of market deregulation. Rather, the question was how best to embed this. Hewison has also demonstrated that the World Bank's rhetoric often belied a much more conventional set of priorities in practice. In the Bank's policies and reform recommendations for Thailand's recovery from the 1997–98 Asian crisis, for instance, funds were overwhelmingly steered towards financial restructuring. Against the background of contending that safety nets were important to social stability, the Bank also argued that the minimum wage in Thailand was 'too high' (Hewison 2002: 313).

Nevertheless, one consequence of the Bank's different emphasis has been a greater degree of attention to the wider institutions necessary to address the transparency deficit in Asia. This was most discernible during the period that Joseph Stiglitz was the Bank's vice president for East Asia and the Pacific and chief economist, until late 2000. Stiglitz (1998a) regarded transparency as necessary for effective participation in decision-making. It was argued by the World Bank (1997: 10) that: 'Greater information and transparency are vital for informed public debate and for increasing popular trust and confidence in the state – whether in discussing expenditure priorities, designing social assistance programs, or managing forests and other resources.' For this reason, Stiglitz and others in the Bank singled out press freedom as especially important. Not only was it the solution to the herd instinct problem Severino (1999) referred to, helping to expose corrupt and collusive dealings, but it generally fosters political engagement by citizens.[17]

Although the departure of Stiglitz from the Bank coincided with a moderating of the reform agenda (Chang 2001), official advocacy of media freedom survived and was given a very explicit theoretical rationale. The *World Development Report 2002: Building Institutions for Markets*, which draws explicitly on North's new institutionalist theory, dedicates the final chapter to the media. Here it is argued that the 'media can play an important role in development by affecting the incentives of market participants – businesses, individuals, or politicians – and by influencing the demand for institutional change' (World Bank 2002: 192–3). A free and independent media can generate constituencies for reform by servicing the needs of market participants. Subsequently, the Bank produced an edited collection – *The Right to Tell – The Role of Mass Media in Eco-*

nomic Development – dedicated to an elaboration of these themes (World Bank Institute 2002).

What this approach either ignored or misunderstood was that implementation in the first instance required constituencies, or interests with adequate opportunity and capacity. Much of the *World Development Report 2002* chapter concentrates on specifying the sorts of information immediately useful for economic markets and the importance of reforms to ensure adequate access to public information enabling journalists to investigate issues and disseminate reports. It also notes that media 'provide information on political markets, exposing corrupt and unethical politicians' and 'giving people a platform to voice diverse opinions on governance and reform' (World Bank 2002: 181). Yet this didn't actually theorise the circumstances under which media reform was likely to occur. Implicitly, this could be done through rational decision-making. But as Chaudhry (1994, 1997) has argued, institution building is an inherently political process that reflects social conflict. Groups with an interest in a particular institution still need to prevail in power struggles to have them established. Crucially, though, the Bank observed that: 'Better information makes monitoring people's behaviour easier' (World Bank 2002: 18). In effect, without information there can be no market discipline. In any evaluation of the attractions in transparency for the Bank, this loomed large.

With good reason, Jayasuriya (1999a: 6–7) has cautioned against overplaying the significance of World Bank revisionism. In particular, he argues that the World Bank view of civil society is a managerial and politically sanitised one: conflicts between competing interests generated by market relations are, in effect, something to be contained and managed.[18] Governments and social organisations have a role to play in helping to limit such conflict, which threaten the hegemony of neo-liberal policies and ideas. Some sophisticated authoritarian regimes that are adept at co-opting social organisations, as in Singapore, would appear to satisfy precisely this conflict management objective. That said, media freedom represents an unequivocal threat to authoritarianism, instrumental rationale behind it notwithstanding. So although the motivations and implications of the Bank's embrace of a more expansive set of governance reforms were open to question, they nevertheless didn't sit comfortably with the Bank's earlier stated position on political regime flexibility in achieving increased accountability. Consistency with the earlier stance on governance, though, lay in the concern to have institutional mechanisms in place to foster market discipline. In any case, the important question, which the Bank didn't address, was whether actors in any of the 'markets' referred to by the Bank – be they economic or political – actually represented a genuine force for the implementation of media freedom.

Notwithstanding differences between elements of the multilateral financial establishment over the precise agenda of institutional reform, the common goal was to put global capitalism on a more secure footing. This included limiting the scope for political challenges to such a project, which ranged from entrenched rent seekers to marginalised groups posing a threat to consensus formation. The attempt to build new structures to insulate the market from such forces had begun before the Asian crisis, captured by the concept of the 'regulatory state' (Vogel 1996, Jayasuriya 1999b, 2000). This referred to the institutionalisation of a particular set of economic policies through a wide range of independent supervisory and regulatory regimes under various agencies and statutory instrumentalities, including central banks. Conceived in this way, the state, as a set of power relations, was becoming decentralised and less conspicuous. Yet it served to quarantine a lot of economic policy decisions from the competitive political domain under the pretext that these matters were technical and best handled by experts.

Gill's (1998a, 1998b) notion of 'new constitutionalism' links transparency to a similar global neo-liberal exercise. New constitutionalism also refers to international institutional means through which market liberalisation is being promoted that circumscribe policy options open to governments of sovereign states. Among other structures, they involve international financial institutions such as the IMF and World Bank, the World Trade Organisation (WTO), the European Economic and Monetary Union, as well as private credit and bond rating agencies – all embodying new power relationships between public and private authorities through which 'sound' policy can be effectively enforced through increased surveillance (Gill 1998a: 27). What the Asian crisis dramatically highlighted, according to Gill, was the inadequacy of existing mechanisms to achieve this on behalf of international capital. Thus, through the enforced provision of various data, Gill (1998a: 26) sees a significant empowerment of international capital at the expense of states: 'Transparency increases the structural power of capital by providing investors with greater information, forcing states to prove their credibility, and thus make the power of capital more precise and effective.' Viewed in this way, the concept of transparency takes on a decidedly political meaning, but not one that is necessarily favourable to democratic processes. Accountability to investors is not the same as accountability to citizens.[19]

To summarise, with the advent of the Asian crisis of 1997–98, much more detailed and intricate conceptions of the legal rational and bureaucratic rational requirements of market systems resulted. These have been broadly expressed under the rubric of 'good governance' and 'transparency': both regarded as organisational imperatives for successful participation in sophisticated, globalised markets. Yet it remains unclear whether, and if so how far, this imperative impinges on political regimes within East and Southeast Asia.

Most importantly, it is apparent from the above discussion that transparency has become so widely deployed a concept precisely because it is open to different interpretations, a point even more apparent in the general literature on transparency (see Grigorescu 2000). It is attractive as a concept to those interested exclusively in institution building for instrumental economic purposes – eliciting information about, and accountability to, the market. Equally it appeals to social and political activists seeking greater openness and accountability as a way of extending citizenship rights and democratisation. In its most expansive sense, then, transparency can entail corporate, fiscal and monetary disclosures alongside a broader regime of commercial and political openness encapsulating public and private organisations. This constitutes what is referred to in this study as 'comprehensive transparency', to be contrasted with 'limited transparency'. It is analytically important though to recognise that transparency can not only take different forms, but that as a result it has the potential to both advance and threaten varying interests.

What is common to the various conceptualisations of transparency is the notion of freely available information as a matter of right – whether to shareholders, stakeholders of some form, or citizens – and as a functional necessity for either the economic or political system. At the very least, this implies a measure of accountability on the part of decision-makers to specific constituencies. Yet if the idea of openness and accountability were to become generalised in practice across economic, social and political institutions it would represent an unmitigated threat to any authoritarian regime. The question is whether or not this is inevitable, once even limited transparency is introduced, or whether a separation of economic and political transparency can be effectively enforced. Are some forms of transparency and information availability more important to capital than others, or sector-specific rather than generalised? And where does the institution of free media feature in this – is it inseparable from transparency reform – whether limited or comprehensive – or an optional extra in functional terms? Most importantly, whatever form transparency takes, what social and political forces are driving it and why?

The study

If ever there were case studies that offer an exploration of the dynamics of the relationship between market development and tight controls on information availability and the media then Singapore and Malaysia provide it. Both involve highly internationalised economies that,[20] until the Asian crisis, were successfully reconciled with slightly different authoritarian regimes. In Singapore this took a highly efficient bureaucratic form with the outward appearances of Weberian rationalism. State power was nevertheless systematically harnessed to consolidate and extend ruling party interests and obstruct any challenges to them. In Malaysia, close state–private sector alliances made political influences over public administration more conspicuous and dynamic, but generally resulted in similar obstacles to any meaningful political competition with the ruling party or attempts to scrutinise the exercise of public power. Yet since the advent of the Asian crisis, government leaders and policymakers have embraced the rhetoric of transparency and enacted or foreshadowed a series of reforms in transparency's name. We are witnessing an interesting experiment wherein selective corporate and fiscal forms of transparency are countenanced, while others involving political openness are resisted. If the current liberal-dominated orthodoxy on transparency is correct then this quarantining exercise will fail. However, in evaluating this, we must distinguish between liberal mythology, actual market requirements and the forces behind institutional reform.

In the course of examining the respective cases of Singapore and Malaysia in the chapters to follow, the following general propositions will be advanced and elaborated on.

First, market development can be as much a force for the suppression of the free flow of information and analysis as it can for its realisation. In particular, media markets have proven a powerful seduction for profit-seeking organisations in East and Southeast Asia, leading to widespread self-censorship to avoid confrontation with authoritarian regimes and protect access to those markets. This is proving no less the case since the crisis as before, despite the proliferation of the Internet and other electronic media.

Second, business attitudes towards transparency and the media are complex and ambivalent. Support for transparency reform is highly particularistic and varies in intensity among sections of business, and includes a considerable degree of indifference about it among some investors. Thus, as before the crisis, the general absence of transparency, particularly as this involves the free media, need not represent a fundamental obstacle to the attraction of international investment. We thus need to establish precisely what sort of information is essential to business, what role social and political analysis plays in investment decisions, and what the sources of the required information and analysis are. In particular, where do the media fit in this?

Third, the importance of transparency is relative rather than absolute. It becomes important where investors lack faith in the wider system of governance and during times of economic and political crisis. Where political stability and/or the predictability and reliability of legal and supervisory regimes exist, the absence of transparency is not a concern. Indeed, this even applies to investors in what are widely regarded as information-sensitive financial sectors considered the hallmark of contemporary market sophistication.

Fourth, neo-liberal elements of the international consensus for transparency reform are primarily interested in securing increased international capital mobility and market access. To the extent that selective reform in authoritarian countries can deliver on these institutional changes, then a strategic element of the international consensus for transparency reform may well be satisfied. The attraction to transparency resides in its potential to increase market discipline via more comprehensive surveillance of public policies and regulatory and administrative systems. It is Weberian bureaucratic rationalist – not democratic – values and practices that neo-liberals are principally concerned here to promote.

Fifth, some authoritarian regimes are, however, better equipped than others in enacting limited transparency reform and guarding against the potential for this and its attendant discourse to raise expectations of wider political accountability and openness. Indeed, the most sophisticated authoritarian regimes may be able to harness transparency reform to the task of political consolidation, as evidenced in the case of Singapore. By contrast, Malaysia's crony capitalist form of authoritarian rule has faced more serious political risks and implementation difficulties with governance reform in general, including transparency reform. Increased corporate accountability and transparency by regulatory authorities exposes existing state–business relations so central to established power structures in Malaysia. Attempts to limit discourses about governance reform to the technical requirements of the market have also proved less successful in Malaysia. Here the political co-option of social forces through the state has never been as advanced or effective as in Singapore.

Finally, and ironically, the best prospects of comprehensive transparency reform rest with the actions of social and political forces not driven principally by instrumental market considerations, but trying to expand the political space of civil society. The economic crisis and the not unrelated political crisis arising from the sacking and imprisonment of former Deputy Prime Minister Anwar Ibrahim have precipitated an expansion of organised, independent social and political forces. This has not only given expression to conceptions of transparency emphasising political openness and accountability, but has provided the motivation and strategic need for independent media space to be cultivated. The reform agendas of democratic elements of these forces not only make authoritarian leaders nervous. They also challenge the particular vision of globalisation advanced by neo-liberals where accountability to the market is paramount but accountability of the market is limited. The contrasting experiences of Singapore and Malaysia also demonstrate that the Internet is not an inherent or universal force against authoritarianism. Rather, as McChesney (1998: 25) argues, the potential of new electronic media acting as a spur to democratic change is contingent on the existence of an organised political force to exploit them.

2

BEDDING DOWN MEDIA AND INFORMATION CONTROL IN SINGAPORE AND MALAYSIA

Introduction

Well before the 1997–98 Asian crisis, the experiences of Singapore and Malaysia posed serious challenges for two popular ideas. The first was the notion that market development was a force for free media. The second was that new electronic media posed an unambiguous threat to authoritarian regimes. Maintaining tight media control was not without its difficulties in both cases, but the extent to which this could be reconciled with increasingly sophisticated economies was remarkable – all the more so because this included the attraction of substantial investments from the world's leading media organisations.

The neutralisation of independent and critical media was integral to the establishment of authoritarian regimes in Singapore and Malaysia respectively, with the initial focus very much on domestic media. There were many similarities in the mechanisms deployed to achieve this, including the use of security laws and official secrets acts to intimidate journalists and editors, as well as annual licensing laws that meant the spectre of official retribution was a perennial problem for publishers and distributors alike. Yet there were also noteworthy differences too, which reflected the variations in the power relations underlying these regimes. In Malaysia, for instance, political parties within the ruling coalition became directly involved in commercial ownership of newspapers, whereas in Singapore less direct means were used to emasculate media independence.

As industrialisation gathered momentum in Singapore and Malaysia, the interest in, and presence of, the international media in these countries also expanded. Yet instead of acting as a clear-cut force for liberal information flows and political pluralism, media organisations learnt to operate within prescribed bounds in order to protect and advance their commercial interests. Certainly prior to the Asian crisis, the dramatic expansion of circulation, advertising and other markets often seduced media organisations to accommodate the illiberal impulses of authoritarian regimes. The priority was to protect increasingly important and profitable commercial footholds and to avoid costly legal and other battles with authoritarian regimes in Singapore and Malaysia.

Singapore led the way in exposing the commercial Achilles heel of international media organisations. By the late 1980s, Lee Kuan Yew had put in place numerous legislative amendments that empowered authorities to hit media organisations where it hurt most – through cuts to circulation and advertising revenue. Debilitating defamation, libel and other legal suits also served to reinforce official displeasure with investigative or critical reporting. These lessons were not lost on authorities and private interests in Malaysia who subsequently emulated such techniques, even if this didn't reach the same intensity or scale.

Importantly, though, the success of the Singapore model also owed something to various forms of co-option of international media organisations. Far from the city-state being an information desert, lots of material was available in Singapore that made stories about economic and social achievements easy to run. Although the slick efficiency of the bureaucracy in Singapore that underwrote such subtle co-option was not matched in Malaysia, here the international media were also important conduits through which positive messages about economic and social development were conveyed.

Taming and harnessing the domestic media in Singapore

When self-government began in 1959, Singapore boasted a wide range of independent newspapers. These provided a significant measure of scrutiny and critical examination of public policies and issues, and newspapers owned and run by families or individuals were relatively free from government intrusion. However, at no time after taking office was the ruling People's Action Party (PAP) under Lee Kuan Yew comfortable with criticism from the press. Sensitivity to media reporting intensified though after the 1961 split in the ruling party that resulted in the establishment of the rival Barisan Nasional (National Front). Incrementally, a new regime was installed through a combination of pressures on editors and journalists alongside structural changes eroding the independence of media organisations.

An early indication of the PAP's desire to beef up the powers of the state in the regulation of the media was provided when, almost immediately after taking office, the PAP government amended the Printing Presses Ordinance. This required not just annual permits from the government for the printing and publication of newspapers in Singapore,[1] but also for the sale and distribution in Malaya of newspapers printed in Singapore. Permits could be withdrawn without any onus on the government to explain why (Seow 1998: 20).

Subsequently, through various forms of intimidation, editors and reporters came to understand the seriousness of official sensitivity to critical or investigative journalism. Especially significant here was the exploitation of repressive legislation inherited from British colonial authorities, including the Internal Security Act (ISA). In 1960, the ISA was re-enacted in both Singapore and Malaysia. Then, in September 1963, when Singapore was incorporated into the Federation of Malaysia, the Malaysian ISA 1960 was extended to Singapore. Virtually identical legislation was thereafter confirmed in Singapore law when merger between the two countries collapsed and Singapore separated from the Federation in August 1965. Although in both countries the official rationale for an ISA pertained to the threat of communism, the legislation was extensively used to curtail criticism and scrutiny of governments and to curb the development of civil society. The ISA not only provided for detention without trial of suspected threats to national security but also empowered the relevant minister in Singapore to prohibit the printing, publication and sale, *inter alia*, of subversive publications (Seow 1998: 229). The Act was employed most spectacularly in a general swoop on the PAP's critics and adversaries in Operation Cold Store in 1963. This involved the arrest of 111 people, including nine journalists from the Chinese, Malay and English-language print media (Seow 1998: 23).

Although this sort of intimidation had an impact, the domestic media were not as docile as Lee would have liked by the early 1970s. He thus took decisive action to curb the potential for independent media to criticise or scrutinise his government. One target was the Chinese-language newspapers that had served as a voice for ethnic Chinese who felt marginalised under the PAP's English-educated, middle class leadership. But Lee was also gunning for English-language newspapers that had periodically taken forthright critical positions too.

In a sequence of events in May 1971, in addition to the detention of the four editors of *Nanyang Siang Pau* under the ISA, Lee forced the closure of the financially strapped English-language *Eastern Sun* and the *Singapore Herald*. It was alleged that the *Nanyang Siang Pau* was pro-Communist and chauvinist. The *Eastern Sun*, Lee contended, was also receiving capital from Communist Chinese sources via Hong Kong, while the *Herald* was accused of being the front for Malaysian and Hong Kong capitalists bent on undermining the Singapore economy. According to Lee, these media organisations were part of a 'black operation' – a conspiracy of front operations on behalf of foreign operatives (Delilkhan 1971, Polsky 1972, Seow 1998). In their place, the government subsequently created the conditions for an expansion and consolidation of newspapers under its effective control.

Amendments to the Newspaper and Printing Presses Act (NPPA) in 1974 permitted the government to own newspapers. They also required press organisations to become public corporations and broke up large share ownership by individuals and families. Two classes of shares in newspapers – ordinary and management – were introduced. The latter involved more voting weight and could only be held by those approved by the Ministry of Culture. A further amendment in 1977 prevented any person from owning more than three per cent of the ordinary stock of a newspaper. Later, in mid-1984, the merger of the Straits Times Press, Times Publishing, and Singapore News and Publications Ltd formed the new government-owned conglomerate Singapore Press Holdings (SPH), with a capitalisation of US$660 million (Lent 1984: 30).

This simplified matters of political control, which were already deeply entrenched and institutionalised through the dominance of the respective boards of directors by PAP apparatchiks and nominees. Control over the appointment of editors was exercised strategically to affect a close and sympathetic relationship between the government and the domestic media (Seow 1998: 206–7).

In 1982, there was also a forced merger of the two leading Chinese language newspapers, *Nanyang Siang Pau* and *Sin Chew Jit Poh*, with SPH. This led in the following year to the launching of *Lianhe Zaobao* and *Lianhe Wanbao*. The merger had put the Chinese newspapers on a more stable financial footing, but at a very serious cost both to the diversity of media in Singapore and to editorial independence. The dramatic transformation in the orientation that occurred over time was captured by George (2001: 68) in his reflection that: 'In the 1960s, the Chinese press was a headstrong and unpredictable institution; in the 1990s, the Chinese division of SPH dreamt up a best-selling book and compact disk on Lee Kuan Yew.' The subsequent purchase in 1995 of *Tamil Murasu*, a small Tamil-language newspaper, meant SPH was now the owner of all nine daily newspapers across the four official languages published in Singapore.

The nexus between those controlling the domestic press and the political establishment was blatant to the point of incorporating former leading figures from intelligence agencies into upper management. S.R. Nathan, who was the Director of the secretive Security and Intelligence Department while he was in the Ministry of Foreign Affairs during the 1970s and 1980s, was subsequently the Executive Chairman of the Straits Times Press between 1982 and 1988. Nathan became the President of Singapore in 1999. The head of the Internal Security Department (ISD) from 1986 to 1993, Tjiong Yik Min, was also Executive President of SPH from 1995 until 2002. Tjiong headed the internationally condemned arrest and detention without trial of 22 so-called 'Marxist' plotters against the Singapore state in 1987 (Haas 1989: 59–63). He was at the helm too when the ISD raided the SPH-owned *Business Times* in 1992 resulting in prosecutions under the Official Secrets Act (OSA) – based on the 1911 British OSA and amended in 1989 to further tighten the controls over journalists' and others' access to official information – for the publication of unauthorised official 'flash estimates' (quick, initial calculations) of economic growth.[2]

Government control over local radio and television was achieved more smoothly through state-owned monopolies that came under the rubric of a civil service whose upper echelons had become integrated with, rather than independent from, the ruling party. In the 1960s and 1970s Radio Singapore and its successor Radio Television Singapore (RTS) constituted government departments under the Ministry of Culture. The establishment of the Singapore Broadcasting Corporation (SBC) in 1980 and Singapore International Media (SIM), following SBC's corporatisation in 1994 (Hukill 1998),[3] formally introduced more autonomy for radio and television stations, but by this time the power relations and political culture that rendered these fundamentally agents of 'nation building' were firmly embedded.

With the exception of a brief penetration of the local airwaves by an Indonesian radio station based in nearby Batam Island from 1988, all television and radio stations have been run by government-linked entities of one sort or another (Ang 2002: 252). Even the introduction of cable television in 1995, which opened the way for new entrants to broadcasting markets, was conducted through infrastructure provided by Singapore Cable Vision (SCV) – the majority government-owned conglomerate holding the only licence to transmit foreign news channels to Singapore subscribers. The gate-keeping capacity of SCV and government-controlled agencies has been a significant element in the pattern of self-censorship pervading cable television in Singapore (Atkins 2002: 82–4).

Sorting out the domestic media in Malaysia

The methods of taming domestic media in Malaysia in many respects mirrored those already discussed of Singapore, as did the rationales for them that centred around ideas about threats posed by communism and racial disharmony. However, the specific constellation of interests associated with authoritarian rule in Malaysia translated at times into differences of emphasis. In particular, authorities showed a special sensitivity to close scrutiny of the state-sponsored promotion of an ethnic Malay business class, a process that also shaped the precise form that the emasculation of independent media took in Malaysia.

It was under the guise of thwarting the communist menace that the ISA was enacted in 1960 – just three years after the granting of Independence and immediately following the end of The Emergency.[4] This was more than just incorporating regulations inherited from the British. Under the 1948 Emergency Regulations, the extraordinary measures contained in it lapsed on an annual basis. Now under permanent law the political executive had sweeping powers that included the ability to deprive a person indefinitely without trial for 'preventive' reasons, and to prohibit meetings, ban publications and block the entry of books and periodicals. According to Amnesty International (1999: 14), the ISA offered almost unlimited scope for this to be abused for political purposes, noting that: 'The Executive has been given permanent, unfettered discretion to determine, according to their subjective interpretation, who, what and when a person or activity might pose a potential threat to the wider national interest, national security or public order.'

On the pretext of suspected communist activities, the ISA was used to detain a range of political adversaries and critics throughout the 1960s and 1970s, including Abdul Samad Ismail, former deputy editor of *Utusan Melayu* and then editorial adviser to the *New Straits Times* (*NST*), as well as Samani Amin, news editor of *Berita Harian,* both of whom were detained in 1976 (Mustafar 2002: 151). This served to instil caution and apprehension on the part of journalists who soon understood the risks of upsetting authorities.

The eruption of racial riots on 13 May 1969 that resulted in 900 civilian deaths also led to a new rationale to extend controls over the media.[5] The riots had deep and complex roots, but they had also occurred in a context of declining electoral fortunes for the ruling Alliance – a coalition comprising three different ethnic-based parties dominated by the United Malays National Organisation (UMNO) and including the Malaysian Indian Congress (MIC) and the Malaysian Chinese Association (MCA). After the Alliance failed at the 1969 polls for the first time to obtain a two-thirds majority in Parliament, more parties were incorporated into it and it was renamed the Barisan Nasional (Mauzy 1983). The government's deteriorating political stocks were enough to ensure it become more concerned about the role of the media. But this was to intensify further when, after serious reflection on the events of 1969, the government introduced in 1971 the New Economic Policy (NEP) of affirmative action in favour of the indigenous, ethnic Malays, or *Bumiputeras*. A critical element of the NEP strategy was the development of an indigenous business class and the use of state institutions to achieve that. Subsequently, more institutionalised and sustained obstacles were placed in the way of critical reporting, many of which were periodically bolstered thereafter. The need to preserve racial harmony became a central rationale for such legislation, but these reforms also shielded collaborations between select private business interests and state officials associated with the cultivation of a *Bumiputera* business class from scrutiny.

Through amendments in 1971 to the Sedition Ordinance (1948), limits were imposed on freedom of speech and of the press, especially where the special rights of Malays, language policy and privileges of the royalty were involved. Any speech or publication that could be interpreted as engendering resentment between ethnic groups was also outlawed (Zaharom 2002: 125). In the following year, significant amendments to the Control of Imported Publications Act (1958) were also introduced. These gave the Minister of Home Affairs the power to 'ban or censor any imported publication deemed prejudicial to public order, national interest, morality, or security' (Zaharom 2002: 126).

It was also in 1972 that the OSA, based on the 1911 British OSA, was enacted and justified on the basis of the need to curtail the flow of information and communication open to foreign agents that could compromise national security. However, the 1972 Act did not define an 'official secret' and gave authorities extensive powers to restrict and impose penalties on the unauthorised publication of any information held by government, regardless even if it had already entered the public domain. Indeed, mere possession of such information was enough to warrant prosecution, since the Act stated that 'it shall not be necessary to show the accused person was guilty of a particular act tending to show a purpose prejudicial to the safety or interests of Malaysia'.

The judgement in a 1976 case against Lim Kit Siang, the Secretary General of the opposition Democratic Action Party (DAP), also established that, under the Act, the onus was on the person in receipt of documents to prove that the transmission of them was with official authorisation. Lim was found guilty of receiving and revealing information concerning the purchase of Swedish warships for the Malaysian Navy, a purchase that was widely criticised as a misuse of public funds (Amnesty International 1999: 42). Amendments in the mid-1980s extended the already expansive notion of an 'official secret'. From December 1986, any public officer could declare any material an 'official secret' and this was unchallengeable in court. A mandatory one-year custodial sentence, irrespective of the seriousness of the offence, was also introduced (Shad and Sankaran 1998). The Act was being fine-tuned to increase the difficulty of getting access to documentation of state-owned companies, government departments and statutory bodies that could assist attempts to expose corruption and other abuses of public power.

Not coincidentally, the 1980s changes followed a series of reports by journalists that had probed such issues by drawing on official sources. In 1985, *NST* journalist Sabry Sharif was prosecuted under the OSA following a report on alleged irregularities in military aircraft purchases. *Far Eastern Economic Review* (*FEER*) journalist James Cladd was also charged under the ISA that year following his citing of an alleged confidential cabinet document, the essential contents of which the Prime Minister had already publicly referred to, concerning a review of Malaysian trade relations with China (Amnesty International 1999: 43).

The Printing Presses and Publications Act (1984) and subsequent amendments in 1987 also brought Malaysia closely into line with Singapore. They provided the Home Affairs Minister with wide discretionary powers to suspend or revoke a publication licence or permit and required publishers to apply for annual licences that could be refused at the Minister's discretion (Vanden Heuvel and Dennis 1993: 152–3, Loo 1996: 79). Neither the suspension nor revocation of licences or permits could be challenged in court or were in any way subject to review.

Collectively, these various restrictive and repressive legislations added up to a considerable impediment to media freedom and effectiveness. However, there was another technique employed to encourage the 'developmental journalism' preferred by the government and ultimately this proved decisive in nullifying the independence of the domestic media. As in Singapore, this involved control through commercial means. In contrast with Singapore, though, this was affected through the collaboration of the ruling parties with elements of the private sector.

As early as 1961 UMNO had signalled its preparedness to exploit commercial means to contain the domestic media. That year, journalists and others employed at the influential Malay language daily newspaper *Utusan Melayu* conducted a 93-day strike. They were attempting to assert the paper's independence and resist pressures generated by UMNO through its capacity as majority shareholder in the company. UMNO responded, however, with a take-over that shored up its influence within the media organisation (Mustafar 2002: 146). But in the wake of the NEP, investments in the media by UMNO were extended and joined by similar initiatives from other political parties in the ruling coalition that concentrated media ownership in their hands.

In 1972, UMNO purchased significant stocks in the leading newspaper company Straits Times Press Group,[6] which had historically been in Singaporean hands.[7] In the same year the government announced that there would be legislative changes, which eventually transpired in a 1974 amendment to the Printing Presses and Publications Act (PPPA), requiring that Malaysians be the majority shareholders of local papers. By 1984 the remaining stocks held by the Singapore-based Straits Times had been sold, resulting not just in a company name change to New Straits Times Press (NSTP), but to the further concentration of UMNO's local media ownership. This was extended in 1985, when NSTP acquired a 90 per cent share in Shin Min Daily News Sdn Bhd, the publisher of Malaysia's third largest Chinese language newspaper. In 1990, a large number of UNMO's media interests including NSTP and TV3 were transferred to Renong Bhd, by now the party's main holding company (Mustafar 2002: 147–8). Along with this ownership of shares came the ability to insert management more sympathetic to UMNO (Lent 1984: 28). Close associate of senior UMNO politicians, Vincent Tan, also became the principal owner of the English-language daily, *The Sun*, when it was established in 1993 (K. Wong 2000: 126).

Other political parties in the Barisan Nasional coalition were also in on the act. In 1979, the MCA acquired a 67.35 per cent share in Star Publications (M) Sdn Bhd, the publisher of the English-language daily, *The Star*. Two years later it purchased the Chinese daily, *Malaya Tung Pao*, renaming it *Tong Pao*. The MIC also invested in the leading Tamil-language dailies, such as *Tami Osai* and *Thinamani*, while relatives of the wife of MIC President Samy Vellu purchased *Tamil Nesan* (Lent 1984: 28, Mustafar 2002: 148).

Both the authorities and the major political parties within the ruling coalition thus had available to them a range of avenues through which to discourage critical journalism or close scrutiny of the way political power was exercised in Malaysia. However, the extent to which these were utilised varied according to prevailing political circumstances. In that respect, the regime of controls was less rigid than in Singapore where a more constant official vigilance against critics was characteristic. Pockets of resistance to the government's controls still existed in Malaysia, occasionally probing social and political issues in ways no longer to be found in the city-state.

However, events in 1987 greatly narrowed the gap between the two systems. This was the year in which the ISA and Sedition Act were deployed in a crackdown known as *Operasi Lallang* or Operation Lallang which not only involved mass detentions but also the closure of three major domestic newspapers – *The Star*, *Sin Chew Jit Poh* and *Wotan* – for alleged subversion, by reporting on racial aspects of political conflict between two government parties. These newspapers reopened in 1988 after changes in editorial management and a not coincidental dramatic moderation followed in critical reporting. The crackdown on dissent in 1987 encompassed 106 intellectuals, environmentalists, and other elements of an incipient civil society about which the government felt nervous. It occurred at a time when there had been a major economic downturn and a bitter internal UMNO struggle for control over the party that Mahathir narrowly survived.

As in Singapore, broadcasting was from the beginning under government control through the Ministry of Information and therefore has been much less problematic for the ruling coalition. Among other factors operating to consolidate the pro-government orientation was the heavy reliance upon the state-owned news agency Bernama for material used in news bulletins (Wong 2000: 128). However, with the privatisation of television from 1984, private interests closely connected to the ruling coalition were also able to get involved. Although this has meant a modicum of independence, this was within very strict limits due to the constraints of ownership. After all, Malaysia's first commercial television station, TV3, was incorporated with the joint venture between UMNO's holding company Fleet Group, Syed Kechik Foundation, Utusan Melayu Press, the MIC investment arm, Maika Holdings and Daim Zainuddin (Wang 1999: 74).

Similarly, Malaysia's commercial satellite television service, Astro, launched in 1996, belonged to Binairing Sdn Bhd. This company was part of the corporate empire of Ananda Krishnan, a close associate of Prime Minister Mahathir (Wong 2000: 131). In any case, should such commercial organisations significantly depart from the pattern of the rest of the domestic media, there was adequate legislation to address this. The Broadcasting Act introduced in 1988 mirrored the PPPA, granting the Minister of Information the power to determine annual broadcasting licences and control over content.

Tightening the screws on the international media in Singapore

After the Singapore government had comprehensively nullified the domestic media as a critical and independent force, concerted attention turned to the international media. Here the significance of expanded media markets and projections thereof were to prove decisive.

In the eyes of advertisers, Singapore, Malaysia and Indonesia formed a single band making up a critical mass of English-language readership and potential customers for similar products. Losing access to any one of these three markets thus had important implications for attempts by publishers to attract advertising. But within this band the Singapore market was especially important. Despite its small population, Singapore's sizeable and affluent English-educated middle class represented a prize circulation and advertising market for English-language publications in Asia. The government's aim to establish Singapore as a prime regional and global information hub and public investments in high quality infrastructure to that end further enhanced the appeal of the city-state to media and media-related business.

At the same time, Singapore authorities embarked on a range of measures to bring international press reporting into line with domestic press practices. None was more strategic than the pressure applied to media organisations' bottom lines through official control over access to domestic circulation and advertising markets – a strategy that produced remarkable results. Extensive self-censorship in international press reporting on Singapore accompanied the simultaneous adoption of the city-state as a base for regional reporting.

A number of incidents involving the international press occurred in the early 1970s,[8] but it was the Hong Kong-based *FEER* that became embroiled in the most frequent friction with Singapore's authorities.[9] A meeting in Singapore between *FEER* editor Derek Davies and Lee Kuan Yew in 1976 failed to produce a lasting truce. Instead, despite a comparative lull in disputes through to the mid-1980s,[10] an uneasy relationship continued. Thus, in 1985, Davies found himself yet again meeting with Prime Minister Lee who reiterated that his government would not tolerate foreign correspondents 'meddling in Singapore politics'. Davies gained the clear impression that Lee was not worried about possibly deterring investors by his clamp on the international media. On the contrary, the Prime Minister seemed to expect these clashes would further establish his government's capacity to deliver political stability and impress investors (Davies 1997).

This heightened conflict in the 1980s was not unrelated to the December 1984 election result, which involved a 13 per cent drop in the government's share of the vote. Subsequent to this, the government became even more sensitive to international press reporting – especially as it related to the analysis of the government's treatment of political opponents. Soon the *FEER* was joined by a number of other international publishers in dispute with the Singapore government. This included the owners of the *FEER* and the *Asian Wall Street Journal* (*AWSJ*) – Dow Jones & Co. – after the latter was fined S$6,000 by the Singapore High Court over an editorial entitled 'Jeyaretnam's Challenge' concerning the prosecution of lone opposition member of parliament (MP), Joshua Benjamin (J.B.) Jeyaretnam, which led to his ousting from Parliament and barring from practice as a lawyer (Dow Jones 1990).[11] This marked the beginning of a move away from simply exerting direct pressure on journalists and editors in favour of broader legal and financial penalties on the publisher and other parties to the production and distribution of a publication.

It was an approach that would soon be developed and refined, starting with amendments in 1986 to the NPPA. Under these changes, the Minister of Communications and Information could restrict the local circulation of newspapers published outside Singapore considered 'engaging in the domestic politics of Singapore'. There was no definition of either 'engaging in' or 'domestic politics' provided in the 1986 amendment. This was instead left to the Minister's discretion, and was not open to appeal or challenge (Batterman 1987: 35–6).[12] The Act was further amended in January 1988 to allow the reproduction and sale of restricted, or 'gazetted', publications in Singapore,[13] provided advertisements were deleted.[14] This enabled the Singapore government to claim that it was not attempting to obstruct totally the passage of critical comment. Instead, it was insisting newspapers not be allowed to profit commercially from 'engaging in the domestic politics of Singapore'. Before long most major international publications dealing with current affairs had been netted under the new legislation.

Time was the first victim of the amendments following its failure to print a letter from James Fu, the Press Secretary to the Prime Minister, in response to an article in the 15 October 1986 edition entitled 'Silencing the Dissenters'. The article focused on the plight of Jeyaretnam. Circulation, which was then 18,000 copies per week, was reduced to 9,000 as of 19 October, and further reduced to 2,000 as from 1 January 1987.

AWSJ was next in line, with circulation limited to just 400 copies per day, down from 5,000, in the wake of an article on 12 December 1986 by Stephen Duthie, 'Singapore Exchange Puzzles Financiers', about the establishment of a secondary securities market (Duthie 1986). Again, the conflict was exacerbated by the disinclination of the newspaper to publish the Singapore government response. The article maintained that the planned Secondary Stock Exchange (SESDAQ) was a matter of some concern within foreign financial institutions. In particular, Duthie reported apprehension about the possibility 'The government will use the new exchange to unload state-controlled and government-backed companies' and that 'Government bureaucrats threaten to dominate the exchange' (quoted in Dow Jones 1990: 13). Editor and publisher Fred Zimmerman (quoted in Berthelsen 1988) explained that he couldn't publish a letter 'attacking our staff member for unprofessional conduct, of which he isn't guilty, and alleging errors that don't exist'. The *AWSJ* incident underlined that the Singapore government was as sensitive to articles about its economic, as its political, reputation.

This was followed by circulation reductions for *Asiaweek,* down to 500 copies per week, for refusing to print un-edited letters on behalf of the Singapore government. Authorities were unhappy with an article published on 7 October 1987 that alleged mistreatment of some of the 22 Singaporeans held under the ISA. Before the year was out, the *FEER* had its circulation curtailed as well to 500 copies per week, following a 17 December article concerning the ISA detentions and lay Catholic Church workers caught up in the swoop.

With the exception of the *FEER* case,[15] the government's claim to a right of reply was a recurring theme in these disputes.[16] This pattern would only be consolidated in the years ahead. In 1988, *AWSJ*'s Fred Zimmerman summarised the problem this posed for himself and other editors among the international press:

> It is a fundamental condition of a free press that newspapers should be free to decide what they will print without fear or favor from any external source, and that it is the judgement of the editor and not the dictates of any government which should determine what appears in the newspaper (quoted in Dow Jones & Co. Inc 1990: 16).

The late 1980s also witnessed the expulsion of various foreign correspondents, and threats thereof, and visa denials to various journalists,[17] as well as further legal actions, including a lengthy exchange of writs between Lee Kuan Yew and Dow Jones & Co.[18] Dow Jones also unsuccessfully challenged the circulation restrictions imposed on the *AWSJ* through Singapore's Court of Appeal.[19] Additional amendments to the NPPA in 1990 tied foreign publications even closer to the jurisdiction of the local courts. An annual permit system was introduced for foreign publications, which involved a hefty bond that could be drawn on to cover any legal liabilities that might be incurred. Furthermore, each publication was now required to appoint an agent in Singapore to receive legal notices – a safeguard against legal action failing to net the publisher along with other parties in a suit.[20]

From protest to resignation

Not surprisingly, the hostile climate for the international press in Singapore forced a rethink within some publications. The *FEER* had decided in December 1987 to cease all circulation in Singapore rather than operate at the restricted circulation rate of 500 copies per week. As a result of the additional 1990 rules, the *AWSJ* also suspended its 400-copy circulation in Singapore. The *AWSJ* explained: 'What worries us is the purpose to which, five years experience warns us, these powers will be put. We have concluded that trying to meet the conditions being imposed by the government of Singapore would degrade the product we offer readers throughout the world' (as quoted in Levingston 1990, see also *AWSJ* 1990). However, by this time there was already a discernible trend towards accommodation by much of the international press to the Singapore government's rules. *Time* printed in full the Singapore government response to the October 1986 article two weeks after being gazetted and by the middle of 1987 circulation restrictions had been lifted. *Asiaweek* was also allowed to increase circulation to 5,000 per week from October 1988 after printing an unedited version of a letter from a Singapore official and the editor-in-chief gave an undertaking not to allow 'personal views or value judgements' of his correspondents to influence articles (*Asiaweek* 1988). *Asiaweek* was further rewarded in September 1990 when circulation limits were increased to 7,500. Into the 1990s, the Singapore government continued to dangle the carrot of incremental increases in circulation rates, and this proved an effective discipline.[21]

After a short period, even the *AWSJ* had a change of heart. In search of a truce, in early 1991, Dow Jones & Co. Vice-President, Karen Elliot House, wrote to Lee Kuan Yew offering to withdraw an appeal against an earlier judgement on the condition Lee withdrew his cross-appeal. Lee accepted the offer subject to Dow Jones & Co. paying his legal costs. A statement by Dow Jones President, Peter Kann, that he 'never meant to defame Mr Lee in any way' further smoothed relations (quoted in *STWOE* 1991). This was viewed less charitably in the *New York Times* (1991), which reported with apparent disappointment that Dow Jones 'threw in the towel'. But it paid commercial dividends for the *AWSJ*, with a partial restoration of circulation – up to 2,500 copies per day – declared in September 1991. This was increased further in July 1992 to 3,500 copies and then to 5,000 copies in May 1993. A comment towards the end of 1991 by Minister for Information and the Arts, George Yeo, that the *AWSJ* had been 'fair and balanced in its reporting over the last two years' seemed to explain the relaxations (Seow 1998: 164).[22] Singapore authorities were sufficiently satisfied that this trend had been sustained to permit an increase in circulation to 9,000 per day in July 1996.

The *FEER*, which Dow Jones & Co. took full control of in 1987, chartered the same course. This marked a shift from an independently run operation out of Hong Kong to the adoption of an American corporate approach involving closer links between the business and reporting arms of the company. Under this arrangement, regional managers would be more accountable for profits and editorial matters were potentially less insulated from business considerations. Not coincidentally, Lee Kuan Yew's sparring partner, Derek Davies, was replaced as editor in 1989.

Davies' successor was Philip Bowring, another combatant in the *FEER's* previous clashes with Lee. His term, however, was short-lived. In 1992 he was removed to make way for Gordon Crovitz. Crovitz, who had a legal and business background, was appointed as both editor and publisher. This move further complicated the autonomy of the former. Crovitz's editorship was characterised by a warm embrace of free market ideology and encouragement of short, politically cautious reports.

There was suspicion that changes at the *FEER* were part of a deal between Dow Jones and the Singapore government. George Yeo denied this (*STWE* 1993). Yet in 1994, authorities lifted the ceiling on the *FEER's* weekly circulation to 2,000 copies and this was further raised to 4,000 in May 1995. During this time, *FEER* reporting on Singapore had been minimal.[23] That which did take place was uncharacteristically bland and unanalytical – a description which equally applied to the accounts in the *AWSJ* during the early 1990s. In 1997 the *FEER* was finally permitted by the Singapore government to once again station a full-time correspondent in the city-state.

The International Herald Tribune (*IHT*), by contrast, had distributed in Singapore without serious problem for decades. Nevertheless, it too became a victim of Singapore's clamp on critical press reporting so that virtually all major international press organisations had borne the brunt of official disapproval in one form or another. The *IHT,* jointly owned by the prestigious *New York Times/Washington Post* groups, had a daily circulation in Singapore of 4,000 in the mid-1990s. However, it did not suffer circulation restrictions but hefty financial penalties as a result of defamation suits and contempt of court charges brought by Lee Kuan Yew and other senior government figures.

The first of these cases stemmed from an article by regular columnist Philip Bowring, formerly of the *FEER*, entitled 'The claims about Asian values don't usually bear scrutiny', published on 2 August 1994. Lawyers for Lee Kuan Yew and his son and Deputy Prime Minister, Lee Hsien Loong, complained to the *IHT* about the suggestion of nepotism involved in Lee junior's political rise. Despite the *IHT*'s published apology, it did not meet the Lees' satisfaction, nor that of Prime Minister Goh Chok Tong who also took offence at the piece. The upshot was a High Court order on the *IHT* to pay S$950,000 in total damages to the trio, a decision which was not contested by the *IHT*. From the outset, it appeared, the *IHT* placed a premium on not aggravating Singapore's leaders.

Another article in 1994, published in the 7 October edition and entitled 'The smoke over parts of Asia obscures some profound concerns' was reacted to with equal indignation. Written by an American academic at the National University of Singapore, Christopher Lingle, this was a response to an earlier article in the *IHT* written by Singapore diplomat Kishore Mahbubani which favourably contrasted Asian political trends with those of Europe. Lingle observed that some authoritarian regimes in the region use 'a compliant judiciary to bankrupt opposition politicians'. This was interpreted by Lee Kuan Yew as an oblique reference to Singapore.[24] Following a police visit that included the seizure of materials from Lingle's office and home, the academic departed Singapore. In November, the Singapore government instigated legal action for contempt of court against Lingle, the *IHT* and associated parties. The *IHT* subsequently published in its 10 December edition what it referred to as a 'clarification', which stated that: 'We apologise unreservedly to Lee Kuan Yew and the Singapore judiciary', pointing out that it was never the paper's intention to imply that Singapore had a compliant judiciary. Yet this was followed in December with civil suits by Lee Kuan Yew for libel damages against Lingle and the executives of the *IHT*.

IHT's Asia editor, Michael Richardson, mounted his defence on the grounds that he did not understand Lingle's reference to infer Singapore. He argued unconvincingly in court that he thought possibly the regimes in Burma, North Korea, China or Vietnam were implicated. Significantly, his defence took no advantage of the fact brought to his attention by Human Rights Watch that Indonesian opposition figure Adnan Buyung Nasution had been on the receiving end of a contempt of court action resulting in the bankruptcy of his private law firm (Jones 1997). Coincidentally or not, in the short to medium term, the prospects of increased *IHT* subscriptions and advertising revenue were much greater for Indonesia than the countries cited in the defence. Leading international jurist and human rights activist Michael Kirby deplored the *IHT*'s apology and failure to contest the action on the basis that it was fair and reasonable comment (Merritt 1955).

Once again, the courts showed little mercy on the *IHT* for 'coming quietly'. All defendants in the first case were found guilty of 'contempt of court by way of scandalising the Singapore judiciary', fined various amounts, and ordered to pay the government's legal costs, totalling in excess of S$100,000.[25] In a separate libel action brought by Lee Kuan Yew, a further S$100,000 damages was awarded (*AWSJ* 1996a). Yet in the face of these outcomes, the *IHT* announced that it would co-sponsor a world trade conference in April 1996 with the Singapore government. The meeting was the precursor to the December 1996 World Trade Organisation (WTO) Ministerial Conference in Singapore. *IHT*'s chief executive, Richard McClean (quoted in Climo 1995), declared at the time that he was gratified at Singapore's 'demonstration of commitment' to the newspaper adding that the *IHT* intended to print and operate in Singapore 'for many more years to come'. Business conferences involving high-level government officials and business people were also held by Dow Jones and were an important exercise for media organisations to consolidate and extend strategic contacts in business and government. They also symbolised the fundamentally commercial nature of the media enterprise.

In the *IHT* case, internal divisions publicly surfaced over the appropriate response to problems in Singapore. *IHT* President, Richard Simmons, appeared at odds with people responsible for the news and editorial content when he expressed the view that the paper could operate successfully in Singapore with judicious editing. *IHT* editor, John Vinocur (quoted in *Washington Post* 1995), forthrightly dismissed this option: 'To hell with it. We'll not trim our sails for that crowd. If they don't like it, they can lump it and we'll pull out.' Sidney Gruson of the *New York Times,* a director emeritus of the *IHT,* also weighed in with the view that (with a few defence-related exceptions) nobody but the paper's editors should be allowed to dictate the content of a newspaper (*Washington Post* 1995). The likelihood was that such internal division was not peculiar to the *IHT,* but common to most media organisations contending with the same problem.

Self-censorship was, incidentally, not confined to newspapers and other mainstream media. It extended to publishers across the board – including academic publishers. This is usually inconspicuous, taking the form of declining manuscripts on sensitive topics, for example. One startling case involved the manuscript by former Solicitor General and detainee under Singapore's ISA, Francis Seow (1992), *To Catch A Tartar: A Dissident in Lee Kuan Yew's Prison*. It was published in the prestigious Yale University Southeast Asia Studies series, but only after a series of rejections by numerous leading international academic publishers – without even examination of the manuscript. Singapore is the regional distribution headquarters for most international publishers. Evidently, it was feared that association with Seow's manuscript could jeopardise the right to continue to be based in Singapore, risking investment and strategic location. Certainly neither the quality of the manuscript nor the topicality of its contents could explain the disinterest by commercial publishers.

In another case, UK publisher Ashgate pulled out of its contract with Christopher Lingle after the manuscript, *Singapore's Authoritarian Capitalism*, had already gone to production and been advertised. Lingle was informed by Ashgate that 'we have now received an indication that your book may indeed be libellous in that region' (Markham 1997). Lingle, however, found an alternative publisher that did not have Singapore as its distribution centre for Southeast Asia.

Distributors and retailers who voluntarily refuse to handle titles that incorporate critical analysis or address sensitive topics have added other layers of self-censorship involving academic books. Thus, numerous works – by mainstream and obscure publishers alike – were either very difficult to obtain or simply not available at all in Singapore, although they were not banned.[26]

Even academic journals were affected. In one instance, Yash Ghai, a professor in the Department of Law at the University of Hong Kong, sent an open letter to authors and readers of publications by Butterworths to recount and protest his dealings with that publisher. In a protracted dispute involving *The Journal of Chinese and Comparative Law*, Yash Ghai (1995) refused to delete the phrase 'compliant judiciary' which, like Lingle's use of the same phrase in the *IHT* article, was not tied to any particular country in Asia. Eventually, the first volume of the new journal was published in original form but Butterworth's name did not appear on it, even though it handled printing and distribution.

Institutionalising self-censorship

However harsh the penalties were through legal actions against the international press, this was not the preferred mode of discipline by authorities in Singapore. Rather, the legislative framework was designed to promote self-censorship that avoids open confrontation. The nebulous legislative phrase 'engaging in the domestic politics of Singapore' appeared designed to foster self-censorship as those seeking to avoid trouble interpret this cautiously. Periodic difficulties arose when the margins of tolerance were misjudged, or special sensitivities were aroused. In the *IHT* cases, probably the two most sensitive topics were involved. Lee Kuan Yew takes inferences of nepotism or executive influence over the judiciary most seriously and personally. From the mid-1980s, it became standard practice for most international publishers to treat copy on Singapore with special care, increasingly drawing on legal advice before publishing reports on sensitive matters. More often, editors and correspondents learnt to limit or avoid overt criticism or scrutiny of Singapore's political leaders or institutions altogether.

Apart from the fear of expensive penalties via Singapore's courts, there were other techniques meant to induce self-censorship. Employment passes were renewed on an annual basis, with an official policy of two to three years' maximum stay. However, this maximum was waived selectively so that 'well-behaved' journalists had a chance of staying longer. Correspondents were also made aware at the outset of their stay that their reporting was being closely scrutinised and some energy went into educating them about 'no go zones'. The Media Division of the Ministry of Information and the Arts (MITA) had an extensive infrastructure keeping tabs on what was being written or broadcast and responding to reports it took exception to. Letters and phone calls from the Press Secretary to the Prime

Minister and Director of the Media Division of MITA were also common. This communication may be initially couched in terms of the need to correct a matter of fact, but could quickly digress to broader ideological and philosophical critiques of a piece. It soon became clear to correspondents that there was a range of sensitivities to be very carefully navigated, or avoided completely. These included questions about official corruption, the independence – or otherwise – of the judiciary and race relations. Even the tone of report could result in castigation. Whatever the complaint and however seemingly trivial the issue may be, the impression reporters were left with was that everything they wrote or uttered was examined in extremely fine detail.[27]

What then was the impact of all this attention and pressure? Editors of international press organisations invariably contend that despite the difficulties there was no compromising in the reporting of news. But this claim did not hold up to scrutiny and self-censorship, if anything, was consolidated rather than whittled away in Singapore during the 1990s. Brief examination of some stories illustrates the point.

The first of these concerns the coverage in 1996 of an issue involving the then Senior Minister Lee Kuan Yew and his son, the Deputy Prime Minister Lee Hsien Loong. Both received substantial unsolicited discounts on expensive private condominium purchases from Hotel Properties Limited (HPL), a publicly listed company of which Lee Kuan Yew's brother, Lee Suan Yew, was a non-executive director. These discounts were part of a 'soft launch' involving a select group of potential customers provided with the opportunity to make purchases ahead of the open market sale. Although such launches were not uncommon, HPL had violated the rules of the Singapore Stock Exchange by not first supplying information about the discounts to it and the shareholders.

The reporting of this by the major international press publications was conspicuously unanalytical and pieces on it were remarkably brief, given the importance of the story. They also failed to probe the full extent of the Lee family discounts, which, it was later revealed on the Singaporeans for Democracy (1998) website, extended to many members of the Lee family. A Singapore-based correspondent from another international publication admitted in interview that the HPL affair presented a major dilemma. While he knew he was dealing with a political scandal, he was not sure how to handle it. He opted to report on it quite differently from how he would have had it been outside Singapore: no consideration at all was given to the political morality of the discounts, only whether or not they were legal. This approach was almost universally adopted by the international press and rendered its reporting virtually indistinguishable from the government-controlled domestic press.[28]

A similar pattern was to be found in the coverage of legal actions taken by senior government ministers against political opponents in early 1997.

During the January election campaign, PAP leaders took a total of 21 defamation suits against two Workers' Party candidates – Tang Liang Hong and J.B. Jeyaretnam. The allegedly defamatory remarks by Tang were in repudiation of claims by government ministers that he was a Chinese chauvinist and a threat to racial harmony. These claims, described by Tang as 'lies', were largely based on comments by Tang about the disproportionate representation of the English-educated and Christians within the government which were made well before he joined the Workers' Party and he ran as a candidate in the election. It appeared as though the government had baited Tang.

Although the suits began piling up in early January, the *AWSJ*'s first story on the topic did not come until 11 March. It was simply taken from Associated Press News Service rather than compiled by its own Singapore correspondent and it was limited to a description of the High Court decision to throw out Tang's defence for failing to comply with court orders to submit a list of his assets. This was followed up by an editorial on 12 March, which in itself amounted to an admission of the importance of the court actions. However, the most critical content involved direct quotes from an earlier editorial in *The Straits Times* and sections of a human rights report by the US State Department. The *FEER*'s first piece took the form again of a brief, straight wire service format story that appeared as late as 6 March. *Asiaweek*, by comparison, had published three separate stories and another three brief items on the topic in this time. These pieces were all, however, conspicuously restrained in their descriptions, let alone evaluations, of law as a form of political control in Singapore. In interview (Kuala Lumpur 20 February 1997), one foreign correspondent who was covering Singapore for a different international publication volunteered the view that, on the coverage of the Tang/Jeyaretnam writs, 'the international press has been cowered. No question.'

Similar cases were observable among the news agencies. The way they dealt with a press conference called by opposition political figure Chee Soon Juan in October 1996 provides one illustration. Chee called this to raise questions arising out of an Australian Special Broadcasting Service (SBS) television current affairs programme, 'Dateline', concerning investments in Burma of public money by the Singapore Government Investment Corporation (GIC). The programme made connections between GIC investments and those of Burmese drug lords and drew attention to the apparent freedom of Stephen Law, who was denied access into the US because of suspected drug dealing, to move in and out of Singapore (SBS 1996). By any measure the story was significant. However, although there were various news agency correspondents and bureau chiefs present at the press conference, only one person actually filed a story. According to that correspondent (interview, Singapore, 24 November 1996),[29] though, it was a decision over which he agonised for fear of adverse reaction from authorities. It was a great relief when, after having filed the report, he watched the late news on the Television Corporation of Singapore (TCS) which had a report on the issue not dissimilar to his own.

Importantly, while the major international press organisations may have adopted a decidedly restrained reporting approach in Singapore, at the same time they continued to endorse the city-state as a reporting base for covering the Southeast Asian region – especially for business information services.[30] The quality of infrastructure and efficient bureaucracy rendered it more attractive a base than neighbouring countries. Reuters news agency even moved its entire Asian production desk and management personnel from Hong Kong to Singapore, a decision it explained in terms of cost advantages. Amid questions about how such a trouble spot for the international press could be a viable editorial base, Reuters' Asia News Editor, Rodney Pinder, explained that 'Singapore has given us certain guarantees that they will not interfere with our handling of news from other Asian countries' (*Dateline*: *Hong Kong* 1997). Yet this was the same government that, shortly after Pinder's statement in August 1997, requested that the Foreign Correspondents' Association (FCA) in Singapore abandon a forum it was organising involving Indonesia Democratic Party (PDI) leader, Megawati Sukarnoputri.[31] The FCA promptly ceded to the request and rescinded its invitation to Megawati (*AFP* 1997).

Clearly, media organisations were able to thrive commercially in Singapore by concentrating activities on less contentious areas. In some cases this even involved direct business cooperation with government-linked companies. Dow Jones, for example, took a 29.5 per cent share in a joint venture project, which included the government-owned Temasek Holdings group, providing Asia's first business news satellite service – Asia Business News (*ABN*) (*Business Times* 1993). *ABN* beamed its 24-hour business, financial and economic news services throughout the region. In the lead-up to *ABN*'s services being provided in Singapore, programme managing editor Christopher Graves commented: 'Instead of browbeating people to change their ways, we've decided to play ball' (quoted in Tripathi 1994). Playing ball with the authorities is precisely what an assortment of international companies were also doing in Singapore to get a share of the markets for other satellite services beamed from Singapore, as well as for cable television targeting Singapore's domestic audiences. These 'infotainment' companies were especially responsive to overtures about the need to avoid critical social and political content, concentrating instead on sports, music, family-oriented soap operas and other safe material.[32]

We see in the Singapore case, then, that the expansion of media business opportunities during the 1990s prior to the 1997–98 Asian crisis coincided with a moderating of critical reporting by the international press, rather than a loosening of effective controls. This was not just in response to the negative sanctions imposed on publications deemed to have 'engaged in domestic politics'. It was also a measure of the seduction of Singapore as both a market in its own right and a reporting base for servicing other markets in the region.

Importance of Mahathir's comfort zone and the international press

The international press had serious difficulties in Malaysia in addition to the already discussed prosecutions under the OSA. These included periodic rebukes of the international press from Prime Minister Mahathir, correspondents being expelled or barred from government press conferences, withdrawal of subscriptions to publications by government ministries, advertising bans by government departments imposed on particular publications, and threats of publication bans. Nevertheless, by comparison with Singapore, surveillance of the activities of the international press was much less systematic and intense. Indeed, in some respects the margin for critical reporting increased in the 1990s when the market economy grew and became more sophisticated. The Malaysian government's Multimedia Super Corridor (MSC) plans – involving a 9-by-30 mile zone near Kuala Lumpur promoted as a regional base for the creation and distribution of multimedia products and services – even led some observers to assert that the economic forces for comprehensive censorship relaxation were rapidly gathering momentum. One writer depicted Malaysia as a model of how policymakers 'should embrace the role that multinational corporations may play in fostering democracy' (Langenfeld 1997).

However, as we will see in the following discussion, this perspective ignored the critical importance of political factors, notably Mahathir's more secure position within UMNO. This shaped the environment for international press reporting and the limits to the apparent loosening up by the authorities prior to the Asian crisis. Such a perspective also downplayed the difficulties the international and domestic press faced from the business sector as legal actions were increasingly employed against journalists. Finally, we see below that in Malaysia there were still striking cases where sections of the international press were prepared to make adjustments at the editorial level in an attempt to advance broader commercial interests.

During the mid-to-late 1980s, life for both the international and domestic press in Malaysia was especially difficult. This was a direct reflection on the state of national politics at the time. Mahathir's hold on power within UMNO was uncertain and he was not keen on the press adding to this problem. Major government policy blunders and financial scandals were also occurring and the press was at times writing forthrightly about them – especially the international press. The *AWSJ*, in particular, devoted critical attention to these stories, so much so that in 1987 it was required to present its edition each day to the Special Branch before distribution. This resulted in lengthy delays in getting the publication onto the streets.

In 1986, the Malaysian authorities also revoked the employment visas of *AWSJ* correspondents Raphael Pura and John Berthelsen and gave them 72 hours to leave the country following their dissatisfaction with a series of critical pieces in that publication. This included stories containing allegations that Daim had, through private nominee companies, secretly taken a controlling interest in what was then Malaysia's third-largest local bank, Bumiputera Malaysia Finance (BMF), from state agency Pernas shortly after he became Finance Minister in 1984. However, following an appeal to the then Supreme Court (now Federal Court), it was ruled that a visa amounted to a legal contract and that Pura and Berthelsen had been denied due process to account for their actions before the Minister's decision.

Although Operation Lallang in 1987 represented a particular setback for the domestic media, from which some of the detainees were plucked, it effectively put the international media on notice as well. Further apprehension was encouraged when in 1988 Prime Minister Mahathir dismissed all senior judges after a series of findings in recent years went against the government. This included the removal of all three judges who had earlier ruled in favour of Pura and Berthelsen. Hereafter, the judiciary showed little of the previous independence that frustrated the government's attempted political exercises through the law (Wu 1999).

The situation became less dangerous for the press as Mahathir consolidated his power within UMNO and the economy strengthened through the 1990s. The legislative and judicial changes during the late 1980s also added comfort to the political leadership. With the domestic press essentially tamed, periodic brushes between authorities and the international press continued but these were not as serious or as systematic as in the past. Thus, the *AWSJ* was not only freed of the routine presentation of copy to the Special Branch, it began using Malaysia as one of its printing bases in Asia. With aspirations to compete with Singapore as a regional publishing centre, Malaysian authorities also took a more pragmatic view on how to deal with the international press.

The theme to disputes that occurred between authorities and the international press prior to the Asian crisis was the 'Mahathir factor': Prime Minister Mahathir provided the cue that a particular article might warrant some sort of punishment of a journalist or publication. This was usually taken up by government departments and state-owned companies. An article during 1993 by Kieran Cooke in the *Financial Times,* for example, made mention of a minister having failed to return commemorative gold coins received from the Standard Charter Bank. When Mahathir publicly commented on his disapproval of the article and the damage it did Malaysia's reputation, this attitude quickly percolated through the public sector. It resulted in an unofficial advertisement ban on the *Financial Times* by state-owned companies, which were among the most powerful and profitable in the Malaysian economy. The *IHT* had a similar experience following the publication of a supplement on Malaysia. The cover page carried a picture of a Malaysian woman smoking which Mahathir thought depicted Malaysians in a poor light. Following his rhetorical question of 'why should we advertise with such a publication?', government departments and state-owned companies ceased advertising with the *IHT* for a few years.

In a February 1996 case involving *Asiaweek*, the Home Ministry actually issued a directive that all ministries cease subscriptions to that magazine – which amounted to 138 subscriptions. Mahathir's annoyance with the publication was evident in reaction to a journalist's question on whether he would be carrying out a cabinet reshuffle – the subject of speculation by *Asiaweek*'s Roger Mitton in the 23 February edition. Mahathir (quoted in *Star Online* 1997a) commented: 'I am not saying whether a reshuffle is in store or otherwise. I will ask *Asiaweek* first.' According to Mitton (1997), though, it was possible that an earlier piece he had written about the power play between Mahathir and Deputy Prime Minister Anwar Ibrahim may have been the principal source of irritation.

These cases of conflict between the international press and the Malaysian authorities were indicative of two patterns. First, it was clear that Mahathir's sensitivities were paramount in the determination of action against the international press for its reporting. The biggest risk for journalists appeared to be that of personally offending Mahathir – especially if this occurred in the context of dealing with issues like corruption or racial politics. Second, the sort of retribution meted out by the government to publications and journalists was less severe than in Singapore and far less resources went into the surveillance and scrutiny of journalists and their articles.

Yet the less intense and less systematic scrutiny of the press in Malaysia cannot solely be explained in terms of Mahathir's political security. After all, the PAP was probably the most politically secure of regimes in Asia. To some extent, the logistics of a city-state rendered surveillance more effective than in the regionally diverse and more expansive territory of Malaysia. More than this, however, the PAP and its relationship to state and society differed from that of UMNO. The PAP was a more unified and coherent political force presiding over extensive and institutionalised corporatist structures. The political reach of the state was thus more comprehensive and the capacity to exert this unambiguously was more developed.

The importance of Mahathir's, and indeed UMNO's, sense of political security and its relationship to economic growth nevertheless contained implications for the future. It meant that the margin for tolerance of critical reporting may prove highly conditional, a point that the financial crisis surfacing in 1997 affecting Malaysia and other economies in the region was to confirm – as chapter six elucidates in detail.

Legal intimidation: emulating Singapore

Interestingly, if the degree of Malaysian government anxiety about press reporting was generally less acute for the greater part of the nineties than for the previous decade, this was not apparently the mood in the private sector. One of the most striking developments initiated before the Asian crisis was the increasing recourse from the Malaysian private sector to legal actions against journalists and publishers, as if inspired by the success of this technique by the Singapore government. Both local and foreign correspondents were the subject of writs in which Malaysian courts proved remarkably sympathetic to the plaintiffs, upholding claims for massive sums.

The trend towards huge payouts was initiated by the case brought by chairman of the Berjaya Group Berhad, Vincent Tan, against local freelance journalist M.G.G. Pillai and seven other defendants in which a total of RM10 million damages was awarded in 1995. The actions stemmed from four articles published in the magazine *Malaysian Industry* in 1993 and 1994 in which Tan claimed to have been defamed by allegations of corruption and underhand dealings. The court described Pillai's defence of his observations as justified as a 'very serious plea' and he was ordered to pay RM2 million in damages to Tan (quoted in C. Tan 2000). The courts accepted Tan's precedent in nominating the amount of general damages sought, rather than leaving this to the courts to estimate after hearing the evidence. The highest damages awarded in any defamation case between 1980 and 1990 had been RM100,000 (Kabilan 2001a), but the door had now been opened to a spate of 'mega suits' by powerful private interests against journalists and others (*Aliran Monthly* 2001).

A total of 13 suits was brought in response to an article by David Samuels entitled 'Malaysian Justice On Trail' that appeared in *International Commercial Litigation* magazine in November 1995. This included two defamation suits for damages amounting to RM110 million filed against *AWSJ* journalist Raphael Pura over comments attributed to him in the article.[33] The first of these was brought by Vincent Tan, seeking RM70 million, and the second by public-listed company Insas Berhad and a licensed stock broking company, Megapolitan Nominees Sdn Bhd, claiming RM40 million.[34] The number of such legal actions, and the sums of damages involved, was to escalate rather than abate with the advent of the Asian crisis, as we will see in chapter six.

The purpose was clearly to intimidate journalists and their editors who had come to realise that, however flimsy the legal basis of the charges and however ludicrous the sums involved, this didn't mean the judiciary wouldn't rule in favour of the plaintiffs. Furthermore, any questioning of the independence of the judiciary would not be tolerated, as *FEER* correspondent Murray Hiebert discovered in dramatic fashion. Following an article entitled 'See You in Court' in the 23 January 1997 issue of the *FEER*, he was convicted of 'scandalising the court' and sentenced to three months' jail, as well as being fined RM250,000. In reference to a court case involving the son of a prominent court of appeals judge, the article had expressed surprise at 'the speed with which the case raced through Malaysia's legal labyrinth'. Before publishing the piece, the magazine had consulted two lawyers who advised that the article did not constitute contempt. Attention was also drawn in the article to the emerging pattern of huge damages being sought through the courts. In handing down his decision in the Hiebert case, justice Low Hop Bing said that contemptuous attacks on the Malaysian judiciary by the media had gone on far too long. Hiebert, incidentally, was the first foreign journalist to be sentenced to jail for committing contempt in the normal course of his duties (Koshy 1997).

In broad terms, then, the climate for the international press improved in the economic boom years of the 1990s, although the legislative and licensing conditions under which they operated tightened to promote self-censorship. However, business had become more sensitive to critical reporting and was apparently encouraged by the changed complexion of the judiciary in its prosecution of journalists. Yet it was not just business interests external to media organisations that appeared to pose an increasing threat to investigative journalism in Malaysia. In this same period, through the activities of News Corporation, Malaysia provided a stark illustration of the way editorial matters can be compromised by the wider commercial interests of large media conglomerates.

In 1994, the News Corporation-owned *Sunday Times* had been investigating alleged connections between British aid to Malaysia of 234 million pounds to build the Pergau hydro-electric dam and a 13 billion pound contract to buy British arms. The paper made claims of high-level corruption involving the Malaysian government, infuriating Prime Minister Mahathir in the process. According to *Times* editor Andrew Neil, the paper's owner, Rupert Murdoch, became uneasy about the potential threat this posed to the prospects of his Star TV satellite service being granted entry into Malaysia. As Neil put it: 'the whole episode had frightened Rupert: he wanted to placate Mahathir and send a signal to the rest of Asia that *The Sunday Times* was not a loose cannon that would soon be exposing business practices they would rather keep hidden. Murdoch and Mahathir came to an understanding' (Neil 1996: 432). No less important was Neil's claim that Murdoch had also come under direct pressure from a range of British business interests who insisted action be taken to silence the editor. As it transpired, Neil was soon offered a lucrative television post with Murdoch's Fox TV in America.[35]

Information business in the 1990s

The global context within which authoritarian leaders in Singapore and Malaysia were attempting to foster media caution was especially favourable in the lead up to the Asian crisis. The increasing relative importance of markets in Asia to media conglomerates and shifting worldwide demand towards business information services and reporting strengthened the hands of authorities attempting to discourage critical social and political content (Lambert 1999: 80). A range of other private information and analysis providers operating within the region also expanded. However, self-censorship, methodological limitations and other factors constrained the capacity of these sources too.

Throughout the 1990s, newspaper circulation and market share of advertising was generally in decline in the established, industrialised countries of the world. But in much of East and Southeast Asia the situation was very different. Emerging middle classes engaged in business and professional activities represented larger English-educated audiences for international newspapers. Daily newspaper circulation levels between 1991 and 1995 grew by as much as 15 per cent in Singapore and 24 per cent in Malaysia (International Federation of Newspaper Publications 1996: 103–4, 129–30). Circulation increases and the growing purchasing power of readers also meant substantially improved opportunities to attract advertising revenue. Singapore, for example, experienced a 47 per cent increase in newspaper advertising revenue between 1994 and 1995, while it jumped as much as 121 per cent in Malaysia (International Federation of Newspaper Publishers 1996: 129–30).

Electronic business information services also expanded dramatically in the region, under the aegis both of the established news agency wire services as well as some of the comparatively new, more specialist electronic media companies. Business information services are especially attuned to the needs of investors in financial, commodity and equity markets. Companies compete on the basis not just of the quality and reliability of information, but of the speed with which it is delivered. A whole new range of specialised online and multimedia services emerged, including custom-made terminals with software enabling subscribers to make their own analyses of data as they became available. Bloomberg's sale of these terminals grew from a mere 500 in Asia in 1991 to 9,000 in 1997. The rapid expansion of stock markets in Asia was one factor behind this.[36]

Authoritarian governments in Singapore and Malaysia were generally less sensitive to the activities of both traditional wire services and these electronic business information services. Reuters, for example, operated in Singapore for decades with just a couple of minor skirmishes with Singapore authorities. Reports are brief, highly focused and much more matter of fact than customary news stories and opinion pieces in the printed media. Many of the electronic business information products simply involved empirical data that were non-sensitive in political terms and often derived from official sources.

Importantly, the shifting pattern of demand towards business information services and business reporting was taking place alongside the development of media and business conglomerates with diverse interests across, and sometimes beyond, various forms of reporting and publication (Herman and McChesney 1997, McChesney 1999). Within this structure, traditional printed press social and political reporting was of diminished relative importance to overall profits. Pursuing too critical a line here in the context of authoritarian regimes that were inclined towards retribution potentially threatened the wider interests of conglomerates.

However, sources of information and analysis available to investors and firms prior to the Asian crisis extended beyond both the general and specialist media products referred to above. They included reports by financial institutions, stockbroking firms, off-the-shelf country risk ratings by organisations like The Economist Intelligence Unit or by dedicated ratings agencies, like Standard & Poor's and Moody's, as well as equities indices such as the Morgan Stanley Capital International (MSCI) Indices, Transparency International's Corruption Perception Index, and assorted other in-house and contracted-out research evaluating investment climate.[37] On the whole, however, political risk analysis – particularly in the form of qualitative assessment – was not in big demand by business, possibly reflecting the pervasive optimism among investors about the region's political and economic prospects.

Assessments by credit ratings agencies came to be especially relied on by investors in much of East and Southeast Asia (Karacadag and Samuels 1999: 136). The basis of their authority was the claim to independent, disinterested judgements of capital markets (Sinclair 1994, 1999). Their influence was in part a function of investors' desire for a simple and speedy indicator of investment risk. In particular, institutional investors that became so powerful during the 1990s demanded, according to Karacadag and Samuels (1999: 136), concise country judgements 'reduced to letter grades and executive summaries' at the expense of more comprehensive qualitative assessments.[38]

But clear-cut and simple scenarios were not exclusively a function of demand. They were also the natural products of the limiting methodologies characterising the research and analysis of most rating agencies and other sources of political, financial and economic risk.[39] In particular, the market tended to be conceived as comprising a range of separate variables, rather than as a set of social and political relationships. Where social and political analysis was brought to bear on investment decisions, it was not considered integral or was subject to crude quantification. Changing constellations of power and interest, and their effect on public policy and/or market options were usually well beyond the framework of assessments.

Important as it is to highlight the deficiencies in the sort of information available to business leading up to the Asian crisis, it would be misleading to suggest that warning signs didn't occasionally surface – even within the mainstream frameworks of analysis. On the eve of the crisis, for example, a report by Credit Lyonnais Securities Asia measured returns on capital in the region after deducting the cost of both debt and equity capital. It found that of the six markets it examined – India, Hong Kong, Malaysia, Indonesia, Singapore and Thailand – only Singapore and Hong Kong consistently added value for shareholders. The others were effectively destroying value. Irrespective of the profits companies were showing, in aggregate the cost of capital was exceeding returns (Lim 1999). However, preparedness to take notice of such reports was conditioned by the prevailing euphoria about the 'Asian miracle'. Such accounts just didn't fit with overwhelming perceptions among investors about the region's economies. It was easier to go along with the flow than to resist it and engage in a fundamental rethink about the region's economies.[40]

However, there was more than the psychology of herd mentality operating in the momentum and hype of the 'Asian miracle'. There was also a crucial element of self-interest among powerful financial and related institutions. This self-interest was both ideological and material. Illustrative of the former, multilateral financial institutions continued to use the 'Asian miracle' to reaffirm the benefits of economic liberalisation and deregulation, which had gathered pace in the 1990s – despite knowledge of serious problems.[41] Material self-interest exerted two sorts of pressures among private financial institutions in East and Southeast Asia that influenced the sort of information and analysis they provided. One of these was a function of so-called 'sell-side' bias associated with the securitisation of emerging market assets that gathered pace after the debt crisis of the 1980s. Commercial banks developed extensive networks for assets they no longer wished to retain on their books. Country risk analysis shifted from in-house and confidential reports to the publication of reports by research analysts for clients, and at the cost of objectivity. As Karacadag and Samuels (1999: 135) note, 'financial institutions moved from holding to selling emerging market assets, influencing investor perspective became the decisive factor in determining the feasibility of transactions'.

This problem was rendered all the more serious by the fact that financial houses were presiding over major privatisation programmes and official bond issues. Financial institutions therefore had an interest in playing up the positives of the local economies, and not upsetting powerful government clients. We thus had Salomon Brothers, for example, praising the Singapore economy the month before it underwrote the sale of Singapore Telecom shares to the public in 1993. Financial institutions and credit rating agencies also learnt that governments were capable of retribution and intimidation towards them if they published bad news, no less than they were with media organisations.[42]

The impact of the euphoria about the 'Asian miracle' and self-censorship among financial industry analysts was compounded by the heavy reliance of business and economic journalists on these sources. This not only took the form of uncritical digestion of the various reports by brokerage houses, banks and private economic analysts. It also routinely involved direct quotes, which in many instances formed the basis of interpretation and analysis within copy.[43]

Ironically, then, the immediate background to the Asian crisis, and widespread claims of information voids responsible for poor investment decisions, was a major expansion in the region of media products and a range of business information and related services. There were a few warnings from elsewhere about the limitations of such information and the implications of this for further market development. Haley and Tan (1996) described Southeast Asia as a 'black hole' for managers and private sector researchers and contended that important investment decisions were being made in an 'information void'. In late 1996, Singapore-based chief correspondent for electronic information provider Bridge News, Barry Hing (1996), also implored authorities to loosen controls on the basis that: 'Smooth, fast and global distribution of information has a key role to play in the process of deregulating markets, building confidence, and ensuring that capital inflows and outflows remain orderly.' However, with Asian economies in full flight at the time, such views aroused little interest or support among market players and market ideologues. In a matter of months, though, when the Asian crisis broke and euphoria about the Asian miracle was replaced by investor panic and capital flight, the essence of Hing's position was reflected in a wide refrain of neo-liberal rhetoric about the urgency of increased transparency.

The point was that whatever shortcomings in the informational bases of economic decision-making the crisis had exposed, this was no simple technical matter. It was rooted in part in political economy relationships involving media organisations and other information providers that predisposed them towards news and information boosting the idea of miracle economies rather than scrutinising it. Thus, while no doubt the financial crisis did enlighten many investors and analysts about the value of improved and timely data and disclosures, we should not view these actors as hitherto totally naive. To some extent, the new focus on information shortfalls was also a convenient way of obscuring responsibilities for past investment decisions and the championing of regional economies. This has implications for the analysis in subsequent chapters of how to understand and distinguish the different elements and emphases of the transparency pushes in Singapore and Malaysia.

Conclusion

The full implications of economic development for the international press in Singapore and Malaysia were still far from clear on the eve of the Asian crisis. However, popular association of market development with pressure for liberalised media was clearly far too simplistic. Instead, we have seen that the growth of markets was at least as much an inducement for constrained reporting as it might be for more wide-ranging coverage and information to assist business investment decisions. In particular, the experience of the international press in Singapore demonstrated that media organisations have their commercial susceptibilities, so deftly exploited by Lee Kuan Yew to effect a moderation of critical reporting in that city-state. That experience provided practical inspiration for other authoritarian leaders also seeking to marry advanced market economies with extensive political controls.

Yet even if a free and investigative press was a systemic functional requirement of a sophisticated market economy – which remained a problematic proposition – it did not necessarily follow that the private sector was a source of support or advocacy for it. On the contrary, in Malaysia the private sector posed an increasing threat to a stronger and more critical press through its mounting legal actions against journalists. Moreover, business executives within private media organisations were at times lame custodians of free media values.

Of course, whether the successful accommodation between authoritarian media controls in Singapore and Malaysia and the market economy could be sustained in the long run was still an open question. Would business' apparent satisfaction with the separation of a burgeoning supply of descriptive empirical and economic information from questions of politics and power concerning authoritarian regimes continue? Or would the objective needs of business enforce a re-evaluation of information needs and pose new problems for the reproduction of authoritarian regimes? The advent of the Asian economic crisis in 1997 gave new life to these questions, and a renewed popular conviction that a free flow of information was an essential ingredient in the building of more sustainable market systems in the region. Had the underlying market imperative of media freedom simply awoken from its temporary slumber to assert itself?

3

BUREAUCRATIC AUTHORITARIANISM AND TRANSPARENCY REFORM IN SINGAPORE

Introduction

Although neo-liberal notions of transparency and good governance do not necessarily pose a fundamental threat to authoritarianism in general, they can challenge particular types of authoritarian regimes. Regimes that lack regularised decision-making processes and are subject to unpredictable influences by privileged private interests are certainly not compatible with the contemporary neo-liberal agenda. But even for regimes that have a sharper separation between regulatory and public administration systems and private interests, the transition to routine disclosures of politically sensitive state commercial activities and economic data is problematic. In any case, for all authoritarian regimes it is imperative that the discourse about transparency is kept within certain bounds, lest expectations are raised of reforms towards political openness well beyond the neo-liberal agenda.

In Singapore, a bureaucratic authoritarian regime has been in place for over three decades. It has combined the systematic blunting of political opposition through a virtual one-party state with public administration that is efficient and reliable in implementing official policies. The absence of discrete private interests complicating the enactment of public policy and the conduct of public institutions has been one of its distinguishing features among authoritarian regimes in the region. However, Singapore's authoritarianism shared with these regimes low levels of transparency – however measured. This did not seem to matter to the success of Singapore's industrial programme or attraction of international capital. But in the context of a new international consensus about the importance of transparency the government was acutely aware that a greater level of international investor scrutiny would be brought to bear on Singapore's institutions. It was now more important than ever to differentiate authoritarianism in Singapore, especially from the crony capitalism that afflicted other parts of the region.

By the time the Asian crisis struck, the Singapore government had already been promoting economic restructuring that would result in a more internationalised financial sector in particular and economy in general. This included the ambitious aim of making Singapore an international financial centre. Not only was this meant to chart a more prosperous economy, but also to facilitate the direct and indirect capital accumulation interests of Singapore's vast array of GLCs. Having long dominated the domestic economy and with substantial sums of capital at their disposal, many GLCs were pursuing internationalisation and/or diversification into financial services; activities that benefit from a fuller integration of Singapore-based capital with international financial markets.

Instead of retreating from this plan with the advent of the Asian crisis, Singapore's leaders decided instead to accelerate restructuring. For them, the adversity of the crisis also represented an opportunity to consolidate and extend Singapore's regional economic supremacy by ploughing ahead with financial sector and other reforms. The Singapore government thus embraced the rhetoric of transparency and backed this up with a number of reforms improving the range and quality of information available to investors. Indeed, the PAP adopted a transparency offensive, attempting to harness specific sorts of transparency reform to both its economic and political agenda.

However, this has involved a limited and selective notion of transparency. The government has been careful to distance its reforms from ideas about media freedom, political accountability and citizens' rights to information. The bulk of reforms have been directed at improving disclosures of private commercial interests and data facilitating them. Meanwhile, the government has attempted to shield GLCs and other state economic interests from this process and to ensure authorities retain a significant degree of discretionary control over information. The internationalisation of the GLCs and growing external pressure for Singapore's domestic economy to be opened up to competition – and exploiting concepts of transparency to that end – is increasingly complicating part of this government agenda. However, as international investment patterns in Singapore following the Asian crisis suggest, the limited nature of the government's transparency reform trajectory has not been a fundamental obstacle to capital.

Bureaucratic authoritarianism, state and business

Before examining in detail the nature of transparency reform in Singapore and the factors shaping it, some elaborations on the observations above about bureaucratic authoritarianism in Singapore are appropriate. Although this regime has been spared the sort of private interest influences over policy and its implementation to be found elsewhere in the region, privileged politico-economic interests do nevertheless exert a considerable influence in Singapore. Relative state autonomy from private business influences should not be confused with state neutrality.

Since winning office in 1959 with self-government, the PAP has developed quite different relations with the domestic private sector compared with governments in Malaysia and other parts of Southeast Asia. Although ethnic Chinese, which were in the majority in Singapore, dominated the ranks of the domestic bourgeoisie, they were also alienated from the PAP's English-educated middle class leaders whom many regarded as a threat to Chinese language and culture, and insufficiently sympathetic to their business interests. Consequently, elements of the domestic bourgeoisie ended up supporting the opposition Barisan Sosialis (Socialist Front) that formed after the internal split of the PAP in 1961. Not coincidentally, the PAP's subsequent promotion of export-oriented industrialisation (EOI) was through foreign investment, GLCs and statutory bodies. This did not entirely exclude personal links between political elites and individual business figures, nor their occasional co-option into the policy process (Hamilton-Hart 2000). But this was qualitatively different from the wholesale attempt in Malaysia to create rapidly a powerful private domestic business class.

Indeed, the PAP attempted to rationalise the very power of the political and bureaucratic elite precisely on the idea that it was above connections with business and other interests. This evolved into a comprehensive ideological case for elitist, technocratic government that emphasised merit ahead of entitlement. The operations of the bureaucracy were thus projected as non-political and dedicated to effective and reliable systems of governance in the service of the market economy. Singapore's leaders actively cultivated comparatively corruption-free decision-making and more consistent applications of public rules and regulations affecting business.

Yet the bureaucracy has also played a crucial political role in establishing and extending state economic and social control essential to the PAP's party-political interests. A small and strategic virtual 'class' of politically trusted civil servants has coordinated control over the extensive public assets within GLCs and statutory bodies (Vennewald 1994, Tan Boon Seng 2002, Worthington 2002). The upper echelons of the civil service have also long been the core recruiting grounds for the PAP's executive. Moreover, with the state directly or indirectly accounting for possibly more than a third of the domestic economy,[1] heavy dependence on it for business contracts, employment, housing and other services gives the PAP an ability to punish ungrateful electorates or individuals perceived as a political threat or nuisance.

Dependence on the state by domestic business has thus fostered co-option instead of aggressive interest representation to government. International capital has also been increasingly brought into institutionalised forms of interaction with state instrumentalities, such as the International Advisory Council (IAC) comprising the heads of leading transnational corporations involved in manufacturing. This form of co-option is but one means by which the Singapore government attempts to strengthen its capacity to ascertain the thinking of international companies and to engender a sense of partnership in the development process. Opportunities exist to influence policymakers in Singapore, but again this is largely a state-controlled process rather than an exercise in political pluralism. New forms of co-option involving international finance capital have accompanied the government's latest restructuring plans.

Strategic information control

The activities of the state are among the most opaque in Singapore, for two reasons: first, control over information is a strategic element of state planning, industry promotion and the government's own investments; second, the political culture within the ruling party and the bureaucracy is unsympathetic to citizenship claims about the right to information and to the scrutiny of state activities. Much information is available either on a need to know basis, decided by state bureaucrats, or simply unavailable.

Information control by the state has been an integral element to the successful manufacturing strategy. Publicly funded fiscal incentives to transnational corporations (TNCs) are individually styled, the details of which are not routinely a matter of public record. However, in the endeavour to secure prized investors, a range of data is made available privately and selectively by the Economic Development Board (EDB). In a sense, these companies are brought into partnership with the state and this bestows certain privileges, including access to information. This translates into a competitive advantage in the market place. From the point of view of these TNCs, the absence of transparency has therefore been a plus, not a minus.[2]

Where this can lead to difficulties is when TNCs compete with GLCs. Here, cosy state–business relations can arouse concerns about the penetration of private company information and inside knowledge about state plans by market opponents. On a few occasions, according to business consultant David Bain (1999), TNCs have been reluctant to deal with the EDB because it has representation on its governing board from competing GLCs. Thus far, this has not been a major problem, but the GLCs' push into higher technology areas dominated by TNCs may render this a bigger issue.

One of the clearest examples of the way in which state control can affect basic information concerns trade figures. The government stopped publishing Singapore–Indonesia trade figures after an agreement in 1974 between the then Prime Minister Lee Kuan Yew and Indonesian President Soeharto. This was a political decision intended to conceal discrepancies between Indonesian and Singaporean records of what was being exported to Singapore and, by implication, the extent of smuggling into the city-state. Consequently, for 29 years, it has not been possible to get a complete picture of Singapore's current account surplus and capital flows.[3]

As it transpired, the agreement eventually turned sour and generated a diplomatic issue in the post-Soeharto era. In mid-2003, Indonesian Trade Minister Rini Soewandi publicly called on Singapore to 'announce transparently' the trade data. Indonesia Foreign Affairs Minister Hassan Wirajuda also claimed that Indonesia had been asking Singapore for data since 1973, but it had 'always evaded the issue' (quoted in Fernandez 2003). An annoyed Singapore government promptly published the 2002 figures on Indonesian exports to Singapore in the *Straits Times* as well as recent letters between Rini and Singapore Trade Minister George Yeo that included the latter's point that Singapore had supplied the data to Indonesia for 29 years (*Straits Times* 2003a and 2003b, see also Lee 2003, D. Periera 2003, Vikram 2003) – a point that Rini subsequently conceded (*Straits Times* 2003c). However, this didn't alter the fact that in all this time, the political priority attached to relations with the Soeharto regime took precedence over the availability of full economic information pertinent to informed market decisions.

Other basic data that have been concealed include information about the nationalities and other details of the 800,000 foreign workers in Singapore. This limits informed debate about the domestic labour force – whether in terms of supply questions or the social impact of imported labour. From the government's perspective, though, there are sensitive ethnic and racial issues at stake to be managed through information control (see Dolven 1999a: 54). The absence of detailed data on foreign workers also understates the level of unemployment in Singapore and helps contain debate thereof. The government may periodically release unpublished data on such issues, but this is a matter of discretion and guided by political judgement.

The government's control over data on foreign workers was to give rise in mid-2003 to a public castigation of two academics from Nanyang Technological University, Chen Kang and Tan Khee Giap, for their study that concluded three out of four new jobs created in Singapore between 1997 and 2002 went to foreigners (Mukherjee 2003). Acting Manpower Minister Ng Eng Hen challenged these findings, contending instead that nine out of ten new jobs had gone to citizens and permanent residents. He described the study, which was based on publicly available labour statistics in the *Labour Force Survey* posted on the Ministry of Manpower website, as 'irresponsible' and 'unprofessional' because the academics had not verified their figures with his ministry or the Department of Statistics before releasing their study. Ng made other figures publicly available for the first time, including foreign workers in the construction industry and workers commuting from Malaysia (Webb and Mukherjee 2003), which cast a very different light on the employment trends for members of the Singapore workforce (Chia 2003).

When Chen and Tan subsequently announced that their figures were 'inappropriate' and their findings thus open to an error of interpretation, this only underlined how partial and incomplete the publicly available data were – and how the release of additional data was subject to political determination. The information released by Ng drew on employment change data from the Central Provident Fund (CPF), work permit, employment pass and other administrative records, some of which is classified information in Singapore (Chua 2003). Moreover, Ng argued that employment information on specific sectors or nationalities is sensitive and must be guarded in the national interest. His only concession was that the ministry might consider making some sensitive information available in future to 'researchers who know how to handle' it, but only on a case-by-case basis. He added: 'But to release it may compromise certain other national objectives that we have, and it exposes sometimes our vulnerabilities in terms of our dependence on other foreign workers' (quoted in Chang 2003).

Journalists who uncover and reveal economic information that the state seeks to carefully control also invite repercussions, as do those who facilitate this process. This was highlighted in the reaction to a report in June 1992 in the local daily *The Business Times* about official 'flash estimates' of economic growth in April and May of that year falling below the first quarter rate of 5.1 per cent. The seemingly innocuous report exposed a minor crack in official information controls. However, the government took the opportunity to emphasise how seriously it regarded both leaks from official sources and attempts to extract unauthorised data from the bureaucracy. It transpired that, in March 1994, an economics director from the Monetary Authority of Singapore (MAS), Tharman Shanmugaratnam, the editor and a journalist from *The Business Times*, Patrick Daniel and Kenneth James respectively, and two economists from stockbroking firm Crosby Securities, Manu Bhaskaran and Raymond Foo, were found guilty of breaching the Official Secrets Act (OSA) and fined (Seow 1998: 218). Singapore's OSA, incidentally, covers 21 statutory boards and allows for arrest without warrant, so the message that this case sent was a broad one.

An important aspect of this complex case, which entailed a conjuncture of multiple political agendas on the part of the government and the bureaucracy,[4] was the extent to which it also appeared to be intended to intimidate private sector economists analysing Singapore's investment climate. Stock brokerage firms Merrill Lynch and Crosby Securities were questioned by the Internal Security Department, both of which had produced reports during 1992 that critically evaluated the government's domestic savings policy. One report by Bhaskaran was interpreted by at least one journalist, and possibly by Senior Minister Lee Kuan Yew himself, as suggestive of a 'subtle power struggle' between Lee and Prime Minister Goh Chok Tong (Balakrishnan 1992a). In any case, at a National Day speech in August of that year, Lee made it clear that he didn't approve of 'economists working for stockbrokers or fund managers' making policy prescriptions on national savings or acting as 'pressure groups' – a label that had been given to lawyers and social workers when they had been arrested in 1987 under the Internal Security Act (Balakrishnan 1992b, 1992c). The episode served also, therefore, to underline the hazards that can be involved in the professional assessment of the Singapore government's macroeconomic policy – especially against a background of electoral gains by the PAP's political opponents, as was the case then – and fears these could increase if government policies were brought into question.[5]

However, among the sensitivities in economic information, those pertaining to government investments are especially acute. Many of these operations are shielded from any detailed public record or scrutiny, despite the enormous scale and importance of the investment involved. The Government of Singapore Investment Corporation (GIC) manages more than S$100 billion of taxpayers' money in overseas investments. Its sister firm Temasek Holdings, incorporated in 1974, presided over S$70 billion by 2002, most of which was invested in 40 major companies and which accounted for around a quarter of Singapore's market capitalisation (*AWSJ* 2002a).[6] Singapore's legal and regulatory regimes exempt both from routine external reviews of operations. The GIC is especially secretive, being beyond the purview of the Auditor General and with no requirement to report to parliament.[7] It reports only to its board, which is chaired by Lee Kuan Yew. Temasek reports selectively and only to the Finance Minister and a small parliamentary budget committee (Vennewald 1994). Full enumeration of its portfolio and its performance had thus not been publicly discussed.

The opacity of the GLCs and statutory boards has been reflected in the presentation of government budget papers, which need not contain details of these entities. They are deemed off-budget items. This problem is compounded by the increasing tendency of the government to separate financially linked organisations under its control to off-budget accounts, as has been done in the case of the Housing Development Board (HDB), for instance.[8] In the absence of consolidated public sector accounts, the full fiscal role of the government is thus only partially revealed through the budget (Asher 2003).

In 1999, the then Temasek chairman and former government Foreign Minister, S. Dhanabalan, gave the reluctance to supply financial details on investments a commercial rationale. He explained that he could see no purpose in making such information generally available to the business world. According to him: 'As long as we're not asking outsiders to put money in, there's no reason to tell them our financials' (quoted in Clifford, Shari and Einhorn 1999: 22). In the business of Singapore Inc., divulging detail about government investments was considered needlessly handing over information to market competitors.

The government has thus regarded detailed information about the investment and operations of public money as a strategic good, not a public good. This has necessarily influenced the nature, amount and timing of any information that is released. When the GIC sustained losses during 1996 in a Hong Kong-based fund, the Singapore government admitted to this after being questioned in Parliament by the Worker's Party's Low Thia Khiang. However, Finance Minister Hu provided no details of the amount involved or the reasons for the outcome (*AWSJ* 1996b, Lingle 1999). Similarly, announcements in 1998 pertaining to losses of S$630 million in the US-based hard-disk-drive manufacturer, Micropolis, by the government-owned Singapore Technologies were selective (*Straits Times* 1998). In 1999, when it was also revealed that S$246.9 million of investments in GLCs and statutory boards could be lost in the high profile Suzhou Industrial Park (SIP) in China, the government did detail the investments concerned. Yet despite the considerable public monies involved, Deputy Prime Minister Lee Hsien Loong rejected the request by Non-Constituency Member of Parliament, J.B. Jeyaretnam, for debate over the finances of the project. Lee argued: 'This is not appropriate. It is for the companies which have invested in the project to examine the project's finances, not for Parliament' (quoted in Ahmad and Siti 1999). Incidentally, the SIP, a flagship state-led cooperative offshore venture, had been glowingly reported on in the local press since its establishment, with no serious attempt to scrutinise operations along the way.

Those GLCs that are actually listed with the Stock Exchange of Singapore (SES) must, however, observe regulations that require some routine investment details be divulged. Even so, with a few exceptions, prior to the Asian crisis GLCs were among the poorest performers in independent rankings of corporate transparency in Singapore.[9] They were also distinctly uncooperative with financial journalists and openly discriminatory towards international media, as were a number of statutory boards and the SES itself. The international media were excluded from press conferences by these organisations, resulting in letters of protest from both the Foreign Correspondents' Association and individual media companies.

Yet obstacles to transparency go beyond strategic state commercial considerations. Access to information through government departments and statutory authorities is also constrained by a paternalistic state political culture. State bureaucrats have internalised the idea that they are custodians of the ruling party's interests. This necessarily translates into caution and political judgements by bureaucrats about the way that information is managed. The suppression of civil society since the mid-1960s has also meant that bureaucrats and politicians are not accustomed to pressure from interest groups to reveal detail about government activities.

Outgoing Elected President, Ong Teng Cheong, dramatically highlighted the severity of this problem in 1999. The President has responsibility for safeguarding Singapore's considerable official reserves. Yet Ong pointed out that in 1993, when he asked the Accountant-General what the total reserves were, he was told the data were not systematically collected and the value of assets was difficult to determine. Ong claimed his request for an inventory was greeted with the remark that it would take '52 man years' to compile. He finally received a list of properties in 1997 (Zuraidah 1999). Obviously citizens and journalists with far less authority than the President face even greater difficulties in extracting information.

Importantly, though, strategic information control doesn't mean that there is not a lot of official and publicly available information in Singapore, much of it routinely provided. The Singapore government is very forthcoming with information that cuts the costs of business transactions and which reinforces, or doesn't threaten, state economic, social and political agendas. But the sorts of considerations indicated above filter such availability.

The discussion in the previous chapter and thus far in this one suggests a pattern of media intimidation and strategic information control, but in recent decades this has not apparently posed major problems for international business. Certainly the situation has been manageable among manufacturers. As one former journalist turned investment banker based in Singapore observed, 'direct foreign investment companies are comfortable with the availability of information and the analysis thereof',[10] even if the situation might not always reflect the political ideals of the executives involved. According to the banker: 'Most MNCs are extremely well informed on the economies they invest in, and have more information and knowledge on their industries than the media can ever hope to accumulate. And they have very good access to Government as well.'[11] But with the government setting its sights on Singapore becoming an international financial centre, though, would potential investors be as comfortable with this regime? The free flow and transparency of information is a hallmark of the world's leading financial centres, such as New York, London and Frankfurt. And surely the Asian economic crisis could only heighten international awareness of how starkly the situation in Singapore contrasted with this?

Financial sector promotion, globalisation and transparency reform

The seriousness of the government's intention to develop Singapore's financial sector was underlined in 1997 with the appointment of Deputy Prime Minister and Minister of Trade and Industry, Lee Hsien Loong, as chairman of the MAS, the *de facto* central bank. This effectively downgraded the powers of the Minister of Finance and concentrated control over monetary policy in Lee (PERC 1999a). His declared aim of transforming Singapore into an international financial centre envisioned a comprehensive sector, including bond markets, fund management, foreign exchange and equity markets, risk management, as well as banking and insurance industries.

However, before the full details of the reform agenda had been worked out,[12] the Asian economic crisis struck. Yet rather than putting reforms on hold, the government had a new sense of urgency about the sector's upgrading. This was accompanied by, and part of, a fuller embrace of globalisation which was meant to boost the city-state's prospects of participation in the so-called Knowledge Economy or New Economy. This included opening up more of the domestic economy to international competition and investment. But the interests of the GLCs were not coincidental to this new emphasis on internationalisation. In Prime Minister Goh Chok Tong's 1999 National Day Rally Speech he argued that Singapore had to be transformed from a regional economy to a 'first-world economy'. The strategy to achieve this entailed the building of 'world-class Singapore companies', an observation made by Goh with approving references to the existing achievements of state-owned entities. However, Goh (1999) announced: 'We should now go global by forming strategic alliances or mergers with other major players. Indeed, we have no choice – where the industries are consolidating worldwide, we either become major players, or we are nothing.' Access to technology and markets necessitated new partnerships. The context of the finance sector's promotion was, then, one of a broader restructuring that would, hopefully, involve GLCs in a new phase of internationalisation. Yet it was likely to expose Singapore's GLCs to more stringent disclosure and accountability regimes abroad and to be accompanied by more concerted attempts by international capital seeking to penetrate the local market to hold the government to its free market rhetoric.

In the desire to foster the restructuring of the finance sector, the government has had to take account of unprecedented international concerns about the extent and reliability of market information in Asia. Observations such as that by David Mason (1999), a partner in an international accounting firm in Singapore for 14 years, that 'Singapore has the reputation of being one of the worst places in Asia for corporate disclosures, despite its overall good record on governance rules', would now be a matter of considerable government concern. PAP leaders suddenly employed transparency rhetoric with great frequency. More importantly, they introduced or projected a number of reforms meant to raise the levels and quality of market-relevant information. The bulk of these were directed at lifting the standards and frequency of corporate disclosures, but other data provided by public authorities were also to be improved. Undertakings on general governance reforms to strengthen corporate regulatory frameworks and their enforcement were signalled as well.

The first initiative towards addressing information shortfalls involved the requirement of local banks to reveal the extent of non-performing loans. It was, as Lee Hsien Loong indicated, a pragmatic response to market nervousness: 'In the absence of information, in times of uncertainty investors fear the worst and tend to over-react. This penalises sound, well-managed institutions together with weaker institutions facing real problems, and can undermine the financial system' (quoted in Tan 1998). As Senior Minister Lee Kuan Yew pointed out, despite Singapore having the highest sovereign credit ratings in the region with Moody's and IBCA, 'just on the rumour that we lost a lot of money in Indonesia our banks have lent, the bank shares plummeted' (as quoted in *Nation* 1998).[13] A more comprehensive investigation into the banking sector transparency followed.

The Singapore government understood the importance of being seen to endorse the principle of transparency. Senior Minister Lee Kuan Yew went so far as to declare that: 'Because we are what we are, open and transparent, investors have confidence in us. The investors assess the situation and say, yes, this is a government and system that will continue to tick in an honest and efficient way' (quoted in *Straits Times* 1999a). Here Lee was conflating transparency with other governance factors important to international business. The same conflation periodically occurs when the Singapore government points to favourable rankings in the annual Corruption Perception Index published by Transparency International, a Berlin-based independent watchdog organisation. Gauging business people's perceptions of corruption is not at all the same as measuring transparency. Nevertheless, Lee's statement was presumably meant to project the Singapore government internationally as one that welcomed and practised transparency.

As a direct result of the Asian economic crisis, the Singapore government appointed the Committee on Banking Disclosure to make recommendations on the standards and practices of Singapore banks 'with a view to attaining the standard of disclosure in developed countries' (Committee on Banking Disclosure 1998: 1). Chaired by Lee Hsien Loong and comprising leading financial sector players, the committee handed down the *Report on Banking Disclosure* in May 1998. After examining financial statements and annual reports of selected banks in eight countries,[14] it observed that Singapore's banks were significantly lacking in the nature and extent of information made available. Accordingly, it recommended more information in the following areas: undisclosed reserves, accounting practices, profit-and-loss accounting, balance sheets, supplementary information, financial review and equity accounting. In the same month, a leading international investment bank, Santander Investment, stated in one of its own reports that ‘Singapore banks have poor disclosure when compared with the US, Malaysia and regional banks’ (Santander Investment 1998: 21). Major credit rating agencies had also been critical of the inadequate disclosure levels of the Singapore banking sector. The government subsequently accepted all of the committee’s recommendations, with Lee Hsien Loong (quoted in *STWE* 1999b) proclaiming that ‘MAS will ensure that our own disclosure and reporting requirements meet international best practice’.

The lack of transparency within the financial sector in Singapore was reflected in the results of Corporate Transparency Ratings Pte Ltd. It defines a transparent company as one that ‘has the desire to be open and fair about its operations and in its dealings with its shareholders and the public’ (quoted in Teo 1999). In its surveys of the leading 100 companies in Singapore, conducted between January and March 1999, the highest placed finance sector companies were the Overseas Uniting Banking Group (OUB), Overseas Chinese Banking Corporation (OCBC) and the Development Bank of Singapore (DBS) at 41st, 42nd and 54th respectively (Teo 1999). Since that survey was conducted, the new disclosure laws started to enforce some improvement. For example, in the annual reports of both OUB and OCBC released in early 1999, these companies revealed details for the first time about off-balance sheet items – including contingent liabilities, financial derivatives and other commitments – which totalled S$62 billion between them (Balan 1999). Details of property and investment assets were also added to the statements. In the case of OCBC, it provided details of the extensive land and property holdings of the bank. These ‘hidden assets’ of the company turned out to be valued at S$2.11 billion – a figure around half what many analysts had previously speculated (Siow 1999: 1). This information obviously makes for a better-informed market assessment of company stock.

The government also passed the Companies (Amendment) Bill to impose stricter codes of conduct and to require more timely, accurate and detailed disclosures by companies. Further reviews of corporate regulation and governance were conducted under the aegis of three committees: the Corporate Governance Committee (CGC), the Disclosure and Accounting Standards Committee (DASC), and the Company Legislation and Regulatory Framework Committee (CLRFC).

The CGC released its report in April 2001, its recommendations being fully accepted by the government and effective from 1 January 2003. The code recommended a variety of practices concerning the composition and process of boards of directors, disclosures of directors’ remuneration, auditing procedures and communications with shareholders. However, adherence to the new code is not mandatory. Instead, listed companies are required to disclose their corporate governance practices and explain deviations from the code to shareholders (Sreenivasan 2001).

The government also announced in late 2001 that it had accepted in full the DASC's 22 recommendations. These included: a requirement that all listed companies would, as from 2003, report their results quarterly rather than six-monthly;[15] new regulations to ensure auditor independence; the adoption of the standards issued by the International Accounting Standards Board as the prescribed accounting standards for Singapore; and the establishment of a Council on Corporate Disclosure and Governance (CCDG) to prescribe accounting standards in Singapore, to strengthen the existing framework on disclosure practices and reporting standards, and to review, enhance and promote existing frameworks on corporate governance in Singapore.

The CLRFC's 77 recommendations, also accepted in full by the government in October 2002, were principally intended to lower company law compliance costs to business by slashing red tape. They will be reflected in changes to the Companies Act, the Securities and Futures Act, and the Singapore Exchange's Listing Rules. One controversial issue in the CLRFC report centred around requirements for external auditing and the basis on which companies could be exempted from such. In recognition of concerns by small companies, private companies with annual turnover below S$5 million were exempted from statutory audit requirements. However, the government also indicated that this threshold could be raised over time, which acknowledged criticisms from accountants about such exemptions (Leong 2002).

In related moves, the MAS announced in 2002 that issuers of stocks, debt securities and funds would have to disclose all information that is 'reasonably required' for investors to make informed decisions (Cua and Sreenivasan 2002); that it would undertake the International Monetary Fund and World Bank Financial Sector Assessment Programme (FSAP) to bring it closer to international best practice (A. Tan 2002); and that all banks incorporated in Singapore would be required to change auditors every five years, an initiative that the government claimed had been under consideration even before the Enron collapse in the United States that did so much to focus international attention on the integrity and effectiveness of audits (Day 2002).

With the advent of the Asian financial crisis and the intensification of the attempt to elevate the financial sector in Singapore, the MAS also tried to project a very different image about itself to the media. In the new approach, the MAS has attempted to use the media even more effectively to raise the profile of Singapore's financial sector and has thus been more forthcoming with statements and information. The MAS has been notoriously uncooperative with the media – especially the international media. More than one reporter has been told by MAS officials in response to questions: 'no comment – and that's off the record', or words to that effect. However, the MAS appointed a new Assistant Director of Corporate Communications, Leong Sing Chiong (1999), whose approach was quite different. As he explained in interview: 'If MAS is responsible for developing Singapore into a world class financial centre, it had better have world class communications.'[16] In late 1998 the MAS also hired the public relations firm Baldwin Boyle Shand to conduct a perceptions survey among journalists and business people about their information needs.

Adding to the official push towards increased corporate transparency, the government-owned daily newspaper *The Business Times* also launched a Corporate Transparency Index (CTI) in July 2000, with weekly assessments of companies. The stated objective of the CTI was to 'assess, from shareholders' standpoint, several aspects – content, usefulness, timeliness and means of dissemination – of financial information disclosed by all companies on the Singapore Stock Exchange (SGX)' (Thompson 2000).

Against the background of poor information provision by Singapore's GLCs, at least one company underwent a significant transformation – Development Bank of Singapore (DBS). With ambitions of becoming a major international player, in 1998 DBS appointed an American chief executive officer, John Olds, for whom opening up to foreign investors was part of the long term plan. Not coincidentally, the DBS was soon among Singapore's best companies for providing information, as reflected in its annual reports.[17] To be sure, as we will see in the next chapter, this didn't necessarily mean that DBS was now entirely comfortable with queries from journalists, but there was an improvement nonetheless in the larger provision of company information to shareholders and analysts.

In other improvements to information provision, Singapore was among the first group of 34 countries that subscribed to the IMF's SDDS in August 1996, and has thereafter been required to make a number of changes to comply with SDDS obligations. This included changes to be phased in so that the presentation of Singapore's international investment position on its Dissemination Standards Bulletin Board complied with the SDDS on portfolio investment abroad broken down into debt and equity assets, and data on reserve assets. These disclosures, however, have had no positive influence on the presentation of budget papers or debate over budgetary policies in parliament.[18]

Co-option in the finance sector

In conjunction with the reforms and improvements mentioned above, the MAS began incorporating key corporate players into the finance sector reform process. Here the government was superimposing the model of corporatist consultation long practised in the manufacturing sector, characterised by closed-door meetings between government, statutory board authorities and key private sector players. Indeed, *FEER* Singapore correspondent, Ben Dolven, interpreted this direction as an alternative to greater openness, not an expression of it. According to Dolven (1998a): 'To foster financial development without outward transparency, authorities have tried to bring the private sector into the policymaking process.'

Though not new,[19] state–business consultative mechanisms have become more institutionalised and specialised. They are an important dimension of the attempt to deepen the internationalisation of both the Singapore economy and Singapore Inc. itself.[20] The two new complementary bodies through which the MAS has been trying to form a partnership with the private financial sector are the International Advisory Panel (IAP) and the Financial Centre Advisory Group (FCAG). Both were established in November 1998. The IAP was chaired by MAS board director J.Y. Pillay and comprised influential heads from major international finance companies headquartered in the US, Japan and Europe – including Bank of America, Deutsche Bank Asia-Pacific, Tokyo-Mitsubishi Bank, Cologne Reinsurance and Goldman Sachs. It holds annual meetings to discuss global market trends in the sector and provide advice to MAS on how best to promote finance industries.

The precedent to the IAP model is the IAC that was established in October 1994 to advise the Economic Development Board (EDB) on its regional and international strategies for manufacturing.[21] Like the IAC, the IAP has access to the most senior of government ministers, including the Prime Minister, who attend sessions of the closed-door meetings. At the time the IAC was established, EDB chairman Philip Yeo said: 'We need to share contacts, information, experiences and perspectives. Having these powerful, influential and respected corporate chieftains accessible through our Advisory Council will help EDB immensely' (quoted in *Singapore Investment News* 1995). It is the same desire to cultivate a strategic network that lies behind the creation of the IAP. The exchanges that take place make available to the government information functional not just for the refinement of industry promotion, but the targeting of specific international corporations.

In contrast with the IAP, the FCAG is intended as a mechanism for dialogue between the MAS and existing participants in the local market. Again, however, membership is guided by the attempt to involve the most significant players rather than any cross-sectional representation of the sector. The FCAG meets more often than the IAP, and is involved in assisting the government with the implementation and refinement of its policies to foster the finance sector's development.

By and large, then, the increased consultation that has taken place has been a case of the government seeking assistance in refining policy proposals rather than responding to well organised business pressure groups. The closest thing to a business pressure group on transparency in Singapore is the Securities Investors' Association (Singapore) (SIAS). SIAS was formed in June 1999, after the transparency reform agenda had begun. It was specifically established to represent the interests of Singapore-based investors in the Central Limit Order Book (CLOB) system – involving trading of KLSE shares through the Singapore Stock Exchange – whose assets were frozen by Malaysian authorities and the subject of a protracted dispute. Within months SIAS had 50,000 members. However, in the wake of the resolution to the CLOB dispute, SIAS has turned its energies towards investor education – particularly on the issue of the rights of minority shareholders to get information from companies. This direction has received encouragement from the government, seeing the SIAS as an ally in the promotion of a disclosure-based regulatory regime. At the same time, SIAS does have the ear of senior public servants and ministers through which it is able to represent the views and aspirations of the securities industry. To date, this appears to have been possible without taking up sensitive issues. SIAS chief executive, David Gerald, has also had to allay perceptions of a possible conflict of interest, since some of Singapore's biggest corporate groups – including GLC heavyweights such as DBS Group Holdings and Keppel Corp – fund the organisation (Lee Su Shyan 2003).

GLCS and persistent information voids

Although the government made some important changes to corporate disclosure laws and improved the quality and availability of various economic data, significant deficiencies remained, even in terms of a limited neo-liberal transparency reform agenda. Some of these attracted critical attention from within the neo-liberal camp. The IMF (1999), for instance, made the following observations in a Public Information Notice (No. 99/26) in March 1999:

> Directors considered that policy analysis could be enhanced by making more transparent the fiscal and monetary policy frameworks. They encouraged the authorities to improve data on consolidated public sector operations and on medium-term fiscal projections, as well as on external trade, reserves, and government assets held abroad.

In a subsequent Public Information Notice (No. 00/46) the next year, the IMF reiterated some of these concerns, encouraging authorities to provide 'more information on the government's investment income, and to consolidate the various off-budget accounts, so as to enhance fiscal analysis on a consolidated basis' (IMF 2000). Implicit in this sort of information regime was reporting on the activities of the GLCs, an issue which would increasingly require deft reconciliation with the government's transparency rhetoric and internationalisation agenda.

The early signs were, however, that the Asian crisis hadn't fundamentally altered the GIC's tight-lipped approach to its investments. Following a discovery on the web page of a US-based firm that it was providing representation for the GIC over derivatives and other financial transactions, a journalist raised the matter with the GIC. Was there a problem of heavy losses necessitating legal representation, it was asked? The GIC's Corporate Affairs official Foo Kah Yie refused to comment on the grounds that it was 'not our corporate policy to comment on our activities' (quoted in *Singaporeans for Democracy* 2000).[22]

Nevertheless, calls for GIC disclosures from a small group of social and political activists, various letters to the editor of *The Straits Times* also to that effect, and finally a question in parliament by an opposition MP aroused wider interest among international journalists in this issue. Consequently, the government felt it necessary to defend the GIC's exclusion from transparency reform (Yap 2001). Deputy Prime Minister Lee Hsien Loong, who is also Deputy Chairman of the GIC, argued that publishing details of Singapore's reserves would reveal information useful to currency speculators to attack the Singapore dollar. Information about exact amounts invested abroad and in what assets would enable them to 'assess their chances and plan their attacks and this is not in the public interest' (quoted in Danesh 2001). GIC Chairman Lee Kuan Yew subsequently elaborated that: 'We are a special investment fund. The ultimate shareholders are the electorate. It is not in the people's interest, in the nation's interest, to detail our assets and their yearly returns' (quoted in Chua and Stein 2001). Incidentally, as it transpired, DBS was also the first major company to depart from the voluntary Code of Corporate Governance when it declined to reveal the remuneration of its top five executives (Siow 2003).

However, Lee Kuan Yew insisted that there was no dearth of accountability or checks and balances: 'The accounts of GIC are checked by the Accountant-General and examined by the Council of Presidential Advisors. There is total accountability' (Lee Kuan Yew 2001). Consistent with Lee's view on political institutions, he emphasised the importance of people of integrity running the GIC (Chua 2001). Institutionalised accountability, in effect, gives way to the notion of capable leaders and bureaucrats being entrusted to do the right thing. As for the public's right to know how its money is being invested, Lee contended that the public is not interested in the GIC's inner workings anyway (Lloyd-Smith 2001).

Those international journalists that probed for more information about the GIC were subsequently attacked in *The Straits Times* by Chua Lee Hoong (2001), who observed: 'So when foreign correspondents question the GIC's operation methods, be under no illusion that they are asking for the Great Good of Singapore. They are simply asking so that they can make a dent in Singapore's armour – and a mark for themselves in the journalistic world.'

Despite this vitriolic defence of the status quo, authorities came to the conclusion by mid-2001 that the best way forward was to release some general information about equity investment abroad in lieu of any concessions on detailed, routine disclosures (Lloyd-Smith 2001). Apart from the awkward contradiction between official transparency rhetoric and the stance on the GIC, the government was by now intent on putting to rest speculation that the GIC was not getting adequate returns on its investments and that CPF money was drawn on for the GIC's offshore ventures (Asher 2000, Low 2001a, 2001b, Pritchard 2001).[23] A publication in 2001 commemorating the 20th anniversary of the GIC revealed an unprecedented amount of information about the successes and failures of the GIC's past forays. The actual composition of the GIC's board also became public for the first time (Ellis 2001b).

Around the same time, the Singapore government was also trying to combat an image of the GLCs abroad as unduly influenced in commercial activities by their political connections and complexion.

Shortly after the Asian crisis broke there were signs that the close government-business connections institutionalised and controlled through a network of interlocking directorships involving a core group of politically trusted figures would remain. The chairman of the government's Corporate Governance Committee, Koh Boon Hwee, was also chairman of Singapore Telecommunications Ltd. (SingTel), one of Singapore's largest public company GLCs, and director of Temasek Holdings and Singapore Press Holding's AsiaOne Internet company. Against the background of protestations by the committee about the need to adopt world's best practice, it produced findings on the issue of how many corporate boards a Singaporean could sit on. *The Straits Times* reported that 'after deliberating long and hard, the committee decided against any upper limit on directorships'. What the article neglected to point out was that Koh was on as many as 47 directorships himself (Ellis 2001c, 2003).

However, this governance style raised issues when Singapore's GLCs attempted to make major inroads offshore – especially where it involved industries with potential national security implications. Failed bids by Singapore Telecommunications Ltd. (SingTel) in Hong Kong and Malaysia after the 1997–98 Asian crisis were not unrelated to the perceptions of the corporation lacking independence from the Singapore government (see Rodan 2001: 158). Similarly, the New Zealand government's refusal to accommodate an attempt by Singapore Airlines (SIA) to take a controlling share in Air New Zealand was accompanied by reservations from Prime Minister Helen Clark about the national carrier being 'effectively controlled by the Singapore government' (quoted in Richardson 2000). However, it was in the context of protracted deliberations over a controversial S$21 billion take-over bid by SingTel of Optus Communications in Australia that most public scrutiny of Singapore's governance occurred. In his sustained analyses in the influential national newspaper *The Australian*, journalist Eric Ellis highlighted what he labelled as 'a merry-go-round of connected interests' and drew attention to the serious limits to the Singapore version of transparency (Ellis 2001d).

Against this background, and in an apparent attempt to allay concerns about the relationship between the Singapore government and its internationalising GLCs, three members of SIA's board of directors resigned in mid-2001. They were: Tjiong Yik Min, who was simultaneously the chairman of the national aviation regulator – the Civil Aviation Authority of Singapore – as well as the executive head of Singapore Press Holdings and a past head of the Internal Security Department; Moses Lee, the permanent secretary of Singapore's health ministry; and Major General Raymund Ng, the former recent head of Singapore's airforce. Koh Boon Hwee also vacated his position as chairman of SingTel, albeit to another existing GLC executive,[24] when he took on the new role of director of SIA in mid-2001.[25]

Amid all of this, the government was understandably keen to dispel any perception that GLCs enjoyed too cosy a relationship with state bureaucracies and government figures that affected how they operated or were regulated. The government controlled domestic media thus made much play of the fact that Singapore's telecommunications regulator, the Infocomm Development Authority (IDA), took out a legal suit in 2001 against SingTel. This was presented as clear evidence that there is a healthy separation between state business enterprises and government (T. Tan 2001). The IDA was seeking a refund of S$388 million it overpaid SingTel in compensation back in 1997 for the loss of its domestic monopoly ahead of scheduled market liberalisation. But, ironically, the counsels acting for both SingTel and the IDA were both PAP MPs, each of whom had acted separately for Lee Kuan Yew in defamation cases against opposition stalwart J.B. Jeyaretnam, and jointly in an action against another PAP adversary, Tang Liang Hong. It was not clear either why it had taken the IDA four years to act against SingTel. This was hardly a powerful demonstration of the total separation of politics from the functioning of regulatory regimes (Ellis 2001e).

In any case, in the wake of this new public attention to GLCs, credit rating agencies seemed to recognise the potential for new business opportunities to be had from GLC reform. Given that cash rich GLCs with no need to borrow dominated the domestic economy, they received limited work in the past in Singapore. However, in late 2001 Standard & Poor's produced an unsolicited report on Singapore's GLCs. It cited the lack of transparency in corporate credit as one of the obstacles to the development of the Singapore dollar bond market and pointed out that: 'the implied credit quality of many GLCs, based on their bank loan interest rate pricing, would appear higher than that which would emerge under a more robust rating exercise' (Standard & Poor's 2001). The report also noted that 'the financial profile of Temasek is, as with its business profile . . . difficult to identify with certainty' (as quoted in Webb 2001a), in view of the paucity of information. Moreover, the expansion of GLCs abroad was, according to Standard & Poor's (2001), likely to mean 'attention will be drawn to the Singapore financial market and to the policies and organisations that have contributed to Singapore's notable success'.

Significantly, the new media attention to the secretive nature of the GLCs and their commercial performance throughout 2001 also coincided with the city-state's deepest recession since Independence. It was in this context that Singapore-based private sector economists began pushing for a major reassessment of the economic role of the state (Saywell 2001). Reports beginning in 2000 by Daniel Lian of securities firm Morgan Stanley Dean Witter were especially prominent (Lian 2000, 2001). There were many elements to Lian's thesis about structural impediments to a successful transition to the New Economy and ways to reduce Singapore's vulnerability to external shocks. They included the general idea, though, that the creativity and entrepreneurship necessary to spark the high technology sector required a wholesale shift away from state dependence and state control over many aspects of economic and social life. Among his policy recommendations were increasing private consumption and lowering national savings, and 'de-linking GLCs from the government' (Lian 2001). Lian contended that returns by GLCs had 'been poor in the past decade despite impressive economic growth and a substantial improvement in corporate governance' (quoted in Webb 2001a). GLCs, he asserted, should only expand assets if that boosts value and returns to shareholders, and not simply to fulfil 'any government-mandated mission to expand the external economy' (quoted in Webb 2001a). This sort of argument had a resonance with some of the observations in the early 1990s by private sector economists and stockbrokers that had led to Lee Kuan Yew's warnings about 'pressure groups'. In the context of the new emphasis on developing financial services, though, these views were more difficult to suppress.

The question of government directives influencing the investment decisions was also taken up by French brokerage firm CLSA Emerging Markets in a report that singled out SingTel's US$8.4 billion purchase of Australia's Optus Cable & Wireless and DBS Group Holdings Ltd's US$5.7 billion takeover of Hong Kong's Dao Heng Bank as illustrations of management teams accused of 'destroy(ing) shareholder value' (quoted in *AWSJ* 2002b). A 20 per cent drop in DBS's market capitalisation followed the respective takeover announcements and a 29 per cent fall in SingTel's share price. This wiped out US$4.8 billion of its market capitalisation in just two days (*AWSJ* 2002b). The report stated that: 'Even if these were independent management decisions, a small, albeit influential group (of investors) is simply unhappy that management teams responsible for these moves are essentially still in place' (quoted in *AWSJ* 2002b). Had the domestic media seriously scrutinised these decisions then shareholder disquiet may well have been more substantial.

In any case, Lian's policy prescriptions struck a chord with a wide range of interests tied up with attempts to give a particular complexion to the restructuring of the Singapore economy. International capital's appetite had been whetted by liberalisations in banking and telecommunications (T. Tan 2000). Its advocates thus seized on the recession that became acute in 2001 to try and extend accumulation possibilities that would be opened up by a retreat of the state from a range of areas. These included: the accelerated privatisation of GLCs; the removal of strict limits on domestic consumer credit; and the handing over of more of the S$62 billion of the compulsory national superannuation scheme money to private fund managers and private superannuation companies.

Principally at stake here for international capital was access to Singapore's markets and assets. The concept of transparency was at times a conspicuous means towards that end. A US lobby group called the Coalition of Service Industries (CSI), for example, called for a more transparent regulatory and licensing regime in Singapore (*AFP* 2001a). What they meant was that before new regulations or the amendment of existing ones, there should be opportunities for public input, that licensing regimes should be open and include explanations by regulators for unsuccessful applications (C. Ong 2001). The CSI wanted the Singapore government to remove the limit on the number of US-owned banks allowed to operate with full banking licences and allow American bank card issuers to have access to the automatic teller machine network of domestic banks. Engineers, lawyers, pharmaceutical firms and US financial institutions were also among those lobbying for access to the Singapore market on level terms to local companies.

The PAP government well understands that neither debates over the restructuring of the economy nor the harnessing of the concept of transparency are disinterested exercises by the parties involved. What it seeks is a pragmatic reconciliation between its own interests and those of international capital. The problem is that a serious dismantling of the GLCs would represent a potential challenge to the established means by which the PAP has exerted social and political influence, no less than economic. Against this background, the PAP established the Economic Review Committee (ERC) in 2001, headed by Deputy Prime Minister Lee Hsien Loong, to finds ways to 'upgrade, transform and revitalize' the economy (Restall 2001).

In short, the ERC sought to appease private sector aspirations for lower business costs and increased access to the domestic market without serious cost to the position of the GLCs. Thus far it has resulted in reductions in top corporate and personal tax rates and an increase in the rate of consumption tax, and projected changes to the CPF that are likely to result in selective opportunities for more private banks, insurance companies and financial service providers to get access to Singaporeans' enforced savings. Meanwhile, the much-anticipated review of the GLCs underlined the limits within which new opportunities for the private sector would occur.

Prior to the ERC's deliberations, the government acknowledged that there was an image problem abroad for the GLCs. Lee Hsien Loong observed that 'regulators, political leaders, the press and local constituents tend to perceive the GLC to be Singapore Government-controlled, operating on an agenda that overrides normal commercial considerations' (quoted in Lee and Koh 2001). This, he went on to say, 'can unnecessarily politicise and complicate mutually-beneficial commercial deals, strategic alliances or mergers and acquisitions' (quoted in Lee and Koh 2001). If for no other reason than self-interest, then, some changes were likely. The government even indicated it might reduce stakes in such GLCs as SingTel and the DBS, raising speculation that a more general scaling down of the GLCs might be in prospect (Lee and Koh 2001).

However, the ERC's subcommittee report on Entrepreneurship and Internationalisation released in May 2002 seemed to then scotch any such hopes. It recommended a rationalisation of GLCs, but one that would assist the development of globally competitive GLC enterprises. It stated that 'Temasek should compel GLCs to scale up their core competencies to build global businesses, as opposed to concentrating on the local market to build a diverse range of unrelated businesses' (Entrepreneurship and Internationalisation Subcommittee 2002).

Subsequently, Temasek produced a new Charter committing it to concentrating on businesses with international growth prospects and a series of consolidations, mergers, acquisitions, rationalisations or collaborations towards that end. Temasek would now, according to the Charter, concentrate on two categories of companies: those domestic businesses deemed strategic enough to warrant government involvement, for example those that involve control over critical resources such as water, power and gas grids, airport and seaport facilities, and public goods like broadcasting, subsidised healthcare, education and housing and assorted amenities; and those with the potential for regional or international growth (Raj 2002). As one journalist noted (Restall 2002), 'almost all of Temasek's existing companies fit into one or the other, meaning there's not going to be much divestment in the near future'. Indeed, for him the Charter indicated that 'far from stepping back from the marketplace, the government seems to be trying to improve its performance as an investor' (Restal 2002).

In the same month as the Charter's release, Ho Ching took up the new position of executive director of Temasek. Ho's appointment was presented as pivotal to the review, rationalisation and consolidation of

Temasek's interests. But since Ho was the wife of Deputy Prime Minister Lee Hsien Loong, this unavoidably refocused critical attention on the nexus between Singapore's economic, political and bureaucratic elites (*Reuters* 2002b). The circulation over the Internet and to international journalists through email in early 2002 of a document authored by a so-called 'Tan Boon Seng' (2002), entitled 'Why it might be difficult for the government to withdraw from business', helped crystallise much of this concern.

The document, which represented a considerable research effort presumably backed with resources and contacts, provided an in-depth listing of the extensive interests allegedly held by: present and former cabinet ministers and their relatives; active and retired senior military personnel; and serving and former members of the PAP in GLCs. This included some 50 senior government officials holding 'key appointments' while still in government. There were no allegations of corruption, but the clear inference was that a host of material and political interests were now intermeshed and embedded in the GLCs that would take some shifting. Significantly, at no time did the government attack the factual accuracy of the document, something that it is generally quick to do when seeking to dismiss or deflect critical scrutiny (Lloyd-Smith 2002a, 2002b).

Initial indications were that whatever the scale and form of any overhaul of Temasek by Ho, she was unlikely to preside over a significant change in relations with the media. In late 2002, *FEER* published an in-depth examination of Temasek's direction and performance. Yet Temasek and Ho were particularly unhelpful in the exercise, as the authors felt compelled to point out:

> The extent to which Temasek has been involved in corporate decisions at companies in its stable isn't clear: Ho declined to be interviewed for this article. Over a period of two months, Temasek promised to schedule interviews with other executives, but failed to deliver. The REVIEW submitted a list of detailed questions, but a spokeswoman said Temasek didn't feel 'quite comfortable with the angle of [the] story,' and declined to respond when asked if Temasek required more time to reply. The spokeswoman also said that it 'may not be appropriate for us to comment' on certain listed companies in the group. The questions largely pertained to Temasek's business strategy, the performance of its companies and the benchmarks it uses to measure their performance.
>
> (Webb and Saywell 2002: 43)

The questions were no different from what any fund manager or securities analyst would demand to know of the companies he or she covers, or what any chair of the board or chief executive officer would need to answer to shareholders (Webb and Saywell 2002).

Whether this relationship with the media is sustainable over the longer term as Ho and others at the helm of GLCs attempt to internationalise operations remains to be seen. Certainly, however, thus far there seems little enthusiasm about opening these companies up to serious scrutiny.

Nevertheless, interest in and scrutiny of Temasek and other GLCs has the potential to grow in tandem with the Singapore government's efforts to increase global economic integration. The government's pursuit of Free Trade Agreements (FTAs) is one respect in which this is reflected. The bulk of the FTAs negotiated since the Asian crisis entailed no meaningful access concessions to the domestic market or policy reform commitments within Singapore. Indeed, they appear to have been meant to generate an impression of dynamism and opportunity in Singapore to attract new investment. But this changed with the US–Singapore Free Trade Agreement (USSFTA), and to a lesser extent the Singapore–Australia Free Trade Agreement (SAFTA), where Singapore's partners had more substantive designs. Consequently, negotiations over these agreements dragged on for two years and were not concluded until late 2002 and formally approved early the next year. This was in part because these FTA negotiations brought a significant degree of scrutiny to bear on the GLCs and the institutional mechanisms through which their interests have been protected and advanced.

USSFTA included concessions to the interests represented by the CSI by way of improved market access for select US banks, insurance companies and other service industries to be phased in over the next few years.[26] It also incorporates a range of commitments to enhance the transparency and independence of decisions by regulatory authorities, including the establishment of a new independent body for the telecommunications sector to settle disputes.[27] The concern to arrest anti-competitive practices benefiting GLCs is further embodied in the commitment for the Singapore government to establish a competition commission, to be operative by January 2005. This is aimed squarely at GLC monopolies and cartels.[28] This proposal was strongly resisted by the Singaporeans earlier in the negotiations.

Major additional commitments by the Singapore government in USSFTA are, first, to divest its interests in SingTel and Singapore Technologies Telemedia and, second, to provide annual information to the US on Singapore government enterprises with substantial revenues or assets. This latter measure is meant to elicit details on how GLCs are run, by whom and what ownership levels and structures are involved. Such provisions are clearly directed at GLCs such as Singapore Technologies, which is not a publicly listed company and therefore bypasses disclosure requirements of the Singapore Stock Exchange, and statutory bodies. Significantly, though, there were no schedules attached to either of these commitments.

SAFTA extracted no major concessions on GLC dominance in Singapore (Ellis 2002a). On the contrary, the most significant market access changes involve the Australian telecommunications sector, to the benefit of SingTel (Skotnicki 2003). However, the SAFTA echoed an emphasis on many issues of commercial transparency, regulatory independence and the curtailment of anti-competitive practices thematic to the US agreement. It must have dawned on the Singapore government during the course of the simultaneous FTA negotiations that perceptions of conflict of interest and the absence of a level playing field were gathering momentum. Only through some undertaking to affect policy changes could these be addressed. The preparedness to sign off on USSAFTA also reflects an appreciation by the Singapore government that greater competition in the domestic market may be a necessary discipline to achieve overall cost competitiveness and the commercial transformation of the GLCs themselves so that they are better placed to succeed as international players.

What sort of a dent, if any, these provisions will make on Singapore Inc. and the way it operates remains to be seen (Chow 2002). The Singapore government may attempt to delay, deflect and finesse its unscheduled commitments and the competition policy it has agreed to is yet to be given precise form. In any case, the strength of the GLCs within the domestic economy is such that even with the agreements they are unlikely to be dislodged in a hurry. Nevertheless, GLCs and government policy affecting them are now under increased scrutiny and at the very least official strategies are needed to manage this situation.

Beyond the specific challenges of the USSFTA for information control, there is also the further question of whether the spread around the world of the GLCs can be achieved without them being subjected to more demanding regimes of disclosure and media scrutiny and, if so, what implications this might have for retaining tight information controls at home. This issue will be taken up more fully in the next chapter. In the meantime, suffice it to point out that, drawing out information on the GIC and other GLCs has remained difficult in Singapore after the Asian crisis. Yet it needs to be emphatically underlined too that increased political openness has been completely off the official transparency reform agenda. Attempts to connect the two have been given short shrift.

At both the overt political levels and in relations between citizens and public institutions, little information is routinely available in Singapore or is available as a matter of right. Government ministers, for example, have not been required to publicly record their financial interests and investments so that potential conflicts of interest might be identified. All they have been required to do is privately submit such information to the Prime Minister – a system, ironically, emulated by President Soeharto in March 1998. Nor, despite recent official rhetoric about 'open government', has anything remotely approximating a freedom of information act been countenanced in the foreseeable future for Singapore. And, as we will see in detail in the next chapter, the 'free flow of information' envisaged by the PAP does not in any way encompass greater opportunity for investigative or critical media to scrutinise the exercise of public power. In fact, the government has refused any serious engagement with arguments about the need for increased political transparency.

Singapore's two most combative oppositionists, J.B. Jeyaretnam and Chee Soon Juan, provided the most explicit expression of this with the establishment in May 1999 of the Open Singapore Centre (OSC). According to the press release by the new centre: 'Transparency and democratic accountability, whether in the public or private sector, will not come about unless we have an open society with accurate and verifiable information available to the citizens at all times.' The official response to the OSC initiative, however, was dismissive. Following a request from Jeyaretnam for a government grant to support OSC activities, Principal Private Secretary to the Prime Minister, Tan Tee How (1999), wrote in reply that: 'There is no need for your Open Singapore Centre. Singapore is already widely recognised as an open society which practices transparency and democratic accountability.' Tan cited rankings in Transparency International's Corruption Perceptions Index and surveys by Political and Economic Risk Consultancy on corruption to support his claim – neither of which are actually measures of transparency. Ironically, the OSC-hosted tea party at its opening on 12 June was apparently the subject of surveillance (Gomez 1999). Advocacy of political transparency, it seems, runs the risk of arousing suspicion of subversion in Singapore.

Meanwhile, in July 2001, legislative amendments were introduced to Parliament to extend the scope of the Official Secrets Act. Changes included wrongful communication of secret information to a foreign power or the use of information in a manner deemed prejudicial to Singapore's interests (*Straits Times Interactive* 2001a).

In short, Singapore officials have been a great deal keener on changes that require more transparency of the private sector than of the state. They have also been concerned to make sure that transparency rhetoric does not spill over into expectations of greater political openness or scrutiny of government.

Finance sector, transparency and media

The Singapore government's embrace of transparency has therefore been a qualified one. The question is whether this will be sufficient to satisfy the objective needs of a sector that is understood to place a premium on the ready availability of information, analysis and scrutiny of market conditions. And is any of this really possible without a free media? Compared with their counterparts in the manufacturing sector, the interests of investors in the finance sector are usually spread across a more diverse range of activities. Fund managers or stockbrokers and their clients, for example, often require daily information on, and analyses of, variables affecting a range of companies in different sectors.

To be sure, as in manufacturing, there was impressive investment expansion before the Asian crisis in the finance sector without much financial or any other form of transparency. After all, at the time the crisis broke, Singapore was the third-largest financial centre in Asia behind Tokyo and Hong Kong and the sector comprised 12 per cent of gross domestic product. Only London and New York boasted larger foreign exchange markets than Singapore, which also led Hong Kong in futures trading. Singapore's derivatives and commodities markets were strong too. However, Singapore lagged behind Hong Kong quite a deal in offshore lending, fund management and in equities markets (Assif and Hamilton 1999: 55).

In the battle for financial ascendancy over Hong Kong, it was in the bond markets and fund management in particular that the Singapore government was hoping to see progress. Bond markets were yet to take-off in Asia, but they were expected to play a major role in financing the massive infrastructure needs in the region over coming decades – especially in view of the devastation of the crisis on both governments and private corporations. The attraction of fund managers to Singapore was also expected to have a wide range of skill spin-offs throughout the sector, including benefits to stockbroking and custodial services (Montagnon 1998).

In an attempt to kick-start the bond market, the Singapore government strategically deployed statutory boards. They generally boast large surpluses and certainly don't need to raise funds through the issuing of bonds. In a private company this might be an issue for shareholders to take up with directors, but these organisations are operating within the context of a state-directed economic strategy. Accordingly, the Housing Development Board (HDB) and the Jurong Town Corporation (JTC), for example, each issued S$300 million in bonds by the beginning of 1999. This launched respective medium-term note programmes of S$3 billion and S$4 billion (Eng 1999, Wong Wei Kong 1999a).[29] In another move to promote the bond market, members of the CPF could use some savings to buy statutory board bonds. In the case of fund management, generous tax incentives were introduced in the 1997 budget that were only available when over S$10 billion of funds were managed, in a deliberate attempt to attract leading global players in international finance.[30] Most of the GIC money under fund management also went to foreign private asset managers (Assif and Hamilton 1999: 55).[31] Assets under management by Singapore-based financial institutions increased by 11 per cent between 2000 and 2001 (Wong 2003).

Doubts have been cast, however, as to whether Singapore can make serious inroads into the bond and fund management markets without far greater transparency reforms and media liberalisation. In the words of one investment banker: 'The offshore fund manager, thousands of miles away, relies on minute-by-minute information from analysts and the media for market timing. He manages short-term capital flows and appreciates an aggressive and active media to feed finely-timed decisions.'[32] It is on this basis that Hong Kong is thought to have a decided edge, with a political culture more conducive to critical analysis and scrutiny of the complex of factors shaping market prices.

There is, furthermore, no significant bond market in the world that is not accompanied by a sizeable and vibrant equity market. Equities play an important role in introducing new market entrants and raising awareness of other investment possibilities. In the late 1990s, Hong Kong's equity market outstripped its Singapore counterpart where two-thirds of the latter's value was accounted for by GLCs. According to some observers, the climate of fear about frank and forthright critical analysis also represented a fundamental problem for equity market development in Singapore. *BusinessWeek* magazine, for example, cited a case of a foreign stockbroker in Singapore moving his valuables from his apartment before publishing a mildly critical article on the reasons for the Asian crisis, for fear of being expelled for what he wrote (Clifford, Shari and Einhorn 1999: 22).

In spite of these arguments, however, it is noteworthy that the IAP's set of recommendations to the MAS after its inaugural meeting in January 1999 contained no call for a free media to assist the finance sector's development.[33] Instead, the IAP emphasised the value of an accelerated introduction of foreign competition into the retail banking sector and the consolidation of local banks.[34] Mention was also made of the need to raise workforce skills and to increase tax incentives to attract capital. The role of the press simply didn't feature. Meanwhile, *Asiamoney* pronounced Lee Hsien Loong Asian Banker of the Year in May 1999, with no qualifications about Lee's hard line on the media. Evidently investors and business commentators alike were more enamoured with the Singapore government's partial liberalisation of the financial sector than they were worried about restrictions to the free flow of information and analysis. The priority was to encourage a fuller opening up of domestic financial markets to international capital. To the delight of the international financial community, the government announced further steps in that direction in mid-2001 (Amit and Tang 2001).

The performance of the Singapore economy and some of the key areas of the financial sector coming out of the 1997–98 Asian crisis further brought into question the importance to investors of transparency. Singapore's economic growth stalled in 1998 to just 0.4 per cent but then turned around dramatically to reach 5.4 per cent in 1999 and 9.8 per cent in 2000. Strong demand for electronics exports underwrote growth, but progress in areas of the prized financial sector was also significant.

The initial response to the government's initiatives was encouraging from institutional investors. Between late 1998 and early 1999, bond issues were made by General Electric Capital Corporation (S$300 million), Ford (S$500 million), European Bank for Reconstruction and Development (S$150 million), Nordic Investment Bank (two separate issues of $150 million), International Finance Corporation (IFC) (S$300 million), and J.P. Morgan & Co. (S$200 million) (Hamilton 1999, C. Tan 1999). The IFC issue was the first supranational issue of Singapore dollar bonds and the issue by GE Capital the first foreign corporate Singapore dollar issue (Wong Wei Kong 1999b). In 2000, Singapore-dollar issuance totalled S$14.3 billion and in the first 10 months of 2001 statutory boards and companies raised S$12.8 billion (Danesh and Koh 2001). This included Port of Singapore Authority (PSA) issues of S$600 million and S$500 million in July 2000, and Singapore Power issues of US$300 million in April 2000, S$300 million in July 2000, and S$300 million in April 2001 (Standard & Poor's 2001).

Assets under fund management also grew 36 per cent in the first half of 1999 to reach S$204.1 billion, and the number of firms managing discretionary funds increased significantly (Loh 1999). Stock market activity also reached a new high in the first half of 1999, at 2,191.73 points at the end of June on the benchmark Straits Times Index (STI). The combined value of all listed companies rose to S$316.3 billion by this time, nearly 20 per cent above the previous peak in June 1996 of S$265 billion (Chan 1999). All of this occurred in a context of what remained low levels of transparency, despite the reforms outlined above, especially as it pertained to critical analysis in the media.

The acute dependence of the Singapore manufacturing sector on exports of electronics goods, that had helped rapid recovery from the Asian crisis of 1997–98, also meant that the subsequent deep US recession had devastating effects on the Singapore economy. Economic growth plummeted in 2001 to contract by 2.0 per cent before recovering to grow by 2.2 per cent the subsequent year. This only underlined the importance of a successful economic restructuring which included a strong financial sector. The objective preconditions for achieving this would be even more a matter of importance to policymakers.

What matters to investors?

The implication of much of the above analysis so far is that transparency's importance is not intrinsically nor universally valued by business – even where this involves sophisticated and highly mobile forms of financial and equity capital. Interviews with international executives investing in Singapore and professional investment advisors tend to reinforce this proposition. They also suggest that the perceived information needs of investors are, in any case, not necessarily reliant upon a media free to engage in critical analysis.

Indeed, the tight political control exercised by the PAP, of which media restrictions are an element, is not necessarily a minus from capital's perspective. Raj Mitta (1999), Managing Director (South Asia) of Arthur D. Little International Inc., observed, for example, that: 'If controls on social and political analysis have created a greater amount of stability, then while this might personally irk a business person, it is an acceptable trade-off. The capacity to quickly adapt to the crisis and implement measures testifies to the benefits of this trade-off.' Certainly decisive measures by the Singapore government to reduce wage costs in response to the Asian crisis impressed the international business community and were compared favourably with the response in Hong Kong. Indeed, it was in that context that, Mitta (1999) added: 'There is no good reason for business to push for media freedom.' It would only be when media control began to affect social and political stability adversely, he argued, that business people might need to take up the issue.

Nor, as a professional market analyst, did Mitta regard himself as impaired by virtue of information constraints and media control in Singapore: 'There isn't a single piece of information that my counterpart in London, New York or anywhere else has, as a global or regional operator, that I don't have in Singapore' (Mitta 1999). This perspective in large part reflected the regional orientation of businesses seeking advice from analysts. As we have seen, international media companies have also been able to flourish by using Singapore as a base for business, rather than as the centrepiece of their activities. Nevertheless, Manu Bhaskaran (1999), as managing director of SC Securities, also singled out improved corporate disclosures rather than a freeing up of the media as the measure likely to bring most benefit to his Singapore clients.

Methodologically, fund managers also have some difficulty precisely calculating the importance of transparency. According to Jin-Yan Tiong (2001), Investment Director of Rothschild Asset Management (Singapore) Limited, 'it is difficult to isolate the transparency factor. We have a construct on risk premium. Transparency is one factor.' Furthermore, according to Roger Yeo (2001), an executive of a leading broking company in Singapore, transparency is mainly relevant to long-term investors and less important to traders with very rapid turnover stock in the search of quick returns.[35] In Singapore, he noted, the average holding period was just six weeks. Yeo (2001) explained that: 'We can thus begin to differentiate between investors and punters. The former are making long-term decisions and thus want predictability and risk reduction – both of which benefit from governance and transparency improvement. The latter want event-driven price movements and risk'. For Yeo, the underlying point is that the market will, through its actions, guide corporate activity – one way or the other. Crucially for this discussion, though, Yeo (2001) maintained that global market flows are moving towards a new paradigm, wherein stock purchases are based on different reasons in different parts of the world – some for speculative and some for longer term investment purposes.

Moreover, there are more fundamental considerations than transparency that weigh on investors' minds. For example, according to Cheah Cheng Hye (2000), Managing Director of Value Partners, a Hong Kong-based fund management company operating in Singapore: 'At the technical level, transparency is not so important; that is, deciding what to invest in. At the strategic level, though, you would give two or three less stars to stocks in a place where there is a lack of political legitimacy or the absence of checks and balances – including the absence of a free press.' Overall, for Cheah, predictability and stability matter more than transparency in the assessment of the Singapore market. Predictability is related to the broader system of governance, including the clarity of rules affecting the market and the consistency with which they are enforced. In keeping with this, ABN AMRO's Singapore analyst, Dominic Armstrong (2000), maintained that the impressive surge of fund management capital invested in Singapore owed a great deal to the 'enormously positive benefits of rule of law that you can trust' and the 'absolutely reliable system of government'.

Yet even the importance of governance regimes is not absolute. As Jin-Yan Tiong (2001) remarked: 'Corporate governance is just a variable that goes into a bigger set of variables.' 'Fund managers don't avoid a market on the basis of a principle', according to Tiong (2001), who pointed out that when valuations in markets with good corporate governance become too high then fund managers begin to look at other markets, including Malaysia, with less impressive governance. This observation was indeed borne out by subsequent events in 2001, which witnessed a steep decline in Singapore's stock market as funds moved elsewhere. Interest in the markets of Hong Kong, Taiwan and China in particular gathered momentum.[36] It was in this context that Michael Lim, the Regional Director for Prudential Portfolio Managers in Singapore, observed that: 'Singapore is a safe haven but that status only works well during major crises, when everybody needs to flock into safe markets' (quoted in *Straits Times Interactive* 2001b). The importance of governance, no less than transparency, is mediated by complex and dynamic factors that are weighed up by investors.

Governance versus transparency

The broader nature and perceptions of governance regimes in Singapore, it seems, help explain why the city-state has attracted international finance capital in spite of shortfalls in various forms of transparency. To be sure, there are respects in which power is subtly – and sometimes bluntly – exercised through public institutions to protect and advance the interests of the PAP. There are certainly significant differences between governance regimes in Singapore and those of liberal democracies. Yet in the period under study, this does not appear to have overly concerned investors. Intimidation of the media in Singapore might help to limit knowledge about, and interest in, issues of how public power is exercised among executives in international companies and private financial analysts advising them. But investor perceptions are also mediated by a wider experience of Singapore's governance regimes that have been fundamentally positive for capital. Unlike in some other parts of the region, these regimes are seen as efficient and predictable. Moreover, systemic favouritism on behalf of private entrepreneurs and politically connected private companies with which international investors might be competing is largely absent, even if the position of GLCs is much more problematic.

This is precisely why Singapore fared well in a study undertaken by the professional services company PricewaterhouseCoopers (PwC) (2001) that surveyed chief financial officers, equity analysts, bankers and PwC consultants on 35 different countries. It developed an Opacity Index, meant to provide an empirical measure of the impact of opacity on the cost and availability of capital in a country. Opacity was defined as 'the lack of clear, accurate, formal, easily discernible and widely accepted *practices* (my emphasis)'. This covered the five factors of corruption, the legal system, government macroeconomic and fiscal policy, accounting standards and practices, and the regulatory regime. Significantly, this concept of opacity extends to *practices* that go well beyond issues of information availability and disclosure to those of the reliability and credibility of public policy and its implementation.

For example, the questions about the legal system centred around protection for minority shareholders, the enforcement of laws, regulations and property rights – all really issues about the way commercial law and corporate regulation operates. Similarly, economic opacity examined issues about the predictability of government policy as reflected in fiscal, monetary and foreign exchange policies.

Probably most importantly, respondents were surveyed about the extent to which there were 'clearly established rules for changing and/or consistently applying regulatory rules and procedures' (PricewaterhouseCoopers 2001: 8). Indeed, Singapore topped the ranking on the categories of corruption and regulatory opacity. Not surprisingly, however, in view of the discussion above (see also Mason 1999), Singapore didn't score as highly on accounting/corporate governance opacity in the PwC study.

Surveys and reports by international business organisations are, however, increasingly throwing up mixed results that both enable the

Singapore government to extract kudos for recent reforms to distinguish the city-state further within the region as well as providing pressure for more changes, especially as they involve GLCs. For instance, in a survey of 200 chief financial officers of leading companies in Singapore, Kuala Lumpur, Hong Kong and Shanghai commissioned by Britain's Association of Chartered Certified Accountants in 2002, 54 per cent voted Singapore the best for corporate governance in Southeast Asia and China. Yet, the survey also noted that there were 'cultural' barriers to improved corporate governance systems, which not only referred to business models where families are majority shareholders but also where governments were (Lee Su Shyan 2002).

Similarly, the New York-based business NGO, The Conference Board (TCB), praised the Singapore government in 2002 for progress in the quality of corporate governance in its listed companies that raised accountability to shareholders, but it also identified a number of respects in which further improvement was needed. These have important implications for Singapore Inc., since they included the recommendation that the new corporate governance code requiring that a minimum of one-third of a listed company's board be comprised of independent directors should be extended to at least a majority of members. TCB also urged Temasek companies 'work harder to prove that their decisions . . . are undertaken for market-related reasons to improve shareholder value' (quoted in *Straits Times Interactive* 2002).

However, in probably one of the most significant sets of findings, the brokerage firm CLSA completed two reports within 18 months of each other between 2000 and 2001 that placed the whole issue of corporate governance in a fascinating light. On the one hand, CLSA's study concluded that large-sized companies with good corporate governance do tend to outperform other large-cap stocks. Yet on the other hand, it also found that those companies ranked low in terms of corporate governance were not necessarily poor performers within their own markets. In 2001, for instance, companies in the lowest-ranked percentile for corporate governance outperformed their respective market indexes in Singapore, Hong Kong, Malaysia, China, Thailand and the Philippines (Webb 2002). These findings must be of some comfort for the Singapore government, suggesting that there may be scope for resisting major reforms to the GLCs without serious cost to their viability at home, if not abroad. So too must the fact that although transparency is often explicitly linked to assessments of corporate governance in Singapore in these surveys and reports, this rarely if ever extends to observations about the media or political transparency.

Conclusion

In Singapore there has been a number of reforms towards increased corporate and fiscal transparency as well as improvements in the public availability of macroeconomic and other data since the crisis of 1997–98. These reforms are part of an official push towards further internationalisation of the economy and the elevation of the finance sector, as well as a response to the new international advocacy by the International Monetary Fund and other elements of the neo-liberal consensus and to interests associated with that agenda. However, the meaning the Singapore government attaches to the concept of transparency is a limited one. It does not envisage a generalised loosening of information controls, and it certainly doesn't extend to a relaxation of constraints on social and political reporting by the media. Transparency reform is being married with a determination to retain control of information pertaining to state business interests and the political interests of the PAP.

Importantly, the continuing limitations to transparency reforms in Singapore do not appear to have discouraged investment in the post-Asian crisis period. It seems that international investors believe information and analysis needs are well enough served, have the potential to be served, or that other attractions outweigh shortfalls in these areas. This does not, however, rule out the possibility of some tension in the future over the PAP's brand of transparency. Growing international pressures for more substantive privatisation and liberalisation of domestic markets in Singapore can be expected as part of the worldwide intensification of the neo-liberal reform agenda. This has the potential for the concept of transparency to be more systematically harnessed to that goal. Viewed in this way, though, the principal dynamic behind the business push for transparency does not relate to the objective information needs of advanced forms of market activity. Rather, it is linked to the attempt to institutionalise constraints on state capitalism in Singapore. Crucially, though, the narrow and instrumental conception of transparency advanced by these interests showed no signs in the period of this study of coming into conflict with the PAP's refusal to countenance notions of political openness or critical media within its transparency reform agenda.

4

KEEPING CIVIL SOCIETY AT BAY

Media in Singapore after the crisis

Introduction

Before the 1997–98 Asian crisis struck, media control had become so effective in Singapore that it was largely enacted through self-censorship. But with the crisis' advent and all the official rhetoric about transparency and the importance of information flows, could the lid on the media be maintained? Didn't the circumstances at least invite more serious media scrutiny of companies – including GLCs – by business journalists, regardless of whether that was welcomed or lobbied for by business itself? And couldn't journalists and activists committed to comprehensive transparency exploit the government's rhetoric by trying to push the envelope of official tolerance for critical reporting and political openness? In any case, electronic media such as international broadcasting and the Internet had proven a headache for authoritarian leaders elsewhere in Southeast Asia once the crisis hit. Why would it be any different in Singapore?

The latest phase of capitalist development in Singapore and accompanying transparency rhetoric has indeed posed challenges for the authoritarian regime. However, the PAP has very effectively managed these thus far by refining and adapting rather than diluting that regime. In particular, the government has been able to limit the uses of new electronic media – involving both established commercial mass media as well as emerging non-establishment media in the hands of activists – through a combination of transposing existing controls on these media and various legislative changes and initiatives to mitigate against civil society activation. Crucially, the regime remains adept at blocking avenues of mobilisation and collective action among social and political actors, whether or not they may be armed with new media technologies. Hopes of a civil society renaissance or any cultivation of a transparency debate towards this end have therefore been disappointed.

Although media organisations have generally been unable or disinclined to use new electronic media to expand the space for critical and investigative reporting, this doesn't mean there haven't been periodic difficulties in abiding by the government's prescribed compartmentalisation of business and political reporting. In particular, reporting on the GLCs without offending official sensitivities is proving an increasingly difficult exercise. Notwithstanding these instances, post-crisis coverage in the international media, especially among the financial and business presses, was remarkably positive about the city-state's economic and political trajectories. The PAP's moves towards an even fuller embrace of economic globalisation after the crisis, in a context of various expressions of economic nationalism elsewhere in the region, struck a particular chord with material and ideological interests associated with neo-liberalism and this was well represented in these media.

Despite all of the refinements to media controls in this period, the PAP remained responsive to the concerns and criticisms of international business, making adjustments and concessions where it was convinced this was necessary to protect valued investment. After all, such controls have gone hand in hand with the pursuit of a new official goal of making Singapore an 'info-communication hub', an objective backed by huge government investments in infrastructure and attractive incentive packages for international investors. That this responsiveness hasn't greatly diverted the government from its intended path suggests the information and media requirements of capital may well be less demanding and comprehensive than is widely thought. A distinction needs to be made between the tensions in the current attempt to reconcile authoritarianism in Singapore with advanced forms of capital accumulation and contradictions that necessitate regime change.

The discussion below begins by elaborating on the nature of the bureaucratic authoritarian regime in Singapore. No understanding of the authorities' contemporary attitude to, and strategies regarding, the media is possible without appreciating that the regime is constantly being refined in the means for obstructing political pluralism and an independent civil society. This is followed by examination of reporting patterns after the crisis, with a view to assessing any direct or indirect impacts of the government's transparency reforms and rhetoric. Thereafter, the various measures taken by the PAP in an attempt to reproduce tight media control will be detailed and evaluated for their effectiveness.

Blocking political pluralism

One of the distinctive features of the PAP's brand of authoritarianism lies in its legal limits to independent social and political activities on the one hand, and extensive mechanisms of political co-option to channel contention through state-controlled institutions on the other. By the early 1970s, the PAP had developed a host of community-level state and parastatal organisations to mobilise support for the government (Seah 1973). More recently, new forms of political co-option have complemented these as economic development has generated a greater diversity of social interests that could not be politically accommodated by the existing structures. Through such initiatives as the Nominated Members of Parliament (NMPs) scheme, as well as wider incorporation of people onto parliamentary or government-established committees and consultative bodies, alternatives to the route of political opposition have been expanded. Sectional interests including business and women's groups as well as various professional bodies have also been drawn into these structures (Rodan 1996).

Groups that attempt to operate outside these state-sponsored structures face an array of hurdles. However, under the PAP's version of authoritarianism, blatantly repressive and political laws such as the ISA to deal with opponents and critics are of diminishing importance. Increasingly, administrative law is applied to restrict the political activities of organisations, while defamation, libel and contempt of court actions by government MPs are deployed against individual political adversaries and critics in a process some observers characterise as rule by law rather than rule of law (Tremewan 1994: 194, Jayasuriya 1996: 367).[1] As we have seen in chapter two, media organisations are among the casualties of this.

No single piece of legislation, however, better encapsulates the PAP's attitude towards political pluralism and is more central to its blunting than the Societies Act (1968). This limits engagement in politics to groups that are formally registered with the Registrar of Societies for that specific purpose – either as a dedicated discussion group or political party. Interest group politics, as well as less organised individual and collective political expressions outside party politics, are thus rendered highly problematic and vulnerable to prosecution. It also means that opposition political parties and reformist social groups have no legal way of forming alliances or drawing on each other to mobilise support. So dissent must essentially be channelled through formal political parties, yet opposition parties have their hands tied behind their backs. Meanwhile, the PAP has at its disposal a monopoly of state institutions and affiliated organisations to advance its political causes.

In 1999, the rhetoric about transparency was joined by an official promotion of 'active citizenship' as part of a new phase in co-option (see Lee 2001a). The concept was highlighted in the government's *Singapore 21* vision statement. However, it was not encouraging citizens to take more direct political responsibility and action. Rather, the essence of 'active citizenship' is the idea that civic groups combine in a 'positive and co-operative way' with the private and public sectors to assist in the improvement and implementation of public policy. It has an instrumentalist rationale and is intended to shore up state-guided consensus building. Indeed, Prime Minister Goh warned at the time that this was not an invitation for a free-for-all debate and those who sought to wrest control from the ruling party could expect 'an extremely robust' response (Chua 1999a).[2]

Therefore, any expectation that the PAP's enthusiastic embrace of transparency might indicate a reassessment on the political front was misplaced. Hostility to an independent civil society from which challenges to the PAP's absolute political power might be mounted continued to inform both modifications to the strategies of co-opting social forces as well as the legislative measures aimed at the media discussed below.

Testing the new information regime

Contrary to the findings of the previous chapter, some analysts maintained that the hitherto apparently successful compartmentalisation of commercial and political information would come under fundamental strain if the financial sector were to make significant progress. O'Driscoll, Holmes and Kirkpatrick (2002) argued that:

> Even if it were Singapore's policy to censor only political material, in a modern economy it would be impossible in practice to censor the political without inhibiting the economic flow of information and opinion. As financial services become more important to Singapore, the inner contradictions of promoting that sector while censoring the information that flows to it will become more evident. One of these policies if not both will need to give way.

Was it still possible, then, that economic imperatives might insidiously undermine the integrity of media and information controls in Singapore?

Despite the PAP being adamant that its transparency reform agenda would not spill over into political reform, there have been some opportunities for changes in the conditions under which business reporting is conducted. Improved and more frequent disclosure requirements of public listed companies have aided the job of financial reporters, and so too has the greater preparedness of a select group of companies and authorities to volunteer additional information as a way of promoting their own interests (Thompson 2001).

The government-controlled dailies, *The Straits Times* and the *The Business Times*, not to mention international reporters, have been taking advantage of the increased information to provide improved accounts of the business scene. *The Business Times* has also been pushing the transparency agenda in such a way as to reinforce the importance of access to companies by the media. Its Transparency Index used to rank companies includes some consideration of the role and composition of press conferences for disseminating company information.

However, the opening up of information and its utilisation in reporting has occurred within well-defined limits, and the standard of investigative business journalism within the domestic media remained conspicuously low and unimpressive. In particular, there continued to be a range of corporate and regulatory practices escaping media scrutiny, as well as controversial aspects of some of the consolidations, mergers, attempted takeovers, appointments and management performances involving GLCs trying to reposition themselves after the crisis. As political scientist James Cotton (2000: 162) noted about the merger of two major GLCs in 1998, the financially troubled Sembawang with Singapore Technologies, for instance, similar circumstances elsewhere involving private capital had been labelled a 'bailout' and criticised accordingly.[3]

Furthermore, embargoes on official material and discrimination against the international media have continued to be a problem, especially for reporters working for the wires. In 2001, for example, the Prime Minister's National Day Speech was given to the local media well ahead of the foreign media. There were still GLC and government press conferences or briefings that international reporters were not invited to. Local authorities and companies remained more comfortable with the government-controlled media, even taking into account the cautious practices of the international media in Singapore. Yet, at times, even the domestic media apparently couldn't be trusted, as when SIA banned all media from its 2001 annual general meeting (Raj 2001).

The continued limitations of business and financial reporting for Singapore's domestic audiences were dramatically highlighted by the contrasting coverage of the SingTel takeover of Cable & Wireless Optus in Australia and SingTel's subsequent share price drop. In particular, the Singapore-based correspondent for *The Australian*, Eric Ellis, demonstrated that serious financial reporting could not separate itself from political analysis. He subjected the political connections of SingTel and their commercial implications to sustained critical analysis (Ellis 2001c, 2001d, 2001e). Singapore's domestic media dismissed the reports as 'Singapore bashing' (Clarke 2001), but they were especially unwelcome by SingTel executives who were accustomed to friendly reporting at home. They were cognisant of the possibility that these reports could influence public opinion in Australia while government approval for the takeover was pending.

Indeed, a meeting was arranged by a Sydney-based public relations agent between editorial staff of *The Australian* and senior SingTel and Optus executives. Held on 28 August 2001, it included SingTel chief Lee Hsien Yang, its Director of Corporate Communications, Ivan Tan, and Optus' chief Chris Anderson.[4] However, the editors rejected criticisms of Ellis and emphasised there would be no attempt on *The Australian*'s part to remove Ellis from Singapore.[5] Amidst all this, though, Ellis' application for a visa renewal for Singapore resulted in a mere six-month extension, rather than the usual one year.[6]

Certainly the likelihood of greater scrutiny of GLCs is real now that they are venturing abroad to secure bigger and more strategic deals. Statutory boards and GLCs issuing bonds to international investors compound this prospect. Incrementally, this trajectory raises interest abroad in the activities of Singapore companies and the factors influencing their profitability. However, at least for the short to medium term, this dynamic should not be overstated. Detailed critical analysis of the sort undertaken by Ellis is not just atypical, but is only possible through journalists having spent sufficient time in Singapore building up a thorough understanding of the local political economy. Access to this opportunity is controlled by the Singapore government and dispensed carefully.

The attitude to foreign correspondents by Lee Kuan Yew in Singapore doesn't seem to have mellowed either. It stands in sharp contrast to the Singapore government's emphasis on the need to welcome outside talent to help build up the economy (Goh 1999). During the campaign for the November 2001 general election, Singapore-based correspondent of the Hong Kong *South China Morning Post*, Jake Lloyd-Smith, had asked Lee if he thought Singapore had a free press. This question was prefaced with the observation that the Singapore press had 'dutifully' removed negative stories of opposition candidate Chee Soon Juan from its front pages after Lee and Prime Minister Goh had told the press that the election was about the economy and jobs, not Chee Soon Juan.[7] Chee's character assassination was well secured by this time. Lee responded to Lloyd-Smith's question by charging that:

> You may want to make them [journalists with the domestic press] ashamed, but I believe you are a mercenary. You don't represent Hongkong. Your future is not in Hongkong. If you are a Hongkong Chinese and you are going to stay in Hongkong as part of China in 50 years and you believe that's your way out, then I'll take you seriously.
>
> (quoted in *Straits Times Interactive* 2001c)

The sequel to this was a defence of Lloyd-Smith in a letter to the editor published in *The Straits Times*, claiming the journalist was simply doing his job. This was followed by a response from Lee's press secretary Yeong Yoong Ying who cited a dictionary definition of a 'mercenary' as 'hired for service in the army of a foreign country'. She observed that: 'Mr Lloyd-Smith is hired for service in Hong Kong, for him a foreign country. He is a hired gun' (Yeong 2001).

Indeed, the new transparency push certainly didn't put the brakes on Singapore authorities' propensity for responses to articles in the international press, nor for those organisations to publish these often extremely long and defensive proclamations. In addition to Yeong, the Prime Minister's press secretary, Ong Keng Yong, and the Director (Information Services Division) for the Permanent Secretary of the Ministry of Information and the Arts (MITA), Mohd Ali Baksh, were busy contesting content in publications like the *AWSJ* and *Asiaweek* in the late 1990s and early 2000s.

Yet it was the demonstration effect of continued recourse to legal action, or threats thereof, that was arguably the most potent factor in reinforcing the need to be cautious in the way business matters were reported – especially as this involved the GLCs. Where the international media sailed into these waters, however cautiously, it ran no less a risk of official retribution than before the crisis. This applied equally to online reporting as it did hardcopy newspapers and magazines. Accordingly, an article on the Bloomberg.com site, 'How Far Can Singapore Inc. Get Out of Business', by Patrick Smith on 4 August 2002 promptly resulted in threatened defamation actions by Senior Minister Lee Kuan Yew, Prime Minister Goh Chok Tong and Deputy Prime Minister Lee Hsien Loong. The matter was almost as quickly defused by an out-of-court settlement of S$595,000 and an apology on the Bloomberg web site for any insinuation of nepotism in the appointment of the Deputy Prime Minister's wife, Ho Ching, to the new executive directorship of Temasek Holdings (Chia 2002). Interestingly, Ho herself wasn't a party to the threatened action.

Bloomberg's New York-based chief editor, Matthew Winkler, rationalised the settlement to staff in a subsequent memo on the grounds that the welfare of 180 Bloomberg employees and 2,695 customers in Singapore were at risk (Ellis 2002b, Lim 2002). Bloomberg attracted both understanding for not trying to defend the publication in the Singapore courts (Ellis 2002b, Restall 2002), where no foreign publisher has ever successfully defended a libel action against a Singapore politician, as well as condemnation around the world (Ignatius 2002, Safire 2002). Significantly, not only was the original article swiftly removed from Bloomberg's site, but also voluntarily removed from countless other sites that had routinely or selectively picked it up. *New York Times* columnist William Safire complained that he had been unable to even read the article because it had been 'digitally erased from the mind of man' (Safire 2002).[8] Far from the Internet evading censorship imposed by authoritarian leaders, in this case it proved vastly superior to traditional media in facilitating it.

Subsequently, international magazine *BusinessWeek* was hit with a defamation writ brought by the state-owned DBS Bank and the DBS Group over an article, 'Stirring Up Singapore Inc.', in its 9 September edition. In what was a generally favourable assessment of Ho's stewardship of Temasek to this point, exception was taken over the description of a loan offer from the banking group to finance a buyout bid of NatSteel by its own management. Temasek was a direct shareholder in NatSteel as well as an indirect shareholder through the DBS Group. In the DBS suit, conducted for the plaintiffs by PAP MP and lawyer K. Shanmugam, it was alleged that *BusinessWeek* brought DBS Group and DBS Bank into 'public scandal, odium and contempt' (quoted in Ellis 2003). This time, however, the accused decided to defend its coverage and 'deny each and every allegation made in the statement of claim' (quoted in Ellis 2003).

The continuity in the intimidation of the media within Singapore led to

Prime Minister Goh being declared a 'Predator of Press Freedom' by the international press watchdog Reporters Sans Frontières (Reporters Without Borders), added to the list of existing adversaries to media freedom among political leaders around the world in May 2003. Predators are those who 'order violations of press freedom and have others do their deed'.[9]

Image remake: Singapore goes 'funky'

Profound as the effects of these clashes between the PAP establishment and the international media have been, they certainly have to be put in perspective. For decades, it has been through the international media that the virtues of Singapore as a place for business have been extolled, the social achievements of the PAP heralded and the political stability of the city-state lauded. Criticisms over human rights and the lack of democracy have always been overshadowed by the warm embrace of the PAP regime within the media from both neo-liberal and conservative perspectives.

However, with the Cold War over and the Asian financial crisis raising questions about the compatibility of authoritarian rule with advanced market capitalism, greater critical examination of the PAP regime might have been a reasonable expectation. Yet the immediate period after the crisis broke instead witnessed the international media positively playing up the differences between the regime in Singapore and other crisis-affected regimes in Southeast Asia (*Australian Financial Review* 1997). Subsequently, there was a fascinating sequence of high profile reports that pushed two themes: the transformation of the Singapore finance sector under Lee Hsien Loong, and the portrayal of Singapore as a society undergoing a major shift away from authoritarianism.

The dedicated coverage of Lee Hsien Loong and his reform agenda featuring liberalisation for the finance sector was of course attractive to the various interests aligned to those changes. But other advocates of open markets, who were dominant within the financial press, also had good reason to be worried about the resurgence in economic nationalist sentiments in Asia following the devastation of the crisis. Lee's reforms were therefore rewarded with the highest media recognition and exposure, while his claims to succeed Goh Chok Tong as Prime Minister also received a boost. In a major image reconstruction, Lee was widely depicted now as having a more conciliatory and tolerant approach to politics.

Feature stories appeared in the major financial press throughout 1999, starting in the 5 April edition of *BusinessWeek*, the cover of which read: 'Remaking Singapore Inc.: Deputy Prime Minister Lee Hsien Loong'. It pictured Lee across the front page against a backdrop of the skyline to Singapore's financial district. Although this series of articles gave attention to the lack of press freedom and secretive nature of the GLCs (Clifford, Shari and Einhorn 1999), it also emphasised Lee's constructive role in raising disclosure standards and described him as a cautious reformer. In the 15 July issue of the *FEER* the cover story was entitled 'Image Overhaul: Singapore's Lee Hsien Loong Prepares for Leadership', again with Lee's photograph across the front page. In one of the articles, 'Reinventing the Heir', it was observed that 'Lee Hsien Loong appears readier (sic) than ever to take the reins in Singapore. He's earned plaudits for his finance policies and begun to project a more relaxed, mature image' (Dolven 1999b: 8). The interview that was part of the feature enabled Lee to foster this idea through such quotes as: 'You must work with people and win people's confidence and support to make these ideas come true' (*FEER* 1999a). Then in the 29 November edition of *Forbes Global*, Lee was yet again front page news, pictured alongside the title 'The Future of Singapore: Heir apparent Lee Hsien Loong explains why the Asian crisis was a great opportunity'. As well as the feature article (Holloway and Minard 1999), the magazine included a three-page interview with the Deputy Prime Minister. The pattern continued into 2000, with a smiling and casually dressed Lee on the cover of *Fortune* magazine's 3 April edition alongside the caption: 'The Next CEO of Singapore Inc. B.G. Lee wants to be Singapore's Prime Minister. He also wants to do more to open up the island's economy and society' (Kraar 2000). It's hard to imagine how Lee's ambitions for the finance sector or his own career could have been better promoted by the international media.

Meanwhile, and sometimes intersecting with the theme above, the notion of a sea change towards a vibrant and pluralist society in Singapore was given equally remarkable play in the international media. The 19 July edition of *Time* magazine had a bubblegum blowing teenager on the cover with the caption 'Singapore Swings'. The question posed on the front page, 'Can Asia's nanny state give up its authoritarian ways?' was emphatically answered in the affirmative within the text. Under the heading of 'Singapore Lightens Up' the editorial insert read: 'Nanny state? Hardly. Once notorious for tight government control, the city-state is getting competitive, creative, even funky.' That particular article made great store of liberal developments in the arts scene and youth culture, while other pieces championed new freedoms presented by the Internet. A full-page interview with Lee Hsien Loong presented him with yet another opportunity to cultivate his new image (see Ellis 1999, McCarthy with Ellis 1999).[10]

The *Time* feature precipitated a range of articles in various presses around the world that either noted this new assessment of Singapore or volunteered reinforcement of it (see Ching 1999). The *Financial Times*' writer, Martin Hoyle (1999), described Singapore as 'cool' after surveying Singapore's 1999 Arts Festival. *The Australian*'s foreign editor, Greg Sheridan (1999a), proclaimed: 'Welcome to cosmopolitan Singapore, centre of the arts, and the funky, creative, relaxed and liberated capital of South-East Asia', and then proceeded to make his case. 'Resources are pouring into the arts – theatre, the visual arts, film, dance and so on, and little in the way of censorship is impeding their expression. Singapore, with its fabulous affluence, is in danger of becoming the hippest city in South-East Asia' (Sheridan 1999a). Against the tide of this new image projected by the international media, however, there were periodic reminders to those living in Singapore that any opening up of the arts to free expression still had very serious limits. In 2000, for example, an episode of *Ally McBeal* where McBeal kisses her ethnic Chinese female colleague was too hot for the government-controlled Television Corporation of Singapore (TCS) and accordingly didn't go to air. This promoted *Asiaweek* to observe that 'Ally, who is about as erotic as a string of overcooked spaghetti, will no doubt be astonished to hear she has aroused such emotions' (*Asiaweek* 2000).

At the Singapore International Film Festival in April 2001, a 15-minute documentary about opposition politician J.B. Jeyaretnam, called *A Vision of Persistence*, was also withdrawn at the eleventh hour. The film makers, lecturers from the Ngee Ann Polytechnic, had been advised that they could be charged under the Films Act. This bans the making, distribution and showing of films containing 'wholly or partly either partisan or biased references to or comments on any political matter' (as quoted in *AFP* 2001b). The film showed Jeyaretnam selling his books in public places and meeting his supporters. A government official had reportedly gone to the school employing the lecturers and asked: 'How can your staff do this sort of thing?' (quoted in *AFP* 2001b). One of the lecturers resigned and letters of apology were written by all concerned.[11]

Meanwhile, various books that scrutinised how public power was exercised or brought Singapore's leaders under anything approximating a serious analysis continued to encounter distribution difficulties in the city-state. This included Chris Lydgate's (2003) *Lee's Law: how Singapore crushes dissent*, published by the Melbourne based Scribe Publications. Not only was this unavailable in Singapore bookshops well after it had been released, but purchases direct from Scribe by individual customers over the Internet were supplied by the Malaysia, not Singapore, distributor.[12] Even Michael Barr's *Lee Kuan Yew: The Beliefs Behind the Man* was very slow to appear and not widely available once it did – despite the fact that it paid Lee the compliment of analysing the former Prime Minister's worldview in terms of serious intellectual influences. There were other books published after the Asian crisis that were conspicuously absent from the shelves of Singapore's bookshops.[13]

In any case, such was the impact and frequency of approving media reports that concern even emerged in Singapore that the international press was getting carried away with the scale of change and raising unrealistic expectations. In reflecting on the fanfare, *The Straits Times* journalist Chua Lee Hoong (1999a) was probably close to the mark in the attempt to understand the exceptional positive coverage of Lee Hsien Loong: 'Why the sudden interest in the man? Surely not because a changeover in leadership is in the works; no statement that either he or Prime Minister Goh Chok Tong has made can logically be construed to mean he is taking over the premiership. The reason, I believe, has to do with the economic liberalisation drive he heads.' Minister for Trade and Industry, George Yeo, later remarked: 'A few months ago there was a whole series of articles in the Western, Anglo-Saxon media describing Singapore as being cool, funky, suddenly rediscovering Singapore, I felt very uneasy' (quoted in Ong 1999b). Yeo implored the international media not to exaggerate and: 'Take us for what we are and I hope you like us for what we are' (quoted in Ong 1999b). In effect, Yeo seemed to be trying to educate these journalists about the distinction between the PAP's brand of co-option and liberal democracy.

Amazingly, Lee Kuan Yew was even recast as 'Singapore's irascible defender of democracy' in a piece by H.D.S. Greenway (2000) in the *Boston Globe* published on the eve of Lee's visit to Boston. Conservatives in the West had always admired Lee for his role in keeping communists in check, making Singapore a haven for international business and generally supporting Western geopolitical interests in the region. Lee's ideas on social discipline had also long been an attraction for conservatives around the world (Rodan and Hewison 1996). But now Lee's 'scoldings [that] made his country, his region, and thus the world a better place' were being conflated with democracy. Possibly the Asian crisis had so tainted authoritarian regimes and crony capitalists alike that sympathetic editors thought it necessary to carve out a new identity for Lee to preserve his respectability.

There were numerous other instances of the international media boosting Singapore's image and positively distinguishing the city-state's leaders from others in the region (see, for example, Sheridan 1999b, 1999c). The continuing deference to Lee Kuan Yew by the international media as the region's 'senior', 'elder', or even 'great statesman' was also manifest throughout the reporting on the causes and consequences of the Asian crisis, as on all the other big issues affecting the region (see, for example, *BusinessWeek* 1998, Tanzer 1998, *FEER* 1999b). In short, after the crisis, as before, the international media played an overwhelmingly positive role in the cultivation of Singapore's international image.

At the same time, self-censorship continued to be a powerful force in publishing circles after the Asian crisis. The reasons for media organisations to tread carefully hadn't fundamentally altered in Singapore. Many of them had incrementally worked themselves back to a sounder footing in the Singapore market, and not without a fair degree of effort at rebuilding relationships. For example, it wasn't until 1997, and one month after Lee Kuan Yew participated in a Dow Jones conference in Hong Kong, that *FEER* was finally allowed to have a correspondent based in Singapore. In 2000, the Singapore government also allowed for an increase in the circulation of *FEER* from 8,000 copies a week to 10,000. This was 12 years since the magazine had its circulation severely restricted, but it still had not yet reached a point where restrictions were removed altogether. Other publishers had trodden a similar path.

Consequently, despite all the issues thrown up by the Asian crisis and invited by the new official rhetoric about transparency, there was a range of stories that were conspicuously absent. In particular, connections between government and business were never subjected to any in-depth scrutiny and analysis in publications circulating in Singapore. This was not because no journalists thought this was important, but getting support from editors was another matter. For example, a proposal by one journalist with a leading news magazine to examine the business interests of the Lee family fell on deaf ears – as did other suggestions he made at weekly conference link ups with regional correspondents and editors where possible stories were mooted.[14] Topics considered sensitive were no more likely to be covered now than before the crisis.

Consolidating media control

Despite the generally positive and unthreatening nature of international media reporting following the crisis, the effect of the Asian crisis was to increase official anxiety about media control in Singapore. If the business community was indifferent to media freedom, the Singapore government was positively resistant to it and concerned about the possible political impact of electronic media in particular. It thus set about trying to preempt unwelcome developments. One aspect of this was trying to render government-controlled media more attractive and durable in the new context. Another was the bolstering of legal mechanisms to contain, if not completely control, electronic media.

One of the first initiatives was the launching by the government-owned TCS of an 18-hour all-news television channel – Channel News Asia (CNA). CNA began broadcasting as a free-to-air domestic service in March 1999, and was launched into the region in September 2000.[15] The express purpose of the new station, as explained by George Yeo, was to provide an 'Asian viewpoint' on current events. The advertisements preceding the station's launch proclaimed that CNA understands the region's sensitivities and complexities (Dolven and Granitsas 1999: 48).

CNA may well have been intended to forestall domestic demand for general access to satellite television in Singapore, which was still banned for the general public.[16] Ratings surveys revealed a strong public demand for more news and information once the regional crisis began (Borsuk 1998: 4). But as Yeo (quoted in A. Tan 1999: 10) observed: 'People are not going to wait till 10.30 for the news. If the news is not on, people will search for information elsewhere. We might as well be the one to provide that information.' More particularly, the government viewed with alarm the enhanced stature and influence of foreign satellite television coverage of the tumultuous events in the immediate neighbourhood. Yeo remarked in parliament on 12 May 1999: 'Just look at the way foreign channels have become part of the domestic politics in Malaysia and Indonesia. We should worry for ourselves.' In Malaysia, the international media came to be relied upon for accuracy and analysis of the political crisis around former Deputy Prime Minister Anwar Ibrahim's sacking and trial that was unavailable from the local media. Disillusionment with the local Malaysian media also precipitated a surge of interest in the Internet as a means of obtaining various international sources.

More immediately, the Singapore government was irritated by international media coverage of the civil disobedience campaign of oppositionist Chee Soon Juan. Chee, secretary-general of the Singapore Democratic Party (SDP), was twice jailed in early 1999 for speaking in a public place without a permit, as required under the Public Entertainment Licensing Act.[17] Chee insisted he was doing no more than exercising his constitutional right to free speech. He argued that past compliance with licensing requirements had resulted in a host of conditions effectively obstructing his law-abiding attempts to engage with the public.[18]

Yeo could not conceal his annoyance that editors would take the issue so seriously: 'We have witnessed many interviews on CNBC and BBC with some populist politicians in Singapore of late for frivolous causes' (*AP* 1999a). Yeo put foreign cable television stations on notice that there would need to be less coverage of government critics by the time of the next election.[19] Subsequently, in April 2001, the Singapore Broadcasting Authority (SBA) (Amendment) Bill brought broadcasting into line with printed media by outlawing 'engaging in the domestic politics of Singapore' in that medium too. Now foreign cable television companies risk losing access to Singapore's households via the majority government-owned conglomerate Singapore Cable Vision (SCV) – the only company licensed to transmit foreign news channels to Singapore subscribers – if the Minister for Information thinks they have transgressed. In 2001, there were four live specialised news services – CNBC Asia, BBC, CNN and Bloomberg TV – among the 40 foreign channels available since SCV's inception in 1995 (Chuang 2001, Dean 2001).

Singapore's Minister for Information and the Arts was confident the legislation posed no threat to the city-state's media hub aspirations, contending that any impact on their realisation would be minimal (Chuang 2001). His confidence was well placed, given that not only had such measures failed in the past to deter investors, but that as recently as February 2000 the BBC had announced it was transferring its entire regional operations – including television – from Hong Kong to Singapore. A US$7.5 (S$13.6) million Economic Development Board partnership with Discovery Networks Asia, owned by US broadcast Discovery Communications

Incorporated (DIC), further supported the Minister's claim (Woodier 2001).

Adjustments to existing controls in response to electronic media also involved an amendment in 1998 to the Undesirable Publications Act (UPA) to include CD-ROMS, sound recordings, pictures and computer-generated drawings.[20] The Films Act was amended too in 1998 to ban political parties from the making or distributing of political films or videos.[21] George Yeo argued that political parties already had sufficient venues to disseminate their view, while one of his PAP colleagues, Jacob Ibrahim, warned about the risks of US-style political campaign ads and of digital technology creating false pictures of candidates, as in the movie *Forrest Gump* (Kuzmanovic 1998).

The CNA initiative was later complemented by another move to firm up the general position of government-controlled media in the domestic market. In early June 2000, a Local Media Industry Structure Review was announced with the stated aims to: 'strengthen the local media to ensure they can anchor local audiences to local content'; and to 'structure the industry so that our companies can be more competitive locally, grow regionally, and compete effectively against global media players' (MITA 2000). The major upshot from this review was the selective 'liberalisation' of local media markets that allowed greater competition between state-owned companies. The monopoly of Singapore Press Holdings (SPH) in the print media was broken with the permission of the broadcasting company Media Corporation of Singapore (MediaCorp) to publish newspapers. In conjunction with three other GLCs, MediaCorp launched the daily *Today* in October, targeting the 20 to 40 years age group. Meanwhile, SPH was granted the right to operate broadcast and television channels in competition with MediaCorp, which it planned to do by 2002. SPH also launched two new newspapers in response to the MediaCorp move. One of these, *Project Eyeball*, targeted the so-called 'dotcom' generation with a 24-hour paper available online as well as the hard copy, but its life was shortlived.[22] The other, *Streats*, was comparable to the *Today* concept (Assif 2000, Webb 2000). However, on the question of new entrants to the market, the Minister for Information and the Arts, Lee Yock Suan, underlined that 'regular reporting on Singaporean affairs for the Singapore audience has to be done by Singaporean media' (quoted in Assif 2000).[23]

The reform agenda, therefore, was essentially about preserving and extending the commercial viability of government-owned domestic media organisations in the face of technological change. The future of all major media organisations involved a presence across the different media forms. But this had a fundamental political point to it as well. In effect, the government was trying to pre-empt the situation that has occurred in Malaysia where the government-controlled domestic media lost much of their appeal and credibility. This involved a more technologically sophisticated and discerning approach and one within which increased, but controlled, local media competition had a role to play. Certainly the restructuring didn't engender any serious optimism among publishers that media control was being relaxed. Cyril Periera, President of the Society of Publishers in Asia representing 52 publishing firms and more than 100 media titles, emphasised that the need for an annually renewable publishing permit was the 'ultimate media control'. 'Until that is yanked, everything else is smoke and mirrors' according to him (quoted in Lee Kiat Jin 2002).

Once the domestic media restructuring had taken effect, the government approved a licence in August 2001 for the Malaysian-based business weekly, *The Edge*, to produce a dedicated Singapore edition (Lloyd-Smith 2002c). *The Edge* hit the streets in March 2002, but was of course expected to steer clear of domestic politics – something that had already diluted business analysis by the established international media based in Singapore. It remains to be seen whether it can make a qualitative difference to business reporting in the city-state. The move at least shows that the government was sensitive to criticism that the so-called liberalisation of the media had been an in-house GLC affair.

Such was the government's insistence on holding the line on media freedom that it even found cause for concern about the tamed domestic press. In late 1999, Minister for Home Affairs, Wong Kan Seng, berated *The Straits Times* for what he identified as three worrying trends – towards arousing public alarm, unbalanced reporting and crusading journalism. He particularly took issue with a report critical of police behaviour during an arrest. He warned that these three trends could not go unchecked, 'lest they erode public confidence in the law enforcement agencies' (quoted in *STWE* 1999a). Senior Minister Lee weighed in with support for Wong, with further reinforcement and elaboration from Prime Minister Goh. Echoing his predecessor's standpoint over many years, Goh emphasised the limits to the press role as watchdog: 'If you want to set a political agenda, then you have to be in the political arena. Otherwise you don't have the accountability and the responsibility of looking after the place' (quoted in Mitton 1999). Subsequently, this argument was essentially endorsed in an article in *The Straits Times* entitled 'How should the press be positioned?' (Chua 1999c).

The spectre of increased competition among local media organisations as a result of new licences also generated some concern within the ruling party about the need to guard against sensationalism or other unwelcome developments in reporting (*Straits Times Interactive* 2001d). Thus, in 2001, the Minister for Information and the Arts, Lee Yock Suan, reactivated the Publications Advisory Committee (PAC). The PAC had been established in 1982 and comprised 75 members, but it had been of little consequence for some time. However, Lee said he was reviving the PAC 'to monitor the newspapers more closely to report on trends in reporting' (quoted in *Straits Times Interactive* 2001e).

Through a combination of offensive and defensive measures, then, the PAP attempted to shore up the position of the government-controlled media and the legislative machinery to ensure electronic media could not be used to circumvent existing control regimes. Government leaders made it quite clear that the transparency agenda in no way portended a change in PAP philosophy on the role of the media.

The business of cyberspace

The main reform preoccupation following the Asian crisis, however, was with the Internet. The government views the Internet as a double-edged sword. On the one hand it fully embraces the medium for its commercial importance, but on the other it feels uncomfortable about the unique technical challenge it represents for control over critical political expressions and scrutiny of the regime. In particular, it was the potential of the Internet to empower independent reformist groups – to service the development of a civil society that would be capable of competing with government-controlled media sources – that generated most official anxiety about this medium.

Singapore's planners have long regarded information technology (IT) as strategic to the economy. Thus through the *National IT Plan* of 1986, integrated efforts were made to promote computer hardware manufacturing, telecommunication and software services involving major physical and social infrastructure outlays (Wong 1992). Things moved up a few notches in 1992, however, with the new plan, *IT 2000 – A Vision of an Intelligent Island*. Under *IT 2000*, one of the world's most comprehensive broadband coaxial and optical fibre networks was subsequently developed in Singapore to reach virtually every household within the city-state.[24] Moreover, households, businesses, schools, libraries, government departments and statutory authorities were all electronically interlinked to facilitate business, shopping and other commercial transactions, as well as cable and interactive television services and the Internet. This *Singapore ONE* network was complemented by a wireless communications network for mobile computer access to information services throughout Singapore.[25]

The rationale behind the aggressive IT strategy was explained in 1995 by the then Minister for Information and the Arts, George Yeo (1995a) thus: 'Over the next 20 to 30 years, we must make sure that we have the new infrastructure to remain a junction for goods, services, people, information and ideas . . . If we fail, other hubs will displace us and we will be relegated to a backwater.' Within this plan, the Internet had an important economic function and one that Yeo (1995b) believed government could decisively shape: 'By co-ordinating the entry of both the public and private sectors into Internet in a deliberate way, we can increase our overall effectiveness, influence and competitive advantage in the world.'

The goal was, in the official jargon, to secure Singapore's position as Asia's premier 'info-communications hub', entailing a broad and evolving set of telecommunication markets resulting from IT cutting across and redefining economic sectors. The media hub idea was now part of a wider concept of an increasingly integrated set of activities, backed by some S$1.5 billion of government investment (Infocomm Development Authority 2002). The Internet's more obvious economic spin-offs included e-commerce and the design and development of Internet web sites, but its applications were general and profound. The Singapore government thus had every reason to promote the business of 'information', but it did so selectively.[26]

By any measure, the government's strategy succeeded in rapidly ushering in a high level of cyber activity. With almost the entire island wired up, Singapore also boasted a personal computer ownership rate of around 66 per cent by 2000. In 1996, there were an estimated 200,000 Internet users in Singapore, which included those using cybercafes (Rodan 1998b: 76). However, by the end of 2001 around 2 million people or 47.7 per cent of the population had their own Internet dialup accounts (Infocomm Development Authority 2002), of which at least 400,000 or 10 per cent of the population were active Internet users (Minges, Ismail and Press 2001).[27] Singapore not only enjoyed the highest rate of Internet usage within Asia, but a level that compared favourably with most economically advanced liberal democracies. Indeed, in 2000 Singapore was ranked 10th in the world for the level of Internet usage (Senthilnathan 2000).

The number of web sites registered with the Singapore Network Information Centre also shot up from 900 in 1996 to more than 17,200 in early 2001 (Gomez 2002: 13). The level of utilisation of government web sites was also comforting for the PAP. In June 2001, for example, the internet.gov.sg web site attracted 58,018 individual surfers, generating 683,750 page views (*Internet News* 2001). By the end of 2002, though, the government's eCitizen portal (www.citizen.gov.sg) was receiving an average 4.2 million hits per month and a global survey in the same year ranked Singapore third, behind Sweden and Norway, for e-government (Dawson 2002). Singapore's Infocomm industry was also valued at S$26 billion in 2000, contributing an estimated S$10.9 billion in value added and 7 per cent to the GDP (Infocomm Development Authority 2001). The world's leading IT corporations – Microsoft Corp., Oracle Corp. and Sun Microsystems Inc. – had all invested in Singapore as a base from which to service the Asian region (Toh Han Shih 1999). Derek Williams, Senior Vice President of Oracle Corp.'s Asia Pacific Division, maintained that Singapore's Internet restrictions have 'never been a barrier to doing business' (quoted in Iritani 2000). By the end of 2001, the total consumer spending over the Internet was expected to amount to S$2.75 billion (Singapore Government 2001).[28]

In short, just as newspapers and other publishers, and more recently television broadcasters, had been embraced for economic reasons by the

PAP government, so too had information technology in general and the Internet in particular. Indeed, in the post-Asian crisis phase of economic restructuring, the Internet assumed an even more critical role in Singapore's strategic direction. Given past successes in exploiting the commercial benefits of the media at the same time as limiting their social and political impact, the PAP looked to tried and proven methods to effect the same outcome with the Internet.

Regulating cyberspace

However, for any authoritarian regime, there is a serious downside to all the commercial benefits of the Internet. Owing to the unique nature of the technology of the Internet, controlling information content and access through this medium is technically difficult, if not ultimately impossible. Yet the Singapore government had been remarkably successfully in limiting the impact of the Internet before the crisis, although not principally due to its stringent content restrictions. Rather, it was that these were reinforced by a climate of fear about vulnerability to surveillance, for which the technology is ideally suited. After the crisis, a number of measures were introduced to encourage further self-censorship specifically directed at incipient civil society forces.

In 1996, under the SBA (Class Licence) Notification, the Singapore government introduced the most extensive and restrictive set of regulations and prohibitions on the use of the Internet anywhere in the world at that time. This was subsequently elaborated on in the SBA's Internet Code of Practice in 1997. Prohibited material was defined as 'objectionable on the grounds of public interest, public morality, public order, public security, national harmony, or is otherwise prohibited by applicable Singapore laws' (SBA 1997). Factors to be considered in interpreting this include whether the material depicts nudity, explicit sex, advocates homosexuality or lesbianism, extreme violence or glorifies, incites or endorses ethnic, racial or religious intolerance (SBA 1997). This nevertheless still gave authorities considerable scope in proscribing material. Authorities underlined that the Sedition Act, where content deemed to bring the government into 'hatred or contempt', or that 'excite(s) disaffection' is an offence, also covers the Internet.

Technically, the main avenue for content control resides in the enforced routing of all Internet connections through government proxy servers that filter out 'objectionable material'. The SBA revealed in 2000 that this involved around 100 sites, most of which were pornographic but that some political sites were also involved. The list of banned sites, however, was not publicly available. Yet Deputy Prime Minister Lee Hsien Loong also acknowledged that this was a symbolic list because it was not possible to firewall sites effectively in the face of determined, tech savvy users (Iritani 2000).[29]

However, as with other media, the main technique fostering control is self-censorship rather than technical interception or extensive prosecutions. One way of promoting this is through the Class Licence system whereby all Internet Content Providers and Internet Service Providers are automatically granted a licence and bound by an Internet Code of Practice. Terence Lee (2001b: 51) labels this 'auto-regulation', and draws on Foucault to contend that 'by creating an "automatic" mode of licensing, a panoptic sense of power and subjection is instilled automatically'.

In the case of individuals or groups setting up Web pages for the propagation, promotion or discussion of political or religious views on the World Wide Web, though, they are additionally required to register with the SBA – an exercise that, in the Singapore context, helps to reinforce the government's message that the sorts of financially debilitating defamation suits that have tamed the use of other media also apply to individuals on the Internet.

Possibly the most powerful force for self-censorship, however, has been the displays by authorities of the technical capacity for surveillance through government-owned Internet Access Service Providers (IASPs). In 1994, the local IASP Technet conducted a scan of public Internet accounts involving 80,000 files without any knowledge or authorisation from subscribers. When exposed, Technet claimed it had been checking for the downloading of pornographic files (Shenon 1995).[30] Then, in 1999, approximately 200,000 private computers were secretly scanned by the IT security unit within the Ministry of Home Affairs on request from SingNet – explained this time as a virus detection exercise (Sesser 1999). In between these episodes of secret scanning, in 1998 it was also made known by authorities that a special police task force had been assigned to patrol the alleys of cyberspace to contain illegal activities (Chong 1998a) – yet another reason to adopt caution.

Such was the outcry over the SingNet search that authorities subsequently introduced guidelines requiring that Internet service providers first ask for permission before such scanning (Santa Maria 2000).[31] By this time, serious commercial concerns had emerged about the privacy of communications on the Internet in Singapore, which the government was eager to allay. This was not the first or last accommodation to business interests. It was also in an attempt to protect investment that the government modified its original regulations in 1996 to exempt Internet Service Providers from liability if their customers visited forbidden web sites on their services (Levander 1999: 9). In early 2002, the National Internet Advisory Committee (NIAC), appointed by the Ministry of Information and the Arts, also introduced its Model Data Protection Code for the Private Sector and Industry Content Code – voluntary codes to protect consumer privacy and to regulate online content (*South China Morning Post* 2002a).

However, for would-be critics of the PAP over the Internet, various factors could still weigh heavily on their minds. This included the track record of the abundantly resourced Internal Security Department for surveillance on PAP critics and the extensive powers it enjoyed that could get around any SBA guidelines. Corporatist links between Singapore's various public institutions could also simplify access to local servers and facilitate targeted surveillance. In particular, Singapore's three dominant ISAPs – SingNet, Pacific Internet and Cyberway – were all government-linked companies and another GLC – Singapore Cable Vision – was also the sole provider of the broadband network through which all ISP communications were routed.

So behind the so-called 'light touch' regulatory regime of the SBA, which increasingly shifts the emphasis from direct prosecutions and encourages self-regulation, there lies a pervasive and intimidating reality. Caution, self-discipline and self-restraint by Internet users thus mean that the laws and regulations constraining critical political engagement are rarely called on.

Not surprisingly, the prevailing tenor among Singapore-based web sites has generally been one of political moderation. Nevertheless, the government was mindful of the sudden flurry of civil society activity in Indonesia and Malaysia arising out of the Asian crisis. It thus became concerned about the trend towards political engagement on the Internet by a small number of groups. The potential for some rudimentary form of political pluralism was not welcomed by Deputy Prime Minister Lee Hsien Loong, who lamented that: 'It will be very tragic if Singaporeans are divided into many special interest groups and each one asserts its demands, and you're unable to form a national consensus' (Lee 2000). Accordingly, the spirit of the Societies Act has been integrated into regulations and legislation affecting the Internet. The government is determined that difficulties of mobilising opposition to the PAP are not compromised by Internet activism.

The site most harnessed to activism has been that of the Think Centre, an organisation that was registered in 1999 with the Registry of Companies and Businesses as a research centre. The Think Centre took up various reformist political causes and seized on the idea of 'active citizenship' to organise forums that included figures from opposition parties to debate what it meant; it held public rallies to highlight human rights issues; and it became embroiled in a number of controversies with authorities over permits and licences. Through its web site and a clever public relations offensive, the Think Centre has at times set the agenda of public debate, exposed official surveillance and aggressively espoused liberal political reform. Indeed, it has exuded a confidence in tackling contentious issues that even the PAP's formal party-political opponents have not exhibited. The Think Centre's first executive director, James Gomez, cultivated a regional media profile for himself and the work of the organisation through his publications and tech-savvy ways (Gomez 2000, 2002). In

2001 he was named in *Asiaweek*'s 'Power 50' of the most influential people in Asia, based on his communication skills (Hornik 2001).

For sheer popularity, though, the more moderate Singapore Internet Community (Sintercom) web site (<www.sintercom.com>) led the field. Discussions on this site have ranged across social, political, cultural and lifestyle issues. Although not avowedly reformist, this didn't prevent it from occasionally taking a clear political position, as it did in campaigning against tight controls over the Internet. Its forums have also been critical enough of the PAP at times to arouse responses from the PAP's online custodians (Rodan 1998b: 79–80).

In 2001, the same year a general election was due, the SBA notified the operators of both sites that they were functioning as political organisations. To continue, and in keeping with the Class Licence system, they needed to register as such and abide by the conditions associated with that status. This included accepting responsibility for the comments and views expressed by visitors to the sites. Initially, Sintercom editors considered sending all content to the SBA to be vetted (*Straits Times Interactive* 2001f), rather than getting directly involved in censoring material. However, after eight years in operation, the editors of www.sintercom.org decided instead to discontinue the site (Ellis 2001f). The Think Centre also closed down its online Speakers' Corner discussion group in protest. Think Centre's Melvin Tan said this would only be restored when more liberal laws came into effect (*Ananova* 2001).

In June 2001, Deputy Prime Minister Lee Hsien Loong (quoted in Goh 2001) also issued a directive to the Elections Department to 'set in place appropriate rules to guide the responsible use of the Internet by political parties during an election period'. Subsequently, the government also passed amendments to the Parliamentary Elections Act that, like the SBA directives, effectively superimpose on the Internet the spirit of the Societies Act.

The government played up the amendments as liberating for political parties and, in a sense, they were. During the 1997 general election campaign, the SBA instructed opposition parties to remove biodata and posters of candidates from their web sites. Such material was deemed to have contravened the Act, which predated the technology of the Internet, on the grounds that the rules pursuant to the Act did not provide for campaigning on the Internet. This material could now be displayed, along with party platforms, speeches and policy position statements. However, the amendments barred the use of the Internet by political parties for any posting of opinion poll results and required the appointment of moderators to chat rooms and discussion forums who had to keep records of all exchanges and accept responsibility for content. Yet the conditions set on non-party political sites during election campaigns were arguably even more significant.

In particular, the amendments barred web sites of registered non-party political organisations from political promotion, advertising or campaigning during elections, and indeed any other web site. This meant that neither public nor private interest groups could exercise the Internet to advocate or oppose any candidate or party. But it also left vulnerable groups that used a web site to promote views that just happened to coincide with stances taken by one or more parties. According to the Minister for Information and the Arts, Lee Yock Suan, this was necessary: 'The seriousness of logical debate may be cluttered by noise, mischief or frivolity during the election period' (quoted in BBC 2001). He also contended that: 'The anonymity of the Internet opens a door for surreptitious elements to mislead, distract and confuse the public' (quoted in *AP* 2001a).

However, there were two more likely concerns at the root of the amendments. First, there was the fear that the Internet might increase the capacity for competition with the ruling party by enabling its critics to get around controls over the established media. Second, the PAP was worried about the potential of the Internet to foster a genuine civil society that would undermine the officially enforced compartmentalisation – and thereby impairment – of political engagement.

As it turned out, though, it was the existing criminal code that was deployed during the 3 November 2001 election campaign. Ex-journalist and web-based political commentator Robert Ho Chong was charged under Section 151A of the Penal Code, Chapter 224 with a breach of the peace and forced to undergo psychiatric tests. The charge carried a possibility of up to three years' jail. The offending piece was posted on the Singaporeans for Democracy's UK-based web site (www.sfdonline.org) as a letter titled 'break the law – like your pap leaders' on 19 October under the pseudonym 'Lawless', as well as being placed on the online newsgroup soc.culture.singapore under the title 'Break the Law and get Away with it, Like PAP' (J. Gomez 2002: 99). It referred to a controversial incident at the 1997 elections concerning PAP candidates visiting electoral booths. This was subsequently ruled by authorities not to be in contravention of the electoral laws, but Ho (quoted in *The Australian* 2001) wrote: 'I encourage all good Singaporeans, who feel indignant about this breach of the law and the subsequent obstruction of justice, to break the same law.' A deal appeared to have been struck whereby charges did not proceed in return for Ho not publishing any further pieces on the site. The investigation of Ho raised renewed questions about the role of state-linked telecommunications companies in the detection of offenders, in this case Pacific Internet which is part owned by the government-linked company SembCorp (*AP* 2001a).

Subsequently in January 2002, and against the background of the 11 September and the related arrests in Singapore of suspected terrorists, the SBA also directed a group calling itself 'Voice of the Singapore Muslim

Community' to register as a political organisation to continue its seven-month old web site, Fateha.com. The site contained a press release by Chief Executive Officer Zulfikar Mahamad Shariff that condemned the Singapore government's alignment with the United States and for having 'trivialised the concerns of the Muslim community for too long' (Zulfikar 2002). Amidst the controversy, which not only included criticism from PAP leaders but elements of the Muslim community as well, Zulfikar announced that he was taking a break 'to relax for a while' (Ahmad 2002).

However, Zulfikar and Fateha.com were embroiled in controversy again when police began investigations into postings on the web site for 4, 7 and 19 June. The articles involved were respectively entitled 'Is Yaacob Ibrahim a hypocrite?', which was a reference to the minister-in-charge of Muslim affairs, 'The real reason for forcing girls to remove hijab', which addressed the Singapore government's ban on Muslim headscarves in schools, and 'The Ho Ching miracle', commenting on the appointment of Deputy Prime Minister Lee Hsien Loong's wife as head of Temasek Holdings – the state holding company. In early July, Zulfikar's computer was seized and he was questioned about the postings. Meanwhile, police also seized a computer from Robert Ho Chong's flat in residential Bukit Batok in relation to two postings on soc.culture.singapore on 22 and 24 June. These articles were entitled 'RH: LKY and Albino Dad Beat Even Best Lie Detector' and 'RH: Police Inspector Commits Perjury Knowing Judge is Bent'. The Attorney-General had asked the Deputy Director of the Criminal Investigation Department to ascertain whether criminal defamation against Yaacob, Ho and Lee Kuan Yew had occurred. In Singapore, criminal defamation – as opposed to civil defamation – carries the prospect of a jail sentence of up to two years.

By late July, Zulfikar had left Singapore to reside in Australia, fearing that his fate was sealed. As he explained: 'I would like to regain confidence in the judiciary, in the chambers, in the police. But right now, looking at all the differences, looking at the history of the Singapore courts and the court chambers, I do not have that confidence that they are independent or can act fairly' (quoted in Heggen 2002). Robert Ho, by contrast, was admitted to a mental hospital for eight days. He later challenged this as unjustified under the Mental Disorders and Treatment Act, claiming he constituted neither a threat to the safety of himself nor others (Ho 2002).

Zulfikar had quickly become a high profile political activist prepared to tackle a range of sensitive issues, which was increasingly bringing him into contact with the government's formal political opponents. This included SDP leader, Chee Soon Juan, who was also trying to advance public debate over the Muslim headscarves issue. Fear that the Internet might be used politically to activate and mobilise disgruntled ethnic Malays, who have historically been disproportionately attracted to the PAP's electoral opponents, may also help to explain why authorities countenanced criminal defamation in Zulfikar's case rather than civil action.

In the immediate wake of Zulfikar's departure to Australia, Fateha.com showed no signs of withdrawing from political discourse, although it maintained that the regularity of updates was being impeded due to technical problems. It was declared on the Fateha web site on 13 August that: 'The police may have tampered with our access. But that will not stop our will.' That will may yet be seriously tested, since the government has described Fateha as 'poisonous'. Home Affairs Minister Wong Kan Seng has warned the group that it is being closely monitored and that 'if action is needed, we'll take it' (quoted in *AFP* 2002a).[32]

Subsequently, in early 2003, when peace activists in Singapore unsuccessfully attempted to stage a public protest against the prospect of a US-led war against Iraq, authorities were again scrutinising the use of electronic media technology. However, this time it was an SMS Message urging people to participate in an anti-war demonstration outside the US Embassy on 15 February, the source of which police set about trying to trace. Although such demonstrations were commonplace in Southeast Asia, including in the Malaysian cities of Kuala Lumpur and Penang, government-owned Channel News Asia television reported that the protestors didn't have a permit and, in any case, according to Wong Kan Seng, such a permit was unlikely 'as the government does not authorize demonstrations of any kind' (Channel News Asia 2003, Hasnita 2003). Wong seemed to have overlooked a number of officially endorsed demonstrations in the past, including one conducted by the PAP-affiliated NTUC of 4,000 workers outside the US Embassy in 1988 to protest against prospective trading losses under the Generalized System of Preferences reforms (Bowring 1988, Lew 1989: 296–7).

It was also in 2003 that the government amended the Computer Misuse Act to empower authorities to take pre-emptive action against 'cyberterrorism' through computer hacking. Senior Minister of State for Law and Home Affairs, Ho Peng Kee, explained that: 'Instead of a backpack of explosives, a terrorist can create just as much devastation by sending a carefully engineered packet of data into the computer systems which control the network for essential services, for example the power stations' (quoted in *Reuters* 2003). The amendment, which passed in parliament in November and provided for offenders to be jailed for up to three years or fined a maximum of S$10,000, gives authorities wide-ranging powers to scan the Internet and effect arrests in anticipation of possible security threats. The parallels with the ISA immediately aroused expressions of concern from the government's political opponents. The SDP's Chee Soon Juan described the new law as 'another disguised attempt by the ruling party to control the use of the Internet by Singaporeans and to curtail the spread of discussion and dissent in Singapore's cyberspace' (Chee 2003).

He questioned the sincerity of the official commitment to curbing computer hacking, pointing out that no action had yet been taken to remove pornographic material uploaded onto the Singapore Democrats' previous URL (www.singaporedemocrats.org), nor to identify the source of more recent hacking into the replacement URL (Chee 2003). The Paris-based Reporters Sans Frontières also drew attention to apparent inaction by Singapore authorities over a hacker attack on the *Singapore Review*, an online news group carrying assorted material critical of the Singapore government.[33]

Clearly, then, there are powerful and pervasive pressures towards moderation and indeed self-censorship on the Internet. Notwithstanding this, the Internet has made a difference to the scope for the expression of political views and the dissemination of, and access to, information (J. Gomez 2002), including by social groups in Singapore that were active long before Fateha's recent engagement (Ho, Baber and Khondker 2002). In particular, a number of web sites based outside Singapore, such as Singapore Window and Singaporeans for Democracy, provide comprehensive compilations of pre-published media reports and other critical and investigative pieces on Singapore from around the world.[34] Much of this material would arguably never be published in Singapore, or at least not without serious risk of legal and other repercussions. These and other sites and email discussion and news lists provide additional avenues for alternative views and information, including for exiled political dissidents and PAP critics like Francis Seow and Tang Liang Hong. Tang's own web site has enabled him to supply court documents – information that, again, is not available through Singapore's domestic media. The Singapore-based online popular culture magazine, *BigO Weekly Reviewer*, also incorporates critical materials about the policies of the PAP government that have been published elsewhere, as well as pieces from opposition political parties and government critics. It also juxtaposes official quotes with social and economic data, including on ministerial salaries and income equality, in a fashion that often powerfully highlights contradictions between government rhetoric and practice.

Then there is also a vast range of online materials from international and external governmental, non-governmental, statutory and commercial organisations that occasionally produce critical analyses of public issues in Singapore. The National Democratic Institute for International Affairs (2001) in the United States, for example, produced a 26-page study that identified and criticised an extensive array of obstacles confronting the PAP's opponents in the 2001 general election. Such material can be obtained to compensate for the dearth of critical analytical material from domestic media and official sources.

However, the access to and political impact of Internet sites is mediated by a number of factors. As we have seen already, the fear of surveillance is one reason why there is still caution on the part of many Singaporeans about what sites they are prepared to access from the city-state. But an even more pervasive factor militating against the inclination to seek out critical materials is that the PAP does enjoy a significant measure of ideological hegemony. This also reduces the motivation for seeking out alternative accounts of domestic public affairs. Singaporeans have shown a far greater preparedness to run the gauntlet of official sanctions in the pursuit of pornographic material than they have in the search of political material (*AFP* 2001c). It also has to be borne in mind that the PAP-controlled media has enhanced its reach through the Internet. AsiaOne, a Singapore Press Holdings portal, for example, maintains that it was receiving an average of three million page views per day by 2001 (Minges, Ismail and Press 2001: 15).

In any case, the PAP's strategy to limit the political impact of the Internet is not based on the unrealistic notion of complete information control, although clearly it is still trying to deter the circulation of certain content where it can. The emphasis instead is on ensuring that the medium does not facilitate political mobilisation. The pattern of legal and administrative controls to restrict the space for independent civil society was simply being extended to cyberspace. This meant restricting political engagement and competition to within a narrow sphere of party politics and or formally registered and tightly regulated political discussion groups, and ensuring that links between opposition parties and social groups could not take root.

Exploiting transparency rhetoric

The PAP's rhetoric about the desirability of transparency and a more consultative and inclusive politics clearly did not portend any intentional dismantling of authoritarian rule. But was this discourse not something that advocates of greater political accountability and media freedom exploit for their own purposes?

For the same reason that the Internet has been a limited force for political change, so too reformists have been unable to harness transparency rhetoric to any great effect. That is, without at least a modicum of independent political space through which collective and organised action can occur, exploiting official rhetoric is extremely difficult. Apprehension about trying to develop that space stems not just from the threat of assorted regulations and laws. It also stems from direct and indirect dependence on the state for economic and social well being, which compounds fear of retribution for political activity or anything approximating it.

One initiative that certainly had the potential to steer the discourse about transparency down a different path from what the government intended was the Singapore Media Watch Community. This non-government organisation media watchdog was established in March 2001 at the instigation of around 15 retired journalists, academics and social activists. It was registered as a non-profit company limited by guarantee that it would engage in research, dissemination and organisation of events on media-related issues – principally through a web site and an annual report (J. Gomez 2001). However, in September of the same year, those involved in MediaWatch Community Ltd cancelled its registration after being unable to muster the S$200,000 needed to support a full-time director and finance the web site and annual report.

The reasons behind the difficulty in obtaining money testified to the effectiveness of the PAP's strategies to sanitise public life through the Societies Act. Organisations approached in Singapore claimed that they could not support the initiative because their constitutions prohibited them from political involvement. The perception was clearly that monitoring the media for standards and fairness was a political activity. Moreover, given the PAP's sensitivity to support for NGOs from outside Singapore, there seemed to be no viable way of raising funds. As the group lamented:

> . . . no Singapore institution was likely to offer financial support for such a sensitive project in the best of times, let alone when a general election is looming . . . Singapore's political culture has kicked in again. A wariness that the government may not approve of any foreign support fouled this self-imposed injunction.
>
> (Tan Chong Kee *et al*. 2001)

Even before it had got to this point, one of the initial group, Constance Singam, had quit due to what she explained was 'the decreasing space for civil society in Singapore' (quoted in *AFP* 2001d).

Ironically, it is the PAP rather than its critics that has thus far proven more adept in exploiting the discourse of transparency for political ends. A Political Donations Act came into effect in February 2001 requiring public record of donors giving more than S$10,000 in a financial year to any political party or association and restricting the total of anonymous donations to S$5,000. In itself, this constitutes improved political transparency that is difficult to argue with (Koh 2001). However, in a context where fear of political persecution is high, the legislation represents additional intimidation that could hinder the opposition's already meagre fundraising capacity, and that of politically oriented associations. Among other things, this had implications for the ability to assist those already victims of legal actions by PAP leaders. The Act also bars political parties and associations from receiving funding from non-Singaporeans or foreign companies, which cuts off access to funding from liberal international NGOs that have supported various liberal and democratic movements in the region that also struggle for resources. It may be no coincidence that the government declared its new bill in a matter of just weeks after the Open Singapore Society had secured a small amount of funding from outside Singapore.

The Registry of Political Donations announced in March 2001 that two non-party-political organisations registered with the Registry of Companies and Businesses – the OSC and the Think Centre – would be considered political associations and subject to the Act. Home Affairs Minister Wong Kan Seng cited OSC calls for a referendum on changes to the electoral process and protests against the ISA as evidence of political activities (Vasoo 2001a). Not only did the gazetting of these organisations foil their attempt to circumvent the Societies Act, now they were also under pressure to divulge publicly whatever limited sources of income they had. In the process, the PAP drew a contrast between itself as a party that had no foreign backers with its critics who apparently did but were reluctant to reveal details. Wong taunted J.B. Jeyaretman, one of the co-founders, telling reporters: 'You should ask Mr Jeyaretnam, if he promotes openness and transparency, where did he get the foreign money, why is he afraid to tell Singaporeans?' (quoted in Vasoo 2001a). In a clever turning of the tables, the OSC's calls for all ministers to declare their incomes and assets and for the Government Investment Corporation to open its books became lost in a sea of accusations that had the OSC on the defensive (Vasoo 2001b).

Conclusion

Although the bureaucratic authoritarian regime in Singapore is constantly being refined and modified in response to changing circumstances, media control is still fundamental to its integrity. Whereas the PAP has made some sort of accommodation to neo-liberal notions of transparency, transparency concepts that extend to ideas of political scrutiny and openness continued to receive short shrift. These ideas are anathema to both the political structures and political culture of the regime. Scrutiny of the exercise of state power via media is a definitive characteristic of political pluralism, but has no place in a virtual one-party state. The PAP is more comfortable with increasing accountability to the market than it is to increasing accountability to citizens.

This resistance to media freedom and other concepts related to comprehensive transparency ultimately relates to the PAP's dedication to obstructing civil society. Without civil society there can be no effective political competition to the PAP. Media freedom is a strategic element in liberal civil societies, opening up alternatives to state-endorsed information and views. This is especially so when the media involved are not commercially driven organisations but in the hands of non-government organisations and reformist-minded activists. This is precisely why the PAP has systematically attempted to superimpose the spirit of the Societies Act on legislation regulating the use of the Internet.

In essence, citizens and media organisations operating in Singapore are similarly constrained by vulnerabilities to state retribution, although of differing natures. Media organisations are commercially vulnerable and have learnt that the best way to retain access to the Singapore market is by self-censorship. But unauthorised harnessing of the media puts citizens at risk not only of prosecution according to various laws, it also opens them and potentially their families to the possibility of political persecution. Given the official propensity for surveillance and the immense influence the PAP is able to exert, directly and indirectly, over the dispensing of social and economic resources in Singapore, it is little wonder that few have braved the odds.

Yet it would be misleading to conclude that nothing has changed at all since the crisis broke. In particular, we have seen demonstration that the PAP is pragmatically responsive to the information needs of business. It has even adjusted legislation and made exceptions for business where it is convinced that this is necessary to protect and promote investment in Singapore as an info-communication hub. The significant point here, however, is that these accommodations so far appear to have been adequate to satisfy the interests of business. Certainly they seem to have obviated the need for any lobbying on business' part for general changes to media controls.

If there is a potentially serious tension emerging between the government's economic strategy and its attempts to reproduce tight media control, it pertains to the challenges posed by the internationalisation of GLCs. The spread of, and related interest in, GLC activity necessarily translates into wider media coverage of these entities. Controlling external coverage will be much more difficult, as will be insulating its domestic impact. Serious analysis of the GLCs is impossible without evaluating the nature and significance of the political connections and interests associated with them. Whether this happens, however, depends as much on those making investment decisions generating demand for such analysis, as it does on the commitment of media organisations to provide it.

5

CRONY CAPITALISM AND TRANSPARENCY REFORM IN MALAYSIA

Introduction

Despite Prime Minister Mahathir Mohammed's anti-IMF and economic nationalist rhetoric when the Asian crisis broke, he and his government fully understood the Malaysian economy's dependence on international investment and its implications. Therefore, there was an early official embrace of the rhetoric of transparency. Although this was initially under the auspices of Deputy Prime Minister Anwar Ibrahim, his subsequent sacking and imprisonment didn't put an end to the rhetoric or indeed the reforms.

As in Singapore, these reforms were selective, skewed towards trying to accommodate business information needs without opening up interests of the political elite to greater risk of scrutiny. Yet Malaysia's contrasting state–business relations and political dynamics placed these reforms in a different context and produced contrasting results. The less complete suppression of civil society and institutionalisation of political co-option in Malaysia also weakened the ruling coalition's control over discourses of transparency. Indeed, Anwar's treatment precipitated an expansion of organised, independent social and political forces that included widespread demands for transparency involving political openness and accountability.

After an initial impressive recovery in Malaysia from the crisis, market sentiment soured. International investors grew concerned about state bailouts of business interests aligned with the United Malay National Organisation (UMNO), the leading party in the ruling Barisan Nasional (BN) coalition. Added to this were perceptions of political discrimination by regulatory, supervisory and judicial institutions, which further compromised the reliability and predictability of regimes affecting the market in Malaysia. The political instability ensuing from Anwar's demise also eroded business confidence. In this climate, investors widely condemned a lack of transparency in Malaysia – even though levels were indistinguishable from Singapore.

The crisis severely exposed the system of state patronage of select private corporate groups in Malaysia. Rents were dispensed not just to build up an indigenous domestic bourgeoisie for the sake of it, but also as a vehicle for state influence over the economy. This meant the beneficiaries of state sponsorship had to be responsive to periodic political pressures pertaining to the use of capital. It was a less direct, less disciplined and more complicated means than adopted by the PAP in Singapore to try and advance state-defined objectives. The scope for speculative and unproductive investment in Malaysia was therefore considerable. Consequently, the crisis resulted in huge debts for crony companies. The controversial bailouts and preferential treatment by authorities of these companies underlined the government's reluctance to dismantle Malaysia Inc.

However, eventually international investment alienation was joined by concerted domestic political rumblings about the use of public monies to prop up failed crony companies. Mahathir's own political position within UMNO was now being seriously questioned. It was in this context that the Prime Minister embarked on a realignment of political alliances and state–business relations in an attempt to distance himself from unpopular deals. The departure of Finance Minister Daim Zainuddin from government was followed by pressures on a range of business figures closely aligned to him and by new initiatives to enhance corporate transparency and governance.

Yet, rather than fundamentally dismantling Malaysia Inc. and its attendant structures, Mahathir's moves amounted to a reconstitution of the interests involved. The push towards more corporate transparency and less discriminatory enforcement of regulatory and supervisory regimes had the potential to create opportunities for a new breed of corporate players and associated interests relevant to, and integrated with, state development strategies and UMNO politics. Meanwhile, the initial response from foreign investors was positive, since the changes also projected a more sympathetic environment for mobile forms of international capital.

Crony capitalism and authoritarianism

The parallels between authoritarian rule in Malaysia and Singapore are strong, with many similar techniques deployed to limit fundamentally political competition and the scrutiny of power. In both countries curbs on freedom of expression, whether by individuals or organisations, have been enforced through repressive legislation on internal security, media, sedition, official secrets and religious and ethnic relations (Ang and Yeo 1998, Shad and Sankaran 1998). Organised and independent political actions challenging the exercise of state power in Malaysia have also been primarily confined to electoral politics (Khoo 1995, Gomez 1998), although the clamp on civil society has never reached the extraordinary degree of effectiveness achieved in the city-state.

Indeed, the system of controls over civil society is imperfect in Malaysia. Non-government organisations (NGOs) have managed periodically to exploit a measure of conditional independent political space and achieve a degree of mobilisation, in spite of the existence of a Societies Act that bears some similarities to that in Singapore.[1] As Case (1993: 186) observed:

> these organizations have been able in legislative arenas and popular forums to raise mass grievances to which the government has sometimes been obliged to respond. But the government has also responded by weakening these organizations, circumscribing their capacity to mobilize intense or broad-based followings that would empower them seriously to influence public policymaking.

Many NGOs have also transcended the ethnic orientation characterising most political parties to advance broader issues concerning consumer rights, social justice, environmentalism, women's right and human rights (Jesudason 1996). Clampdowns on such organisations and other elements of Malaysia's incipient civil society have tended to occur during periods of economic slowdown or internal UMNO tensions. The significantly greater representation of opposition in the Malaysian parliament – which has been emphasised in other comparisons of authoritarianism (Levitsy and Way 2002) – is related, in part, to the incomplete eradication of civil society compared with Singapore.

These imperfections in authoritarian control were accentuated following Anwar's expulsion from UMNO and his imprisonment in 1998. In particular, the alienation of ethnic Malays from UMNO to some extent reduced the effectiveness of ethnicity as an organising and controlling principle in politics. The scale and breadth of the *reformasi* movement emanating from the Anwar crisis reflected pressures for increased political pluralism that the system has been unable thus far to divert completely.

The concentration of power in the political executive and the elimination of effective checks and balances on how that power is exercised is also a feature of authoritarianism in Malaysia. It has gathered momentum from the 1980s (E.T. Gomez 2002: 82). Since the Prime Minister decides the appointment of judges, the Attorney-General and senior police and Special Branch officers, over time the synchrony between the political executive and strategic elements of the state apparatus has been significantly consolidated. Nevertheless, the deep and systematic integration of the ruling coalition and the public bureaucracy has never reached the scale or degree of cohesion achieved by the PAP in Singapore.

The Malaysian Constitution, like its Singapore counterpart, can be changed at the political executive's will since the ruling party has consistently maintained a two-thirds parliamentary majority. Between 1957 and 1993, the Constitution was amended 34 times (Amnesty International 1999: 10). Attempts by the judiciary to uphold the Constitution in ways that have arrested the arbitrary exercise of executive power have resulted in political retaliation. In March 1988, for example, the Constitution was amended to render the jurisdiction and powers of the court subject to federal law rather than the Constitution. This made it possible for the government to abolish judicial review by a simple majority vote in parliament. In the same year, the Lord President of the Supreme Court, Salleh Abbas, and four other Supreme Court judges were suspended on the eve of a court hearing over the legal status of UMNO. Salleh and one other judge were subsequently dismissed (Wu 1999: 130–1). The neutralising of the judiciary may have been messier and less total than in Singapore, but a similar pattern is nevertheless evident.

Despite important similarities, then, authoritarianism in Malaysia lacks the precision and clinical effectiveness in blunting opposition and harnessing the state apparatus to party political ends that is characteristic of the PAP regime in Singapore. This is precisely why recourse to the ISA has been a more persistent feature in Malaysia. More generally, the respective power structures and associated interests embodied in these regimes have important differences. In particular, state promotion of a domestic bourgeoisie has been a key dynamic to authoritarian rule in Malaysia. This has had important implications for the capacity and inclination to enact governance reform in the wake of the crisis.

Since independence in 1957, state power in Malaysia has been disproportionately shared within an alliance of ethnic Malay and Chinese elites. Under British colonialism, a bureaucratic class of ethnic Malays had been promoted while ethnic Chinese dominated the trading, commerce and small business activities of the domestic bourgeoisie. Following racial riots in 1969, and amidst concerns of a widening socio-economic gap between ethnic Malays and non-Malays, the government introduced the New Economic Policy (NEP). The creation of a Malay business class was a crucial element of the NEP.[2] The expansion of state enterprises and trust agencies in the 1970s and 1980s was central to this exercise.

As is documented by various scholars (Crouch 1996, Gomez and Jomo 1999, Searle 1999), the NEP not only catapulted a group of ethnic Malays into business, it gave rise to a qualitatively new integration of economic and political power. State patronage critical in the rise of this new Malay business class was not dispensed at random. It was used to cultivate a coterie of politically trusted entrepreneurs, or ‘crony capitalists’. Around them an intricate and multi-layered system has been built up which includes an extensive network of Chinese business interests that benefit from joint venture and other commercial arrangements with the Malay bourgeoisie. Furthermore, the system entailed considerable scope for rent-seeking through public authorities’ control over decisions on state contracts, licences and, throughout the 1990s, decisions on privatisation. It also resulted in UMNO developing enormous corporate interests across virtually all sectors of the economy.

A key figure in this process was Daim Zainuddin, who first came to prominence in 1979 as chairman of state-owned property development firm Peremba Bhd. Then in 1981 Mahathir appointed him chairman of UMNO's investment arm, Fleet Holdings Sdn Bhd. At one and the same time a private business person, UMNO trustee and government appointee, Daim presided over a web of interlocking business activities that blurred any distinction between these roles. When he was appointed Treasurer in 1984, Daim's brief included an overhaul of UMNO's business interests. Although he divested his own vast business interests, these were thought to be handled in trust by others (E.T. Gomez 2002: 92–3).[3] Under Daim, UMNO's corporate empire expanded dramatically, including public-listed firms run by Daim's associates.

By 1987, Fleet Holdings and its subsidiary, Fleet Group Sdn Bhd, had incurred sizeable debts with two state-owned banks. However, in 1990, the Fleet Group was taken over by public-listed Renong Bhd involving a gigantic share transfer engineered by Halim Saad, a Daim protégé. Like other close business associates of Daim such as Tajudin Ramli and Wan Azim Hamzah, who had been at Peremba during Daim's tenure there, Halim had benefited from deals involving state companies under Daim's control (Gomez 2002: 92–3). They became known as 'Daim's boys'.

Not surprisingly, the dispensing of highly prized rents by the political elite became a source of intra-UMNO friction, especially in periods of economic downturn when the cake to be divided shrank. Indeed, in 1987 former Finance Minister Razaleigh Hamzah challenged the select way in which UMNO assets were being dispensed. The opposition Democratic Action Party (DAP) also took the government to court contending that there was a conflict of interest in the privatising of the multi-billion ringgit highway project that was awarded to the UMNO-linked United Engineers (Malaysia) Berhad (UEM). However, this only served to expedite the transfer of UMNO assets to trusted private business interests so that by 1992 the party could maintain that it no longer had legal control over its assets. As Gomez (2002: 97) explains: 'In effect, UMNO leaders had manoeuvred themselves into a position where they were no longer accountable to party members for the manner in which party assets were deployed.'

The allocation of rents thus became a highly personalised exercise controlled by a handful of the party elite and channelled towards a select group of corporate interests aligned to one or other patron within UMNO. Within this informal framework, the uses and motivations associated with rents varied. Not all the beneficiaries of state patronage were principally driven by commercial objectives. Some, for example, were more intent on using it to exert greater influence within UMNO (Gomez 2002: 108). Despite Mahathir's developmental objectives that were supposedly serviced by these arrangements, there was also a remarkable tolerance for speculative and unproductive investment. Furthermore, pressures were apparently applied to trustees of UMNO's capital generating various acquisitions and ventures that made little commercial sense for these companies. Politics and business were comprehensively fused.

Importantly, the explicit use of the state to build up a *Bumiputera* capitalist class necessarily ruled out the sort of relatively autonomous public bureaucracy attributed to East Asian developmental states, including in Singapore (Haggard 1990). Indeed, Prime Minister Mahathir was openly hostile to the concept and restructured the bureaucracy precisely to limit any such potential (Leigh 1992: 115–23, Beeson 2000: 341). He did not want a powerful technocratic elite. The bureaucracy had to be sensitive to the political objectives of the NEP – and the executive's interpretation of what that meant.

In short, both the system of authoritarian rule and the nature of state–business relations in Malaysia were less cohesive and contained more scope for intra-elite conflict over resource allocation than was true of Singapore. The apparent Weberian rationalist bureaucratic authoritarianism that had developed in Singapore was ultimately subject to the exercise of arbitrary political power. Nevertheless, the Malaysian system involved a much more conspicuously particularistic and personalised pattern of public administration that ensued from crony capitalism. To be sure, the state in Singapore was also in the game of dispensing rents, but this was subject to a great deal more discipline and steered primarily towards the benefit of 'state capitalists'. Furthermore, over time that system had produced powerful, commercially viable companies that were already internationalising when the 1997–98 Asian crisis hit. They had a clear interest in extending that process. By contrast, many of Malaysia's politically connected companies were in deep debt and understandably apprehensive about new systems of transparency and corporate governance.

Initial transparency reforms

When the 1997–98 Asian crisis struck, Deputy Prime Minister and Finance Minister, Anwar Ibrahim, was forthright about the need for change: 'The crisis has compelled governments to accept the need for transparency and the necessity of making adjustments and instituting reform, no matter how painful. They must swallow the bitter pill' (Anwar 1998: 25). Anwar's embrace of transparency was part of a broader endorsement of orthodox neo-liberal reform of the sort the IMF had been pushing at the time (Khoo 2000). However, Prime Minister Mahathir and some of his senior colleagues were less inclined to endorse 'bitter pills' – especially where these threatened the political basis of UMNO.

Nevertheless, internal UMNO machinations leading to Anwar's expulsion – and his subsequent detention, trial and imprisonment – did not jettison official transparency rhetoric. Although Malaysia's leaders rejected austere IMF recovery prescriptions and embarked on capital controls, declared support for transparency survived. Deputy Prime Minister Abdullah Badawi (quoted in Emmanuel 1999) explained: 'Good governance and transparency are two prerequisites if Malaysia is to improve its competitiveness and inspire confidence against increasing globalisation.' The 1998 *National Economic Recovery Plan* (National Economic Action Council 1998) produced by the National Economic Action Council (NEAC) – whose Executive Director, Daim Zainuddin, succeeded Anwar as Finance Minister – also called for a range of measures to improve transparency and the regulatory environment.

The bulk of the measures introduced or announced between 1998 and 2000 by the government were directed at raising the standards and frequency of corporate disclosures, but data provided by public authorities were also to be improved. Undertakings on general governance reforms to strengthen corporate regulatory frameworks and their enforcement were signalled as well.

As with Singapore, and for similar reasons, some initiatives towards improved data provision had begun in Malaysia just before the crisis. In particular, while Anwar was Finance Minister, Bank Negara Malaysia, the country's central bank, agreed in 1996 to abide by the IMF's SDDS. His political demise did not prevent the commitment being implemented, resulting in Bank Negara providing a more detailed disclosure of its international reserves and other data, which were publicly accessible from its web site.[4] Measures announced after the crisis broke included the declaration in March 1998 of steps to promote transparency in the dissemination of financial and corporate statistics by the key public sector data collecting agencies. The *National Economic Recovery Plan* (1998: 67) also recommended that: 'A more liberal approach should be followed in the dissemination of statistics and the parameters of confidentiality should be narrowly defined.' It thus called for a review of the Statistics Act, 1965 to ensure a 'greater flow of information to the users' and the restructuring of the Department of Statistics to 'strengthen its role in the collection, processing and dissemination of data for public consumption' (NEAC 1998: 86).

Significantly, the *Plan* also emphasised the need for better public relations. It recommended consultants be employed in image building: 'Relevant strategic audiences would be targeted with the message that Malaysia should be differentiated from other emerging countries in various ways, including its economic fundamentals, finance sector resilience, and political stability, and its commitment to act on reforms' (NEAC 1998: 65). Indeed, the month before the *Plan* was officially published in August 1998, the NEAC established a Communications Team, a privately contracted group of public relations experts.

Whatever the motive, the new approach brought gains to the quality, range and availability of information relevant to market decisions. The

NEAC Communication Team was instrumental in the abolition of long-standing discrimination in the release of quarterly economic indicators to local and international media organisations. Up until mid-1999, the Department of Statistics (DOS) exclusively released basic data on GDP, the Consumer Price Index (CPI), industrial production and trade to the state news agency Bernama. Reports by journalists in local media organisations often contained errors of interpretation and omitted material of interest to business clients of international media organisations. As from June, data were faxed from DOS to both local and international media organisations simultaneously and with a common embargo. This made for more independent and timely reports by the wire services to financial markets.

As in Singapore, Malaysian authorities also tightened disclosure rules for banks soon after the financial crisis hit. Subsequently, more comprehensive prescriptions on corporate governance reforms were endorsed in the *Report on Corporate Governance* (Finance Committee on Corporate Governance 1999), released in March 1999. This followed a year's consultations and deliberations with finance sector players by the Finance Committee of Corporate Governance. The *Report* made a wide range of recommendations pertaining to the regimes for public-listed companies intended to strengthen investor protections, increase directors' responsibilities, and raise the level and standard of information to shareholders and prospective investors. However, no time frame was attached to the programme of reforms.

In the same month the *Report* was released, the Kuala Lumpur Stock Exchange (KLSE) announced new requirements for public-listed companies to publish quarterly financial and corporate reports, replacing the existing half-yearly practice.[5] The Securities Commission (SC) also began a phased move towards a full disclosure-based regulation system in the capital market scheduled for some time in 2001. Finally, Danaharta, a newly established statutory company given special powers to resolve non-performing loans (NPLs), listed proposed debt resolutions in considerable detail on its web page.[6]

These various developments in Malaysia indicated the government's eagerness to project itself as committed to transparency reform and certainly some changes were under way. But just how deep were reforms, and what was the likelihood of a generalised shift towards more transparent economic and political systems over time? As we will see below, these state-led initiatives were highly qualified ones and were certainly not indicative of a wholesale conversion to the concept of corporate transparency, let alone any more comprehensive notion of transparency that extended to ideas of political openness and accountability.

State interests versus transparency

To ascertain the significance and nature of the apparent embrace of transparency by the Malaysian government, it is necessary also to examine what it didn't extend to and why. Here we see striking similarities with the pattern already identified in Singapore where state economic and political interests were largely shielded from the projected reforms. However, the added complication in Malaysia was that a prominent select group of private corporate actors were carriers, in effect, of UMNO interests. Somehow, UMNO had to work out a way of reconciling new regulatory regimes that curtail the discretionary powers of private sector companies with the protection of these interests.

Official sensitivity over information about the activities of Malaysia's GLCs and statutory bodies, and particularly the terms and conditions of the various privatisations and mega-deals involving them in recent years, was no less acute after than before the crisis. Major GLCs continued to be exempt from meaningful public scrutiny. State holding company Khazanah Nasional, for example, which the government declared had assets of in excess of RM18 billion in 2000 (Jayasankaran 2000), and was headed by Mahathir, was to continue to report only to the Finance Minister and not parliament, despite investing huge amounts of taxpayers' money. Only around one-third of Khazanah's group of subsidiary and affiliated companies was public-listed, so the pending reforms would have little impact. Similarly, the national oil company, Petronas, was still reporting directly to the Prime Minister's office and its accounts were not lodged with parliament. Instead of full annual reports, it released abbreviated financial information (Jayasankaran 1999: 10). By virtue of its comparatively well-managed finances and capacity to float bonds and obtain sizeable loans, Petronas played a key role in rescuing government and selected private companies during troubled times.

Hopes that the new emphasis on transparency might oblige the government to be more forthcoming on information about its controversial mega-projects were also to have been disappointed. Calls by NGOs and opposition MPs, for example, for information about the cost of the Bakun Dam project, the tendering process involved and why Ekran Berhad Hydroelectric Corporation received RM950 million in compensation were largely dismissed.

Further demonstration of how far the practice on transparency lagged behind the rhetoric was provided by Cabinet's decision in August 1999 to block any public availability of the Air Pollutant Index to avoid adverse media publicity that would 'drive away tourists'. In previous years Malaysia had suffered the annual problem of smoke from forest fires in Indonesia. The firm monitoring air quality was told that its data were not for public consumption, and a clause in its agreement with the government pertaining to 'official secrets' was drawn to its attention (Wong 1999).

Malaysia's OSA remained a huge obstacle to transparency, circumscribing access to and possession of information in fundamental and stringent ways. Inherited from the British, the legislation was amended in 1972, 1984 and 1986 to bestow on authorities broad powers to restrict and impose penalties on unauthorised information and entailed an expansive definition of an 'official secret'. A government Head of Department, for example, has the incontestable discretion to determine what constitutes an 'official secret'. The Act also states that prosecution doesn't require showing intent to put information to a use 'prejudicial to the safety or interests of Malaysia' (quoted in Amnesty International 1999: 42; see also Shad and Sankaran 1998). It is an offence simply to receive information deemed an 'official secret'. Of course this places investigative journalists as well as whistleblowers at special risk. As we saw in chapter two, there had been numerous prosecutions under the OSA well before the advent of economic and political crisis in 1997.

None of the information or regulatory improvements referred to above, nor those projected in both the *National Economic Recovery Plan* and the *Report on Corporate Governance*, changed the fact that authorities still had considerable capacity to suppress information. Calls for a review of the OSA by Abdul Aziz (1998: 6), the President of the Kuala Lumpur Society for Transparency and Integrity fell on deaf ears.

Finally, one of the most alarming and revealing indicators of the gap between transparency rhetoric and the actual commitment to reform was provided by a survey conducted by the Kuala Lumpur Society for Transparency and Integrity in late 1999. The questionnaire was sent to 19 registered political parties to ascertain their stances on transparency and accountability. Even though an election was imminent, only four parties replied – all members of the opposition Barisan Alternatif (Alternative Front).[7]

Bailing out the cronies

Although there are many similarities between the conception and degree of transparency reform in Malaysia and Singapore, when we look at the broader context in which transparency reforms in Malaysia were located, the differences between the two cases begin to open up. In particular, it becomes apparent that the enmeshing of state and private sector interests in Malaysia engendered significant compromise to the integrity and independence of public institutions in the general supervision and regulation of private sector activities. Institutional power was subtly exercised to protect and advance the interests of the PAP in Singapore. But in Malaysia there was blatant favouritism on behalf of select private tycoons.

Thus, Anwar's pledge in 1997 that there would be no bailing out of corporate heavies did not prevail. In April 1998, a subsidiary of Petronas purchased the shipping assets of KPB, an indebted conglomerate owned by Mirzan Mahathir – the eldest son of the Prime Minister. Various other deals followed over subsequent months that in one way or another saw creative asset shuffling and public money directed to the benefit of indebted companies belonging to politically connected tycoons (Jomo 1998, Felker 1999: 49).

The Corporate Debt Restructuring Committee (CDRC) aroused particular governance concerns. Set up in August 1998 and operating under the auspices of Bank Negara, it presided over various opaque preferential corporate rescue packages. Given the acute concentration of debt among politically connected companies it was not surprising that much of the CDRC's attention would focus on them. A mere 15 corporate groups accounted for 20 per cent of Malaysia's total bank loans. Anwar also alleged that fewer than ten people linked to UMNO's leaders were collectively responsible for around RM70 billion worth of loans. Renong's debts alone were in the vicinity of RM20–28 billion (Gomez 2002: 101–2).

In March 1999, the CDRC put together a bailout of the listed company UEM, a subsidiary of the UMNO-related Renong conglomerate. The deal involved around RM8 billion in short-term debt, which was serviced through the issuing of bonds. Government incentives and pressure to induce support from local banks, insurance companies and pension funds accompanied the issue (*FreeMalaysia* 1999a). Renong chairman at the time, Halim Saad, was one of 'Daim's boys' and Daim was by now again Finance Minister following Anwar's removal from government (Gomez and Jomo 1999: 50). Already Renong had been the beneficiary of a questionable share deal with UEM in November 1997 that led to changes to the Malaysian Code on Take-overs and Mergers that were gazetted at the end of 1998.[8]

The enduring nature of crony capitalism was further highlighted in late 2000 following a 15-month extension on the deadline for Halim's payments on a put action that he offered Renong in 1998. Shortly after, the Ministry of Finance (MOF) decided to outlay RM1.7 billion in order to buy Naluri Sdn Bhd's 29.09 per cent stake in the ailing Malaysia Airlines (MAS). The controlling shareholder in Naluri was Tajudin Ramli.[9] MOF paid the same price as Tajudin originally purchased the MAS shares for in 1994 – RM8 a share. This represented a premium of around 3.5-fold over what the shares' market price was at the time (Lopez 2001b). Tajudin revealed in a 22 January circular to minority shareholders that no independent valuation was done before the deal was struck (Ajinder 2001).

After this deal *AWSJ*'s Hugo Restall observed that investor confidence had suffered from 'a spate of recent decisions to maintain Malaysia's relationship-based economic system at the expense of minority shareholders and efficiency' (Restall 2000). The negative political impact of these deals for UMNO was by now also gaining momentum. DAP chairman called on the Attorney-General to investigate whether criminal breach of trust was committed in the Malaysia Airlines buyout in view of the absence of an independent share valuation. He also claimed the deal violated the government's own rules for rescuing companies, as set out in the *National Economic Recovery Plan*. According to that document, private investors and lenders were expected to accept appropriate financial losses in the event of a rescue involving public funds (Ajinder 2001).

Hot on the heels of the Malaysia Airlines deal was an equally controversial buyout involving Time dotCom, a telecommunications company managing Malaysia's biggest fibre-optic network and part of Time Engineering, controlled by the Renong group. Contention centred around the investment practices of two national pension schemes. One was the Employees' Provident Fund (EPF), which covered salaried Malaysians and managed RM181 billion (US$47.63 billion) savings, and the other was the Pensions Trust Fund or Kumpulan Wang Amanah Pencen (KWAP), which covered civil servants. A Time dotCom initial public offering (IPO) in 2001 was a key element of Time Engineering's and Time dotCom's debt restructuring scheme involving loans of RM5.37 billion (T. Gomez 2001: 28).

The EPF and KWAP teamed up with Danaharta to buy 76 per cent of Time dotCom's IPO of RM1.88 billion to take a 17.2 per cent stake in the company.[10] This was despite the fact that the public under-subscribed to the tune of 75 per cent.[11] The IPO share price of RM3.30 each predictably collapsed. In the first four days of KLSE trading the share price plunged 38 per cent, with EPF and KWAP incurring paper losses of about RM310 million (Prystay 2001b). However, the grossly inflated IPO price enabled Time Engineering to settle urgent debt.

This triggered dramatic and unprecedented expressions of protest from the Malaysian Trade Union Congress (MTUC). The MTUC, comprising 230 affiliated trade unions, voted to picket the EPF's offices in a nationwide protest over the use of pension funds for, what it regarded as, a blatant bailout of Halim Saad. Labour leaders claimed their seats on the EPF board afforded no influence, since the panel that controlled investment decisions lacked transparency and was appointed by Daim (Prystay 2001c, 2001d). The MTUC President, Zainal Rampak, who had himself been criticised by some unionists for not having opposed various uses of EPF money, alleged that at least five approaches had been made to the state pension fund by wealthy corporate figures to help their ailing companies (Pereira 2001a). The government's political opponents took full advantage of the fiasco through public forums and campaigns to protect people's money (*Business Times* 2001a).

The escalating sequence of controversial bailouts had thus culminated in alienating not just investors who could choose to take their money elsewhere, but working people whose life savings were locked into a state fund that appeared to be managed in a cavalier fashion to socialise the losses of

UMNO cronies. By now, the bailouts had started to reap a significant domestic political cost for Mahathir and his government.

Politicised and selective regulation

Equally troubling for Malaysian corporate governance was the shyness of authorities in bringing powerful local business interests to account where suspected shady deals were involved, and the apparent political persecution by regulatory authorities of government critics. The Anti Corruption Agency (ACA), which operates within the Prime Minister's Department, and the Securities Commission (SC) were criticised for what many saw as selective investigations and prosecutions. For example, nothing had transpired from investigations begun in October 1996 into alleged misappropriation of funds by government politicians associated with the Perwaja Steel project (Lopez 2002). Similarly, no charges by the ACA resulted from serious allegations by Anwar against senior government figures. Yet public revelations about the ACA's investigations into these cases by Anwar ally Mohamed Ezam Mohamed Nor led to him being charged under the OSA for allegedly leaking secret government documents to the media (R. Wong 2000).[12] Furthermore, in July 1999, former Assistant Governor of Bank Negara and Anwar associate, Abdul Murad Khalid, was – at the Bank's instigation – charged with failure to declare assets worth RM24 million (Lopez 1999). Later, before the 1999 election, Murad publicly accused Chandra Muzaffar, Aliran and other reformist organisations of receiving money from secret funds managed by Anwar, claims that resulted in libel suits against Murad. The SC also charged Ishak Ismail, the head of KFC Holdings and Idris Hydraulic as well as Wan Hasni Wan Sulaiman of Abrar Corp for allegedly breaching securities laws – both believed to be connected to Anwar (Toh 1999).

The politicisation of the ACA was put on public record when its former head, Shafie Yahaya, admitted in court that investigations into complaints by Anwar were stopped on the instruction of Prime Minister Mahathir. Ironically, it was the abuse of power to pervert the course of justice that Anwar had been charged with – not Mahathir (Elegant 2000a). Despite Shafie's revelation, the court excused Mahathir from any requirement to attend court to address these claims. Mahathir's preparedness to intervene politically to circumvent normal governance processes was further reconfirmed in his response to announcements by his own government on limiting chief executives of state-led public companies and agencies to just one management position at the parent body. This meant relinquishing positions as directors or executives of subsidiaries and associate companies as well as directorships of private concerns. When a journalist put it to Mahathir that this would have serious implications for Hassan Marican, president of Petronas, he responded that 'we will see some way of getting around it' (*Reuters* 2000a).

The government's announcement in July 1999 that the banking sector would be dramatically rationalised to six anchor banks, compressed from the existing 55 domestic financial institutions, also raised a number of concerns. A rationalisation of the sector made sense if it was to be more fully integrated into competitive global markets. However, no criteria were outlined explaining how the identified anchor banks were selected. This fundamental absence of transparency inevitably led to speculation that political logic was at least as pertinent as commercial logic in the determination of core banking groups (*Business Times Online* 2001b). Political intervention was seen to be privileging the commercial interests of Daim and his associates in particular, while some of Malaysia's more efficient and dynamic banks were seen as penalised for association with Anwar. The undeclared intention, it seemed, was to submerge RHB Bank, the Hong Leong Bank and Phileo Allied Bank, all of whom obtained existing banking licences while Anwar was Finance Minister.[13] Small, non-debt-laden ethnic Chinese banks were also being swallowed up, which generated further questioning of the rationalisation process.

Such was the public criticism and dismay in the market that the government abandoned the original idea. Bank Negara announced in October that institutions would now be free to form their own merger groups (Fong 1999). The new goal was 10 anchor banks by the end of 2000. The merger process proved, however, a protracted and politicised one (Shari 2001, Toh 2002a).[14] The final local bank partnership, between Utama Banking Group and RHB Bank, was not settled until 2002 (Goh 2002).

This problem of converting policy statements into reality had become a generalised phenomenon that affected international investor perceptions of Malaysia. Delays in the implementation of various aspects of the *Report on Corporate Governance* were also a matter of thematic concern among investors.

The net effect of the practices described above was to bring into serious question the credibility and integrity of corporate governance regimes in Malaysia. As we will see below, this had major implications for international investor sentiment. But it also had increasingly important domestic political implications – particularly given that Anwar's expulsion from UMNO had already engendered a political crisis that had aroused greater than usual focus on such issues. In this context, the discourse of transparency became a much more difficult one for authorities to limit, let alone harness for regime reproduction as in Singapore.

Civil society and transparency reform

The transparency reform agendas in both Singapore and Malaysia were fundamentally state driven, with the role played by organised business interests conspicuously modest. However, as the fortunes of various elements of the domestic bourgeoisie declined in Malaysia when state patronage became more focused after the crisis, calls grew from within local business for the government not to waver from its stated reform agenda. A more significant dynamic separating the Singapore and Malaysia cases, though, was the greater presence of organised social and political activists in Malaysia, which was boosted following Anwar's dismissal. This afforded greater scope for exploiting and challenging official transparency rhetoric in the cause of political openness and accountability.

Although not quite as extensive as in Singapore, the co-option of business people and their representatives onto committees was an important part of the reform process in Malaysia too. But this didn't prevent the occasional public expression of disquiet about the lagging pace of reform. These picked up noticeably after the pattern of bailouts opened up divisions within the domestic business community.

Critical voices came from within the Malaysian Institute of Corporate Governance (MICG), the Federation of Public Listed-Companies (FPLC) and the Federation of Malaysian Unit Trust Managers (FMUTM) over the failure of the government to deliver on projected reforms. Significantly, possibly the two most prominent such critics were Megat Najmuddin Megat Khas (*Reuters* 2000b, 2000c), President of both MICG and FPLC, and Abdul Azim Mohamad Zabidi (*Reuters* 2000d), President of FMUTM. Both were part of the UMNO establishment, with Azim on the UMNO Supreme Council and the Youth Wing leader. Megat belonged to the Musa Hitam faction within the party and served for ten years as a Selangor state divisional UMNO head.

It would be an exaggeration to claim any major redirection by peak organisations had occurred. Certainly these organisations contain constituencies of domestic business and professional interests that would benefit from, or subscribe to the idea of, a more level playing field and transparent processes in corporate affairs. This may in the long term prove important. However, at this juncture, their voices found stronger representation largely because of rising resentment within the business establishment that only certain politically connected companies were being looked after post-crisis. Suspicion as to who might be the ultimate beneficiary of these deals was also rife, given the complex trust and other arrangements characterising many government figures' business interests.

The previously stable system of crony capitalism was under stress. This environment was conducive to a stronger rhetorical advocacy of transparency from people like Megat and Azim. The potential seemed to exist too for a greater affinity between the alienated business interests Megat and Azim were expected to represent and frustrated technocrats within the civil service – particularly within the ACA and SC – whose efforts to implement transparency and other governance reform had been hampered by the lack of political leadership. Depending upon how UMNO's internal battles were played out, business organisations might yet play a role in bringing about change.

Beyond the business community, however, a wide range of activist groups in Malaysia was incorporating transparency reform into their agendas. Furthermore, conceptions of transparency here went well beyond market functional forms of information and private corporate accountability. Instead, transparency took on overt political meanings and embraced a more generalised system of openness and accountability that extended to political office, the public bureaucracy and associated institutions, as well as the strategic role of a free media in the transmission and analysis of information and views.

The most conspicuous organisation of this sort was the Kuala Lumpur Society for Transparency & Integrity – the Malaysian chapter of the worldwide NGO, Transparency International (TI). TI is best known for its surveys that produce a globally published corruption perception index, which is widely reported in the international media. Malaysia's ranking on this has slipped from equal 32nd in 1999 to 36th in 2000 and 2001, and equal 33rd in 2002. The assumption behind these surveys of business people is that corruption and transparency are closely related, although the Singapore experience would seem to bring that into question since it scores well in the index, at 11th in 1999, equal 6th in 2000, equal 4th in 2001 and equal 5th in 2002. Nevertheless, this work is supplemented by other activities involved in the study, scrutiny and advocacy of transparency, most of which is reported through an electronic newsletter on its web site.[15] The organisation has, through the efforts of its president, Abdul Aziz, an effective presence in the media. As a former senior Bank Negara official, Aziz has a strong interest in and familiarity with issues of corporate governance. Though not a large organisation, the board of the Malaysia TI chapter has wide NGO representation, including from human and consumer rights groups and the Muslim youth movement.

However, attempts to foster an alliance between TI and the business community in Malaysia have struggled to bear fruit. In June 2000, at the Malaysian International Chamber of Commerce and Industry (MICCI) Annual Luncheon attended by more than 1,000 senior business people, the MICCI President, Philip J. Dingle, praised the work of TI. Dingle urged the 1,100 members of the MICC to support TI by joining it. TI followed this up with letters to MICC members and accompanying membership forms. However, some seven months later TI had not received a single reply. Aziz subsequently observed that the vast majority of public listed companies in Malaysia were no more than family companies, with little internal appreciation of the importance of governance issues. His comments at a speech in Singapore in early 2001 suggested he had little expectation of business linking up with TI in the foreseeable future:

> The corporate sector has always been part of the obstacle to governance, and recognised as being very much part of the problem of corruption. It is totally opportunistic and considers it its duty to manipulate the often inadequately enforced laws and regulations in order to create an environment in its own image that encourages and promotes practices that even Tiny Rowland in the heyday of his African adventurism would have thoroughly disapproved.
>
> (Aziz and Leifer 2001a)

Aziz (2001) also suspected that the independent advocacy role played by TI had been wrongly interpreted by the corporate sector as 'anti-government'. Despite growing alienation with the government by sections of the business establishment, there was little or no inclination to establish genuine independence from UMNO by the business establishment.

In the wake of the crisis, however, there was also a significant rise in independent organisational activism by journalists and social groups pushing for media freedom. For these people, transparency was equated with a more open and pluralistic political and social system where decision-makers in the public, private and governmental spheres were subjected to accountability. The scrutiny of decision-makers, they argued, was reliant upon the flow of information and debate provided by the media. Their activities and the government's responses will be examined in detail in the next chapter.

However, the most ominous development, and the one of most concern to the government, was the way opposition political parties and NGOs with broad political agendas seized on the discourse about transparency and governance. The Barisan Alternatif (1999) identified the 'enhancement of government transparency and accountability' as one of its six main objectives in its *Joint Manifesto* for the 1999 general election. A *People's Manifesto* involving 10 NGOs also demanded that: 'Civil institutions such as the Attorney-General's (AG's) office, the Judiciary, the ACA, the police, the Election Commission and the Human Rights Commission, must be independent, transparent and accountable to the public' (quoted in *FreeMalaysia* 1999b).[16] Similarly, a joint statement by Suqui (Malaysian Chinese Organisations Elections Appeals Committee) comprising 11 major ethnic Chinese organisations – and endorsed by hundreds of others – which contained 17 reform proposals, declared at the outset that 'we are very concerned about corruption, deviations in the implementation of government policies, lack of accountability and transparency' (Malaysian Chinese Organisation 1999). Thematic reform prescriptions among parties and NGOs included: repeal of the OSA and the Printing Presses and Publications Act (PPPA); introduction of a Freedom of Information Act; mandatory declarations of assets by senior public servants and MPs; increased independence for the ACA; and greater public accountability for GLCs.

The government had failed therefore to restrict the discourse of transparency to the limited meaning it attributed to it. Critics and opponents of the government drew on the official rhetoric of transparency to promote reform ideas that fundamentally challenged the power relations embodied in Malaysia's authoritarian rule. Although the government ignored or dismissed these calls, the political risk of doing so was steadily rising as the special treatment of favoured cronies aroused growing domestic anger and resentment. Recourse to the Internal Security Act – including ten arrests in April 2001 – became an increasingly common means of stemming the tide of forces pushing these and other reform agendas threatening to the ruling coalition and Mahathir's political security (Saravanamuttu 2001).

Rise and fall of investor confidence

Interestingly, the pattern of investment following the crisis revealed not just that domestic business was largely disinterested in extending the transparency reform agenda to wider issues of the sort that political and social activists were championing. It also suggested that even where international investors attached importance to limited forms of transparency, this was contingent on their perceptions of the broader context of investment. Transparency did not appear to be an absolute prerequisite for renewed investment interest in Malaysia after the crisis. Rather, investor concerns about the lack of transparency in Malaysia kicked in only after faith in the overall system of governance plummeted following sustained and spectacular demonstrations of the consolidation of crony interests.

With the economy contracting by 7.5 per cent in 1998, restoring international investor confidence in Malaysia appeared a Herculean task. Economic problems were compounded by negative perceptions in the market about collusive business–state relations. Criticisms and concerns were widespread among credit rating agencies, financial analysts and journalists, the IMF and, most importantly, investors. The introduction of capital controls in September 1998 intensified much of this mood (Nesadurai 2000), as did Anwar's dismissal and the political turmoil it precipitated.

Nevertheless, during 1999, there was a decided, if not uniform, shift in market sentiment about Malaysia as the economy grew by a remarkable 5.4 per cent. More competitive manufacturing exports as a result of the pegged ringgit contributed significantly to this, as did expansionary fiscal policies. Significantly, though, the KLSE Composite Index rose from a low of 262.7 points in September 1998 to exceed 1,000 points by February 2000 (*Star Online* 2000a), underlining a generalised positive reappraisal of the Malaysian market.

In conjunction with recovery, reassessments of both political and economic conditions came from previously critical quarters. A great deal of 'talking up' the market was discernible among those with an interest in a positive perception of the Malaysian economy. Initially some of this came from Salomon Smith Barney, appointed as advisers to the Malaysian government in September 1998 and entrusted with the task of boosting bond sales, but before long it was widespread (*The Straits Times* 1999b). Stockbroking house SocGen-Crosby recommended the purchase of Malaysian stocks in early 1999 as 'too juicy to be missed' (quoted in Stewart 1999). Credit ratings agencies also progressively upgraded their assessment of Malaysia's currency and sovereign risk. Before the year was out, Morgan Stanley announced that the KLSE would be reinstated on the MSCI Indices in early 2000.[17] These indices are widely adopted as benchmarks by international fund managers. Malaysia had been removed from the MSCI when capital controls were introduced.

In a major public relations coup for Mahathir, the then World Bank Senior Vice-President, Joseph Stiglitz, praised Malaysia's achievements and argued that capital controls had been shown to be successful in stabilising speculative money flows. This was at sharp odds with the IMF and an endorsement of what Mahathir described as Malaysia's 'Sinatra Principle': doing it 'our way' (Alford 1999, Khanna 1999, Reyes 1999a, *Star Online* 1999). Mahathir's and Malaysia's treatment in the international press also took a turn for the better (Funston 1999). Journalists started documenting the acknowledgements and support the Malaysian approach had attracted. The heading of one such piece, 'Mahathir supported in journey from lunatic to fiscal visionary' (Stewart 1999), neatly encapsulated the mood swing. As election speculation mounted, the international financial press increasingly depicted Mahathir as pro-business, supported with quotes from investors emphasising the importance of political stability. In an *AWSJ* article entitled 'Victory for Mahathir May Cheer Investors' (Appell 1999), for example, one fund manager observed: 'You have a multiracial population and a recession. The last thing you want is to deregulate on the political front.'

Amid the rally of investor interest in 1999, serious reservations about the Malaysian market still existed among certain sections of international business, also highlighted in the international press (see, for example Hamlin 1999, Roche 1999). Mark Mobius, Emerging Market Fund President of Templeton Asset Management and friend of Anwar, for example, continued to blacklist Malaysia out of concerns over crony capitalism (Reyes 1999b). By and large, though, it appeared that the international investment community either quickly reverted back to a more restrained view of the governance misgivings about the Malaysian system, not seeing them as a serious obstacle to capital accumulation, or there were genuine expectations that governance reforms were imminent.

Whatever the case, another international investor mood swing began to manifest itself in 2000, despite an impressive overall economic growth figure of 8.3 per cent for the year (Ministry of Finance 2001). Overseas investors shied away from the KLSE, causing a freefall of 33 per cent between February 2000 and January 2001 (*Straits Times Interactive* 2001g). Foreign fund managers pulled out as much as US$3 billion worth of portfolio investment from Malaysia in the second half of 2000 alone (*BusinessWeek Online* 2001). Furthermore, it was not just the proceeds of portfolio sales by foreigners but also those of Malaysian exporters that were being repatriated (L. Lopez 2000). Foreign exchange reserves thus declined by US$700 billion in the first half of 2000 to US$33 billion despite growing trade surpluses.

During 2000, international investors and their advisors had become increasingly concerned about the slow pace of governance reform (*Business Times Online* 2001d), which had the potential to enforce a measure of retreat by entrenched politico-business interests. Instead, what they witnessed, as described above, was a consolidation of this by way of various controversial bailouts and selective regulatory enforcement. Now explicit criticisms about the lack of transparency were repeatedly made from within the international business community.

Transparency issues became important not just because of the threat of crony capitalism to shareholder interests, concerns most relevant for fund managers and securities firms. The volatile and less predictable political climate had also changed the context within which international investors were calculating risk. Many were prepared to turn a blind eye to the treatment of Anwar in the expectation that political calm would eventually be restored to Malaysia. However, results of the late 1999 general election and the December 2000 by-election loss in Lunas by the government reflected a sustained alienation of traditional UMNO supporters that had not gone unnoticed by economic analysts (L. Lopez 2000, D. Lopez 2000). No less important were internal UMNO fractures raising doubts about Mahathir's authority within the ruling coalition and which alliances and interests might prevail when Mahathir finally departed. It was in this context that many fund managers and stockbrokers saw a more urgent need for institutional protections against arbitrary political decisions affecting the market, and this included increasing calls for transparency.

The impact of the MAS and EPF deals was to ensure that early 2001 witnessed only a consolidation of adverse international investor sentiment about Malaysia. In April, Standard & Poor's downgraded Malaysia's long-term foreign currency issuer credit rating from positive to stable. Its concerns were many. One was the lack of political stability 'as Prime Minister Mahathir Mohamad's iron grip is loosened' (quoted in *Malaysiakini* 2001a). Indeed, Standard & Poor's observed that: 'Increasing political and economic stress raise questions about the current policy environment even before Prime Minister Mahathir steps down' (quoted in *Malaysiakini* 2001a). According to Standard & Poor's there was an 'uncertain commitment' to transparent corporate governance which was needed to contain mounting public sector debt linked to 'off-budget bailouts'. According to Standard & Poor's, an 'unchecked political-business nexus raises moral hazard and could erode the government's financial position' (quoted in *Malaysiakini* 2001a). The highly centralised decision-making structure came in for particular criticism: 'The country's institutions have been weakened by a reluctance to devolve decision-making power or to accommodate dissent' (quoted in Mitra 2001).

Such was the exodus of capital that when the new Morgan Stanley Capital International Indices were introduced in May 2001, recalibrated to measure free floats of shares rather than market capitalisation, the lower than expected weighting for Malaysia in the All Country World Free Index had little impact.[18] This was largely because most foreign funds had already left the country (Toh 2001a).

New reform offensive: reconstituting Malaysia Inc.

The dismay in the market following the MAS deal was so deep that the government realised it needed to do something urgently to try and resurrect investor confidence in the market. Consequently, in the first three months of 2001 there was a sudden flurry of policy announcements and developments pertaining to the speeding up of transparency and governance reforms affecting the stock market and other capital markets. The Code of Corporate Governance, which had been signalled back in March 2000, effectively began its staged implementation with the introduction on 22 January with new KLSE Listing Requirements and an accompanying schedule of mandatory changes to be phased in by June, later postponed to August. Under the Code, as it transpired, at least one-third of the board of directors of listed companies had to comprise independent, non-executive directors and audit, remuneration and nomination committees must have no less than two independent, non-executive directors (Prystay 2001e). The KLSE also required disclosures from directors on the state of internal controls, the independence of the board in annual reports, and attendance at prescribed corporate governance training programmes became a prerequisite for continued listing.

Also unveiled, in late February, was the *Capital Market Master Plan* that contained as many as 152 recommendations. This included ten for improved corporate governance derived from the *Report on Corporate Governance*, many of which were intended to raise awareness of, and accountability for, the fiduciary duties and obligations of company directors, management and officers of listed companies, notably in the provision of timely comprehensive and regular dissemination of company information and other material useful to shareholders (*Star Online* 2001b). The final phase of the shift towards full-disclosure-based rules related to the issuance or sale of securities was also to be implemented by the end of the year. The document, in conjunction with the companion *Financial Sector Master Plan* announced early the next month, charted the strategic plans and directions for capital markets for the next 10 years.

However, these announcements were not sufficient to stem the tide of cynicism and scepticism among investors that had been borne out of a sustained period of questionable governance practices. In any case, they were soon overshadowed by the Time dotCom fiasco that not only reinforced adverse market sentiment, but managed to precipitate the mobilisation of public opinion against Mahathir and UMNO around the themes of corruption and cronyism. The EPF affair proved a watershed in Mahathir's political survival strategy, prompting a dramatic reassessment of alliances and strategies.

In particular, Mahathir drew the conclusion that the way forward necessitated a speedy clean up of the lingering debt problems of the conglomerates and a distancing of himself and his government from the bailouts that had so dented business confidence and disenchanted UMNO's traditional ethnic Malay support base. This placed Daim, under whose stewardship the unpopular deals were cut, in the firing line. In a stunning announcement in late April, the Prime Minister declared that Daim had taken a two-month leave of absence, with the simple explanation: 'Daim is tired' (quoted in Lopez 2001b). On 1 June, and without any stated reason, Daim resigned all his official positions of Finance Minister, Minister of Special Functions, Executive Director of the NEAC, as well as his party post of UMNO Treasurer.

In the speculation about the political demise of Daim after 20 years in the engine room of Malaysia Inc., various policy and other differences between him and the Prime Minister were now highlighted in the media, although persuasive evidence of any serious policy rifts was scant. It was pointed out, for example, that Mahathir had sided with Bank Negara's plan to create ten rather than the original six anchor banks proposed by Daim (Lopez 2001c). It was also claimed, with some basis, that Daim was less attached to the capital controls policy than the Prime Minister (Chalmers 2001), an issue which separated Mahathir from many inside and outside the government. Furthermore, Daim was reported to have told several editors of local news organisations at a private dinner in late February 2001 that political problems were due to Mahathir's failure to effect a leadership succession strategy. However, among the most frequently suggested reasons for Daim's departure was his criticism of Mahathir's children's business interests (Lopez 2001d), which had apparently adversely affected his own interests during a bank merger in 2000 (*Business Times Online* 2001c).[19] It was even reported that the MAS bailout had upset Mahathir and cabinet members alike when it had been presented as a *fait accompli* (Pillai 2001).

However, given Mahathir's immense power within the government, neither the controversial deals nor the general strategies within which they fitted could be solely blamed on Daim, however much influence he exercised as Finance Minister. As Jomo (2001) observed: 'The RM30 billion debt did not fall from the sky. It was due to the kind of business practices approved by Mahathir, as CEO of "Malaysia Inc.", perhaps advised by Daim, but Mahathir had always approved of doing business that way.' Indeed, the sudden changes in the operations of regulatory authorities and speed of reform announcements that were to follow Daim's departure were testimony to the concentration of power around Mahathir. The fact of the matter was that Daim had become a political liability. Removing him offered considerable symbolic value as a break from the excesses of cronyism. Whereas Mahathir had ignored demands for Daim's removal in the 1986–87 internal UMNO struggle, in this context he needed to be able to project reform as a way of stemming alienation outside UMNO to revive both the economy and his government's electoral stocks.

Yet Mahathir's reassessment was broader than that. He also understood that a speedy resolution of the debt problems meant sorting out the crony companies and applying pressure on the tycoons Daim had put in charge of them. It was not just that they too had become political liabilities. Mahathir had to look for more commercially viable and robust domestic business groups useful to the government's economic plans. This didn't necessarily mean an abandonment of the concept of boosting a *Bumiputera* business class, it meant fostering the development of a new, more genuinely entrepreneurial *Bumiputera* class that could deliver the goods. A fuller – though not necessarily complete – embrace of improved corporate transparency and governance regimes could be functional for that long-term goal.

It didn't take long for indications that companies run by associates of Daim were facing a new reality. At the end of May, the government announced it was putting the planned RM6 billion rescue plan of two privatised light-rail projects on hold (Lopez 2001b). The plan was hatched by the CDRC back in late 2000. However, one of the companies to benefit because it held concessions to operate the unprofitable light-rail lines, Projek Usahasama Transit Ringan Automatik Sdn. Bhd. (PUTRA), was a wholly owned Renong company. Mahathir knew that his government didn't need the political flak that would ensue from what would invariably be viewed as yet another crony bailout. Subsequently, the government announced that a wholly owned unit of the Ministry of Finance, Syarikat Prasarana Nasional Bhd. (SPNB), would take over PUTRA and Sistem Transit Aliran Ringan (STAR), the other debt-laden light-rail operator (*AFP* 2002c). Ironically, it was through re-nationalisation that governance constraints were being imposed on specific commercial beneficiaries of political patronage.

In an even more significant development, in July the government announced a RM3.8 billion takeover bid for key Renong subsidiary UEM that would have the effect of both taking control of Renong and edging out Halim Saad altogether. A wholly owned subsidiary of state investment company Khazanah Nasional Bhd., Syarikat Danasaham Sdn. Bhd., submitted a general offer to buy out all Renong's 37.9 per cent stock in UEM as well as the remaining 14 per cent held by various government agencies. The offer by Khazanah of RM4.50 per share represented a premium over the prevailing KLSE trading price. The Prime Minister maintained on the eve of the announcement that Halim's Renong group was responsible for dragging the entire stock market down (Toh 2001b).[20]

Subsequently, government-appointed UEM executives revealed the RM3.2 billion owed by Halim on a put option had been terminated and in October he resigned from the company (Prystay and Patel 2001). He had already relinquished the executive chairmanship of UEM in mid-2001. However, arguably Halim did well out of the deal. He was obligated under the put option to buy 32 per cent of Renong from UEM at the agreed amount of RM3,200 million in cash. Now the government had taken on that debt and Halim walked away relieved of the burden.

The ushering in of a new group of advisers and professional managers within the public bureaucracy and government-linked companies accompanied the UEM/Renong takeover. Mahathir looked to this group to resolve the lingering corporate debt problems. The promotion to the chairmanship of the CDRC of the 37-year-old Managing Director of Danaharta, Azman Yahya, was the first step in this direction. These combined roles afforded Azman considerable opportunity to accelerate restructuring. Subsequently, two 32-year-old professionals and Cambridge University graduates, Rahman Ahmad and Shahril Ridza Redzuan, were respectively appointed as Chief Executive Officer and Executive Director of the indebted government company Malaysian Resources Corp. Bhd. (MRCB) which was considered asset rich but suffering from poor management (Wong 2001). Other strategic appointments of young technocrats included Wahid Omar as the new chief of the UEM/Renong group and Zarinah Anwar as Deputy Chief Executive of the SC (B.K. Sidhu 2001).

Azman's appointment to the helm of the CRDC was part of a larger initiative to revamp that body. Its composition was further widened to include representation of sectoral interests, adding Megat Najmuddin Khas of the Federation of Public Listed Companies, Cheah Tek Kuang of the Association of Merchant Banks in Malaysia and Michael Hague of the Association of Banks in Malaysia. Reflecting the urgency of the debt-restructuring objective, though, the CDRC was also to operate under stringent timelines and tightened disciplines. Now debt-restructuring proposals had to be finalised within three months and implemented within twelve. Transparency was also in for a boost, with the CDRC committing itself to quarterly updates on its debt restructuring progress and comprehensive reporting on corporate borrowers.

By early 2003, the CDRC had affected significant restructurings involving Renong and MRCB. With Renong being indirectly controlled by Ministry of Finance via Khazanah Nasional, its controlling stake in Crest Petroleum was sold to Sapura Telecommunications which is owned by Shamsuddin bin Abdul Kadir, an associate of Mahathir. This raised expectations that some of its other major assets might be sold before long. Meanwhile, MRCB bought one-fifth of UDA Holdings, which was previously the government Urban Development Authority. This acquisition had the potential to revitalise MRCB against a background of the corporation having sold numerous assets to meet debts (*Business Times Online* 2003).

In other governance developments, in September the SC announced various changes to its guidelines on listing, fund raising and restructuring of companies listed on the KLSE in line with the *Capital Market Master Plan* (J.S. Sidhu 2001). The Malaysian Accounting Standards Board (MASB) also approved 24 new standards for accounting and reporting in Malaysia that would bring local regimes closer to the international financial reporting framework (Hong 2001).

Meanwhile, another chief beneficiary of the previous controversial bailouts, Tajudin Ramli, also faced the winds of change. In October, the SC rejected a plan by him to retain management control of the investment company Technology Resources Industries (TRI) – owner of Celcom, Malaysia's second largest cellular operator – by selling stock to another company under his wing, Naluri. A subsequent attempt to implement a debt restructuring plan by Tajudin also ran into difficulty when the KLSE failed to approve the listing of newly issued TRI shares worth RM887 million. The KLSE decision was based on arguments that it had not received adequate clarification of the share price. This led to legal action by Tajudin. Speculation that regulators were exacting political persecution on one of 'Daim's boys' invariably surfaced. Malaysian Institute of Corporate Governance President, Megat Najmuddin Khas, even expressed sympathy with TRI in this particular case (Abdullah 2002). Later in 2002, Celcom lodged a police report over alleged fake invoices worth RM259.32 million issued in 1998 and 1999 by Tajudin and two other ex-directors and was suing them to recover RM56 million (*Malaysiakini* 2002a, Reme 2002).

To add to Ramli's problems, in January 2002, the MAS lodged a report to police seeking a probe into possible contraventions of the Companies Act by Tajudin during his chairmanship of the company. This was the upshot of an audit ordered by management after the government bought back control of MAS in 2000. The report alleged that Tajudin failed to disclose his interests in a German cargo firm that MAS had contracted to use as its European cargo hub (*South China Morning Post* 2002a).

In early 2002, MAS management announced that the company would be largely privatised by August 2002. Under the plan, a new company would run the profitable cargo and international operations under a 30-year concession, as well as domestic services on a fee basis (Jayasankaran 2002a). It was, however, a bailout of sorts, since under the plan MAS would sell properties and aircraft to the government to raise RM6.1 billion to repay debt and take delivery of new aircraft. Nevertheless, fund managers welcomed the move as helping to resolve MAS debt problems (*Business Times Online* 2002).

Halim and Tajudin were not the only high profile associates of Daim who were in retreat. Abdul Rahman Maidin was no longer the President and Chairman of MRCB, while Wan Azmi Wan Hamzah also quit positions at property developer Land & General and consumer products firm Amway (Malaysia) Holdings (*South China Morning Post* 2002c). These steps impressed financial markets that a serious break was being made with the past.

Importantly, despite these moves and the ushering in of a more powerful group of young Malay technocrats and improved corporate governance, Malaysia Inc. was far from dead. After all, 'Singapore Inc.' involves a close coalition between the ruling party and a strategic band of professional civil servants and regulatory authorities. Nor was the promotion of a *Bumiputera* capitalist class rule through state patronage a necessary casualty of this realignment in state–business relations. Rather, entrepreneurs capable of capitalising on state sponsorship rather than embroiling the government in unpopular bailouts were now more likely to win favour.

This last point was reflected in the sudden increase in the number of government contracts awarded to business tycoon Syed Mokhtar al-Bukhary, who is at the helm of various major publicly listed companies previously controlled by the government. His direct interests include container ports, mines, hotels and oil palm plantations and his total holdings have been estimated at US$1.5 billion (Elegant 2002). To be sure, Syed Mokhtar had benefited from significant government assistance in building up assets. His container port at Tanjung Pelepeas (PTP) was in dire trouble in 1997 before Khazanah Holdings came to the rescue to buy a 40 per cent stake (Lopez 2002b). Crucially, though, he has proven capable of giving a return on such patronage by thereafter succeeding in the face of tough global competition. In particular, during 2001 PTP attracted the world's largest shipping line, Maersk, away from the Port Authority of Singapore and the following year the Taiwan carrier Evergreen was also lured to PTP (Elegant 2002). Yet Syed Mokhtar could hardly be depicted as a force for a more transparent approach to business. As a leading analyst of Malaysian business, Leslie Lopez (2002c), observed of him: 'A dearth of information makes it hard to know whether his businesses are making money or losing it, how much debt they've taken on, and the inter-relationships among his companies and between his business and government-run entities.'[21]

Investors impressed

However, international investors were decidedly impressed by the shake-up initiated by Prime Minister Mahathir. The KLSE benchmark Composite Index started rising from the time Daim departed and the UEM deal was announced and showed sustained improvement as other measures unfolded. It rose by 90 points, or 16 per cent from its lowest point in June by the end of July 2001. This was against worldwide trends, outperforming stock markets in the United States, Hong Kong and Japan (Toh 2001c). Franklin Tan, the head of OCBC Securities maintained that 'Malaysia has bucked the trend largely due to the perceived improved corporate governance and the host of merger and acquisition deals' (quoted in Toh 2002a). These developments, according to Tan, had 'marginally reduced equity risk premium' (quoted in Toh 2002a). Steve Hagger of Credit Suisse First Boston asserted that government agencies would now have a 'freer hand to do their job in the post-Daim environment' (quoted in Toh 2002a).

Results of a survey of international business executives by Political and Economic Risk Consultancy (PERC) released in late June also ranked Malaysia the easiest place in Asia to do business owing to the lack of red tape. PERC, however, refused to accept the results at face value. It urged readers to treat the results with caution, maintaining that Malaysia lacked transparency and that Kuala Lumpur based executives could be simply trying to attract head office attention for the Malaysian market (*Star Online* 2001b).

Following the CRDC changes, the endorsements became more glowing. ABN AMRO Asia's head of research, Dominic Armstrong, lauded what he regarded as a transformed regulatory environment and the implementation of 'stock market-friendly' measures by the authorities. Indeed, Armstrong contended that: 'The KLSE is now the most exciting market in Asia and it's emerging to be among the best-regulated Asian markets' (quoted in Liau Y-Sing 2001). Morgan Stanley Singapore's Managing Director, Michael Dee, heralded what he saw as a watershed in corporate culture: 'We're seeing the beginning of a system of discipline that didn't exist before. It's the beginning of a culture which says "We're not going to bail you out, there's going to be more accountability, more responsibility and more deadlines"' (Vikram 2001). A Credit Suisse First Boston report subsequently described the corporate restructuring programme as a case of 'Goodbye cronies, hello professionals' (quoted in L. Ong 2001).

At the end of 2000, leading brokerage houses Salomon Smith Barney and Merrill Lynch raised their sovereign ratings on Malaysia, citing improved governance and restructuring developments as the main factors (L. Ong 2001). By early 2002, credit rating agencies such as Moody's and Standard & Poor's had also upgraded the country's ratings (Sindhu 2002, Ismail 2002). The turnaround in market sentiment was highlighted in the reception of Petronas' bond issue in May 2002 that was substantially increased to accommodate huge demand. Its sale of US$2.67 billion multicurrency bonds was the biggest ever issue by an Asian corporate outside Japan and attracted orders in the vicinity of US$7 billion (*South China Morning Post* 2002d). As recently as 1998, similar bonds had been traded at junk levels (Jayasankaran 2002c).

Meanwhile, the KLSE sustained a dramatic recovery. In March 2002, the KLSE Composite Index reached a 15-month high of 736 points amid rising expectations of higher corporate earnings (Sindhu 2002). In the first five months of 2002, foreign investors had injected more than US$2 billion into the KLSE, contributing to a 40 per cent increase over the figure at the end of May 2001 (Balfour 2002). Even Mahathir's shock announcement in June 2002 that he was resigning as Prime Minister, with effect from October 2003 (Suh 2002), had only a temporary negative impact on the stock market (Toh 2002b).

The improved business perception of governance in Malaysia was later reflected in the rankings by the Asian Corporate Governance Association (ACGA) released in 2003, which assesses standards of regulation and rule enforcement, the political and regulatory environment, the adoption of international accounting standards, institutional mechanisms and corporate governance culture. Although it placed Singapore at the top, with a score of 7.7, Malaysia was a big improver in the two years since the 2001 results were announced – up from 3.7 to 5.5 (Leahy and Lau 2003).

Significantly, it was not just the perception of improved corporate governance operating behind the market reassessment of Malaysia, although it was clearly dominant. Among the other factors at work was a perception of growing political stability related to the shored up position of both Mahathir and his government. This had been aided by a post-September 11 splintering of the opposition Barisan Alternatif following PAS's decision to push for an Islamic state and convincing by-election wins by the ruling coalition. There was also a new appreciation of the Mahathir regime in Washington at this time, which was now praised both for its preparedness to crack down on Islamic extremists and sparred criticisms about the curtailment of press freedom and other authoritarian predilections (Sanger 2002).

Against the prevailing trend, though, US pension fund California Public Employees' Retirement System (Calpers) announced in February that it was abandoning investment plans for Malaysia, Indonesia, the Philippines and Thailand. Malaysia had scored the lowest mark in four of eight categories Calpers assessed, namely political stability, transparency, labour practices and capital market openness. Clearly, though, Calpers adopted a very different notion of political stability from most others in the market. It covered progress towards basic democratic institutions and principles, civil liberties, judicial independence, protection under law and democratic accountability (*Business Times Online* 2002). On these grounds, though, it is difficult to understand why Singapore wasn't also on the list.

In any case, Calpers' disengagement from Malaysia and the commercial wisdom of its investment strategy was soon under review. In February 2003, Wilshire Consulting was recommending to Calpers that it reinstate Malaysia and Thailand but drop the Philippines from its list of emerging markets earmarked for stock investment. Wilshire's report pointed out that the markets that passed Calpers' criteria had actually underperformed since the new investment policy had been implemented in April 2002. Although this had been a generally poor period for returns, Calpers' target list of emerging markets lost 19.8 per cent compared with 16.4 per cent for a fully diversified basket of emerging markets, according to Wilshire (*Star Online* 2003). These results were a further reason for caution in interpreting the influence of governance and transparency standards on investor sentiment.

Conclusion

The official embrace of transparency rhetoric, and indeed reform, was on a par with that in Singapore following the 1997–98 Asian crisis. Yet far greater concern was periodically expressed by international capital about corporate transparency shortfalls in Malaysia. In particular, at times when faith in the overall system of governance affecting investment was eroded, a keener interest in transparency issues was discernible. The arbitrary and discriminatory practices of market regulatory and supervisory authorities, notably to protect and advance the interests of politically connected tycoons, heightened interest in transparency regimes. Investors felt more insecure about the future of investments in such climates, and the demand for improved transparency rose accordingly. This pattern underlines that transparency is not an intrinsically important precondition for the attraction of investment in capital markets. Rather, its importance is mediated by the context of the investment climate.

The Malaysian experience is not distinctive by virtue of its governance regimes being prone to politicisation and arbitrary influences. The same is true of Singapore, although they are not required on anything like the same scale to protect and advance state interests. The existence of huge concentrations of capital in state companies shielded from scrutiny has largely obviated the need for such interventions in the city-state. Rather, the difference lies in the fact that those influences in Malaysia were more conspicuous and intensified after the 1997–98 crisis broke as failed private corporations, with a defining influence on the domestic economy, were propped up. The vesting of state interests in these nominally private entities necessarily rendered regulatory and supervisory regimes more vulnerable to intervention than in the city-state.

However, the adverse domestic political consequences, as much as the capital flight this system eventually engendered, led to a reassessment by Mahathir. The preservation of Malaysia Inc., he seems to have concluded, rests on the cultivation of more robust domestic corporate groups capable of making effective commercial use of state sponsorship. While those groups may not be immediately apparent, the instituting of more stringent forms of corporate transparency and governance are not necessarily incompatible with that goal. Indeed, they may well be necessary ingredients. Such a shift will involve a more influential technocratic elite, a move that will be welcomed by capital. This would narrow the differences with the system in Singapore, a system that has gone hand in hand with a consolidation of the ruling party's economic and political interests there. Mahathir and his anointed successor, Abdullah Badawi, will be looking for the same.

But if international investors have thus far enthusiastically welcomed this refinement to Malaysia Inc. and are satisfied with the narrow agenda of transparency reform to which the Malaysian government has committed itself, others are less impressed. The broader authoritarian regime of which crony capitalism is an integral part has been under serious strain. Various reformist groups have agitated for wider changes to increase the openness and accountability of both political and economic decision-makers. They have tried to harness the concept of transparency to the ultimate objective of creating new structures of power that involve more substantive independent civil societies. Although they have been effectively contained for the time being, this has required an assortment of repressive means, including recourse to the ISA. As we will see in the next chapter, though, authorities are engaged in a continuing process of trying to ensure these forces do not translate into a more serious threat to the authoritarian regime.

6

CHALLENGES TO MEDIA CONTROL IN MALAYSIA

Introduction

The Malaysian government's *Vision 2020* statement declares that 'No effort will be spared in the creation of an information-rich Malaysian society' (quoted in Martin and Feldman 1998). Yet, shortly after the Asian economic crisis hit, the international media were described within government as the biggest obstacle to the country's economic recovery (PERC 1999b: 9).[1] Aspirations for a Malaysian niche in the knowledge economy remained, but official sensitivity to critical and investigative reporting heightened considerably. When the economic crisis brought an internal UMNO power struggle to a head, resulting in the dismissal and subsequent imprisonment of Deputy Prime Minister Anwar, this sensitivity intensified and extended to all forms of media. Indeed, a new phase in the struggle between authoritarian rule and freedom of expression and information was entered.

In various respects, this entailed a convergence with the strategies adopted by authorities in Singapore. Certainly much more energy went into the public relations management of media to complement measures of outright intimidation. And in terms of intimidation, legal and commercial pressures on publishers, distributors and authors became even more important. However, authorities in Malaysia were unable to instil the same discipline as in the city-state. The economic crisis had generated political tensions and conflicts in Malaysia that, in turn, created motivations and opportunities for challenges to authoritarian controls. A *reformasi* movement emerged and, despite differences of agenda among its elements, carving out independent media space was a strategic necessity to advance the respective reform aims under this umbrella. In the process, official rhetoric about transparency was exploited in campaigns for political accountability and openness.

Anxiety by Malaysian authorities over the media was in part driven by concern about the impact on foreign investors. This applied particularly to examinations of relationships between heavily indebted private business tycoons linked to UMNO and to the system of governance in Malaysia. However, Prime Minister Mahathir's attempts to rationalise his treatment of Anwar also translated into new pressure on mainstream and largely government-controlled domestic media. Yet their consequent use for blatant political purposes backfired on the ruling BN coalition and dealt a serious blow to the credibility of those media. Malaysians looked increasingly to international publications and, to an even greater extent, non-establishment or alternative domestic media for their accounts of current affairs. The vast bulk of the non-establishment media that flourished in this environment involved opposition political parties or advocacy groups, although there were some important initiatives towards new forms of independent journalism as well. In both cases, though, the Internet was especially important and this medium proved difficult for Malaysian authorities to control.

This development was never part of the government's vision of an information rich society when, in 1996, it pledged not to censor the Internet in order to attract investment. Use of the Internet to mobilise popular opinion and activate civil society especially irked the ruling coalition. Ultimately when crude forms of repression were employed to contain civil society activity, web site editors and journalists were among those netted. Resort to the ISA, the Sedition Act and the OSA powerfully underlined the limits to the government's concept of transparency and how none of this was changed by the political demise of Daim and the apparent reconstitution of Malaysia Inc.

Greater pressures were exerted on official media controls in Malaysia compared with Singapore for two reasons. First, the more conspicuous nature of political influences over economic management in Malaysia attracted more intense media scrutiny following the start of the 1997–98 Asian economic crisis. Second, the political conflict and the related rise in civil society activism that occurred in Malaysia fuelled attempts to circumvent and challenge existing media and information strictures. This accounted in particular for the sharply contrasting degrees to which the Internet was employed to challenge authoritarian information controls.

The discussion to follow examines the different stages in the friction over media and information control in Malaysia during and after the 1997–98 Asian crisis. The precise mix of measures forming authorities' strategies to contain challenges, and indeed the foci of these efforts, waxed and waned. This reflected wider political and economic dynamics shaping attempts to expand civil society space and the determination of the government to find effective ways of blocking such a scenario.

Crisis and renewed attacks on the international media

Widespread self-censorship notwithstanding, as we have seen in Chapter 2, the international media were still characteristically more critical than their local counterpart in Malaysia. In the lead-up to the financial crisis that hit Malaysia in mid-1997, this was reflected in the greater extent and nature of reporting on financial mismanagement, nepotism, cronyism and controversial mega projects.[2] In the context of a booming economy and with the government and Prime Minister enjoying a sense of political security, such reporting aroused periodic official irritation but that was dealt with on an individual and *ad hoc* basis. However, when the Asian financial crisis spread to Malaysia in mid-1997, this immediately sharpened official focus on media reporting and soon produced generalised attempts to discourage criticism of the economy or government.

Prime Minister Mahathir was quick to lay blame for Malaysia's predicament on a conspiracy of external forces, including the international media. According to Mahathir: 'Quite a few people in the media and in control of big money seem to want to see South-East Asian countries, and in particular Malaysia, stop trying to catch up with their superiors and to know their place' (quoted in *NST* 1997).[3] This was, in part, a defensive political reaction intended to whip up domestic nationalism. But Mahathir was also intent on minimising negative portrayals to the international business community. Consequently, such statements were accompanied by real changes in the reporting climate.

Almost immediately, government officials threatened international research and brokerage companies that people who 'sabotaged' the economy could be arrested under anti-subversion laws (Granitsas *et al.* 1997). This translated into self-censorship among brokerage houses – including the public suppression of some reports, or the release of truncated versions – and avoidance of the media (McNulty 1997). According to *Asiaweek* correspondent Santha Oorjitham (1999), from August 1997 until the same time a year later, brokerage house economists were so uncooperative that she was forced to quote brokers from Singapore and Hong Kong on the Malaysian economy.

The government also announced the establishment of a committee to screen all foreign media reports on the Internet about Malaysia, and called on the local media to refrain from negative reporting that could be utilised by 'foreign' media to tarnish Malaysia's image (*Star Online* 1997b). Information Minister at the time, Mohamad Rahmat, also threatened to withdraw CNN's access to the local market if critical reporting continued (Stewart 1997a). Meanwhile, the government issued a directive to academics banning them from making public statements about smoke from forest fires in neighbouring Indonesia, for fear that the tourist industry would suffer (Stewart 1997b). This followed a string of stories on the matter in the international press which, on the back of the financial crisis, the government regarded as unhelpful to the country's economic well being.[4]

The international media were quick to highlight and exploit the differences between Anwar and Mahathir over the causes and remedies of the crisis. Anwar's greater accommodation to neo-liberal ideas championed by the IMF certainly endeared him to the vast majority of business journalists and editors among the international media (Anwar 1998). Coverage initially centred around issues of public expenditure and mega-projects, but it increasingly focused on questions of corruption and crony capitalism and this aroused acute anxiety within the political establishment – not the least among business tycoons aligned to UMNO. Anwar's talk of cleaning up things on these fronts was taken as encouragement by reporters to delve deeper into such issues.

A campaign against Anwar by his powerful adversaries started to have an impact on Mahathir by mid-June 1998,[5] by which time Mahathir suspected Anwar might be plotting his demise. Mahathir had also become convinced that international investors and journalists were trying to play a role in determining the leadership, not least through published quotes of fund managers praising Anwar and depicting him as Malaysia's best hope for recovery.

However, the turning point was almost identical public statements in June 1998 by Anwar and close ally Ahmad Zahid Hamidi, head of the UMNO Youth wing, calling for an end to nepotism, cronyism and corruption. Zahid (quoted in Pereira 1998) asserted that: 'In the current economic situation, we should never condone nepotism whereby the interests of family members and certain groups are given priority.' This was not only a direct attack on the Prime Minister and those aligned to him,[6] but precisely the sort of rhetoric which preceded Soeharto's downfall in Indonesia. Indeed, at a Johor UMNO convention a short while later, Anwar warned that without reforms Malaysia was headed down the same path as Indonesia (Pereira 1998).

Mahathir's response included a warning at the June 1998 UMNO general assembly for 'foreign media' not to interfere in Malaysian domestic politics. This was followed by a new round of attempts to intimidate journalists within international media organisations – the majority of whom were in fact Malaysian nationals. But Mahathir also condemned elements of the local media for critical coverage of his government at a closed-door meeting of UMNO's Supreme Council (Lopez 1998: 5). Not co-incidentally, in July, close allies of Anwar stepped down from strategic positions in the domestic press after the main shareholder of New Straits Times (*NST*) Press and TV3 (Sistem Televisyen Malaysia) appointed a new chairman.[7] The allies were Johan Jaaffar, editor-in-chief of the country's largest Malay-language daily, *Utusan Malaysia*, and Ahmad Nazri Abdullah, chief editor of the Malay-language *Berita Harian*. These papers had given coverage to allegations of corruption, nepotism and cronyism – including the government-sanctioned rescue of a shipping company controlled by the Prime Minister's son, Mirzan. They also reported on problems associated with the new airport and the extravagance of the Petronas Twin Towers project (Lopez 1998: 5, Sangwon 1998, Stewart 1998, Wang 1999). The next month the chief of TV3 and another Anwar ally, Yunus Said, also resigned.

Meanwhile, the attempt to intimidate the international media gathered further momentum. In July, Deputy Minister of Information Suleiman Mohamad warned that the foreign media would be censored if journalists 'threaten political stability or national unity' (quoted in Walden 2000: 209). The following month, Information Minister Mohamad Rahmat also announced that there would be closer monitoring of foreign journalists, declaring that: 'If there is negative and bad news, we will know who is responsible' (quoted in Walden 2000: 209).

Internal UMNO machinations were, however, soon to exacerbate and intensify the pressure on domestic and international media alike. The subsequent appointment of veteran government politician Daim Zainuddin as advisor to the Cabinet with special economic functions undermined Anwar's authority as Finance Minister. Spectacular developments quickly followed. In complete contradiction of Anwar's prescription of a market-oriented 'bitter pill' on 1 September 1998 Mahathir announced capital controls limiting short-term stock trading and withdrawing the local currency, the ringgit, from international circulation. The following day, Anwar was sacked as Deputy Prime Minister and Finance Minister and expelled from UMNO.

Far from going quietly, Anwar described the allegations of homosexuality, sexual misconduct and abuse of power made against him as part of a high-level conspiracy. His public denunciations of Mahathir and his regime attracted large crowds who rallied behind Anwar's call for a '*reformasi* movement' to replace Mahathir and, what he described as, his corrupt political system. Mass arrests for unlawful assembly and police efforts to disperse crowds failed to deter gatherings. Instead, Anwar's arrest under the ISA on 20 September precipitated massive demonstrations. Official anxiety intensified about the way the media projected, what was now, a deep political crisis.

In the initial stages of the demonstrations, the government was especially sensitive to images conveyed through international television broadcasting. Mahathir singled out CNN and CNBC for criticism (Wang 1999). On 21 September, broadcasts by BBC, ABC and TVNZ were also jammed for several hours, following coverage of riot police firing water canon and tear gas at thousands of demonstrators. Two days later the Information Minister announced that 'foreign journalists' would not be allowed to use government facilities to transmit news and visual images deemed adverse to Malaysia (*International Press Institute* 1998: 119–20). The fact that the demonstrations coincided with the visit of the Queen of England to the Commonwealth Games in Kuala Lumpur ensured there was no shortage of international journalists to file reports. Against this background, when Malaysia hosted the November Asia-Pacific Economic Co-operation

(APEC) meeting, visiting journalists were required to secure additional accreditation in order to cover 'non-APEC' stories (Barker 1998). By this time, Anwar's trial was under way and the protest movement had become broad-based. Anwar's predicament provided a catalyst for a diverse range of reformist social and political groups to agitate for change.

The differences between Anwar and Mahathir no longer represented an opportunity for more probing reporting. On the contrary, as economic crisis translated into political crisis, the situation changed to what experienced Malaysia correspondent Raphael Pura (1999) described as 'a guerrilla warfare atmosphere'. The formation of an UMNO defamation panel was announced in February 1999, which, according to the panel chairman, would 'scrutinise accusations or statements or articles published in newspapers and magazines against the party leadership and government' (*Straits Times* 1999c). Reports of corruption and cronyism were obviously within the government's sights. However, the way in which Anwar's statements were reported also became an especially delicate legal matter, a problem compounded after Judge Abdul Wahab Patail instructed journalists to publish only 'factual evidence' relating to the Anwar case (*AP* 1999b).

The government's growing resentment of the international media was further underlined by a directive in February for government agencies to discontinue subscriptions to the *IHT*, *Asiaweek* and *FEER* because they 'clearly show they are unsympathetic toward our nation' (*AP* 1999c).[8] Cable news channel CNBC was then moved from its early slot on Astro, the local satellite television network, to channel 25 – the last station (PERC 1999b: 9). The crisis had also significantly increased the discrimination between the domestic and international press, with the latter excluded from many press conferences involving the government, government-related companies and the private sector. Ironically, Daim invited only the local media to an announcement in February 1999 about the easing of capital controls – a story of principal interest to international business. Even when the international media were not excluded from press conferences, for the first time authorities routinely demanded to see passes before allowing entry (Lee 1999).

Polarisation of local and international media

One consequence of the political crisis was a growing chasm between the reporting by the local and international media, as the government reined in traces of critical reporting within the domestic media and increasingly harnessed these organisations to its own political ends. The effect, however, was counter-productive. For Malaysians disillusioned with the blatant and increased subordination of the local media to Mahathir's agenda, the international media suddenly enjoyed a new status – especially among Anwar's many supporters.

During the demonstrations following Anwar's dismissal and subsequent arrest and trial, the discrepancies between the international and domestic media became glaring. Many Malaysians found it difficult to reconcile their own experiences in street protests with local reports on the numbers attending and the behaviour of the crowd and police. Discernible by their pink identification tags, international journalists were applauded at demonstrations. For a change, local journalists wearing blue tags tried to be inconspicuous (Lee 1999). At demonstrations in late September 1998 at the headquarters of the PAS political party, international journalists were even welcomed with crowd chants of 'CNBC, CNN, welcome, welcome' (Hiebert 1998: 22). By contrast, an unprecedented, and occasionally unrestrained, hostility was expressed towards local publications. In October 1998, for instance, Anwar supporters stoned a vehicle owned by a local newspaper and smashed the window before it was driven off (PERC 1999b: 9).

The local press came to assume a role in attacking the international press that had previously been meted out by Mahathir and his colleagues. In an editorial entitled 'Anwar and the vengeful foreign press' on 27 September, *NST* editor Kadir Jasin criticised the British press in particular for 'their eagerness to malign the Government and the law-abiding citizens of this country'. In addition to challenging the accuracy of reports,[9] Kadir (1998) asserted that: 'The persistence of the foreign media in toeing Anwar's line in condemning the Government is mind-boggling. It gives rise to suspicions that they are promoting an agenda rather than reporting the facts.'

One of the more concerted attempts to discredit the international press was contained in a *NST* piece by Ashraf Addullah, 'Foreign press ignored principles' in the 15 March 1999 edition. It attacked individual correspondents from the *IHT*, the *FEER*, *AWSJ* and *AFP* for an alleged lack of professionalism and impartiality. This followed the return of the BN coalition at the Sabah state elections, an outcome that contrasted with the predictions contained in these publications. The article included damning observations on individuals, such as the following on the *AFP*'s Peter Starr: 'As with other foreign bureau chiefs and reporters, Starr is fairly inexperienced and lacks knowledge and sensitivity' (Ashraf 1999).

In a subsequent two-part opinion piece published in the 5 and 6 October 1998 editions of the *NST*, a so-called 'Abdullah Tan' openly endorsed the Singapore model of international media control through circulation cuts and legal actions.[10] They were respectively entitled 'Foreign media peddling mass disinformation' and 'Western media should be punished if disregard for fair play continues' (Abdullah 1999a, 1999b). The Singapore government's 'long history of demanding and enforcing strict discipline against the foreign media' it was observed, has meant international media 'have to toe the official line and respect the domestic policy of their host country if they want to continue to distribute and sell their publications' (Abdullah 1999b). This was justified, argued ghost writer

'Abdullah' (1999b), on the basis that the 'local media of Asian countries do not have the international circulation and audience to influence global opinion so they cannot be a threat to Western countries'. By contrast, huge international media conglomerates like Time-Warner have the capacity to influence global perceptions and understandings of Malaysia. 'Abdullah' singled out CNBC and the *AWSJ* as particular sources of sensationalist, partial and inaccurate reports that were injurious to Malaysia, noting that Dow Jones owned both of them. Articles in the *FEER* and *Time* magazine were also cited to illustrate what was depicted as a campaign against Mahathir and his government. The exercise was an unmistakable attempt to intimidate executives and editors of international media conglomerates with implicit warnings that critical reporting risked commercial repercussions.

Beneath the surface, the latest harnessing of the domestic media to political purposes engendered a measure of disquiet. In May 1999, 581 journalists from mainstream newspapers signed a memorandum delivered to the then Home Minister, Abdullah Badawi, who was responsible for annual licence permits. It read: 'Troubling are accusations that local journalists are merely part of the government's propaganda machine and not professionals performing their duties to the best of their ability' (quoted in Chen 1999b). The memorandum called for the repeal of the Printing Presses and Publication Act (PPPA). This was the most significant collective action from local journalists since the unsuccessful protest in the mid-1980s against an amendment widening powers under the Official Secrets Act (Chen 1999a). However, it had little or no impact on the government or local editors.

Meanwhile, the trend towards emulation of the use in Singapore – or threat thereof – of legal actions to intimidate journalists gathered steam. Powerful politically connected business figures increasingly looked to the courts to silence and punish critical reporting through 'mega-suits'. Two defamation cases were brought by Mirzan Mahathir pertaining to an article about Malaysia Inc. in the 4 January 1999 edition of the *AWSJ* – one of RM200 million against the *Journal* and the other against its Malaysian Printers, Star Papyrus (*AWSJ* 1999). In another case, a RM200 million defamation suit was taken out by Vincent Tan, Berjaya Group chairman and chief executive, in response to 'Malaysia Props Up Crony Capitalists' penned by Malaysian academic K.S. Jomo in the 21 December 1998 edition of the *AWSJ*.[11] Cases brought by the government against social and political activists for printing and publishing 'false news' including the 18-month jailing of Lim Guan Eng,[12] also raised serious questions about the capacity for free expression in Malaysia (Elegant 1999).

The jailing of *FEER* correspondent, Murray Hiebert, further highlighted the seriousness of the situation. After waiting two years for his appeal to be heard, during which time he was unable to leave Malaysia, Hiebert abandoned the idea and opted instead to begin his prison term on 11 September 1999. In so doing, he became the first journalist to be imprisoned for contempt, in the course of doing his duty, since Malaysia's independence in 1957 – and the first in 50 years of history within the 54-nation Commonwealth.[13] Lin Neumann, Asian representative of the New York-based Committee to Protect Journalists, contended that Hiebert's imprisonment would have 'a chilling effect on journalists throughout the region' (quoted in *AWSJ* 1999). As Dow Jones Bureau Chief, Monica Houston-Waesch (1999), observed: 'Murray's observation about how uncharacteristically rapid the court case was dealt with could have been made by any journalist.' Following the conviction of American academic Christopher Lingle for a 1994 article in the *IHT*, Malaysia now joined Singapore in a rare contemporary enforcement of the arcane British-derived contempt law of scandalising the judiciary.

The use of mega-suits to silence journalists eventually raised such widespread concerns that the Malaysian Bar Council established a Defamation Suits Committee. In its 14-page memorandum released in early 2001 it reported that Malaysian defamation awards had become the highest among all Commonwealth countries. It criticised 'an unhealthy trend of mega-defamation suits and the opening of the floodgates to inflated claims' (quoted in Kabilan 2001a), emphasising that this was antithetical to a healthy media culture so important to a modern democratic society (Kabilan 2001b).[14]

Public relations offensive

There were other respects in which there appeared to be a convergence with the techniques in Singapore for trying to instil media control. Malaysian authorities embarked on information offensives and a closer monitoring of, and responding to, media reports. This included measures intended to co-opt the media to the government's agenda of positively projecting Malaysia to investors, as well as independent public relations exercises directed at the business community to counter adverse reporting.

It was not just overtly political stories about Mahathir's leadership, corruption and crony capitalism that aroused sensitivities. Almost any negative story about the economy and its management elicited serious official concern. This is why the NEAC Communications Team brief included 'clarifying or rebutting factually incorrect or misleading articles about Malaysia' and the Team was required 'to monitor all statements said about Malaysia' (Daim 1999). It thus devoted a great deal of energy to challenging media reports. One form this took was the writing of letters of rebuttal to individual journalists, which were simultaneously copied to all media organisations and posted on a section of the NEAC web site at the time entitled 'Press Room'.[15] Malaysian authorities were also now writing much more frequently to newspapers to have letters of reply to critical pieces published, sometimes with assistance from the NEAC.

Spin doctoring surfaced in various forms and from a variety of sources. This included the book *Hidden Agenda,* written by advertising specialist and ally of Mahathir, Lim Kok Wing, and Malaysian journalists Robert Ho and Yee Mee Fah (1998). With extensive quotes from the Prime Minister and denunciations of most things Western, it represented an unsophisticated attempt to sheet the blame for Malaysia's economic woes squarely on a conspiracy of foreigners. It tried to persuade readers that the right steps had nevertheless been taken to put the economy back on track. Presumably this was meant to complement Mahathir's direct efforts to disseminate the same message through his own publications – *Currency Turmoil* and *A New Deal for Asia* (Mahathir 1998, 1999).

Subsequent to *Hidden Agenda*, a new Kuala Lumpur-based journal, *New Voice of Asia*, appeared. The executive editor of *Voice of Asia* was Lim Kok Wing. The journal's title had some resonance with that of Prime Minister Mahathir's jointly authored book in the mid-1990s, *The Voice of Asia* (Mahathir and Shintaro 1995), which stridently celebrated the 'Asian way'. The advertisement for *New Voice of Asia* implored: 'Don't take what you see and hear from some Western-controlled media for what it is. If you need to, and want to know what is really happening in East Asia, read New Voice of Asia.' The cover story of one edition, 'Networking Or Cronyism?' contended that 'The very essence of an emergent civil society in Asia looks set to be undermined, if the West remains virulent in indicting bridge-building or networking as the precursor to cronyism, corruption and collusion' (Kim 1999: 4). The attempt to rationalise existing power relations was manifest.

More subtle techniques followed. Within quick succession, for instance, *Asiaweek* was offered various articles and book reviews for possible publication from an UMNO Youth member and the Institute for Strategic and International Studies (ISIS) – a government-funded think tank (Oorjitham 1999). Meanwhile, any favourable analyses of the Malaysian economy by stockbrokers or financial consultants were speedily placed on the NEAC web site. Attempts were also made to cultivate journalists to extract more sympathetic reporting, including taking journalists on official road shows meant to promote investment in Malaysia and the NEAC hosting groups of visiting journalists from around the world (Pereira 1999). Prime Minister Mahathir even abandoned his refusal to give interviews with the international media.

Significant as the contrasts were, it would be simplistic and misleading to present a dichotomy between a politically controlled domestic media on the one hand and a free and uncompromising international media on the other (Hilley 2001). First, as we will see later in this chapter, some sections of the domestic media were more subservient than others, which led to additional measures to rein in those elements that exercised comparative independence. Second, there were still many topics that the international media shied away from. For example, attempts by a journalist with one of the region's leading regional publications to get the go ahead for stories on either Mahathir's business interests or the business interests of politically connected tycoons in Langkawi Island – popularly referred to as Crony Island – were repeatedly rejected.[16] Finally, a significant element of the critical attention to Mahathir and his regime by the financial and business press derived principally from his stinging criticisms of international money markets and in response to foreign exchange controls and the threat that political instability in the wake of Anwar's dismissal posed to investment. This should not be conflated with a uniform or fundamental attack on the authoritarian regime per se.

Indeed, as the previous chapter has to some degree already revealed, international media sentiment towards events in Malaysia proved a dynamic and uneven phenomenon. From mid-1999 onwards, with Mahathir's economic policies appearing to have borne results, there was a discernible shift in reporting from significant sections of the international media (Funston 1999). Thus, Khoo's (1999b) observation that overall the international media and Mahathir shared a mutually beneficial love–hate relationship should be kept in mind. As he noted: 'That each takes occasional potshots at the other only enhances their credibility among the constituencies important to them' (Khoo 1999b).

Rise of non-establishment media

The most significant and enduring consequence of the government's attempts to shape reporting, however, concerned the domestic not international media. The obvious political hand in editorial slants and reporting from government-controlled media backfired, with the credibility of these media plummeting. Not only did this mean less Malaysians were digesting their contents, worse still from the ruling coalition's perspective, a virtual explosion of alternative or non-establishment media occurred. This was dominated by opposition political party organs and assorted web sites by a vast array of social and political activists (Chen 1999c, Pereira 1999). Such a development was symptomatic of an emerging civil society generated by political conflict, for which there was no parallel in Singapore during the same period.

As was indicated in chapter two, the Malaysian government, like its Singapore counterpart, had embraced the concept of information technology (IT) as a strategic economic force. In fact, in 1994, Malaysia became the first country in Southeast Asia to offer Internet access to the public (Yap 1995), and the National IT Agenda launched in 1996 implored all sectors of the economy to combine efforts to transform Malaysia into a global IT hub and information-rich society. The Multimedia Super Corridor (MSC) became the most conspicuous and symbolic expression of this ambition (Boey 2002). In his speech at the opening of the MSC, Prime Minister Mahathir (1997: 15) said 'I see the MSC as the leading edge of a new national strategy for Malaysia to achieve the goals described in our country's Vision 2020'.

The aim of building an Asian Silicon Valley was considered so important by Mahathir that his government pledged in 1996 that there would be no censorship on the Internet. This was intended to reassure prospective investors, given that the Singapore government had just received widespread international flak for its regime of controls over the Internet. This undertaking was formalised in the MSC Bill of Guarantee and subsequently incorporated in the Communications and Multimedia Act 1998.[17] The government's strategy to win over international business to the MSC concept also resulted in the formation of an International Advisory Panel that was chaired by the Prime Minister and comprised executives of 44 of the world's leading multimedia corporations, including Microsoft's Bill Gates (Hilley 2001: 133).

The economic crisis served only to reinforce for Mahathir the necessity of Malaysia forging ahead in trying to find a niche in the knowledge economy. So while the initial progress of the MSC in attracting international investment was modest (Chen 2001a), the 20-year plans of the Multimedia Development Corporation (MDC) continued to be phased in and the country's IT infrastructure improved. Computer ownership levels rose rapidly from 760,000 in 1996 to 2.5 million by 2000. Meanwhile, Internet penetration figures increased from 0.3 per cent in 1996 to 7.0 per cent in 2000, during which time Internet registration figures also climbed from 64,000 to 1.6 million (Leong 2001b).

Internet penetration levels were still dwarfed by those in Singapore, and were concentrated in the urban centres of the Klang Valley area and cities such as Penang, Kuching, Kota Kinabalu and Johor Bahru. Yet, as we will see below, the political application and impact of the Internet by social and political activists was far more significant in Malaysia. This was also in spite of the fact that the Internet Service Providers dominating the domestic market in Malaysia, as in the city-state, were government-linked companies – in this case Telekom Malaysia (TMNet), which commanded around 70 per cent of the market in 2000 – while the country's Internet backbone Joint Advanced Research Networking (Jaring) also came under the jurisdiction of the government agency Malaysian Institute of Microelectronic Systems (MIMOS) (*Reuters* 2000e).

To be sure, the increased recourse to the Internet by political actors was already in train before Anwar's political demise. The economic crisis itself seemed to have sparked greater awareness of its potential. Up to this point, of Malaysia's political parties only the Democratic Action Party (DAP) was online. Yet by late 1997, an interconnected network of homepages and sites had surfaced that linked the leading opposition parties and reformist NGOs (Hilley 2001: 170). However, the stimulus that Anwar's political tribulations provided for the use of the Internet in Malaysia was nothing short of spectacular (Abbott 2001a). In the first six months following September 1998, TMNet's number of new subscribers jumped from a previous average of 9,000 to 14,000. Within months, well in excess of 50 *reformasi* oriented web sites sprung up, as well as many other less partisan sites, both of which significantly eroded the monopoly of the mainstream media and authorities' capacity to control the circulation of information and views.[18] Moreover, this was not some exercise confined to an English-language educated elite. Malay language sites, and increasingly bilingual sites, dominated.

Among the first uses of the Internet in this flurry of cyber activity was as a medium for eyewitness accounts and photographs of public rallies and demonstrations associated with the *reformasi* movement. Such was the demand for alternatives to the mainstream media that these sources were sometimes unwittingly catapulted into prominence. Local journalist, Sabri Zain, for instance, initially collected reports from international newspapers and wire services and electronically circulated these to friends. However, he was quickly overwhelmed by requests from people to be added to his list, so he established a web site, Berita Reformasi (Reform News), as a way of coping with demand.[19] Similarly, Saksi ('Witness'), which was not an avowedly pro-Anwar site, recorded 20,000 hits the day it lodged its report on Anwar's address to a 50,000-strong crowd – the same day the former Deputy Prime Minister was arrested (Chen 1999c).

More openly partisan sites often represented special headaches for authorities, especially those that enabled Anwar to counter the domestic media and get his own messages into the public domain, as Anwar Online initially did.[20] This site was used in the early stages of the political crisis, for example, to lodge Anwar's letters to Mahathir – some of which were smuggled from prison – in which he rejected the charges against him. Subsequently, the Free Anwar Campaign site further developed these and other capacities to avail journalists, activists and interested readers in general of a vast array of material that would never have found its way into the government-controlled media.[21] Sites such as Crony-Net, Riches of the Mahathir Clan and freeMalaysia also emerged to give special attention to suspect government-business relations. In the case of freeMalaysia – established in 1999 – its impact was considerable, not the least because its partisanship combined with some of the best investigative journalism to be found in Malaysia at this time.[22] NGOs, such as the human rights group Suaram, were actively using the Internet as well to highlight both concerns about the situation in Malaysia and to try and shape the direction and content of the evolving *reformasi* movement.

The importance of the *reformasi* movement in explaining the explosion of the Internet warrants emphasis. If it were inherent democratising effects of this technology driving the new challenge to authoritarian media controls then we would have expected comparable activity in Singapore. Rather, political dynamics in Malaysia were crucial in generating motivations to exploit the technology to compete with and scrutinise the content of establishment media – often with a view to mobilising support around reform agendas. As journalist and director of the Free Anwar Campaign site, Raja Petra Kamarudin (quoted in Anil 2002a), explained: 'People needed the Internet because of *reformasi*. And the Internet spread information where normal means were not available.'

Some of the most irreverent sites, such as the popular Laman Reformasi, caused special irritation to Malaysia's political leaders accustomed to a largely deferential establishment media. The URL of this site, www.mahazalim.net, which played on the Prime Minister's name translated to English as 'the great tyrant'. Not coincidentally, anonymity and the use of offshore servers was a common *modus operandi* of the boldest web editors. Mahathir's adversaries understood that the MSC Bill of Guarantees didn't rule out surveillance of the Net and recriminations where possible. As Laman Reformasi's web master explained in an email message to an *AWSJ* reporter, not even his family and friends were aware he was responsible for that site. According to the web master: 'People from (police headquarters) are looking for people like us' (quoted in Chen 1999c). Authorities actively encouraged these fears.

A committee established to investigate slanderous accusations considered a threat to national security was claimed in mid-1999 to have identified 48 web sites responsible for 'defamatory accusations'. Reformasi, freeMalaysia and Mahafiraun were singled out as regular transgressors (Lebowitz 1999). Legal action, however, never materialised, underlining the technical difficulties authorities were up against in making good their threats.

In any case, the government had reason to be concerned about a more specific threat to its regime of information control: the emergence of mass circulation alternative publications. Between 1998 and 2000, readership dropped by 34 per cent for the *NST*, 27 per cent for *Utusan Malaysia* and 30 per cent for *Berita Harian* (*Malaysiakini* 2000). At the same time, a string of opposition and *reformasi* organs emerged to fill the vacuum. Circulation of *Harakah*, the bi-weekly official newspaper of the opposition Parti Se Islam Malaysia (PAS), soared from around 70,000 to 350,000 in the wake of Anwar's sacking – a figure exceeding any of the Malay-, English- or Chinese-language establishment newspapers at the time (Stewart 2000).[23] Other publications such as *Detik*, *Al-Wasilah*, *Tamadun*, *Ekslusik* and *Aliran Monthly*, all of which covered social and political issues, also enjoyed substantial circulation gains.

A no less significant development was the launching in November 1999 of the on-line *Malaysiakini* (Malaysia Now). This independent and critical newspaper soon had over 110,000 readers per day (Chen 2000), and won international journalistic acclaim through the 2000 International Press Freedom Award by the New York-based Committee to Protect Journalists (CPJ) to editor Steven Gan. *Malaysiakini* exploited two loopholes: first, existing laws did not provide for the requirement of online media publications to be licensed; and second, the previous commitment by the government not to censor the Internet, which rendered the handling of *Malaysiakini* a potentially sensitive commercial issue. It was the emergence of *Malaysiakini* as an internationally respected, non-party-political source that differentiated it from the other non-establishment publications and put it in a special category of concern for the government. This was reflected in *Asiaweek*'s 2001 annual ranking of the 50 most powerful people in the region, within which *Malaysiakini* founders, Steven Gan and chief executive officer Premesh Chandran, were ranked 18th. According to *Asiaweek*: 'The mainstream media rarely publish articles critical of the powers-that-be. Less compliant organs are aligned to opposition political parties. That leaves web pioneer *Malaysiakini* as the country's only credible and independent voice' (*Asiaweek.com* 2001).

Political anxiety and intensified efforts to stymie non-establishment media

Not surprisingly, as the November 1999 general election approached, anxiety about the influence of non-establishment publications increased. In this context, the government repeatedly threatened *Harakah* with a ban unless it restricted sales to party members. The election results only reinforced a sense of urgency about the need to arrest the influence of such media.

The *BN* was returned at the polls, securing 148, or 77 per cent, of the total 193 seats. The first-past-the-post voting system and unevenly weighted electorates accentuated the seat majority, however. In various respects the opposition made serious ground. The *BN* won 26 seats by less than 5 per cent majorities and a further 24 by less than 10 per cent. The government's share of the total popular vote dropped from 56.5 per cent to 40.3 per cent, while the Barisan Alternatif's share represented the best effort by any opposition coalition since 1969. Especially significant was the surge in support for the Islamic PAS. It not only retained the state of Kelantan but also picked up Trengganu, increasing its number of seats from 8 to 27 in the process. The results were unequivocal evidence that the overwhelming dominance of the BN of the Muslim and ethnic Malay vote had been dramatically eroded in the wake of the Anwar crisis (Martinez 2001).

Shortly after the election, authorities enforced alterations to *Harakah*'s permit, reducing its publication frequency from eight to two issues a month. Subsequently, the bi-monthly magazine *Detik*, weekly tabloid *Ekslusif* and monthly youth magazine *al-Wasilah* were unable to get their annual publication licences renewed. Additional pressure came by way of *Harakah*'s editor, Zukifli Sulong, and the owner of the company that printed it being charged under the Sedition Act for the paper's coverage of the Anwar trial (Elegant 2000b).[24] *Detik* publisher Ahmad Lufti Othman's was also charged with publishing without a permit after he set up a new tabloid, *Islah*, which was the subject of a raid and confiscation by the Home Affairs Ministry.

However, both *Harakah* and *Detik* responded by producing online editions,[25] successfully exploiting the same loopholes as *Malaysiakini* had (Alford 2000). By October 2000, *Harakahdaily* was receiving over 140,000 hits per day (Liebhold 2000). Hamstrung by its commitment not to censor the Internet, the government nevertheless continued to warn against what it saw as the misuse of the medium. Deputy Energy, Telecommunications and Multimedia Minister, Tan Chai Ho, emphasised that the spreading of false information through the Internet could be investigated under the Communications and Multimedia Act 1998 (*Star Online* 2000b). The Prime Minister's Department also announced in May 2001 that a legislative review was under way to try and curb the use of the Internet to create public disorder and incite violence against the government. This included consideration of extending the embrace of the PPPA to the Internet (Chen and Prystay 2001).

The deteriorating political and economic environment between late 2000 and early 2001 compounded the government's frustration over its inability to curtail the impact of the non-establishment media and the use of the Internet by social and political activists. The December by-election loss in Lunas was followed, as we saw in the previous chapter, by mounting and widespread popular resentment towards the government over bailouts of the EPF and MAS with public monies, which also served to alienate investors.

Nevertheless, some aspects of existing media regulations did have their use in limiting the development of online publications. Ironically, these were less an obstacle for blatantly partisan political organs than for newspapers trying to undertake independent journalism. An application in April 2000 by *Malaysiakini* to obtain press accreditation was rejected by the Information Ministry on the basis that it didn't have a publication licence. Deputy Home Minister Chor Chee Heung subsequently emphasised that journalists without media accreditation were barred from covering or attending any government functions.[26] Although this wasn't consistently enforced, *Malaysiakini* was thereafter prevented from attending various official press conferences (see Tan and Theophilus 2001, Tong

2001a).[27] This didn't stop *Malaysiakini* from functioning, but it was an obstacle to its fuller development as a newspaper.

The determination of the government to prevent this from happening was underlined in a concerted campaign led by the Information Ministry on the government-controlled media, particularly the broadcasting station Radio Television Malaysia (RTM), to discredit *Malaysiakini* (*Malaysiakini* 2001a, *Reuters* 2001). This included footage of Gan and Chandran being arrested at the Earth Summit in Rio de Janeiro in 1992, labelling them as 'radicals' (Murphy 2001). Their arrests followed a press conference called to voice concerns over issues of environmental degradation, rising inequalities between nations, human rights and other matters that critics of the Earth Summit felt were not being addressed.

Most significantly, the government seized on an item within a report in the *FEER* on 8 February 2001 that claimed *Malaysiakini* received funding from the Open Society Institute (OSI), a US-based fund established by international financier George Soros to support various liberal democracy-oriented initiatives and research programmes. Such was Prime Minister Mahathir's attitude to Soros that he not only linked his currency speculation to the Asian crisis, but also described him as a 'moron'. The alleged connection between *Malaysiakini* and the OSI involved the former receiving a grant from the Southeast Asian Press Alliance (Seapa), which had itself accepted funding from OSI. According to Seapa officials, however, the only money they obtained from OSI had been spent on a consultant in Bangkok. Neither directly nor indirectly had any funds from OSI gone to *Malaysiakini* (Cheah 2001). This didn't stop Mahathir describing *Malaysiakini* journalists as 'foreign agents' for Soros (*Business Times Online* 2001g).[28]

However, this campaign ultimately backfired and brought the establishment media credibility into greater question. Editor Gan, for example, was accused on state television's RTM1 of producing a false story about the number of people killed in a 1998 detention centre riot at Semenyih near Kajang, Selangor – reporting that 59 people had died when it was only 8. But RTM1 had actually conflated and confused two different stories, committing a number of glaring factual errors in the process. Gan had written on this issue in 1995 for *The Sun*, along with Selvi Gopal and Umah Papachan. Rather than having misled the public on the detainees, their work eventually led to admissions by government authorities that some 98 detainees had died at various immigration depots, of which 43 were in Semenyih. Only after this admission were *The Sun*'s editors actually prepared to publish the journalists' report.[29] Claims by the Information Ministry's parliamentary secretary, Zainuddin Maidin, that he had evidence that Gan had previously worked for an anti-government newspaper in Malaysia also proved an embarrassment. Gan was able to point out that the only Malaysian newspaper he had been employed at before

Malaysiakini was *The Sun* (*Malaysiakini* 2001b), which, as we have seen in chapter two, was owned by interests closely tied to the ruling coalition.

The overall immediate impact of the campaign against *Malaysiakini* appeared to have been counter-productive, since the number of daily hits the site received escalated to around 200,000 in the month following the initial 'revelations' in February 2001 (Murphy 2001). Yet translating readership into advertising revenue to sustain and expand operations remained an even greater challenge for *Malaysiakini* than most other online portals.[30] Private companies and other advertisers in Malaysia had shown a reluctance to be associated with such a well-known irritant to the government (Chen 2001b).[31] The commercial challenges facing *Malaysiakini*, stemming particularly from the difficulty of attracting advertising, translated in 2002 into a decision to require readers to take out subscriptions to secure comprehensive access to its content. Other revenue raising exercises were also being explored, including deals to syndicate content to global media organisations (Brewer 2002). This underlined the tenuous financial viability of even the most popular of online publications in Malaysia.

Fears also surfaced during early 2001 that corporate apprehension about getting offside with the Malaysian government had gone one step further when access to more than a dozen *reformasi* and opposition party web sites hosted by US-based Tripod.com servers was suddenly withdrawn on Saturday 17 March.[32] Before Tripod, a subsidiary of internet giant Terra Lycos SA, submitted an explanation on late Monday 19 March, speculation was rife among *reformasi* and opposition groups about what lay behind the problem.[33] When Tripod finally explained what happened, concerns about political censorship were only partially allayed. According to Lycos, a number of sites had been inadvertently removed along with others that had intentionally been removed because they were deemed to have violated the company's terms of service. But Tripod's terms, which include the barring of promotion of illegal activity and 'clear expressions of bigotry, racism or hatred' among other things, could be open to wide interpretation. Moreover, Lycos Vice President of Marketing, Bernard Chen, indicated that the company took into account the laws of each country, which meant this was often a 'tough call' (quoted in Chen 2001c).

In other media developments during the first half of 2001, the RM230 million takeover in May of Nanyang Press Holdings by the Malaysian Chinese Association (MCA) – the second-largest member of the ruling coalition – had the effect of closing one of the few spaces within mainstream domestic media not comprehensively subordinated to political control (Loh 2001).[34] The two Chinese-language daily newspapers in the Nanyang fold with a combined circulation of 400,000, *Nanyang Siang Pau* and *China Press*, had taken a reasonably independent stance on the way that issues to do with the *reformasi* movement were reported. Certainly they were not overtly pro-government mouthpieces in the way the *NST* and *Utusan Malaysia* were. The takeover prompted widespread protest action from journalists and civil society groups and was only narrowly carried by the shareholders. The Nanyang acquisition also widened existing splits within the MCA.[35]

Suspicion that this was a political move meant to curb independent journalism was reinforced when Mahathir remarked that: 'Nanyang and the China Press have been instruments of the opposition parties. They have been very active in campaigning against us' (quoted in *Straits Times Interactive* 2001h). Mahathir particularly criticised both papers' coverage of civil society group Suqiu's questioning of affirmative action policies during the 1999 by-election loss for the government in the seat of Lunas (Prystay 2001f).

Subsequent to the takeover, at least 10 editors or journalists of these papers were either replaced or resigned (*AWSJ* 2001a), resulting in significant content changes. This included the retraction of a full-page opinion column called 'Nanyang Saloon' in its Sunday supplement. This page had earned a reputation for in-depth interviews with activists, politicians and academics on current affairs, including on questions of political reform (Tong 2001b). A section entitled Youth Mission that examined human rights, media freedom, social issues and university politics was also discontinued (Kabilan 2001b).

An almost immediate result of closing down this comparatively independent space among the Chinese dailies for political analysis was a surge in Chinese-language Internet activity. This included new web sites such as Berita Generasi, Free Media, RadioRadiq and Mytianwang. Hard-copy non-establishment publications also expanded as a result. The Chinese-language magazine *Perspektif Pedas* (Spicy-hot Perspective) that was launched in 2000 suddenly experienced significant circulation growth (Anil 2001a). A Chinese-language edition of *Berita Keadilan* (Justice News) was launched in July for members of Parti Keadilan Nasional. Meanwhile, circulation for both *Nanyang Siang Pau* and *China Press* dropped substantially (K. Tan 2001). In September 2002, a three-month suspension order by the Ministry of Home Affairs greeted the launch of a new newspaper, *Oriental Daily News,* intended to fill the vacuum following the *Nanyang Siang Pau* and *China Press* boycott (Tong 2002).[36]

The Sun had also incurred the wrath of authorities in late 2001 by publishing a report about an alleged assassination plot against Prime Minister Mahathir and Deputy Prime Minister Adbullah Ahmad Badawi in its 25 December edition. The next day, however, Prime Minister Mahathir denied any knowledge of the plot and emphasised that the report had damaged Malaysia's international reputation. Ministry of Home Affairs officials called a meeting with editor Robert Ho and editor-in-chief H'ng

Hung Yong resigned the same day. Ho, reporter R. Manirajan and photographer Anita Mohamad Nasir were all subsequently suspended resulting in senior editor Andy Ng resigning in protest. Ho and other editors stood by the authenticity of the report.[37] A string of staffing and management changes thereafter ensued at *The Sun*, including the dismissal of more than forty other staff, involving numerous senior journalists.[38]

In conjunction with the escalation of pressures on newspapers and online publications, the Home Ministry raided street stalls in central Kuala Lumpur to confiscate *reformasi* video tapes and VCDs.[39] Ironically, it was UMNO who initiated a VCD war in November 2000 when it distributed free copies of VCDs showing two people confessing to being sodomised by Anwar. Subsequently, a black market videotape and VCD market sprung up that featured a variety of political materials. The most popular item, however, proved to be 'The Sham Trials of Anwar Ibrahim', a pirated copy of 'Malaysia – Trial of Anwar Ibrahim', an edition of an Australian current affairs television programme, *Foreign Correspondent* (2000).

Authorities also applied increased pressure in 2001 on publication vendors as a way of stemming the tide of resilient non-establishment publishers. Intimidation of printers and distributors handling such material was not new.[40] However, it was publications of the creative and defiant Ahmad Lufti Othman that now prompted special efforts from authorities. Lufti had been getting around his inability to obtain Home Ministry permits for a number of new titles by exploiting a loophole that exempted one-off publications such as books – as opposed to periodicals such as magazines and newspapers – from the licence requirement. He produced what, in effect, was a series of related publications with different mastheads but which were still identifiable by their layout. They came under such titles as *Haraki*, *Memo 8*, *Memo 14*, *Memo 21* and were averaging sales of around 50,000 copies per issue.

Now it was vendors who were subjected to harassment, including being taken to court for selling allegedly illegal printing materials. Although Lufti offered to pay their hefty fines of between RM20,000 and RM30,000, many vendors were scared off. In October, Home Ministry officials raided a printing plant and confiscated large volumes of Lufti's latest edition which blew around RM50,000 of his investment. This pushed Lufti into debt and resulted in large-scale retrenchments of his journalists (Gan 2002).[41]

Commercial pressure applied to international media

The acute concern of the Malaysian government about the impact of the Internet in early 2001 was accompanied by additional measures directed at the international media. A new high-level committee jointly chaired by Information Minister Khalil Yaakob and Foreign Minister Syed Hamid was established in February to try and counter 'biased reporting' or what Khalil described as 'an attempt to destabilize and weaken the country to force a change in the government which the foreign media feels [sic] is more suitable' (quoted in *AP* 2001a). However, it was not this committee but commercial pressure on foreign publications that was the hallmark of this particular phase of authorities trying to encourage more circumspect reporting. Threats had been made as far back as 1999 about possible commercial pressures on international media organisations. But Finance Minister Daim Zainuddin's subsequent warning in March that foreign news organisations engaging in what his government regarded as biased reporting risked losing access to a lucrative market proved to be anything but idle (*AP* 2001b).

For the first time in years, lengthy delays in distribution approvals of individual editions of foreign publications, needed from the Control of Publications and Film Division of the Ministry of Home Affairs, began to dog the international media. Delays of up to three weeks began in late February, affecting numerous editions of *Asiaweek* and the *FEER*. The problem persisted until late April for *FEER* and well into the middle of the year for *Asiaweek*. This was more than an inconvenience since a current affairs magazine that is three weeks old is not current or marketable – especially when those editions have been available in online form in the meantime. Malaysia also represented *Asiaweek*'s biggest market in Southeast Asia, accounting for around 25,000 copies per edition prior to the delays. *FEER* endured significant losses too, averaging sales of 15,000 in Malaysia (*AFP* 2001g).

Distribution delays were preceded by a rebuke for *Asiaweek* from Prime Minister Mahathir for a cover photograph of him in its 26 January edition. Mahathir believed it was an unflattering image deliberately chosen to make him look like 'an idiot' (*AFP* 2001g). It was just three days after Mahathir's statement to this effect, on 1 February, that the committee chaired by Khalil and Syed was announced. Subsequently, *Asiaweek*'s 2 March edition, which featured two articles on Malaysia, was held back for three weeks. One of these articles contained allegations that the Malaysian government provided support for the Moro Islamic Liberation Front in the Philippines and that while this had officially ceased, high level contacts persisted (Mitton 2001). The other argued that the design of Malaysia's new administrative capital Putrajaya reflected and reinforced Mahathir's centralised control (Arjuna 2001a).[42] Among the other issues delayed was the 15 June edition, which scrutinised the Daim departure and drew attention to UMNO's internal problems and Mahathir's own political challenges. It underlined how Daim and Mahathir had formed a close team in defining the government–business nexus that had by now become so unpopular.[43]

FEER suffered a similar fate, starting with its 1 March edition. It contained an article entitled 'Shaking the party grip on power' that reported on a public demonstration organised by the Malay Action Front, maintaining that it had generated a fear within UMNO that its political dominance was on the wane (Holland 2001b). The article's opening paragraph highlighted how internal party ructions could no longer be contained in the face of disillusionment over the recent spate of bailouts: 'Accusing Prime Minister Mahathir Mohamad of cronyism and authoritarianism is the bread and butter of Malaysia's opposition parties. But on 4 February, it was card-carrying members of his own ruling coalition who broke ranks to do that very same thing. Their attack at a 3,000-strong rally in the heart of Kuala Lumpur made politicians across the spectrum sit up' (Holland 2001b).

Throughout the delays, neither publication was able to extract an official explanation. Repeated attempts by *Asiaweek*'s executive editor, Richard Hornik, to secure a meeting with Ministry officials were also unsuccessful. By contrast, representatives of the *FEER* finally obtained a meeting with officials from the information and home ministries in April and delays ceased with the 26 April edition. Yet *FEER*'s publisher Philip Revzin was still unclear as to how the problem came about: 'The government never gave us a reason why the distribution was delayed and it never gave us a reason why they let it resume' (quoted in Leong 2001c). However, the US government reportedly raised the matter of distribution delays in response to a request by Foreign Minister Syed for a meeting between Prime Minister Mahathir and President Bush (Leong 2001d). *Asiaweek* received no such reprieve, though, and delays continued well into late July. The heavy financial cost of these delays in *Asiaweek*'s prime market may not have been the cause of the magazine's eventual closure in late 2001, but they certainly would not have helped.

Time magazine also suffered a one-off delay with its 16 April edition that contained a graphic representation of the Prophet Mohammad as well as an article entitled 'Policing the police' which criticised the behaviour of police at recent public demonstrations and rallies.[44]

It was against the background of sustained and concerted pressures on domestic and international media in Malaysia that the CPJ voted Prime Minister Mahathir one of its '10 worst enemies of the press' in the world in 2001 and, the following year, a new global press freedom index published by Reporters Sans Frontières ranked Malaysia in 110th spot out of a total 139 countries (Yap 2002).

Civil society and the media

As the range of obstacles to the freedom of the media mounted, the number of initiatives from civil society groups specifically dedicated to challenging this also increased. Thus, there was significant follow-up to the May 1999 memorandum presented to Abdullah Badawi as Home Minister. The theme was a steadfast insistence on the need to repeal legislation fundamentally hostile to free expression and a concerted attempt to forge broad alliances and cooperation among different interest groups to bolster lobbying and protest capacities towards that end.

The inaction on the part of Abdullah to the 581-signature memorandum in 1999 calling for the repeal of the PPPA certainly didn't result in resignation by Kumpulan Aktivis Media Independen (KAMI), or Independent Media Activists' Group – the editors, writers and cartoonists responsible for its organisation. On the contrary, KAMI supplemented the first exercise, which was a one-week effort covering 11 mainstream newspapers limited to the Klang Valley area around Kuala Lumpur (Chen 1999b), with another 370 signatures from all over Malaysia and submitted this to Abdullah in April 2000.[45] Its other activities included a submission in October 2000 to the government established Human Rights Commission of Malaysia (Suhakam) of a document containing seven demands for media reform, appealing to the human rights commission for advocacy of its cause (KAMI 2001).

The potential for the issue of media freedom to become enmeshed with wider political concerns was further demonstrated in the reaction to the controversial acquisition of Nanyang Press publishers by the MCA in May 2001. It precipitated a flurry of civil society activism – especially involving ethnic Chinese communities. This included the establishment of the Chinese Organisations Against the Takeover of Nanyang Press (COAT) which consisted of four leading umbrella organisations – the Selangor Chinese Assembly Hall, the United Chinese School Committees' Association of Malaysia, the United Chinese School Teachers' Association of Malaysia and the United Chinese School Alumni Association of Malaysia. This alliance involved a total of 245 ethnic Chinese organisations that branched well beyond those with a direct commercial or professional interest in Nanyang Press or any other media. In an open letter to Prime Minister Mahathir, COAT threatened to abandon support for the MCA, a member of the ruling coalition, if their views were ignored (Prystay 2001g). Meanwhile, hundreds of journalists from *Nanyang Siang Pau* and *China Press* launched a yellow ribbon campaign to protest the takeover, an initiative that was vigorously promoted by the ethnic Chinese pressure group Pahlawan (Warriers) Volunteers.[46] Public meetings on the 28th day of each month were also begun to commemorate the end of Nanyang's independence from party politics.[47]

Collective lobbying for media reform took a further step in late 2001 when Aliran brought together a network of editors, journalists, academics, students and assorted other social activists to try and build a more effective movement for media reform. What transpired was *Charter 2000: A Malaysian citizens' media initiative*. This document laid out a critique of the existing legislative regime, identified a set of principles underlying the case for media reform and listed a series of specific reform demands. The demands included the repeal of repressive legislation – such as the PPPA, the ISA, the OSA and the Sedition Act – and the cessation of requirements for publishers and printers to obtain licences. *Charter 2000* also called for legislation to prevent the award of excessive libel damages as a way of silencing critical journalism, a Freedom of Information Act and a 'truly independent self-regulated media council'. Importantly, it contained a strategy for building solidarity and coordinated political action, one part of which was to seek public endorsement for the Charter from NGOs and another part of which was a programme of protest methods that included demonstrations, boycotts and media watch activities meant to expose abuse of media power.[48]

By January 2003, as many as 34 NGOs had formally endorsed *Charter 2000* that ranged broadly across the social spectrum. Significantly, the first body to endorse the Charter was the Malaysian Trades Union Congress (MTUC), meaning that the movement had attracted support from within at least one major mainstream institution and one that covered 500,000 members across nearly all sections of industry. The MTUC had, as we saw in the previous chapter, been extremely critical of the government over the use of workers' superannuation funds on bailouts for UMNO-aligned business tycoons' companies. The MTUC was soon joined by the Federation of Malaysian Consumers (FOMCA), comprising 12 affiliated consumer groups, as well as such organisations as the Citizens' Health Initiative (CHI), Women's Agenda for Change (WAC), the Center for Orang Asli Concerns (COAC) and, later on, a variable host of others, including the Sisters of Islam (SIS).[49]

In 2002, the campaign for media reform took a new twist when on Press Freedom Day, 3 May, around 50 journalists assembled at the office of Suhakam in an appeal that it do more to promote media freedom. Publisher Ahmad Lufti, who was among the protesters, commented that: 'Unlike others who had given *Suhakam* a "B" or "C" grade for its human rights work, I would give it a "D" or "E" for its efforts in promoting media freedom' (quoted in Aliran 2002a: 29).[50] Under the collective name of Inisiatif Wartawan (Concerned Journalists from the traditional and new media) a document entitled *Malaysian Journalists* (sic) *Campaign for Repeal of Draconian Laws: Journalism Under Threat* was submitted to Suhakam. It was formally endorsed by the Writers' Action for Media Independence (WAMI), the Committee Against the Takeover of Nanyang Press by MCA (CAT), the Centre for Independent Journalism and Charter 2000. Inisiatif Wartawan subsequently conducted a two-month public campaign, ending in August, for the establishment of a voluntary and independent media council in place of the PPPA.

However, the concept of a media or press council was also one that appealed to the government, albeit for quite different purposes. In 2001 it commissioned the Malaysian Press Institute (MPI) to investigate the idea. The report was submitted to the Ministry of Home Affairs in November of that year, but the contents remained secret until the MPI revealed a draft of a private members' bill, the Media Council Act, it was planning to introduce. The proposal aroused considerable consternation among civil society groups. They feared that this might be a new mechanism through which authorities could regulate and penalise journalists.

The proposed code of conduct required journalists to report news and views 'with due discernment and adaptation in view of national interests, universal values and professional objectives' and 'not to publish or present among editorial material something that is not motivated by journalism' (quoted in Theophilus 2002a). The composition of the proposed 24-member council, which would have the power to adjudicate on complaints and to 'warn, admonish or censure' media organisations editors or journalists, was also contentious. The coordinators of Charter 2000 insisted that any council should have broad representation of independent media and civil society groups – instead of being dominated by interests closely aligned to the ruling coalition. Moreover, in the absence of any repeal of the PPPA, a media council would be of no value and Charter 2000 would not participate in its establishment (Anil 2001b, Mustafa and Anil 2002). The Inisiatif Wartawan document presented to Suhakam in May was no less emphatic on this issue.[51]

The concerns about there being an ulterior motive behind the government's promotion of the media council idea were understandable. After all, although Rais Yatim publicly embraced the concept by claiming a need for greater accountability and transparency, he also threatened that those who used the Internet to spread lies would not go unpunished (*Star Online* 2001a). Was this new regulatory regime meant principally to bring non-establishment journalists, especially those working for opposition and *reformasi* online publications, more effectively into line?

Repressing civil society and reviving the BN

The range of measures attempted to intimidate, discredit or regulate the media – especially those meant to limit the harnessing of non-establishment media to the galvanising of opposition into concerted, collective political action – was symptomatic of the deteriorating political position of Mahathir and his government during late 2000 and early 2001. Yet it was a measure of their ineffectiveness that the government increasingly resorted to the crudest and most repressive legislation on the books, namely the ISA, OSA and the Sedition Act, to try and curb political mobilisation, scrutiny over the exercise of power and related media activities. Such traditional means of repression helped stem the tide of demonstrations, which was a welcome reprieve for the ruling coalition. Meanwhile, Mahathir and the BN experienced a remarkable turnaround in political fortunes that in large part ensued from divisions within the opposition over Islam accentuated after the terrorist attacks in America on 11 September. In this new climate, the government's authoritarian ways even earned a measure of respectability in influential international quarters as concerns about Islamic militancy in the region heightened.

Amidst sustained public demonstrations against the Mahathir regime, in April 2001 authorities enforced the ISA to arrest 10 prominent figures, including Ezam Mohamad Nor, Youth Chief of Keadilan. His stirring speeches around the country lambasting the government over bailouts and cronyism helped attract thousands of people to demonstrations (Holland 2001a). Already Ezam had been charged in March with sedition for allegedly calling for mass demonstrations to topple the government by violent means through comments published in *Utusan Malaysia*.[52] Also among the April detainees were the Free Anwar Campaign web master and Party Keadilan media coordinator, Raja Petra Kamaruddin, and *Malaysiakini* journalist and social activist Hishamuddin Rais.[53] Police confiscated Raja Petra's computer with a view to locating evidence that could incriminate others under the Sedition Act (*CNN.com* 2001b).[54] Another detainee, Keadilan Vice President Tian Chua, was alleged to have used the Internet to incite the public to demonstrate (Azlina 2001). As it transpired, Ezam, Tian Chia, Hishamuddin and Saari Sungib, convenor of the People Memorandum Rally on 14 April, as well as Badrulamin Baharon and Lokman Noor Adam, were all hit with two-year detention orders under the ISA while Raja Petra was released in June.[55]

By mid-2001, the detention of strategic Keadilan organisers and the fear it instilled in others had reduced public demonstrations, helped also by the partisan way police administered compulsory permits for public gatherings of three or more persons. In this context, an increasingly vocal student movement became a new focus of authorities. In July, two student leaders involved in anti-ISA protests were thus detained under the ISA (Anil 2001c). However, the major targets of repressive measures by this time were organisers within PAS, which had made substantial electoral inroads into the traditional UMNO base among ethnic Malays.

First of all this involved a police campaign to end *ceremahs*, the numerous political-cum-religious nightly meetings within Muslim communities that were held throughout the country and extended to remote rural communities. They varied in size from a few hundred to a few thousand and played a critical role in facilitating grassroots communication and dialogue. Hundreds of riot police reportedly blocked 33 such PAS-organised meetings across central Selangor on 31 July, the same night that police dispersed a gathering of 500 people at a public rally in PAS-controlled northeastern Terengganu (Anil 2001c).

Then, during 2–3 August, at least six members of PAS were among the

10 new detainees in another wave of ISA arrests. Authorities claimed that they had netted a group of Islamic militants,[56] allegedly belonging to Kumpulan Mujahidin Malaysia (Malaysian Mujahideen Group) or 'KMM'[57] trained in Afghanistan by the Taliban and plotting terrorist activities in Malaysia. Whatever the security risks were, the government used the arrests to try and discredit PAS by depicting it as violent and dangerous.[58] Those arrested hotly contested the existence of any KMM while various human rights groups remained sceptical and called for the charges to be tested in court.[59] Following the terrorist attacks in the United States on September 11, the number held under the ISA in Malaysia increased significantly. By June 2002 there were 62 known detainees accused of being KMM members.[60] In December of that year, a further 10 people were also detained under the ISA for allegedly spreading false rumours over the Internet about potential terrorist attacks within Malaysia (*Ummahnews.com* 2002).

The plausibility of claims about terrorist cells in Malaysia was aided by events in Singapore. In December 2001, 13 suspected terrorists were arrested under Singapore's ISA, accompanied by allegations of plans by Islamic extremists to bomb strategic US naval facilities, commercial interests and various Western embassies. Then, in August, authorities detained a further 21 alleged members of a regional-wide and al-Qaeda-connected Jemaah Islamiyah (JI). JI was said to be plotting to bring about the overthrow of the Malaysian government as the first step in realising a larger Islamic state that also covered Singapore, Indonesia, the southern Philippine island of Mindanao and Brunei. Within a week of this announcement, Malaysian police arrested 42-year-old former university lecturer Wan Min Wan Mat, allegedly a pivotal KMM leader and part of the JI engine room.[61] The subsequent bomb attack in Bali, which resulted in a further five arrests in October 2002 under Malaysia's ISA (BBC 2002), added weight to the authorities' case for vigilance.

However, many of the government's critics worried that a pretext now existed for further exploiting the ISA for political purposes. This issue had already been taken up with mixed success through the courts. In September 2002, a four-member Federal Court panel ruled on a habeas corpus case on behalf of five of the April 2001 detainees that the arrests under Section 73 of the ISA were made in bad faith and illegal.[62] Yet the Court also concluded that the detainees were, after the initial 60 days' detention, being held under Section 8 of the ISA, leaving it powerless to call for the release of detainees.[63] The court's decision seemed to confirm that blatant political abuses of the ISA were beyond effective legal challenge.[64]

In conjunction with the ISA, the OSA made no less emphatic a statement of how desperate the authorities were to obstruct any form of transparency that contributed to meaningful reform towards greater political openness and accountability. In August 2002, the courts finally announced a guilty verdict on the charge against Ezam arising from his disclosure in November 1999 of the ACA probe into Trade and Industry Minister Rafidah Aziz and former state *menteri besar* Abdul Rahim Thamby Chik. He was sentenced to two years' jail.[65] The sentence prompted widespread condemnation from civil society groups in Malaysia. Yap Swee Seng, coordinator of human rights organisation Suaram, contended: 'The question is why are there no actions or prosecutions brought against the two ministers?' further asking: 'Should this type of information – which is of public interest – be classified as confidential or official secrets in the name of national security? Whose security are we talking about here?' (quoted in *Malaysiakini* 2002a). Aliran President P. Ramakrishnan also challenged the government to make public the ACA documents (Aliran 2002b).[66]

However, the government was dismissive of such concerns. Just one month later, an alternative budget by the Barisan Alternatif precipitated new investigations into alleged breaches of the OSA on suspicion that it contained information that had been leaked by civil servants.[67] This prompted a fresh round of criticisms from NGOs.[68] Even Ramdas Tikamdas, President of the normally restrained Suhakam didn't mince words. He declared that 'the manner in which the OSA is being invoked by the authorities from time to time suggests they want to create a closed government, and having the monopoly on information, it will release at its whim and fancy' (quoted in Theophilus 2002a).[69]

The use of the Sedition Act to try and silence critics was widespread even before the escalation in repression during the 2001–02 period. In January 2000, shortly after the general election, for example, leading opposition figures Karpal Singh of the DAP and Marina Yusoff of Keadilan were charged under the Sedition Act.[70] As we saw earlier, in the same year *Harakah* editor Zulkifli and the PAS organ's printer were also charged. Now, however, the Act was not only used to try and intimidate political leaders, such as DAP leader Lim Kit Siang (Theophilus 2002b). Indeed, in mid-2001, a schoolteacher in Trengganu was charged with sedition after having set an exam question on the country's justice system (Roberts 2001).

These and other repressive measures put the brakes on the mass mobilisation of protest and generally impaired the organisational capacity of opposition parties. However, Mahathir and his government also benefited politically from the public bickering between opposition groups that gathered momentum during 2001. This had reached a serious point prior to 11 September terrorist attacks in America, but deteriorated quickly thereafter. Later that month, the predominantly ethnic-Chinese-based DAP walked out of the Barisan Alternatif over PAS's insistence that Malaysia become an Islamic state.[71] PAS's subsequent call for a *jihad* (holy war) against the US served also to alienate non-Muslims and help UMNO leaders' attempts to cast the ruling coalition as one of Islamic moderation. Against the background of a string of political debacles for UMNO that year, now government depictions of PAS as the Taliban of Malaysia were resonating with the electorate (Martinez 2002).

By this time, there were also signs that the momentum behind the explosion of the non-establishment media was starting to wane and that the establishment media, or parts thereof, were regaining some of the lost ground. Daily circulation was up for *The Star* and, to a lesser extent, *Utusan Malaysia,* while many of the non-establishment web sites were struggling to get enough contributions from freelance writers. Resilient non-establishment publisher Ahmad Lufti maintained that sustained pressure by the authorities had taken a toll (Periera 2003).

The first signs of the *BN*'s political recovery came in a July 2001 by-election for the seat of Likas in the state of Sabah, where the government incumbent was returned with a substantially increased vote. Then in state elections in Sarawak on 27 September, the BN managed to win 60 of the 62 seats, recapturing seats lost at the 1999 elections. Another by-election, this time for the seat of Indera Keyangan in the state of Perlis in January 2002, also resulted in a resounding win for the BN candidate. But instead of the electoral revival of the government persuading Mahathir that recourse to repressive means was less necessary, he submitted a new and ironic rationale for exercising them. In July 2002, the Prime Minister observed that: 'The dilemma that the Malays and the peoples of Malaysia face is whether we should in the name of democracy, allow the country to be destroyed or we ensure that people are not subjected to the point where they will use democracy to destroy democracy' (Mahathir 2002). It was the threat of Islamic extremism that Mahathir used to make his point, with PAS the unmistakable exemplar inferred in his warnings about how 'Malays are willing to vote and support a Party which advocates and practices violence' (Mahathir 2002).

But while this sort of argument was never likely to establish Mahathir as a belated custodian of democracy, it did nevertheless strike a chord in important places, as it was intended to. After all, the talk was delivered at a Harvard Club of Malaysia dinner. In the context of the US's global 'war on terrorism' Mahathir was now an ally and a force for Islamic moderation. A new appreciation of his authoritarian rule was now possible in Washington. This was reflected in the formation of a Malaysia–America Friendship Caucus (also known as the Malaysia Trade, Security and Economic Cooperation Caucus) in the American Congress initiated by Pete Sessions, a Dallas business person and friend of President George W. Bush. According to Sessions: 'The caucus will assist in educating and informing other members of Congress and government officials about the benefits of a cooperative, anti-terrorist, pro-democracy, free trading, and pro-economic growth relationship with the country of Malaysia' (quoted in Lee 2002). It was also reflected in the planned Southeast Asia Centre for

Counter-Terrorism in partnership with the US and based in Kuala Lumpur (*STWE* 2003a).

This cooperation didn't mean an end to periodic verbal attacks on the US by Mahathir, especially following the Iraq War (Lau 2003, *Malaysiakini* 2003c), nor did it rule out the occasional expressions of disquiet from the US Department of State (2003) about abuses of human rights and press freedom in Malaysia. However, the new reality of terrorism focused the minds of those most influential within the US administration on fundamental foreign policy priorities that worked in favour of the Malaysian government.

Despite, or possibly because of, the favourable turn of events for the government, in early 2003 authorities presented a new challenge to *Malaysiakini*. On 20 January, police raided its offices and confiscated all 19 computers, including four servers, in response to a police report lodged by UMNO Youth over an allegedly seditious letter published on the web site under the pseudonym 'Petrof' earlier that month. The letter, entitled 'Similarities between "new Americans" and bumiputera' questioned affirmative action policies in favour of ethnic Malays – ironically, something Mahathir himself had also done during 2002 (Shari 2002) – and likened UMNO to the Ku Klux Klan (Lyall 2003).

The spectre of possible charges and imprisonment for Gan and his co-editors was serious enough, but the confiscation of all computers for 'forensic examination' even though just one was material to establishing the email address of 'Petrof' suggested there was more to the exercise. So too did the fact that *Malaysiakini*'s landlord, the now government-linked P.C. Suria,[72] quickly followed up the raid with an order to *Malaysiakini* to vacate its rented premises.[73] By now, *Malaysiakini* had around 3,000 paid subscribers and these latest pressures appeared to be another phase in the attempt to jeopardise the web site's commercial viability. On top of routine computer hacking and server break-ins affecting the site's functioning, this was a more fundamental attack on its technical capacity to operate without disruption. The demonstrated capacity of authorities to get access to *Malaysiakini* computers, albeit under the pretext of legal investigations, may have also been a calculated move to intimidate subscribers worried about confidentiality.[74]

Although *Malaysiakini* was back in operation within hours, it was two months before police finally returned two of the four servers still under confiscation – and only after threatened legal action by *Malaysiakini* (*Malaysiakini* 2003a). *Malaysiakini* was also defying the eviction notice on the legal grounds that it constituted a violation of an existing contractual commitment by the landlord (*Malaysiakini* 2003b). In the meantime, though, there were widespread protests over the police action and public campaigns to support *Malaysiakini*. This included a joint statement by Aliran, Suhakam and Suaram that was endorsed by 48 different organisations in Malaysia in support of *Malaysiakini*, as well as protests from the Malaysian Bar and assorted international organisations.[75] An Independent Media Fund also raised around RM30,000 to help *Malaysiakini* through these difficult months. As it transpired, P.C. Suria reversed its earlier decision, thus allowing *Malaysiakini* to stay in the premises for a further two years and, at least by August 2003 (*Malaysiakini* 2003d), charges against *Malaysiakini*'s editors had not proceeded. In any event, this latest episode underlined that *Malaysiakini* was likely to remain a continuing target of authorities. The only question was what tactics would be used to try and stymie its development. The raid was all the more ominous given that responsibility for it rested with Mahathir's anointed successor, Abdullah Badawai. It seemed clear that sustained collective political action would be needed to defend non-establishment media initiatives into the future.

No sooner had the latest *Malaysiakini* episode died down than the established international media, namely *The Economist* and *FEER*, became embroiled in yet another fracas with the Malaysian government. The 5 April 2003 issue of *The Economist*, which contained a 16-page feature entitled 'The Changing of the Guard – A Survey of Malaysia', aroused a series of official condemnations and culminated in a letter of rebuttal by NEAC's executive director, Mustapha Mohamed, published in the 8 May issue of the magazine. The articles cast a critical comprehensive eye over the legacy of Prime Minister Mahathir and included a piece about the Anwar Ibrahim appeal hearing.[76] *FEER*'s 24 April, 1 and 8 May issues were all delayed without explanation. The first of these contained a piece entitled 'Turning back the clock' concerning the restructuring of Renong and the Lion group which, it was speculated, may have precipitated the delays (Yap 2003).[77]

These clashes only reinforced the point that the US–Malaysia alliance against terrorism didn't portend any change in relations with the media. Indeed, Deputy Information Minister Zainuddin Maidin declared in May of the same year that Malaysia should not celebrate World Press Freedom Day because it embodies the agenda of Western media imperialism (Kabilan 2003).

Conclusion

By comparison with Singapore, the period from 1997 onward in Malaysia represented a significant diminution in the effectiveness of authoritarian media controls. Not only did the credibility of government-controlled establishment media suffer considerably, but there was also a dramatic expansion of politically oriented and independent media competing with these sources. Civil society forces, whose ranks swelled following the sacking and imprisonment of Anwar, were greater in number in Malaysia than in the city-state. They were engaged in a political struggle that necessitated alternatives to the establishment media – both to question and challenge the government's use of power and to advance their own causes.

Nowhere was the contrast more evident than in the harnessing of the Internet. In Malaysia, this technology offered a means of both disseminating information and analyses that would not otherwise get wide circulation and of mobilising demonstrations and protest action. Its much bolder and more extensive application in Malaysia than Singapore testified to the primacy of social and political forces in realising any potential of the technology to threaten authoritarian regimes.

Yet the sober reality about these gains in the space of independent media in Malaysia is that they nevertheless remained tenuous and fell well short of striking a decisive blow against authoritarian controls. First, these gains have not forced a retreat by authorities in their efforts to control the media. On the contrary, they have prompted them to draw on the most repressive means available to try and limit their impact. On more than one occasion in the past, this has put paid to promising surges of independent media activity. Second, the greatest advances in independent media space have involved politically partisan organs and sites, many of which have already proved to be transient. The space that has been opened up for independent journalism capable of more systematic and sustained critical analyses of public affairs has been more modest. Moreover, both large international media conglomerates and small budding domestic independent organisations alike are still vulnerable to commercial pressures that the authorities are capable of directly and indirectly exerting on them.

There is, however, every reason to expect that the struggle against media controls in Malaysia will be a more concerted and better organised one than in Singapore. As we saw in this chapter, there has been a wide range of collective initiatives in Malaysia dedicated to media reform by social and political activists and journalists themselves – sometimes in alliance and other times not – striving towards a very different notion of transparency from that of the government's. These structures have no serious counterpart in Singapore, especially on the part of local journalists. Furthermore, at times, we have seen that Malaysia's complex relationship between ethnicity and politics can be played out through issues of media freedom. Indeed, it was in the context of the MCA takeover of Nanyang Press that certain business interests even rallied behind the cause of media independence. Thus, while the regime of authoritarian controls over the media in Malaysia may not have undergone any fundamental changes, its reproduction is likely to be a more exhausting and difficult exercise than in Singapore.

7

CONCLUSION

Advanced market systems, information flows and political regimes

This study set out to examine the nature and significance of pressures for improved information flows in Singapore and Malaysia – countries that experienced sustained economic growth for decades under authoritarian rule. It included consideration of whether functional economic imperatives and technological developments might be shaping to erode the viability of what have been two of the most effective systems of authoritarian information controls anywhere in the world. The answer obviously would have wider implications, both for our understanding of emerging market systems and their institutional preconditions, and of the prospects and forms of authoritarian regimes within and beyond the region.

As the foregoing chapters reveal, in neither Singapore nor Malaysia has there ever been a blanket attempt to limit information flows and expression. After all, well before the 1997–98 crisis extensive and profitable media industries were entrenched in both countries. Instead, controls have always targeted particular sorts of information and expression, notably those perceived as threatening to the interests of the respective ruling elites and accompanying power structures. Given the pervasive direct and indirect involvement of the state in these economies, though, even limited forms of transparency pose a potential threat to the capacity to insulate these interests from scrutiny. New electronic media technologies such as the Internet have also increased the difficulty of official censorship. Without doubt, then, authorities in these regimes have been facing unprecedented challenges in the attempt to maintain the customary effectiveness of selective information controls.

Yet what this study shows is that a number of factors have thus far worked in favour of keeping that challenge within tolerable bounds in Singapore and Malaysia, leading more to regime reconstitution than regime erosion. Not least of these is the complexion of interests driving much of the pressure for change. The study also brings into question the popular association, and even conflation at times, of transparency with democracy. Indeed, it cautions against the potential of neo-liberal constructs of the former to supplant, rather than reinforce, the latter. Such pressures may represent a force for institutional convergence towards Weberian bureaucratic rationalism but this is not quite the same threat to authoritarian regimes as one that links ideas of transparency to practices of liberal democracy.

With these general points in mind, this chapter reflects on the key arguments signalled in chapter one and how they were borne out in the subsequent analysis. It also draws out their implications for other authoritarian regimes in the region and some of the resonances that can be found in their experiences with the arguments here.

Disaggregating 'transparency' and 'information'

One of the major tasks of this study has been to identify the different reform agendas associated with the concept of transparency and to explore exactly what sort of information is entailed in them and what this means for the conduct of politics. In the process, it has been shown that business attitudes towards transparency and the media are indeed complex and often ambivalent, factors that authorities in Singapore and Malaysia have attempted to exploit in their strategies to modify their systems of selective information controls and to depoliticise the transparency debate.

In particular, once we disaggregated 'information' and examined in detail what specific sorts of transparency have been advocated by investors, fund managers and others involved in financial services industries and multilateral agencies, it became clear that there is, in effect, no generalised information drive. Rather, there are various industry-specific agendas for information and disclosure improvements. The narrowness of the information being sought has been a striking feature, with media freedom rarely featuring in the lobbying or reform advocacy from within, or on behalf of, the private sector. Moreover, we have seen that even the importance of these requirements is mediated by a complex and dynamic set of variables.

Especially in the case of Malaysia, the importance attached to transparency by investors has been contingent rather than intrinsic. At times investment has flowed in spite of major transparency deficiencies, while at other times these have been a source of contention and a deterrent to investment. The degree of confidence in the integrity of other institutions affecting corporate governance seems to have been a particularly important variable behind this pattern. Yet even concerns about broader governance systems can be allayed if anticipated profit margins are sufficiently attractive vis-à-vis the international alternatives.

Furthermore, both Singapore and, to a lesser extent, Malaysia have been able to obtain glowing private sector assessments of transparency levels, or improvements thereof, from time to time. Yet this study has established that even in terms of limited transparency the shortfalls in information – especially regarding government-linked companies – are considerable. To be sure, information about publicly listed companies has been raised and subjected to more systematic reporting standards, which seems to go a significant way towards satisfying international business interests. Further progress in this and other areas may be required to consolidate and increase that satisfaction with the reform agenda, and this will not be entirely unproblematic. The point is, however, that pressures from business for comprehensive transparency are generally conspicuous by their absence. The reforms business has sought have centred around discrete and instrumental information needs rather than the freedom of the press and expression or political transparency that have a more systemic effect on what information is available. So long as this remains so, authoritarian regimes have more to gain than lose by trying to accommodate business information needs.

This is especially well understood in Singapore, where the PAP has actually been able to harness the concept of transparency to the structural and ideological refinement of the authoritarian regime. Through its selective improvement to information pertinent to business and its wholehearted adoption of transparency rhetoric, it has been able to shore up its reputation for clean, efficient administration that distinguishes it from so many other investment sites in East and Southeast Asia. Similarly, limited transparency reforms in Malaysia helped restore confidence in the market at a time when worries about crony capitalism threatened to undermine the economy and, in turn, UMNO's political hegemony. In both cases, these reforms have not only been state-led but they have also been enacted without cost to other controls meant to stifle political transparency and accountability.

To be sure, the context within which debates about transparency are conducted has changed since the advent of the Asian crisis. The sudden and spectacular collapses of huge publicly listed companies such as Enron Corp., Global Crossing Ltd and WorldCom exposed serious deficiencies in the disclosure and auditing practices in the United States. Major corporate collapses in other developed markets have occurred in similar circumstances. To some extent this has undercut the moral superiority of external advocates of more dramatic and rapid reform in East and Southeast Asia. One commentator went so far as to proclaim that: 'As one revelation follows another, it is now clear that the problem of unfettered crony capitalism is certainly not confined to Asia. Indeed, it is far more pronounced in the developed world than in emerging markets' (Wood 2002).

Debate has also revealed that there is far from universal agreement even within advanced market economies over appropriate information requirements of companies, let alone the wider role of regulatory authorities and the media in the functioning of markets (Bowring 2002). Just as there has been a concerted push for more meaningful information and less public relations spin from companies and the institutionalisation of greater independence in the scrutiny of reporting claims (Coy 2001, Hiscock 2002), so too there have been warnings that new laws applying to the New York Stock Exchange to raise disclosure standards will deter foreign investment (*Straits Times* 2002). The value of quarterly company reports – which both Singapore and Malaysia have adopted – is also something on which there is no unanimity among regulators in various advanced market economies. Some criticise them for fostering short-term horizons that militate against sound investment strategies (Day 2003). The appropriate extent and nature of regulated information requirements of business are thus by no means a clear-cut matter even within developed markets.

Nevertheless, instead of a reprieve for authoritarian regimes, the overall effect of these corporate collapses and ensuing debate has been to boost the neo-liberal push for uniform global standards in accounting and financial reporting (K. Lee 2003). Importantly, though, this study has shown that while transparency reform agendas can pose challenges to regimes in Singapore and Malaysia, they are not facing a coherent and undifferentiated set of information demands. This is clearly taken into account in the attempts by authorities to increase information availability and quality selectively, a strategy that could be instructive for leaders in other authoritarian regimes. The Chinese government, in particular, which issued new rules in 2002 to tighten disclosures for listed companies in response to concerns by fund managers, may draw on these experiences in making accommodation to the World Trade Organisation and more generally in its attempts to increase China's engagement with international markets (*Reuters* 2002a).

More generally, authoritarian leaders everywhere can take heart from the priority among advocates of neo-liberal markets for increased availability and circulation of information over substantive political reforms towards liberal civil societies. In this agenda, transparency can serve as a substitute for, or diversion from, pressure for democratic reform; a new form of neo-liberal politics that is not necessarily at odds with authoritarian rule and may even, in certain circumstances, be harnessed towards it.

Institutional convergence: towards democracy or Weberian rationalism?

Although the diversity of meaning and reform agendas attached to the concept of transparency is something that authoritarian regimes in Singapore and Malaysia have been able to exploit, this doesn't mean that they can entirely avoid pressures for institutional change. In particular, we have seen that a significant degree of the push for transparency reform has come from various interests aligned with neo-liberal objectives of securing the conditions for increased and more sustainable capital mobility. Here there is an attempt to enforce some forms of institutional convergence with practices established in the advanced capitalist market systems. Crucially, though, this is not so much towards institutions imbued with liberal democratic values and practices as bureaucratic rationalist values and practices. The pressure is towards practices of information sharing and not the institutionalisation of competitive political processes. The rights to organised, collective political action are not central to such demands for institutional change.

Nevertheless, as the Singapore and Malaysia cases show, some regimes can accommodate these pressures more easily than others. In particular, to the extent that the institutional reform focus remains on the mechanisms for improving the transparency and accountability of the private sector, regimes where the interests of ruling elites and private corporations are fused will need to make greater adjustment.

Arguably such adjustment is what we may be starting to see in Malaysia, where some form of refinement has been taking place in the structures to protect and advance the interests of the ruling coalition. This involves reducing the scope for arbitrary and unpredictable exercises of power affecting the private market on the one hand, while simultaneously developing the capacity of the public bureaucracy to consolidate and extend the commercial and other interests of UMNO on the other. It is a direction that could see a more strategic role for technocrats and a much greater sensitivity to the need to project Malaysia as bureaucratically clean and efficient, which would bring it closer to the Singapore brand of authoritarian rule. The crucial point here is that the pressure towards institutional convergence that is being exerted is not towards liberal democracy but Weberian bureaucratic rationalism. This, incidentally, is not about the removal of politics from public administration, but the establishment of a new politics that contains challenges to market processes.

Yet even in Singapore where authoritarian rule has proven especially adept at navigating a course through selective transparency reform, some refinement may yet be needed too. The threat here does not emanate from the intrinsic importance of free information flows to business. It stems instead from international capital's attempt to harness the concept of transparency to a broader neo-liberal reform agenda of prising open domestic markets, breaking down the dominance of GLCs in Singapore through the institutionalisation of a more level playing field. Given that the GLCs are integral to the power structures and resources sustaining the paternalism so characteristic of authoritarian rule in Singapore, there will need to be a delicate and effective response to these pressures. It is possible that these forces can be accommodated via some modest changes that at least formally sanction more competition within the domestic market without compromising the position of Singapore Inc., or even a modest rationalisation of Singapore Inc.'s domestic portfolio that leaves strategic assets intact. Failing that, though, it gets more problematic for authorities. Utilisation even of limited notions of transparency in a more substantive attack on the state's economic and social role through GLCs and statutory authorities would constitute a challenge to a strategic aspect of the political regime.

This is certainly not to argue that there is some final showdown between authoritarianism and free markets looming in Singapore. Rather, tension is surfacing between an increasingly ambitious and hegemonic neo-liberal reform agenda and a developmental state that is the basis of the PAP's ability to reward and punish citizens and businesses alike. However, there are also wider considerations that could well ease this tension, or at least place it in a context not unhelpful to authoritarian regimes. In particular, the value placed on political stability and a social and political order that helps constrain civil society challenges to the neo-liberal agenda is likely to continue to act as a moderating and pragmatic influence on such disputes. As Gill (2003: 24) observes, the point of 'transparency capitalism' is to extend the rights of capital and this is often at the expense of democratic control over aspects of the political economy.

The international movement for improved financial, fiscal and corporate transparency thus at best represents a modest force for reform within Singapore and Malaysia towards the undermining of discretionary official controls over information flows. Of greater significance is this movement's lack of advocacy of wider forms of information freedom that could enhance the transparency of decisions by government officials and regulatory authorities to the public. This underlines that a free market in business does not automatically equate to a free market in politics or in ideas and information. Indeed, the ambivalence and ambiguity about such institutions among neo-liberals who have embraced the idea of transparency as a means for advancing free market economies is understandable. After all, free information flows and political openness can just as easily expose business interests tied to a free market economy to scrutiny and be harnessed by those seeking to challenge this direction, as they can in applying pressure to so-called rent seekers and predatory coalitions.

The push for comprehensive transparency reform thus involves quite different social and political forces and there seems little immediate prospect of alliances between them and business interests, of any particular complexion, in prosecuting reform. However, reformist groups, which are also of significantly differential strength in these two countries, continue to face considerable difficulties in applying effective pressure on governments towards such ends.

Markets, media and civil society

This study provides further grounds for scepticism about the idea of markets as a necessary force for the erosion of information controls in Singapore and Malaysia, or other authoritarian regimes. We have seen in these case studies how authoritarian leaders have in some respects been able to exploit them to restrict information flows and freedom of expression. Fears of access to lucrative domestic and regional markets being withdrawn by governments, and of other forms of commercial pressure, have resulted in media organisations and publishers engaging in extensive forms of self-censorship. Consequently, while the business of information services powers ahead, when it comes to scrutiny of the exercise of state power in these countries by citizens – as distinct from international capital and multilateral agencies acting on its behalf – there remain major lacunas. This hasn't substantially changed since the advent of the Asian crisis. On the contrary, this political economy relationship between media organisations and these authoritarian regimes has been reinforced rather than undermined through new electronic media technologies – especially in Singapore.

The situation has been a little more complicated in the broader exercise of trying to limit the capacity of activists to harness the Internet towards more expansive notions of transparency and reformist political agendas. Again, many of the same repressive political and legal mechanisms that have moderated the use of other forms of media have been either superimposed or adapted. Significantly, though, where some challenge has been issued to established controls in Malaysia through the use of the Internet, this has been the result of civil society initiatives fuelled by political conflict – circumstances that have no parallel in Singapore. Moreover, these collectively organised activities have been driven not by forces with instrumental economic objectives but explicit social and political aims.

The differential utilisation of the Internet in Singapore and Malaysia, either to circulate information hitherto suppressed or to try and mobilise support for a dismantling of existing media controls, contradicts notions of the Internet as an inherently liberating technology. It shows, rather, that it can be harnessed to the benefit of political pluralism where there are sufficiently motivated and, most importantly, collectively organised social and political forces to take advantage of the technology. Thus, in Malaysia, where embryonic civil society forces exist, far greater political use has been made of the Internet than in Singapore. But equally, the same technology can also be used by authoritarian regimes to enhance surveillance and to heighten fears thereof. We have seen that in Singapore, where the ruling party and the bureaucratically efficient state are indistinguishable, this factor looms large.

Incidentally, even within established liberal democratic regimes, the Internet and other new electronic media have their attractions and applications for various forms of political surveillance – especially in the wake of 11 September terror attacks (Markoff and Schwartz 2002). Nor is it only sensitive authoritarian leaders who are trying to assert national legal jurisdictions over content downloaded from the Internet, as illustrated by the case involving a libel action mounted by Australian business tycoon Joseph Gutnick over an article in the online version of weekly financial magazine *Barron's* (Haslem 2002). In December 2002, the Australian High Court rejected the claim by American media company Dow Jones that any libel action against it had to be taken in New Jersey where its web servers reside.

The general theoretical point here is not to dismiss entirely the potential importance of new media technologies, but to emphasise squarely the primacy of social and political relationships in mediating their impact. It is this that gives authoritarian regimes a fighting chance in trying to limit the liberal political uses of the Internet and other electronic media. To the extent that the Internet detracts from, rather than encourages and bolsters, efforts to build collective organisations for the purposes of political mobilisation, it will diminish civil society and democracy's prospects – whatever the scale of increased information and expression it may facilitate (Noam 2002).

Emulating media control

In the Singapore case, where information control has been extremely effective, it rests on the existence of a mutually reinforcing set of institutions subordinated to ruling party interests, a condition approximated to differing extents – but not matched – in other authoritarian regimes in Asia. This obstructs the development of civil society and engenders a deep-seated apprehension by citizens and media organisations alike about critical engagement with authorities. The degree of success of the Singapore model of media control is related in significant part to the exceptional institutional cohesion and bureaucratic sophistication of the state. These features owe something to the fact that Singapore is a small city-state but even more to the historically specific struggles that shaped the character of the modern Singapore state. Yet the Singapore experience can and does serve as a source of instruction and inspiration for authoritarians elsewhere – and not just, as we have discussed earlier in this book, in Malaysia. Indeed, leaders in the world's most populous country have been taking note of the Singapore model of media control. Given that state control over access to markets has been so effective among the techniques deployed in Singapore, why wouldn't authorities presiding over potentially vast media markets look to this experience? The limited physical size of Singapore hasn't prevented the government there from exposing this principle, and others, relevant to authoritarian regimes trying to advance the market system in conjunction with tight media controls.

There are, of course, important factors that influence the mix and effectiveness of measures by Chinese authorities in trying to emulate the Singapore model. The less cohesively integrated relationship between the various institutions of the state in China, the inferior position of technocratic elites and rationalist ideology within that state, and the greater determination on the part of activists to develop independent civil society spaces all play their part in producing a greater orientation towards the more crude, rather than sophisticated, techniques adopted in Singapore. However, increasingly authorities in China are exploring a wider range of the methods proven successful in Singapore, especially in the attempt to control the Internet where pressure is being directed towards service providers and media companies to promote self-censorship.

Blatant intimidation features strongly in the Internet control strategies of Chinese authorities. In 2002, an estimated 30,000-plus state security personnel were engaged in surveillance on web sites, chat rooms and private email messages in China. In the same year, Amnesty International also identified 33 prisoners of conscience detained for posting materials on the Internet to express views or disseminate information. Internet filtering software was also being widely enforced to block out particular web sites and looks like being increasingly important to control strategies. Following a fire in an Internet cafe in Beijing in June 2002, authorities closed thousands of Internet cafes and indicated that their reopening was contingent upon the adoption of software that prevented access to a vast array of overseas web sites. Internet companies have also been required to accept a measure of responsibility for policing the net and are under pressure to help authorities monitor Internet users and conduct surveillance (Asian Center for the Progress of Peoples 2003).

In other moves, the Chinese government blocked access to the US-based search engine Google in August 2002 as a way of restricting identification of 'unhealthy' sites by local Internet users (*South China Morning Post* 2002a). In the same month, a Pledge on Self-Discipline was also introduced that was signed by more than 300 companies not to post 'pernicious' information that could endanger state security, disrupt social stability, contravene laws and spread superstition and obscenity (Asian Center for the Progress of Peoples 2003).

Despite imperfections in the system of Internet controls, various recent studies conclude that Chinese authorities have been overwhelmingly successful in restricting access to tens of thousands of web sites (Lynch 1999, *South China Morning Post* 2002b, Kalathil and Boas 2003). Of course, determined and net-savvy individuals can find technical ways around controls. But as in Singapore, it is the political and commercial, rather than technical, nature of controls that is the basis of effectiveness. There are certainly challenges ahead for the Chinese government, not least the implications of further momentum to the decentralisation of economic and political power under way for the adoption and enforcement of uniform controls. However, the sheer size of anticipated media markets in China presents as a major avenue for all authorities to extract discipline from commercially driven media organisations, if not political dissidents.

There are also signs that the sorts of media control techniques perfected in Singapore are starting to reflect in the struggles within fledgling democracies where civil society institutions are generally in their infancy. In Thailand, for instance, despite important reforms immediately after the advent of the Asian crisis to boost political and economic transparency – including the legislating of a freedom of information act – there are now powerful interests seeking to achieve economic restructuring in conjunction with restraining civil society forces and institutions. Thai Prime Minister Thaksin Shinawatra, who has publicly expressed admiration for the Singapore model of opposition control (*Bangkok Post* 2002), thus embarked on various measures in 2002 to try and curb media independence and scrutiny of his government and companies. This included banning specific issues of *The Economist* and the *FEER* as well as threats to expel two journalists from the latter magazine (Barnes 2002a, *South China Morning Post* 2002c, Vatikiotis and Tasker 2002), and the use of anti-money laundering laws – previously introduced to deal with drug traffickers and other crime syndicates – to delve into the bank accounts and financial affairs of many senior journalists and their relatives.[1]

However, it is in the withholding of advertising revenue and the blocking of distribution that Thaksin's attempts to combat media criticism most resonate with the effective methods adopted in Singapore. In March 2002, military-owned radio stations dropped the use of news programmes provided by the Nation Multimedia Group following broadcasts of an interview with critics of Thaksin's government. The daily newspaper, *The Nation*, which belongs to the same group, has been a consistent critic of what it has described as shallow populism, nepotism and cronyist tendencies under Thaksin. Advertising by both the government and Thaksin's own companies was withdrawn from newspapers critical of Thaksin (Barnes 2002b). Major publications affected by this included Thailand's daily newspapers, the *Bangkok Post*, *The Nation* and *Matichon*. In a further emulation of the Singapore model, the Thai government ordered all Internet Service Providers (ISPs) to start blocking web sites deemed by it to be 'inappropriate', which opened the door to the possibility of political content being obstructed (Karnjana 2003). Meanwhile, repressive press laws that were legislated during past periods of authoritarian rule are also being kept on the books, despite persistent calls from media professionals for their repeal (*Nation* 2003).

The newly established media freedoms in Indonesia are also tenuous, and subject to serious challenges from a range of anti-democratic forces. These have often taken crude forms, including physical attacks on behalf of private interests on journalists and editors, such as those taken out against *Tempo* at its offices in 2003 (Guerin 2003). However, the Indonesian government's acquiescence to calls by the military for curbs on independent journalism in reporting on the war in Aceh also underlines the ambiguous official commitment to media freedom (Kurniawan and Mininggar 2003). Exactly where the post-authoritarian regime in Indonesia is headed is difficult to predict, but those forces trying to steer it down an illiberal path may yet find instruction from the Singapore and Malaysia experiences – especially with regard to information control.

SARS and the latest 'information crisis'

Importantly, the argument in this book is not against the possibility of authoritarian media controls being undermined over time in Singapore, Malaysia or any other authoritarian regime. However, it certainly is cautioning against expectations that such change will be principally driven by either the market or technology. Institutions are generally established or changed through organised political action and not simply in response to systemic functional needs. Yet we have seen in this study that there is little or no perception within capital of media freedom as an essential ingredient of reform. Furthermore, even when the pitfalls of closed and tightly controlled information systems are blatant and devastating in their consequences for authoritarian regimes there is no guarantee of change. This should be borne in mind when projecting the possible consequences of Severe Acute Respiratory Syndrome (SARS) for the Chinese government's tight information controls.

It is hard to find a stronger functional case for a freer media than this one. Put simply, information control can kill and did when China's authorities covered up the extent and seriousness of SARS for months after it broke out in Guangdong in southern China in late 2002 and spread around the world thereafter. The absence of an independent media capable of scrutinising authorities had the direst of consequences (Tripathi 2003). It was only as a result of the brave actions of a whistleblowing doctor, Jiang Yanyong, which eventually set in train belated admissions of the seriousness of the virus and cooperation with the World Health Organization to contain its spread (Armitage 2003). By this time, not only had hundreds of people died and many more been infected, but the economic and social costs of SARS were also mounting for China in particular.

Yet while some official actions aroused hope of a begrudging shift towards increased openness by authorities and a stronger recognition of the costs of tight information control, they also appeared to be cosmetic and disingenuous. Thus, on the one hand, in April 2003, the government dismissed both the health minister and the Beijing mayor in a move meant to signal dissatisfaction with under-reporting of the disease (Kynge 2003).

Shortly after, however, the person responsible for the suppression of the news about SARS following its initial detection, Zhang Dongming,[2] was appointed as editor-in-chief of one of China's most liberal newspapers, *Southern Weekend*, and a deputy editor of the Nanfang Daily Group that it publishes. Then in June, a new crackdown on the media began which included the closure of the *Beijing New Times* and directives to all publications to cease reporting on sensitive topics. This included critical reports on officials' handling of SARS and any further reporting on Jiang Yanyong (Pomfret 2003).

Incidentally, this was not the first health crisis compounded by information controls. Chinese authorities initially dealt with the AIDS virus in a similar fashion (Kalathil 2003). This only further underlines the strength of resistance to change in China by entrenched interests, however detrimental that course of action may be for wider economic, social and even health interests. As with the Asian financial crisis as it manifested in Singapore and Malaysia, such episodes may expose the costs of authoritarian information controls, but it remains for effective, collective political action to translate this into meaningful change.

There is another significance in the handling of the SARS virus that also resonates with the findings of this study, namely that authoritarian regimes vary in their sophistication and capacity to accommodate specific pressures for information flows. Far from Singapore's information controls coming under international fire during the SARS crisis, they were harnessed to a much more decisive and effective management of the problem than occurred in China that earned Singapore's leaders worldwide plaudits. Tight official control over information flows and close relations between the state and the domestic media were put to use in public education campaigns. Prime Minister Goh Chok Tong was able to project this as all part of the transparent way things are done in Singapore. When asked in interview with *FEER* (2003) what lessons SARS contained, he commented: 'One lesson we can learn from this is, when there's a new problem, let's pour all resources into it. Next, let's be transparent in terms of communicating the risks to the people, as we do in Singapore, and never lose trust and confidence of your people in handling a crisis.' German Chancellor Gerhard Schröder also commended 'Singapore's open information policy in the fight against Sars' (quoted in Sung 2003). Incidentally, this also contrasts with Malaysia, where the Home Ministry sought the cooperation of media editors in late March 2003 to play down or omit coverage of SARS fatalities for fear of the impact of such reporting on public confidence and the tourist industry (Theophilus 2003).

Moreover, the extensive social controls over the populace and its institutions were utilised in Singapore to control the movement of people. This included electronic surveillance on people confined to home quarantine, requiring people to appear regularly in front of Web cameras installed at their homes and to wear electronic bracelets if they failed to do so (Arnold 2003). Instructions were also given to SingTel to disconnect call-forwarding capabilities on home telephones of those quarantined. This prevented the possibility of them transferring calls to mobile cell phones to escape from reporting from inside their houses (Duncanson 2003). In the Singapore fight against SARS the Infectious Diseases Act was also promptly amended to legalise an assortment of measures that further eroded civil liberties in the city-state (*AFP* 2003). Indeed, far from SARS posing a threat to the credibility of authoritarian media controls or the regime more generally in Singapore, it had quite the opposite effect. Custodians and admirers of the authoritarian regime were able to draw on the effectiveness of the government's response to shore up the case for preserving many of those features that liberals derided as 'draconian' or 'undemocratic' (see Jacob 2003, Sunanda 2003).[3] This, incidentally, comes on the heels of the regimes in Singapore and Malaysia also receiving international acclaim for actions in the name of the 'war on terror' that involve a flexing of authoritarian muscle.[4]

The contrasting domestic responses and international receptions involving China and Singapore in dealing with SARS also reinforce a further point deriving from the detailed study of Singapore and Malaysia in this book. They alert us to the need to start thinking more deeply about the different forms that authoritarianism can take and their differential capacities to accommodate pressures for change. New theoretical attention to so-called 'hybrid' regimes, which recognises that the trend towards democratic regimes around the world has been accompanied by an equally strong trend towards 'pseudodemocracies', is thus to be welcomed and needs to be extended on (Diamond 2002, Levitsky and Way 2002, Ottaway 2003). Importantly, this literature concedes the possibility of greater variation in sustainable regime types and departs from unilinear conceptions of economic and political development that have so constrained theories about regime transition thus far. It is essential, however, that the concept of a 'hybrid' regime does not deflect from a full recognition of sophisticated but genuinely authoritarian regimes that may be capable of sustainable, effective relationships with advanced capitalist market systems. The experiences of Singapore and/or Malaysia and their respective attempts to accommodate and or resist pressures towards neoliberal forms of globalisation and its attendant institutions of transparency are especially important to these debates.

Among the few detailed attempts to categorise the world's different authoritarian regimes, Singapore and Malaysia have been distinguished on the basis that the latter has a significant parliamentary opposition, earning it the label of 'competitive authoritarian regime', whereas the former doesn't, hence is described as a 'façade electoral regime' or an 'hegemonic electoral authoritarian regime' (Diamond 2002: 31, Levitsky and Way

2002: 52–4). Yet, as we have seen in this study, it is in Singapore – where there is even less margin for political pluralism than in Malaysia – that pressures for transparency reform have been dealt with more adeptly. The contrasting power relations defining these regimes have translated into different strengths and vulnerabilities in the face of the specific pressures associated with transparency reform. In particular, the sharper distinction within Singapore between the state and private domestic business interests, as well as the greater influence of rationalist ideology, has meant the pressures for change have been less acute. These features, not the relative degree to which political competition is stymied, appear to be more important to the durability of the regime in the context of neo-liberal globalisation.

Clearly, then, this study of Singapore and Malaysia has wider significance. Fundamentally, at the theoretical level, it challenges both functionalist understandings of the relationship between economic and political institutions and technological determinist conceptions of how change to authoritarian information controls might come about. It has argued in favour of understanding the establishment of institutions – whether of media freedom or more specific and instrumental forms of transparency – as a social and political process that is far less predictable than these accounts entertain. This suggests that the institutional arrangements within which advanced forms of capitalism can progress might involve more flexibility than is countenanced in most arguments about necessary institutional convergence that were either prompted by, or gathered influence as a result of, the Asian crisis.

To be sure, a political struggle is in train to reshape institutions within authoritarian regimes in Singapore and Malaysia, but it is one within which the respective states are themselves active participants. Rather than resisting change, interests within these states are shaping it in an attempt to preserve the overall integrity of the political regime and to foster the preconditions for sustainable and effective market systems. This study therefore initiates a new line of enquiry about the durability or otherwise of authoritarian regimes engaging with globalised market systems. Work needs to be done to analyse further the differential capacities and inclinations of authoritarian regimes involved in the same processes. Nevertheless, the experiment thus far, as analysed in these case studies, should serve as a caution against liberal optimists who discount any chance of an effective accommodation between authoritarianism and the advance of capitalism within East or Southeast Asia. Certainly those expecting the functional imperatives of the capitalist market system or new media technologies to be decisive in the demise of authoritarianism in either Singapore or Malaysia are likely to be disappointed on current evidence.

Finally, the implications of this study extend to established liberal democracies in advanced capitalist economies where the concept of transparency is no less pervasive. Here too we need to scrutinise carefully the different meanings and interests attached to ideas of transparency and – above all else – the political practices that they entail. In particular, the potential of a specific ideological notion of transparency to prevail that could diminish rather than enhance democratic practices should not be discounted. Indeed, neo-liberal reform agendas that seek to limit political challenges to market relations have much to gain through institutions that conceal political choices and replace notions of representation with those of functionality. The idea of transparency can thus be deployed as a technique for reorganising institutions to insulate them from democratic forces, just as it can to reflect those forces.

NOTES

1 INFORMATION CONTROL AND AUTHORITARIAN RULE IN EAST AND SOUTHEAST ASIA: UNDER CHALLENGE?

1 The concept of regime is used throughout this study to refer to a particular type of organisation of the state apparatus (the institutional forms of state power, namely the coercive, judicial and bureaucratic arms of the state). A regime is thus defined by particular rules, regulations and values and is not to be simply equated with a government or group of leaders as is common in non-academic literature. Among other forms, regimes can be democratic, totalitarian or authoritarian. There are also varieties of such regimes, for instance, liberal democratic and democratic corporatist and oligarchic democratic regimes (Hewison, Rodan and Robison 1993: 5).

2 See Ferdinand (2000) for a discussion of the various arguments about the link between the Internet and democracy.

3 In some instances, such governance reform has been tied to notions of civil society development (see World Bank 1998).

4 As corrupt and particularistic practices associated with patrimonialism were replaced by more rational administrative procedures, liberal democratic forms of politics were expected to take root. Here early modernisation theorists assumed a necessary connection between legal rationalism and democracy that Weber didn't. Rational and democratic values were understood as natural accompaniments, and the middle classes were seen as strategic bearers of these who would occupy powerful positions in the bureaucracies and social and political institutions.

5 He examined the relationship between per capita levels of income, literacy and telephones, as well as the proportion of agricultural employment and urbanisation on the one hand, and the form of political system on the other.

6 To be sure, there were other theoretical accounts of development at this time that didn't operate from the assumption of a single route to development comprising essentially the same institutional package. In particular, coming out of the Marxist tradition, Moore (1966) looked at broad historical patterns involving the shift from agrarian to industrial society and the contrasting political regimes associated with this. He noted that for England, France and the USA this involved liberal democracy, but fascism in the cases of Germany and Japan and communist revolutions in Russia and China. His analysis centred on the relationships between the state, the peasantry, the landed upper class and the urban bourgeoisie. Democracy, he argued, arose where an economically and politically strong bourgeoisie was in place – 'no bourgeoisie, no democracy'. Importantly,

Moore's analysis not only envisaged different political paths to capitalist industrialisation, but also sought the explanation for this in the conjuncture of domestic power relationships. Other theorists explored the contextual differences of late industrialisation attempts, and the implications of this for the role of the state in the economy as well as the capacity for liberal political institutions to be supported (see Gerschenkron 1962). However, in academic and policy circles, modernisation theory was clearly ascendant at this time (see Higgott 1983).

7 It should also be understood that, contrary to the assumption prevalent in much of the wider debate about the need for standardisation, that even among industrialised liberal democracies there is significant variation in, and attitude towards, the structures appropriate for the governance of industrial and financial markets (see Pauly 1999: 417).

8 Sen had earlier introduced this theme in his observations about the historical relationship between crisis and political systems since independence in India – Asia's largest democracy. India, he argued, had avoided famine in no small part due to the role of a comparatively free press in raising public awareness of starvation, thereby pressuring governments to act (Sen 1997). He amplified on this general point once the Asian crisis broke (Sen 2000).

9 One of the more substantial elaborations on this general point was provided by Dani Rodrik (1999), who underlined the role of South Korea's and Thailand's democratic institutions in conflict management. He made three particular points about their value. First, as evidenced in Thailand, they facilitated a smooth transfer of power to new government leaders to address policy problems. Second, mechanisms of participation, consultation and bargaining enabled policymakers in both countries to take decisive policy adjustments. Third, the potential for riots, protests and other disruptive actions, as in Indonesia, was obviated by the political space provided by more inclusive political institutions. He thus prescribed the extension and improvement of channels through which non-elites – whom he identifies as indigenous people, workers and farmers – can influence the decision-making process. Importantly, though, Rodrik's advocacy of such a political regime rested on his judgement that this best served the interests of market liberalisation.

10 Rather, according to Rudolph (2000: 31): 'Weak democratic structures and institutions lead to a lack of transparency and accountability both in the political and economic realms.'

11 A study completed on the eve of the Asian crisis seemed to confirm this problem, contending that 'South-East Asia as a region does indeed constitute an information black hole' (Haley and Tan 1996: 42). But this study was quite exceptional in focusing on the issue before the actual meltdown occurred.

12 Some hitherto custodians of the developmental state concluded that: 'Convergence to western capitalism is likely to be the fate of the Asian economy. In a sense, Asian capitalism could have been a temporal detour in the longer historical evolution' (Chung-In Moon and Sang-young Rhyu 2000: 98). Others held their theoretical ground in various ways (Wade 1998b, Wade and Veneroso 1998, Rhodes and Higgott 2000, Weiss and Hobson 2000). Linda Weiss (1999) argued that the root cause of the crisis lay in limited state capacity. According to her (Weiss 1999: 319), the common denominator among the worst-hit economies was 'weak or decomposing institutional capacities'.

13 The IMF also contends that: 'Transparency contributes to the efficient allocation of resources by ensuring that market participants have sufficient information to identify risks and distinguish one form's, or one country's circumstances from another's. Moreover, transparency helps to inform market expectations,

thereby helping to stabilize markets during periods of uncertainty and also contributing to the effectiveness of announced policies' (IMF 1998: v as quoted in Langley 2000: 8).

14 Shiller's concept of 'irrational exuberance' and financial crises is relevant here. He talks about price levels being driven by 'hunches' that become a self-fulfilling prophecy and transmitted principally through interpersonal communications. Shiller depicts the bases of investment decisions as decidedly unsophisticated and unscientific. In particular, there is a remarkable lack of independent analysis, even where there is private doubt about the prevailing wisdom on the market. As he explains: 'There is a willingness to free ride here – to suppose that the experts have thought through the apparent contradictions and therefore to assume that the experts know why they are not in fact contradictions at all' (Shiller 2000: 163). Significantly, Shiller sees the media's main influence as a vehicle for 'ratifying investor-induced conventional wisdom' rather than independent scrutiny of these decisions or a source of information or analysis shaping those decisions.

15 It also established the General Data Dissemination System (GDDS) site in 1997 as a complement to its Special Data Dissemination Standards (SDDS) set up the year before. This has facilitated the extraction and public availability through the Internet of a wide range of data from member countries. Indeed, as a condition of the IMF's assistance packages to help revive the economies of Thailand, Indonesia and South Korea significant improvements in this area were enforced.

16 According to Camdessus (1997): 'Our approach is to concentrate on those aspects of good governance that are most closely related to our surveillance over macroeconomic policies – namely, the transparency of government accounts, the effectiveness of public resource management, and the stability and transparency of the economic and regulatory environment for private sector activity.'

17 Accordingly, in an unprecedented move, in May 1999, the World Bank joined with Freedom House in a joint press conference to announce the annual Press Freedom survey that ranks and evaluates media freedom around the world.

18 This notion of civil society had been derived from the work of Putnam (1993).

19 Soederberg (2002) also makes the point that the IMF and World Bank have systematised the use of international standards as benchmarks against which country practices in areas of state policy or market activity are judged. Her argument is that these standards are also used to cultivate 'proper management' of financial liberalisation in emerging market economies, an analysis that is complementary to both the concepts of regulatory state and new constitutionalism.

20 According to *Foreign Policy* (2001) magazine's Globalisation Index, Singapore is the most globalised country in the world. Malaysia also makes it into the top 20 countries and receives more direct foreign investment as a share of gross domestic product than any other country in the world.

2 BEDDING DOWN MEDIA AND INFORMATION CONTROL IN SINGAPORE AND MALAYSIA

1 The British had also formally imposed an annual licensing system but it was very loosely applied (Ang 2002: 244).

2 Former ISD agents are also employed as journalists within the local media, a further indicator of how the 'nation-building' role of the domestic media fits

comfortably alongside other state institutions within the authoritarian regime (Ellis 2001a).

3 In 1999, SIM had a name change to Media Corporation of Singapore (MediaCorp).

4 The Emergency had been declared in response to a communist insurgency that had begun in 1948. By the late 1950s, the communists were largely defeated. However, the end of the insurgency was not officially pronounced over by the Malayan Communist Party (MCP) until 1989 (Khoo 2002: 59).

5 The immediate responses to the riots included the suspension by the government of all newspapers for a period of two days.

6 The Act stated that any of the activities proscribed were presumed to have been undertaken 'for a purpose prejudicial to the safety and interests of Malaysia'. A minimum one-year custodial sentence applied to anyone successfully prosecuted under the Act.

7 The government's shares were purchased through Pernas. The Pernas shares were subsequently transferred to UMNO's holding company, Fleet Holdings.

8 One of the first publications to be subjected to pressure was *Newsweek*. In 1971, various executives and staff of *Newsweek* were imprisoned following a front page photograph of Mao Zedong which Lee seemed to consider unhelpful for his designs to firm up political support among Singapore's ethnic Chinese community (see Lent 1975: 7–16). Three years hence, another freelance journalist, Pang Cheng Lian, writing this time for *Newsweek*, was convicted of contempt of court for an article alleging that Singapore courts were not independent but biased in the government's favour.

9 In 1971, the government charged that *FEER* freelance journalist Anthony Polski, in assisting Amnesty International compile a report on the treatment of political prisoners in Singapore, as acting 'outside his duties as a journalist' (*New York Times* 1971). Thereafter there were periodic stoushes between *FEER* editor Derek Davies and Lee Kuan Yew and incidents involving journalists Ho Kwon Ping and Arun Senkuttuvan revolving around similar government concerns.

10 One significant incident in this period was the government's refusal to renew the work permit of Patrick Smith of the *FEER* as a result of an article in 1982 about the use of the ISA against political opponents.

11 The action was taken by Lee Kuan Yew who contended that the article inferred executive control over the judiciary. The *AWSJ*, charged with criminal contempt, pleaded guilty (*AWSJ* 1996a).

12 It earned the Law Society and Seow a stern rebuke and a reminder that organisations in Singapore not registered specifically for political activities were required to abstain from political comment.

13 'Gazetting' refers to the publication in the government Gazette, by order of the Minister, of a declaration that a newspaper has engaged in the domestic politics of Singapore. Any, or all, sales or distribution in Singapore of a 'gazetted' newspaper can be curtailed.

14 The amendment did not stipulate that reproduction required the publisher's permission.

15 Arising out of this article, Lee Kuan Yew commenced legal action in January 1988 against the journalist, editor, publisher and printer responsible, seeking damages for libel. In November 1989, the Singapore High Court awarded Lee Kuan Yew S$230,000 in damages.

16 The immediate past revealed an exceptional capacity to achieve this too. In 1986 alone, the *AWSJ* 'published 13 letters from Singapore government

officials, comprising just under half of all the space devoted to letters from officials of all other governments combined' (Dow Jones & Co., Inc. 1990: 14).

17 Those affected by these actions included John Berthelsen and Raphael Pura of *AWSJ*, Rodney Tasker, Nigel Holloway, N. Balakrishnan, Carl Goldstein and Jonathan Freidland of *FEER*, and *AP*–Dow Jones correspondents Matthew Geiger and Simon Elegant.

18 Lee sued for libel as a result of the 7 October article in the *FEER*, and was awarded a judgement in 1989. Dow Jones then appealed and Lee, in turn, cross-appealed. The President of Dow Jones, Peter Kann, subsequently issued a statement which contended the judgement was unwarranted. Lee interpreted this as an accusation that the Prime Minister had exerted improper influence over the trial judge. He thus filed three more libel suits against Dow Jones in Malaysian and Singaporean courts.

19 This action only resulted in confirmation that the Minister for Communication and Information had the full power to restrict the circulation of any foreign publication the Minister considered to have interfered with Singapore's domestic politics.

20 This provision arose, according to the government, as a consequence of difficulties experienced in serving writs on the *AWSJ* over a contempt of court action and a defamation suit.

21 Another such case involved *The Economist*, which in 1988 had closed its Singapore office, even though it continued to report occasionally on the city-state. An article in June 1993 about the prosecution of five people under the OSA aroused a protest from the Singapore government, unhappy with what it regarded as a 'mocking tone' to the account. Although a letter by the Singapore High Commissioner to London was published shortly afterwards, the editing out of one sentence precipitated further protests from Singapore authorities. *The Economist* subsequently published the original sentence in full, but it failed to publish another letter by the High Commissioner in response to one published by J.B. Jeyaretnam. This resulted in gazetting and circulation restrictions of 3,500 copies per week in August and the requirement of a US$125,000 bond as well as the appointment of a local representative to accept documents in the event of any future legal actions. *The Economist* published the letter in the next edition and in January of the subsequent year it was de-gazetted and circulation limits were lifted.

22 Yeo (1991) also made a more general reference to the importance of publishers recognising the government's proclaimed right of reply

23 From September 1989, there had been no correspondent based in Singapore following the denial of a visa for the *FEER*'s N. Balakrishnan.

24 For an analysis of the judiciary in Singapore see Worthington (2001).

25 Lingle was fined S$10,000, Richardson S$5,000, publisher and *IHT* chief executive Richard McLean S$2,500, and the local distributor and the printer S$1,500 each. Legal costs totalled S$83,876.

26 Some of the titles in this category included Minchin (1986), Selvan (1990), Tremewan (1994) and Lingle (1996).

27 These observations are based on interviews with reporters based in Singapore conducted in late 1996.

28 The one exception is instructive. It involved the Hong Kong-based Chinese-language *Yazhou Zhoukan* magazine, which, in a June 1996 article, contended the reputations of the two Lees had been 'burned away' by government hearings on their condominium purchases. It quoted Singapore lawyer Tang Liang Hong who questioned the credibility of the government's inquiry into the

affair, contending that it would have been more appropriate for the Corrupt Practices Investigation Board or Commercial Affairs Department to have conducted the investigation. Subsequently, *Yazhou Zhoukan* (*Asia Weekly*) was sued for S$800,000 by the Lees and published a full-page apology to them for any inference of wrongdoing (Jain 1996).

29 The correspondent requested anonymity.

30 Bloomberg, for example, increased its Singapore-based reporters from one to six between 1991 and 1996.

31 The government's opposition to the Megawati visit was first conveyed in a private meeting between the FCA President and a senior official of the Ministry of Information and the Arts (MITA). The position was subsequently confirmed in an official meeting with the FCA committee. The committee was given an indication at that meeting that, should the FCA persist with the invitation, the event may not take place. Ironically, in March 1999, the Institute of Defence Studies (IDSS) based at Singapore's Nanyang University of Technology hosted a talk by the then President Megawati in Singapore, which was promoted by MITA.

32 Prominent international television networks including the US entertainment and video loan giant Home Box Office, the music channel MTV, sports network ESPN and multimedia Walt Disney were now operating from Singapore.

33 Pura denied having made the comments that Samuels attributed to him in the article.

34 Earlier, Tan, Berjaya Industrial, Berjaya Corporation, Insas and Megapolitan had filed a suit claiming RM160 million damages from legal firm Skrine & Co. and its partner Tommy Thomas over the same article.

35 The Malaysians launched their MeaSat satellite in 1996, which was to carry government-approved television, which Murdoch hoped would include Star TV. Only satellite dishes attuned to MeaSat were to be permitted in Malaysia. See Atkins (1996: 57).

36 Sharp increases in the number of correspondents and editorial staff based in the region were thus necessary to keep up with demand for the various services. In the case of Dow Jones News Service, in 1993, for example, there were only 40 reporters and editors, and 11 bureaux in the Asia-Pacific region. However, by early 1997 this had expanded to 158 staff and 21 bureaux. Bloomberg's total Asian reporting staff comprised just five editors in the one bureau in Tokyo in 1991, and a few stringers. By early 1997, staff levels escalated to 104 reporters and editors in 16 bureaux in Asia. Reuters opened 14 new bureaux in Asia and the editorial staff in the region rose from 282 in 1990 to 401 in 1997.

37 In this latter category, there was not only a wide range of standard consulting firms but also providers like Oxford Analytica and the Hong Kong-based Political and Economic Risk Consultancy (PERC) that produced both regular publications as well as specialised studies for clients.

38 Not surprisingly, rating agencies came in for heavy criticism by investors who were stung by the unanticipated events in 1997. After all, South Korea had enjoyed a single-A category from Moody's and yet in November 1997 the country was so strapped for hard currency that the national airline and oil companies were directed to avoid paying bills in dollars. As one journalist noted: 'The unique, privileged access to the books and boardrooms of companies, as well as to finance ministries and central banks, gave their assessments of credit quality an unrivaled weight' (Ipsen 1997). The IMF joined in the condemnation of the agencies, adding that they only compounded problems by over-reacting after the event in the dramatic scale of downward revisions

(*Business Times Online* 1999). In their defence, rating agencies argued that their ratings had been unfairly judged. For one thing, they pointed out that investors had ignored risks highlighted in the texts of reports. They were apparently pre-occupied with ratings per se. In any case, they argued that assessment of credit risk is not a judgement on economic management. As a senior executive at Moody's explained: 'An institution run by a bunch of bureaucrats who couldn't run a candy store is not necessarily a bad credit risk' (quoted in Ipsen 1997). What matters is whether governments are likely to move in and bail companies out in the event of poor management, lax regulations, corrupt lending practices or any other problems. In effect, the ratings therefore made political assessments about the likelihood of creditors being paid. However, by the agencies' own admissions by way of subsequently reassessed ratings, even these calculations were somewhat astray. It was also argued by another rating agency executive, David Marshall, Director of the Hong Kong office of Fitch IBCA, that investors had been looking at the wrong indicators.

39 For example, public sector debt capacity was the standard focus of rating agencies in their evaluation of sovereign risk prior to the Asian crisis. The private sector was largely ignored, including such crucial questions as how productively incurred debt was being put to use, the quality of corporate governance and balance sheets, and the vulnerability of demand to supply and liquidity shocks (Karacadag and Samuels 1999: 136).

40 The uncritical deference to expert opinion to some extent fitted Robert Shiller's (2000) general thesis about the way that an 'irrational exuberance' can be manifested in the mood of markets. Shiller (2000: 163) argued that there is a tendency by investors to free ride, 'to suppose that the experts have thought through the apparent contradictions and therefore to assume that the experts know why they are not in fact contradictions at all'.

41 Indeed, a confidential World Bank document in 1999 revealed that the organisation had previously glossed over issues of corruption, structural problems and risk. The mission in Jakarta and Bank management admitted the Bank 'was ambiguous in its messages to the Indonesian government. Strongly worded policy notes on major structural issues were mixed with constant praise for the government's performance, and significantly contributed to complacency' (*AFP* 1999).

42 In 1996, economists from various international brokerage firms, including Goldman Sachs and Credit Lyonnais, started to report that as Thailand's exports fell, the country could expect an increasingly difficult time financing its current account deficit. A senior government official openly speculated about taking out a contract on the life of one of these pessimistic analysts. A police raid on the Bangkok offices of ABN-AMRO Hoare Govett and Capital Nomura following critical reports further underlined the capacity of officials to respond in hostile fashion (Granitsas *et al*. 1997: 63). The Thai government reacted with considerable force too when Moody's dissented from the ascendant market view in early 1997 by downgrading Thailand's short-term foreign currency rating (Karacadag and Samuels 1997: 135). The existence of self-censorship was conceded by one currency dealer who explained: 'Our economic growth forecast for Thailand is zero when in fact we think it will be lower. But we don't want to predict negative growth or we'll feel the heat' from the central bank (Granitsas *et al*. 1997: 63–4).

43 Certainly poor journalism was in part to blame for such practices, but there was more at work than that. According to Robert Templer, who reported for

AFP in Asia in the period leading up to the Asian crisis, journalists were often under pressure to produce copy quickly in places like Hong Kong and Singapore, which rendered them vulnerable to dependence on such sources. The absence of a wide range of basic economic information by Asian governments and weak corporate disclosure also made it difficult for journalists to explore independently any suspicions about sources (Wilhelm 1998).

3 BUREAUCRATIC AUTHORITARIANISM AND TRANSPARENCY REFORM IN SINGAPORE

1 The Ministry of Finance estimated that the public sector and GLCs accounted for about 60 per cent of Singapore's GDP in 1993. Since then officials have tried to play down the extent of government influence over the economy and to project the economy as having undergone major privatisation. The methodology used for the latest estimate by the Ministry of Trade and Industry's Department of Statistics has GLC contribution down to 12.9 per cent in 1998, with non-GLC public sector (including statutory boards) responsible for an additional 8.9 per cent. However, the first of these estimates is limited to GLCs in which the government's effective ownership of voting shares is 20 per cent or more. So the likelihood is that the full extent of government involvement in the economy is considerably more than the combined figure of 21.8 per cent now cited. This issue is taken up by the United States Embassy in Singapore. See US Embassy (2001).

2 The content of this paragraph derives in part from ideas expressed by Mukul Asher in private discussions on the topic and I readily acknowledge his input.

3 I am grateful to Manu Bhaskaran for this point made during a private discussion in Singapore on 31 March 1999.

4 For instance, some senior government leaders were unhappy with the approach of Patrick Daniel, who had just taken over as editor of the *Business Times*, which had started to reflect in a more questioning and aggressive modus operandi from that newspaper than had previously been the case. Then there was the fact that the ISD had initially denied Tharman Shanmugaratnam a security clearance in 1982 and whom it tried unsuccessfully to arrest in 1987. There were also civil servants who may have facilitated the leak of information as a way of supporting a shift towards a more critical press, but thereafter went to ground once Lee Kuan Yew made his displeasure known.

5 Subsequently, the use of the OSA was subject to some scrutiny in the courts as a result of a successful appeal by lawyer Christopher Bridges against his conviction. The decision in the Bridges appeal was in some respects at odds with the earlier prosecution pertaining to the flash estimates leak. The Court of Appeal, for instance, ruled that the accused had to have a guilty intent in order to commit an offence, something which wasn't established in the previous convictions (Lim 1998).

6 Temasek holds substantial stakes in a range of GLCs, including in such public-listed companies as: Singapore Telecommunications (SingTel), Singapore Airlines (SIA), Development Bank of Singapore (DBS), property company CapitaLand, shipping and logistics groups Neptune Orient Lines and SembCorp Logistics, rail operator SMRT Corp., defence industries group ST Engineering, and technology group Chartered Semiconductor Manufacturing. Unlisted investments include Singapore Power and Port of Singapore Authority Corp. (PSA).

7 In March 1999, the GIC was reorganised to render it more transparent and

accountable to the GIC board of management. However, none of this has changed the access of the public to information about the investment operations of the GIC. For details on the reorganisation, see Ong (1999a).

8 The Housing Development Board (HDB) has been split into two, so that part is presented as a private company, but in reality it remains government controlled.

9 In the 1999 survey by Corporate Transparency Ratings Pte Ltd, which asks business analysts to assess 100 listed companies, one GLC earned top billing – Natsteel Electronics. However, the vast bulk of GLCs were way down the list, with DBS Bank at 54, Keppel Land at 55, NOL at 56, Natsteel at 60, Keppel Corp at 71, Keppel Finance at 74, Keppel Bank at 75, Times Publishing at 83 and Jurong Cement at 99, for example. Not a single company surveyed obtained the highest overall rating – A+. See Teo (1999).

10 The investment banker requested his anonymity be respected. This observation was made in an interview in Singapore on 26 March 1999.

11 This comment was made in correspondence on 24 May 1999.

12 The most significant policy initiative taken before the crisis was the introduction of generous tax incentives for financial services, a measure contained in the 1997 budget. With Hong Kong approaching political handover, these incentives might have been intended to attract fund managers, in particular, to Singapore.

13 Indeed, Lee senior advised the Indonesians to have their banks do likewise, explaining that 'Moody's and S & P will not give the same ratings and you will borrow at higher rates of interest. That's the penalty' (as quoted in *Nation* 1998).

14 The eight countries were: the United States, the United Kingdom, Germany, Luxembourg, Switzerland, Japan, Australia and Hong Kong.

15 In the subsequent implementation of the quarterly report requirement, companies that lacked a S$75 million capitalisation were exempted. This meant that it applied to less than half the listed companies in Singapore (Ee 2003).

16 MAS also appointed Vasuki Shastry as the new Director of Communications, beginning in January 2002. Shastry came to the position from the External Relations Department of the IMF.

17 Olds was succeeded in 2001 by another non-Singaporean, Philippe Paillart, who is French and, in turn, was succeeded by Jackson Tai in 2003.

18 Indeed, the government has even discontinued providing balance sheet details (assets and liabilities) of various funds in the detailed budget book. The budget speech by the Finance Minister also continues to be entirely conducted on the basis of what is called an 'operating budget'. This includes operating revenue as well as operating expenditure and development expenditure. However, it excludes investment income, interest income, capital receipts, net lending by the government through the budget and debt transactions. In effect, parliament thus only debates part of the budget.

19 Specific purpose committees like the Economic Committee of the Ministry of Trade and Industry addressing the mid-1980s recession and the various subcommittees that fed into the *SME Masterplan 1989* are just two conspicuous examples of this.

20 In addition, the MAS is also bringing international consulting companies into the policy process. It commissioned a financial sector strategy study by McKinsey and Company and a complementary financial sector IT strategy study by Arthur D. Little.

21 It too meets annually and comprises executives of top US, European and Japanese companies – although only ones which have already invested in Singapore.

22 Earlier losses through investments in China by New World Fund based in Hong Kong had been accompanied by a similar paucity of information.

23 The lack of transparency of the CPF was itself an issue that National University of Singapore economist Mukul Asher drew attention to through his study of the state-run pension scheme. His study revealed that the CPF achieved a return of just 1.8 per cent between 1983 and 2000, even though the economy grew at an average of 8 per cent in the same period. Asher argued that there was 'a lack of transparency and accountability, particularly in investment management', adding that 'It's rather incredible that there is still no official data on the portfolio or returns for a fund of more than US$50 billion which is supposedly to provide for people's retirement' (quoted in Restall 2003).

24 Ang Kong Hua, the President of NatSteel Ltd in which the Singapore government has a 39 per cent stake, replaced Koh at SingTel. However, Ang's term was short lived and not without controversy. He failed in a bid to effect a management buyout of NatSteel while at the helm of SingTel. He also attracted criticism after it became public knowledge in June 2003 that he had bought more than S$300,000 of shares in rival company Mobile One – more than he held in SingTel. Apart from the perception of a conflict of interest, it was also read as a signal that Ang considered his competitors' shares better value. Ang announced his resignation in July 2003 and was replaced by Chumpol NaLamlieng, a Thai national who became the first foreigner to chair a major Temasek company (Tan 2003).

25 By April 2003, Koh was sitting on just four boards (see Lee 2003). In the same month, Temasek Holdings also stated that it 'encourages board directors of the Temasek-linked companies to be mindful of the number of directorships that they take on, especially if they are already holding a full-time executive position' (quoted in Lee 2003). This was meant to ensure board directors 'can devote adequate time and attention to the companies under their fiduciary oversight' (quoted in Lee 2003).

26 Improved access in the banking sector included lifting the ban on new licences for full-service banks within 18 months and within three years for wholesale banks that serve only large transactions. Licensed full-service banks would also be able to offer their range of services at up to 30 locations in the first year, and at unlimited sites within two years. Locally incorporated subsidiaries of US banks could also apply for access to local ATM's within two-and-a-half-years, while branches in four years (US State Department 2002).

27 A clause stating that: 'Regulatory authorities must use open and transparent administrative procedures, consult with interested parties before issuing regulations, provide advance notice and comment periods for proposed rules, and publish all regulations' was also included in the agreement (US State Department 2002).

28 Additionally, conduct guarantees to 'ensure that commercial enterprises in which the Singapore government has effective influence will operate on the basis of commercial considerations', and will not discriminate against US firms were worked into the document (US State Department 2002).

29 Also, Temasek Holdings subsidiary, Finlayson Global, issued debt instruments and the same was being projected for the Land Transport Authority (LTA). MAS itself offered S$900 million 5-year bonds in the first half of 1999. Relaxed MAS rules also now allow the foreign issue of Singapore dollar bonds under certain conditions. Foreign issuers can offer Singapore dollar bonds

provided the proceeds are converted into foreign currencies for use outside Singapore.

30 Of the existing fund managers handling the S$125 billion under management in Singapore in 1996, no Singaporean manager would have qualified, and only a few foreign managers might have been big enough (Dolven 1998b: 59).

31 During the first half of 1999, assets under fund management in Singapore grew by an impressive 36 per cent to reach a total of S$204.1 billion. Of this, S$148.6 billion comprised discretionary assets, with seven firms managing discretionary portfolios exceeding S$5 billion. Local firms accounted for just 12 per cent of the total discretionary assets (Loh 1999).

32 This comment was made in personal correspondence, 25 May 1999. The author requested to remain anonymous.

33 Here I not only refer to the press release but the full report. In correspondence on 13 April 1999, Leong Sing Chiong, MAS's Assistant Director of Media Communications, confirmed that in neither did the role of the media in financial sector development receive attention.

34 The existing timeframe was for liberalisation in five years and the IAP was calling for this to be brought back to three.

35 Yeo estimated that around 60 per cent of the market is turned over per year in the US, compared with about 270 per cent in Singapore.

36 Global institutional holdings of Asian stocks rose 4 per cent at the end of May 2001, yet Singapore, the fifth-biggest Asian country for fund investments, witnessed a 9 per cent drop to US$15.3 billion according to Lipper Asia data cited in *Straits Times Interactive* (2001b).

4 KEEPING CIVIL SOCIETY AT BAY: MEDIA IN SINGAPORE AFTER THE CRISIS

1 See also Worthington (2001) for an exposé of the politicised nature of the judiciary in Singapore.

2 In 2002, the government established a Remaking Singapore Committee which complemented some of the content of Singapore 21, looking at concrete ways to implement ideas contained in the vision statement.

3 One exception within the international media was by Ben Dolven (1998c).

4 Others present at the meeting were David Armstrong, Michael Stutchbury, Richard Sproul, Greg Sherridan and Jane Schulze of *The Australian*.

5 The article that annoyed Lee most was 'Singapore's Shenanigans', 17 August that emphasised the difficulty of separating different elements of the economy and political establishment.

6 Subsequently, Ellis also wrote a piece for *The Australian*, jointly with Geoff Elliott, which depicted SingTel's Australian investment as a very poor deal for SingTel shareholders, arguing that the price paid for Optus was grossly in excess of its value. SingTel shares had dropped by as much as 40 per cent between early 2001 and early 2002 (see Ellis and Elliott 2002). In December 2001, the consulting firm Stern Stewart ranked SingTel as one of the world's biggest wealth destroyers, contending that it had shed nearly US$30 billion of wealth in the five years to June 2001 (see Webb 2001a).

7 Lee seemed to believe that Chee was sufficiently discredited in the eyes of the electorate following a concerted attempt to achieve that.

8 The one site that later, on 11 February 2003, placed the article on its web page was www.fateha.com, produced by a Singapore-based Muslim group.

9 See http://www.rsf.fr/article.php3?id_article=1051&var_recherche=predators

10 Ironically, Eric Ellis, who as we've seen was later to incur the wrath of Singapore's authorities and depicted as a 'Singapore basher', was a contributor to the series of articles.
11 Furthermore, after raising expectations in 1999 that Singapore's censorship rules might soon be reviewed, Minister for Information and the Arts, Lee Yock Suan, poured cold water on the idea the following year. The 10-year old recommendations of the last Censorship Review Committee, he declared, 'are still valid today' (quoted in Yap 2000). The government's enthusiasm for the arts as a growth industry was genuine, but it was nevertheless still tempered by apprehension about the limits to free cultural expression and its political and social implications – something that was certainly downplayed in the media hype about loosening up. Eventually the Censorship Review Committee did produce a report in 2003 with recommendations for changes, including lowering the age restrictions for some categories of films to 18, allowing publications such as *Cosmopolitan* to be sold, and for television shows like 'Sex And The City' to be shown on cable. However, these and other recommendations were modest, falling well short of a breakthrough in freedom of expression (Loh 2003).
12 Scribe Publications books are usually distributed by Horizon Books in Singapore and Pan Malayan Publishing in Malaysia.
13 This included books by Haas (1999) and Seow (1998).
14 This information was supplied in interview by the journalist in Singapore, 12 July 1999. The journalist requested that anonymity be respected.
15 By March 2002, CNA was available in 15 territories of Asia, distributed via local cable networks and hotels.
16 An exception was made for international businesses and diplomats, whose access could be approved. Stockmarket traders were caught out in Singapore during the 1991 Gulf War. CNN beamed live pictures around the world of the despondent faces of those leaving an eleventh hour meeting between officials of the US and Iraq to try and avert war. Investors and traders in Singapore were caught out when others quickly responded to these images. The Economic Review Committee recommended to the government that it remove the satellite ban as part of a drive to bolster the info-communications technology industry (Chua 2003). At the time of writing, the government had not indicated whether it intended to take up this particular recommendation. Given the established patterns of self-censorship among other forms of the international media, such a move need not present quite the problem of content control that was initially feared by the government.
17 It was subsequently changed in name to the Public Entertainment and Meetings Act.
18 Chee later served a five-week prison term for 'unlicensed public entertainment' on Labour Day, 1 May of the same year, in preference to paying a S$4,500 fine for that additional conviction. His SDP colleague, Ghandi Ambalam, was also fined S$3,000 for the same offence (*STWE* 2002, Chong 2003).
19 Yeo (quoted in Fernandez 1999) stated: 'During election time, the rules of campaigning must apply to these foreign channels, as they apply to TCS and STV 12. Otherwise, some candidates may be tempted to lobby channels or even buy airtime from them.'
20 At the time, some 168 publications were banned under this act, mostly sexually related materials but also some religious and political publications (*South China Morning Post* 1998). The threat of loss of annual publication licences by distributors and retailers was the most effective means of discouraging contentious or critical political titles from being available in Singapore.

21 Earlier, in 1996, the government had declared a policy of banning political videotapes after the Singapore Democratic Party applied for a licence under the Films Act to sell a videotape it had produced. The Act was subsequently tightened up to reflect this position more explicitly.
22 *Project Eyeball* was launched in August 2000 but both the print and Internet editions were discontinued at the end of June 2001. According to Singapore Press Holdings, market conditions didn't warrant perseverance with a publication that had failed to attract a sufficient audience or advertising (*The Straits Times* 2001).
23 The government did not rule out the possibility that there may be some relaxation of the current limit of 3 per cent stock ownership by non-Singaporeans (Ng 2000), and did in fact raise the limit to 5 per cent in 2002 (Tang 2002). However, there is not likely to be any significant watering down of the requirement that only Singaporeans can take part in the management of local media companies (see *Straits Times Interactive* 2000).
24 In 2001, over 99 per cent of the island's households were passed by broadband infrastructure (Minges, Ismail and Press 2001: 13).
25 The 'ONE' is an acronym that stands for One Network for Everyone.
26 In the subsequent report in 2003 by the Economic Review Committee (ERC), set up to chart a course for Singapore's medium to long term economic direction, the info-comm industry was identified as one of the seven sectors with the potential to generate service sector growth. The ERC set a target for the industry of a 10 per cent contribution towards GDP by 2012 (Sitathan 2003).
27 Minges, Ismail and Press (2001: 13) explain that there has been some exaggeration of the extent of Internet usage by virtue of the fact of free access. Singapore is one of the few countries where the number of regular Internet users is less than the number of subscribers.
28 Electronic commercial transactions also blossomed, despite the onset of deep recession in 2001. The value of sales in online trading of goods and services, online sourcing and online procurement processes involving business-to-business transactions grew from S$40 billion in 1999 to an estimated S$92 billion in 2000, and S$109 billion projected for 2001. Business-to-consumer transactions also grew impressively, from S$36 million in 1998 to S$200 million in 1999, with sales values for 2000 increasing five-fold to an estimated S$1.7 billion.
29 One means, for example, of circumventing the controls would be to dial into the Internet via a third country.
30 Technet explained that it had been searching for files with the extension GIF (Graphic Interchange Format) that were downloading pornography, of which five files had proven to be (Shenon 1995).
31 In January 2000, the Infocomm Development Authority released guidelines stating that a subscriber's explicit consent must be obtained before scanning can occur.
32 Meanwhile, the politically moderate Singapore Islamic web page, Kampungnet.com, that was first launched in 1995 but had long been dormant, was suddenly re-launched in August 2002. This was officially explained as to ensure 'the mainstream Muslim community make themselves (sic) heard, articulate their concerns without having to apologise for actions of Muslims elsewhere, or being swayed by views from the fringe' (quoted in *AFP* 2002b). Another interesting development was the blocking of the web site of the Harimau Organisation (www.harimau.org) in January 2002 following the arrests of suspected terrorists in Singapore. The opening page of the site pro-

claimed 'Down with PAP's marginalization and discrimination practices against all Malays'. One of its articles appealed for able-bodied men to embark on a nine-month training camp in preparation for assignments in various countries to support Malay development. While the site may have been genuine, there was also suspicion that this could have been a means through which official intelligence was gathered.

33 The hacker entered the account of the forum moderator and bombarded forum members with false messages every 20 minutes. Consequently, around 200 members withdrew from the Yahoo-hosted group (Reporters Sans Frontières 2003).

34 See also Littlespeck (www.littlespeck.com), which has a wider regional coverage and includes Singapore.

5 CRONY CAPITALISM AND TRANSPARENCY REFORM IN MALAYSIA

1 The Societies Act in Malaysia was amended in 1972 to empower the Registrar of Societies to prohibit any society from having links with foreign organisations and more comprehensively in 1981 to place restrictions on 'political' societies, bringing it into line with the restrictions applying in Singapore. But the constraints these placed on pressure groups aroused robust protests from such quarters as the Bar Council, the Trade Union Congress, the Muslim Youth Movement (ABIM), social justice NGO Aliran and Chambers of Commerce. In 1983, amendments removed the designation 'political societies', although serious constraints still remained. In particular, the Act provided the power for the Executive to prevent the formation, or effect a disbanding, of any organisation that it considers undesirable (Amnesty International 1999: 45–6).

2 One objective was for a 30 per cent of share capital being under indigenous, or *Bumiputera*, control by 1990. This was not achieved, but by 1995 the share of *Bumiputera* control was officially 18.6 per cent – a figure that some observers believe understated the real level (E.T. Gomez 2002: 85).

3 According to Gomez, Anwar revealed documents signed by leading corporate identities and associates of Daim, namely Halim Saad, Wan Azmi Wan Hamzah and Tajudin Ramli, confirming that they owned corporate assets on behalf of Daim and UMNO (see Ng 2001a). Repeated denials about such trustee or proxy arrangements by Mahathir and Daim have failed to convince either UMNO members or business people who maintained that this was the only plausible explanation for how UMNO's old assets finished up in the hands of 'Daim's boys' (Lopez 2001a).

4 However, Malaysian authorities were urged by the IMF to collect and publish comprehensive data on off-budget activities and contingent liabilities of the public sector. See Oxford Analytica (2001).

5 Subsequently, with effect from October 2002, the KLSE adopted the Malaysian Accounting Standards Board Standard 26 to guide quarterly reports. This added the requirement for all listed companies to publish a cash flow statement on a quarterly basis, thereby allowing shareholders and stakeholders access to improved information. See *Star Online* (2002a).

6 http://www.danaharta.com.my/

7 The four parties were the DAP, Parti Se Islam Malaysia (PAS), Parti Keadilan Nasional (National Justice Party) and Parti Rakyat Malaysia (PRM or Malaysian People's Party).

8 Through this deal, Renong's cash-rich subsidiary bought a substantial stake in

the parent company in what was effectively a bailout. Anwar's attempt to jettison this particular deal was over-ruled.

9 His stake was 47 per cent.

10 The investment by EPF was RM269.28 million. EPF's involvement had its origins in a RM500 million loan by EPF in 1996 to Time Telecommunications Berhard, which became Time dotCom Berhard. But instead of the loan being repaid, Time Engineering Berhard agreed to repay half the loan in cash and half in shares in Time dotCom, its newly spunoff subsidiary (Prystay 2001a).

11 Public applications took up just 142.86 million shares from the 517.7 million available (Leong 2001a).

12 Ezam was also subsequently detained in April 2001 under the ISA.

13 The licences were awarded to Rashid Hussain of RHB Bank, Quek Leng Chan of Hong Leong Bank, and Tong Kooi Ong of Phileo Allieds Bank.

14 The Ministry of Finance's rejection of RHB Capital's bid to redeem RM1 billion worth of preference shares in RHB Bank from Danamodal Nasional, the state agency entrusted with recapitalising weak financial institutions, in early February 2001. This was in spite of the fact that RHB Capital had the first right to redeem the shares, which could be converted into a significant stake in RHB Bank. RHB was also prepared to pay Danamodal's asking price of RM1.38 billion. The blocking of the mutually acceptable deal between the banks was viewed in the market as an attempt to push Anwar associate Rashid Hussain out of the third largest bank in Malaysia. Subsequently, a deal was done with the encouragement of Prime Minister Mahathir that saw RHB merge with the Utama Banking Group. In the deal, Rashid was expected to cash out of the third largest banking group that he founded, selling his 24 per cent stake in RHB to Cahaya Mata Sarawak (CMS), the parent company of Utama. The relatively small CMS is controlled by the Sarawak Chief Minister Abdul Taib Mahmud family. So, although Rashid was one of the first to respond to the government's calls to consolidate the banking sector, he ended up a casualty of the process (Toh 2002a).

15 http://transparency.org.my

16 The newly formed Malaysian Democratic Party (MDP) committed itself to 'transparency and accountability at all levels of government and privatised bodies' (*NST* 1999).

17 In the original announcement this was projected for 29 February. As it turned out, Malaysia wasn't actually reinstated until 31 May.

18 Malaysia's weighting under the All Country World Free Index dropped from a previous 0.29 to 0.12 (Toh 2001a).

19 In late April 2001, Mokhzani Mahathir announced that he was relinquishing his business interests in the two listed companies Pantai Holdings Bhd and Tongkah Holdings Bhd, claiming that he was sick of accusations of nepotism to the benefit of him and his companies (Lopez 2001e). Interestingly, though, he subsequently had a change of heart and retained those interests.

20 In mid-1997, Renong was RM26 billion in debt, which accounted for approximately 5 per cent of the total loans of the Malaysian banking system (Lopez 2001f). In 2001, Renong and UEM owed Malaysian and foreign banks RM14 billion (Prystay and Patel 2001).

21 Lopez (2002c) points out that Syed Mokhtar's corporate headquarters shares the same address as at least 30 companies, most of which are private investment holding companies, although none list him as`a shareholder. Lopez claims that numerous bankers believe that Syed Mokhtar is the ultimate controller of various such companies in the property and information technology sectors.

6 CHALLENGES TO MEDIA CONTROL IN MALAYSIA

1 The minister concerned was Second Finance Minister Mustapa Mohamad.

2 Some of the specific topics examined included: US$6 billion losses during 1994 on foreign exchange markets by Bank Negara, the Malaysian Central Bank; subsequent scandals involving the allocation of shares to relatives of government leaders, including the son-in-law of international trade minister Rafidiah Aziz; and critical coverage of 'mega-projects' such as the Bakun Dam, Putrajaya, the Petronas twin towers and the Northern Airport.

3 From a different perspective, his deputy, Anwar Ibrahim, complained that the 'foreign' media were overly sympathetic to the international corporate sector and unable to provide a balanced analysis of the crisis (*Straits Times Interactive* 1997).

4 Later, amid continuing public concerns about air quality in Malaysia, daily quantitative Air Pollutant Index readings of the Department of Environment were discontinued in favour of qualitative measures of 'good' 'moderate' or 'hazardous' (Chen 1999a, Wong 1999).

5 This campaign included the publication of a book entitled *50 Dalil Kenapa Anwar Tidak Boleh Jadi PM* (*50 Reasons Why Anwar Cannot Become PM*), which contained sexual allegations and allegations of corruption. For a chronological account detailing the moves against Anwar see http://www.hrw.org/campaigns/malaysia98/anwar-chronology.htm

6 Mahathir had already rescued his party's commercial interets (Renong and United Engineers Malaysia), his son's corporate flagship (Konsortium Perkapalan) as well as the controversial mega-project, the Perwaja Steel mill, and the national airline MAS.

7 Abdul Rahman was appointed chairman of Malaysian Resources Corp (MRCB) after replacing Nazri as the leading shareholder of Realmild, which controls MRCB. MRCB is the main shareholder in NSTP and Sistem Televisyen Malaysia (TV3).

8 Deputy Education Minister Fong Chan Ong also explained that: 'These publications are giving blatantly one-sided coverage on the political and economic situation in Malaysia and putting us in a bad light in the eyes of the world' (quoted in *Deutsche Presse-Agentur* 1999). See also *AP* (1999c).

9 One, for example, was the use of the title 'General' for the Inspector-General of Police, Abdul Rahim Noor, who assaulted Anwar in prison. Kadir argued that this was motivated by the *Guardian* newspaper to portray Malaysia as ruled by the military.

10 The identity of 'Abdullah Tan' was unknown to international journalists and editors interviewed in this project and not indicated on the by-line of the published pieces.

11 These cases sit alongside earlier and yet unresolved cases, together with settlements outside of court involving journalists and media organisations. For details see Kabilan (2001a).

12 Lim Guan Eng, an opposition parliamentarian and prisoner of conscience, was sentenced to 18 months' jail for sedition and printing 'false news', under Section 8 of the PPPA. His conviction related to the publishing of a pamphlet in 1995 entitled 'Cermah Kisah Benar' ('The True Story'), which prosecutors argued contained false information on a sex scandal involving a schoolgirl and a former government chief minister. At the time, Lim was both a parliamentarian and National Chairman of the Democratic Action Party. In a separate case, women's rights activist Irene Fernandez was also charged with publishing 'false news' under Section 8A2 of the PPPA, about the ill-treatment of detainees in

camps for migrant workers. The lawyer representing Fernandez argued that: 'The prosecution was intended to have a chilling effect on the way activists and the press pursue public-interest issues, especially relating to the police and other institutions' (quoted in Elegant 1999). Fernandez's trial was completed in March 2003. Subsequently, in October 2003, the Kuala Lumpur Magistrate's Court found her guilty, sentencing her to 12 months jail. She was, however, allowed a stay of execution pending appeal to the High Court (Gan 2003).

13 Hiebert served four weeks before being released and subsequently withdrew his appeal after it was deemed that he would have to return to Malaysia to attend the appeal and deposit a RM200,000 security deposit. Hiebert's lawyers observed that: 'We are not aware of any jurisdiction in the Commonwealth that requires an appellant who already has served his sentence to continue to attend court proceedings' (quoted in *Straits Times Interactive* 1999). He had already taken up a new post in Washington.

14 The Bar Council chairman, Sulaiman Abdullah, maintained that the current awards were having a 'chilling effect on freedom of speech and freedom of the press' (quoted in Koshy and Celestine 2001). He added that: 'We would not like to see the public interest features of the press being overwhelmed or repressed by high damages' (quoted in Koshy and Celestine 2001).

15 From mid-1999, for example, there was a flurry of letters by Victor Wee and, subsequently, K. Govindan as Deputy Heads of the NEAC Secretariat, as well as from Lyn Chai and Asgari Stephens of the NEAC Communications Team to the *AWSJ*, *FEER* and various other publications. See also *Star Online* (2000c). By 2002, the NEAC had, however, abandoned the 'Press Room' and the extensive replies to articles in favour of more selective responses and greater emphasis on positive material extracted from the press or produced by the NEAC itself. These were carried under titles of 'Media Reports' and 'NEAC Materials'.

16 This information was submitted in interview by the journalist involved, who requested anonymity for this publication, in Singapore on 12 July 1999.

17 The Act reads: 'Nothing in this Act shall be construed as permitting the censorship of the Internet.'

18 See http://www.cyberway.com.sg/~nassir/ for a comprehensive listing of these and subsequent sites.

19 Sabri Zain was one of the more prolific of a new band of online journalists who emerged. For a compilation of his assorted writings see Sabri (2000).

20 See http://members.tripod.com/~Anwar_Ibrahim/

21 See http://www.freeanwar.com/

22 Some of its reports could also not help but raise questions about leaks from privileged sources.

23 The Malay-language *Utusan Malaysia* had an average circulation figure of 247,617; the Chinese-language *Berita Harian* 227,181; while English-language dailies *The Star* 206,832 and the *NST* 163,287 (Abbott 2001b: 297).

24 PAS has also applied for a new publication licence for another publication, *Purnama*.

25 See http://members.xoom.com/harakah2/a19990201/1050b3e10.html for *Harakahdaily* and http://detik.daily.tripod.com/ for *Detik*.

26 This was criticised on UMNO's official web site, Umno-Online, suggesting that there was some disagreement within the ruling party over how to cope with *Malaysiakini* and other Internet challenges.

27 This included barring the access of two *Malaysiakini* journalists in March 2002 from the Press Gallery in Parliament to cover proceedings.

28 The issue was also kept alive, in part, by the resignation of *Malaysiakini*'s news editor Chong Yen Long accompanied by the claim that another source had been a conduit for Soros money (*Business Times Online* 2001f, *Star Online* 2001b). Chief executive officer Chandran contended that the transaction concerned was nothing more than a business deal involving *Malaysiakini*'s technology arm Kini Technologies developing software for the Centre for Advanced Media, Prague (C@MP). Chandran added: 'We believe that his resignation was related to other disagreements with *malaysiakini* management, including his unhappiness over his pay rise' (quoted in *Malaysiakini* 2001).

29 In the face of the editors' refusal to run with the story, Gan and colleagues released the information about an alleged 59 deaths in the camp to Tenaganita, an NGO that works on migrant issues. After a press conference by Tenaganita the government confirmed there had been 42 deaths in Semenyih. Subsequently, the Home Ministry confirmed there had been 42 deaths in Semenyih (see Gan 2001, Murphy 2001).

30 By mid-2001, *Malaysiakini*'s advertising revenue was a mere RM10,000 (US$2,631) per month, which was actually down 30 per cent on the figure a year earlier (Chen 2001c).

31 This was likely to have been reinforced by the official reaction to the US Embassy's decision in February 2001, at the height of the campaign against *Malaysiakini*, to purchase banner ads in the web site. Foreign Minister Syed Hamid Almar cautioned the Embassy to 'exercise wisdom' in its dealings with the news portal (*CNN.com* 2001a). Embassy spokesperson James Warren rejected inferences of political involvement, explaining that *Malaysiakini* 'was selected solely on the number of visitors they have and the cost' (quoted in *CNN.com* 2001a). The fact that the same advertisement had been simultaneously placed in the establishment newspaper *NST* was apparently not enough to convince the government that this was strictly business.

32 The sites affected included: Mahafirun, Komentar, Pemantau, Minda Rakyat, Dabat 2020, NT (anti) Zalim, *Harakah Daily*, *Detik Daily*, Pemuda Keadilan, PAS Parit Buntar, Perak and three Tranung Kite sites.

33 *Parti Rakyat Malaysia* (Malaysian People's Party) President Syed Husin suggested that: 'If Tripod.com chooses to remain silent any further, then it will only strengthen increasing suspicion among a large body of Malaysians that it may have succumbed to cooperating with the Malaysian regime to undermine the people's struggle for justice, democracy and reform in this country' (quoted in *AFP* 2001e). Similarly, Lokman Noor Adam, Parti Keadilan (National Justice Party) Youth Secretary, implored Terra Lycos that if it 'has been at the receiving end of pressure from the ruling party of Prime Minister Mahathir Mohamed, then the company should make it known to the world' (quoted in Chen 2001c).

34 The takeover was conducted by Huaren Holdings Sdn Bhd, which is controlled by the MCA.

35 The two camps were referred to as Team A, led by President Ling Liong Sik, and Team B, led by Deputy President Lim Ah Lek. See Wong (2003) regarding subsequent internal MCA factional dynamics.

36 Within a month of the newspaper's publication, in January 2003, *Oriental Daily News* also discontinued its opinion page, leading to speculation that this was the result of political pressure – something editor-in-chief refused to comment on (Beh 2003a).

37 The story drew on police sources and reported that police had successfully preempted the plan.

38 This prompted a letter from the Committee to Protect Journalists (CPJ) to Prime Minister Mahathir in late January 2002 expressing concern 'that political pressure may have prompted the recent wave of resignations, suspensions, and lay-offs at the *Sun* newspaper' (Cooper 2002).
39 In August 2001 police and government officials also raided PAS headquarters in the attempt to seize VCDs containing anti-government speeches in an attempt to cut off supply to vendors in open-air markets and sidewalks (*AWSJ* 2001b).
40 *Harakah*'s printer, for example, had been charged with sedition along with editor Zulkifli Sulong following an article published in 1999 criticising the government's handling of the sodomy trial against Anwar. *Aliran Monthly* had also faced repeated problems in previous years securing printers.
41 Even after this, Lufti produced *Memo 24* a few weeks later. It was, however, a more modest edition and the spooking of distributors impaired distribution.
42 Arjuna (2001a) wrote: 'The biggest building is the prime minister's department, which is at the centre of everything. A six-story granite structure the size of several city blocks, with green windows topped with a green dome, it dominates the city in the same way that Mahathir has exercised a supreme influence over his country since he became prime minister two decades ago.'
43 The article read, in part: 'Together he [Daim] and Mahathir have ensured the party's financial and political dominance, micro-managed the economy, nurtured a coterie of rich Malay businessmen and brooked no interference to their power' (Arjuna 2001b). The article went on to observe: 'But now the premier is scrambling to placate an electorate increasingly hostile to such autocratic rule. Within UMNO itself, the rank and file complain that the party is indelibly tainted by money politics' (Arjuna 2001b).
44 UMNO concerns over international media reporting also manifested in threats of sedition charges against journalists in March centring around reporting on ethnic violence. Clashes over four days between ethnic Malays and Indians, which began on 9 March in Petalying Jaya Seletan at Kampung Medan, led to six deaths and more than 50 reported injuries and were followed by 220 arrests (Zakiah 2001). UMNO Youth members filed a police report against the *IHT*, *AP*, *AFP* and the *South China Morning Post* accusing them of seditious articles and malicious reporting. In particular, there were concerns that these media quoted non-official sources when they reported that as many as 13 people had been killed. Foreign Minister Syed also singled out CNN for fostering the false impression that these were Malaysia's worst racial riots ever (Pereira 2001b).
45 This petition included online and other journalists.
46 The Pahlawan Volunteers came out very strongly in support of the protesting journalists and in opposition to the takeover. It describes itself as 'a group of volunteers consisting of business people, professionals and thoughtful individuals who come together to give time, expertise and voice to the issues faced by Malaysians, as one community, one nation'. For an outline of the range of activities this group has been involved in see its web site at www.pahlawan.com.my/who.shtml
47 The newspaper's management also reprimanded eight *Nanyang Siang Pau* journalists in September for having attended a function commemorating the MCA takeover (Ng 2001b).
48 The first draft of Charter 2000 was completed by 27 September and circulated for comment. It was revised and subsequently placed on the Aliran web site at www.malaysia.net/aliran/charter/charter2000.html

49 One group that had not endorsed the *Charter*, however, was the NUJ – despite the fact that many of its members had been signatories to the earlier petition. Daud maintained that some elements of the *Charter*, such as the possible boycotting of the mainstream media, would be against the industry (Loone 2002). With the exception of certain media organisations, private business groups and their representative bodies were also conspicuously absent from the list of endorsees. For a full list of the endorsees, see www.malaysia.net/aliran/charter/endorsers.html

50 On 4 May 2002, a coalition of 32 NGOs issued a joint statement declaring a 100-day boycott of engagement with Suhakam in protest at what these organisations regarded as grossly inadequate championing of human rights in Malaysia (see Aliran 2002a).

51 It declared: 'We categorically reject statutory control of the media in an environment where other institutions of democracy are hampered from playing a robust role in checking abuse of power. Instead, we reiterate support for an independent and impartial self-regulating mechanism – helmed by persons of integrity – that wins the respect and confidence of the public, government and the media itself (sic)' (Inisiatif Wartawan 2002).

52 According to Ezam, though, he had been misquoted and referred only to peaceful protests against corruption and cronyism (*AFP* 2001f). Ezam declared that he would be taking legal action against *Utusan Malaysia* over the article (see Arfa'eza 2002).

53 Hishamuddin wrote a weekly, the 'Dotmai' column, in *Malaysiakini* that addressed human rights, racism and other social and political issues. A book entitled *Pilihanraya atau pilihan jalanraya* (To the polls or to the streets) compiling many of these pieces was published subsequent to his arrest (see Hishamuddin 2002).

54 Hishamuddin was among four of these detainees who were subsequently sentenced to two-year prison sentences for allegedly trying to overthrow the government, while the remaining six were released.

55 All six were released, in two separate batches, in June 2003 upon the expiry of their two-year terms.

56 These detainees were now linked with six people earlier held under the ISA between May and July who were allegedly involved in terrorist activities including bank robberies and the murder of former Lunas state assembly representative Joe Fernandez in Kedah, as well as the bombing of some temples and churches (Leong Kar Yen 2002).

57 Aliran noted in a press statement expressing concern at the detentions that the authorities were inconsistent in their declarations of what 'KMM' actually stood for. First it was expressed as 'Kumpulan Mujihideen Malaysia' but then 'Kumpulan Militan Malaysia'. See Aliran (2002b).

58 Prime Minister Mahathir (quoted in Roberts 2001) was quick to observe that: 'We believe there was PAS influence among the members [of KMM]. There are party members who are extreme and feel that the democratic process is too slow or did not help them. They are happier using violence to topple the government.'

59 One of the detainees, Zainon Ismail, later told a Malaysian Human Rights Inquiry that: 'The KMM is the product of the police, the real leader of the KMM is police chief Norian Mai. I am just a victim' (quoted in Leong Kar Yen 2002).

60 This included 16 lecturers at Universiti Teknologi Malaysia (UTM) who were among 23 detained between December 2001 and January 2002.

61 Malaysian police chief Norian Mai told a press conference that KMM took its orders from JI leader Indonesian Riduan Isamuddin, known also as Hambali, and Indonesian cleric Abubakar Ba'asyir (*Malaysiakini* 2002b).

62 Chief Justice Tun Mohamed Dzaiddin Abdullah's report observed that the *reformasi* dissidents had not been detained on any grounds to do with national security but because of their political activities.

63 For copies of the respective reports of the judges, see www.freeanwar.com

64 In another controversy in 2002 over the ISA, Nasharuddin Nasir was released from detention under the ISA after succeeding with a habeas corpus application to the High Court, which found that he had been wrongfully detained. However, ten minutes after his release he was rearrested and served with a fresh detention order. Malaysia's *de facto* Law Minister, Datuk Rais Yatim projected a tightening up of the ISA to curb judicial scrutiny of preventive detention cases (Lau 2002). As it transpired, the government successfully appealed in August 2003 against the release order, thereby effectively jettisoning projected habeas corpus applications from others (Arfa'eza 2003).

65 Ezam acknowledged that the court's hands were tied by an Act which is designed to obstruct the public interest and protect those abusing public power: 'The Official Secrets Act was formulated by corrupt leaders as a means to protect themselves. Citing grounds of "National Security", they have closed all avenues for their acts of corruption to come to the attention of the public. They hide behind "TOP SECRET", "CONFIDENTIAL", "PRIVATE" and "RESTRICTED" and put the fear of God into every government officer and administration staff member who is confronted with despicable acts' (Ezam 2002).

66 Amnesty International described the sentence as 'part of a pattern which has a wider chilling effect on freedom of expression in Malaysia' (quoted in *Malaysiakini* 2002a).

67 Suspicion was aroused by a statement attributed to PAS acting leader and Terengganu *menteri besar*, Abdul Hadi Awang, that information from civil servants assisted the drafting of a shadow budget (Theophilus 2002a).

68 Suaram executive director Cynthia Gabriel criticised the government for its reaction, contending that: 'Alternative views are a welcome move in a democratic environment as this is vital for transparency and accountability' (quoted in Theophilus 2002a).

69 The 13-person commission, Suhakam, has been viewed with scepticism by NGOs and others since it was first established with a former Deputy Prime Minister, Musa Hitam, as its head. However, at times it has taken positions that have been critical of the Malaysian government. This includes its report into police actions and detentions on 5 November 2000 at a public rally in support of Anwar. Police used water cannon and teargas and detained 116 people. Suhakam maintained that police violated human rights and subjected detainees to 'cruel and inhuman' treatment (*Malaysiakini* 2001c). It also asserted the right of the public to peaceful assembly and condemned the use of the ISA (J. Tan 2001).

70 Karpal Singh was charged for comments made in a court case in which he was defending Anwar Ibrahim, Marina Yusoff for allegedly 'provoking racial discord'. Marina was convicted in February 2002 and fined RM5,000. Singh went on trial in October 2002. The sedition charge was, however, dismissed by the Public Prosecutor of Malaysia on 14 January 2002.

71 This issue caused such consternation that PAS president, Abdul Hadi Awang, announced in July 2003 that if PAS were to win the general election it would

not take 'drastic measures' to turn Malaysia into an Islamic state. He told reporters that the focus would be on those states which PAS might govern after the election (*STWE* 2003b). This was not a total retreat, but a moderation of the original position.

72 P.C. Suria was bought out by Nascom, a government-supported enterprise previously known as PC Malaysia Bhd.

73 It was also rather curious that the police had acted so promptly on the report, given that various other complaints by civil society groups and opposition political parties had been submitted without arousing any interest from police. This included allegations of racial statements by UMNO Youth (Aeria 2003).

74 *Malaysiakini* has maintained that none of the computers actually contained information about its subscribers. This doesn't mean authorities had not expected to obtain such information.

75 Among the international representations was a letter to the Home Ministry from a coalition comprising 49 Asia-Pacific NGOs and individuals (Beh 2003b).

76 In the rebuttal, Mustapha took issue with claims about an education quota policy for university, the Islamic banking system and Mahathir's retirement plans. *The Economist* published an apology in the 8 May edition for a factual error pertaining to the first of these, acknowledging that such a system was no longer in place, but it maintained that it stood by the other issues raised by Mustapha.

77 The 1 May issue contained an article on the prospects of national car-maker Perusahaan Otomobil Nasional when the Asean Free Trade Area materialises and the 8 May issue had an article about the decline of green leatherback turtle numbers on Malaysia's east coast.

7 CONCLUSION: ADVANCED MARKET SYSTEMS, INFORMATION FLOWS AND POLITICAL REGIMES

1 In early 2003, a proposed bill by 20 members of the ruling Thai Rak Thai party involved the establishment of a media council that would issue guidelines on ethical reporting and have the power to punish media outlets deemed to have offended. A provisional clause allowed for the Prime Minister to select council members (SEAPA/TJA 2003).

2 Zhang was head of the news bureau in the Propaganda Department at the time he kept the clamp on information about SARS (McGregor 2003).

3 It is also noteworthy that authorities in Vietnam were extremely swift in bringing SARS under control and that Eileen Plant, an Australian doctor who headed a World Health Organization SARS team, attributed this to Vietnam's 'authoritarian approach' (Pitsis 2003).

4 In the context of increased security threats in Asia to the interests and symbols of Westernisation after September 11 and the Iraq War, there have been new opportunities for authoritarian regimes to be consolidated. The sudden warmth of sentiment towards Prime Minister Mahathir from within the US establishment following his extensive use of the ISA to contain terrorism discussed in chapter six is a reminder of this potential. Meanwhile, the Committee to Protect Journalists has expressed particular concern about the implications of the new security environment for the media. In its annual report for 2002, it observed that: 'Asia's authoritarian governments have long used national security legislation to jail journalists, and such laws are the primary reason that Asia led the world last year in the number of imprisoned journalists, with 78 behind bars in the region out of a world total of 136' (quoted in Tong 2003).

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