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**NAVAL
POSTGRADUATE
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MONTEREY, CALIFORNIA

THESIS

**THE EVOLUTION OF MALAYSIA'S IMMIGRATION
POLICY SINCE 1970**

by

Michelle B. Avila

March 2015

Thesis Advisor:
Second Reader:

Michael Malley
Tristan Mabry

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THE EVOLUTION OF MALAYSIA'S IMMIGRATION POLICY SINCE 1970

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Submitted in partial fulfillment of the
requirements for the degree of

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ABSTRACT

In the 1970s, Malaysia's government promoted economic growth through an economic structural change from agriculture to industry. During the economic changeover, Malaysia's lack of human capital contributed to the persistent labor shortages. To meet the demand for labor, especially in manufacturing and construction, the government adopted a liberal immigration policy that permitted large numbers of workers to enter the country. Although many entered legally, many more did not. Most workers entered from Indonesia, which was close in proximity and shared a common culture. By the 1990s, many Malaysians increasingly began to blame immigrants for societal woes and economic setbacks. The government found itself in a quandary. Its immigration policy was promoting economic growth, but also generating opposition from society. Public opinion about both effects of immigration policy—economic growth and public opposition—could determine political outcomes. In response to public pressure, the government adopted a more restrictive immigration policy. During the 2000s, the Malaysian government deported tens of thousands of illegal immigrants annually. The government's crackdown on illegal immigrants specifically targeted Indonesians. The government's economic policies, however, still favored sectors that depended heavily on immigrant workers. This thesis analyzes two periods of time—1970–1990 and 1990–2010—to determine whether labor demand, government approval, or public pressure influenced the drastic change in Malaysia's immigration policy.

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LIST OF ACRONYMS AND ABBREVIATIONS

3D	dirty, dangerous, and difficult
AFC	Asian financial crisis
ASEAN	Association of Southeast Asian Nations
BN	Barisan National
ELX	Electronic Labor Exchange
EOI	Export-Oriented Industrialization
EPF	Employee Provident Fund
GDP	gross domestic product
ICJ	International Court of Justice
ILO	International Labor Organization
IMF	International Monetary Fund
ISI	import substitution industrialization
MCA	Malaysian Chinese Association
MIC	Malaysian Indian Congress
MOU	memorandum of understanding
NEP	new economic plan
NOC	National Operations Council
PM	prime minister
RELA	Ikatan Relawan Rakyat
RM	Malaysian ringgit
UMNO	United Malay National Organization
UNCLOS	United Nations Convention on Law of the Sea

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I. INTRODUCTION

Since the 1970s, the Malaysian government has promoted rapid economic growth through industrialization. However, since the country's population was relatively small, the economy suffered persistent labor shortages. To meet the demand for labor, especially in manufacturing and construction, in the 1970s, the government adopted a liberal immigration policy that permitted large numbers of workers to enter the country.¹

Although many entered legally, many more did not. Most foreign workers came from Indonesia, which was simpler because of a similar language, culture, and religion. However, by the 1990s, an increasing number of Malaysians began to blame the immigrants for societal woes and economic setbacks. In response to public pressure, the Malaysian government deported tens of thousands of illegal immigrants annually during the 2000s.² The government's crackdown on illegal immigrants specifically targeted Indonesians. Nonetheless, the government's economic policies still favored sectors, such as construction and manufacturing that depended heavily on immigrant workers. Thus, the Malaysian government was increasingly forced to balance the economic necessity to permit immigration of foreign workers against the public desire to limit illegal migrant workers.³

So, if the Malaysian economy was reliant on Indonesian migrant workers, why did Malaysia move from a welcoming immigration position in the 1970s to a forceful repatriation program in the 2000s, specifically in the case of Indonesians? Was it simply to accommodate public pressure? Or were there other reasons?

¹ Amarjit Kaur, "Indonesian Migrant Workers in Malaysia: From Preferred Migrants to 'Last to be Hired' Workers," *Review of Indonesian and Malaysian Affairs* 39, no. 2 (2005): 6.

² Christine B. N. Chin, "The 'Host' State and the 'Guest' Worker in Malaysia: Public Management of Migrant Labour in Times of Economic Prosperity and Crisis," *Asia Pacific Business Review* 8, no. 4 (2002): 35.

³ *Ibid.*, 22–23, 35.

A. MAIN ARGUMENT

This thesis argues that the change in immigration policy in Malaysia stemmed from a change in labor conditions, the government's approval rating, and the public's change in attitude regarding immigrants. Since the early 2000s, Malaysia actively tried to curb illegal Indonesian immigration after decades of encouraging it. Why did this change in policy occur?

One plausible hypothesis is that the accommodating period of the 1970s and 1980s was influenced by the economic expansion and demand for labor. The entrepreneurial class and the working class were in accord, both wanted economic expansion. The government was relatively stable during this period and it was simple to meet the demands of both groups. During the period of accommodation, the government was stable, the working class was employed, and the entrepreneurial class was making money.

These factors changed in the late 1980s when the Malaysian economy could no longer sustain eight percent annual growth.⁴ Malaysia's economy suffered a contraction, which ended the period of accommodation. Beginning in 1990, a period of restriction ensued and continues today. The entrepreneurial class had not changed; the demand for a cheap and steady supply in labor remained a priority. The economic contraction scared many working-class Malaysians into thinking that job competition was prevalent and the Indonesians must go. The government began to show signs of weakening. In an effort to shore up support, it began to be more responsive to some of its constituents, namely the working class. The period of restriction may be reducible to whether working-class Malaysians viewed Indonesians as necessary. The government, in an effort to maintain a large voting bloc, instituted a restrictive immigration policy, and excluded the entrepreneurial class.⁵

⁴ Christine B. N. Chin, "The State of the 'State' in Globalization: Social Order and Economic Restructuring in Malaysia," *Third World Quarterly* 21, no. 6 (2000): 1047.

⁵ *Ibid.*

A reasonable explanation for the divergent periods was political. The change between the periods of accommodation and restriction could be the result of governmental responses to the labor demand, the government's approval rating, and the public's acceptance of Indonesians.

B. METHODOLOGY

The basic analytic approach to this thesis was comparative case studies. I chose the 1970s to 1980s as a period of accommodative immigration policy, and the 1990s to 2000s as a period of restrictive policy. This thesis examined three different themes over the two time periods. The first theme was the matter of labor demand and whether it affected government decisions. The second theme was the matter of the government's approval rating and whether governmental strength or weakness correlated with decision-making. The third theme was the public's acceptance of the Indonesian community and whether a change from passive acceptance to demonization influenced the government's position on immigration.

Most of my research was conducted from scholarly journals. I also used a government source from Malaysia. The government document and journal articles assisted in identifying the magnitude of the problem. The scholarly works supported or attacked my two hypotheses and provided focus to determine information gaps or another plausible explanation.

C. SIGNIFICANCE OF THE RESEARCH QUESTION

Indonesian immigration in Malaysia was a sizeable issue with far-reaching implications. Since 1999, Malaysia has been the largest importer of foreign labor among its Association of Southeast Asian Nations (ASEAN) neighbors.⁶ Governmental policy on immigration in Malaysia affects its neighbors, specifically its relationship with Indonesia. Due to its archipelago make-up, Indonesia has a huge maritime presence and is the largest country in Southeast Asia. The countries share land and maritime borders.

⁶ Alice M. Nah, "Globalisation, Sovereignty, and Immigration Control: The Hierarchy of Rights for Migrant Workers in Malaysia," *Asian Journal of Social Science* 40, no. 4 (2012): 491–92.

Bilateral relations between Malaysia and Indonesia have been strained because of the immigration issue.⁷

Cooperation between Indonesia and Malaysia became contentious after Malaysia began to institute policies that targeted Indonesians. The expulsion of Indonesian guest workers affected the bilateral relationship between the nations. The immigration issue bled into several other ongoing debates between the countries, affecting unaffiliated problems. For instance, the Indonesian and Malaysian governments' ambivalent responses to the migrant issue created a hostile relationship that infiltrated other issues that the governments were trying to resolve, such as the Ambalat territorial dispute.⁸

The immigration problem contains the potential to result in violence. Indonesians have rioted in the streets and burned the Malaysian flag at the Malaysian embassy in Jakarta, calling for Indonesia to crush Malaysia. In Malaysia, the rhetoric denounced Indonesians as inferior and ungrateful.⁹

Moreover, migration is big business. Migration is a multi-billion-dollar remittance industry.¹⁰ In 2009, Malaysia qualified as one to the top remittance-sending countries in the world, with over \$6.8 billion (3 percent of gross domestic product (GDP)) going out.¹¹ In contrast, Indonesia was listed among the top remittance-receiving countries, with over \$7.1 billion brought into the country by workers abroad. Legal migration allows countries to tax remittances as necessary. However, illegal immigrants do not declare remittances, which can affect states' treasuries. Loss of income was a volatile

⁷ Helen E. S. Nesadurai, "Malaysia's Conflict with the Philippines and Indonesia over Labour Migration: Economic Security, Interdependence, and Conflict Trajectories," *The Pacific Review* 26, no. 1 (2013): 98.

⁸ *Ibid.*, 106–07.

⁹ Joseph Liow, "Malaysia's Illegal Indonesian Migrant Labour Problem: In Search of Solutions," *Contemporary Southeast Asia* 25, no. 1 (2003): 50–51.

¹⁰ International Bank for Reconstruction and Development, *Migration and Remittances Factbook 2011* (Washington, DC: World Bank, 2011), 13, http://siteresources.worldbank.org/INTLAC/Resources/Factbook2011-Ebook.pdf&rct=j&frm=1&q=&esrc=s&sa=U&ei=DskRVPLLJ6bwiwL3h4HoAg&ved=0CCAQjBAwBg&usg=AFQjCNHPFmP8Qw3_aLp2F5tMs3n8xgkuRg.

¹¹ *Ibid.*

issue, especially when Malaysians perceived that illegal Indonesian immigrants were disproportionately draining their state's resources.¹²

Malaysian immigration had the potential to affect the Indonesian government. If Malaysia continued to restrict Indonesian immigration, then Indonesia's economy would be impacted by a decline in remittances. Additionally, the forced repatriation of large numbers created the potential for a humanitarian crisis. Malaysia's inability to wean its economy off foreign labor continued to impact its government and its people. Many Malaysians were no longer willing to accept a large number of foreign workers, especially Indonesians. Instead, the focus was primarily on the violent crimes, cost of deportation, and communicable diseases. The Malaysians viewed the Indonesians as inferior and unwelcome. If the public perception continued and the government continued to reflect the attitudes of its people by tightening immigration policy and increasing penalties, then eventually something must give. Economic sectors forced to shut down due to lack of a workforce demonstrated that the Malaysian economy is the most likely victim.

Analyzing Indonesian immigration in Malaysia is important in order to ascertain levels of cooperation and conflict between the largest country in Southeast Asia, Indonesia, and the largest labor importer, Malaysia. Changes in Malaysian immigration policy affect many countries, but none so much as Indonesia.

D. LITERATURE REVIEW

The Malaysian–Indonesian border is the second largest transnational migration hub in the world, second only to the U.S.–Mexico border.¹³ In 2000, Amnesty International estimated 40 percent of Malaysia's total workforce was comprised of immigrants, legal or illegal.¹⁴ Malaysian migration since independence has been summed

¹² International Bank for Reconstruction and Development, *Migration and Remittances Factbook 2011*, 13.

¹³ Liow, "Malaysia's Illegal Indonesians," 44.

¹⁴ Nesadurai, "Malaysia's Conflict with the Philippines and Indonesia," 98.

up as “exporting goods, importing labor.”¹⁵ Foreign workers fueled Malaysia’s economic engine. Malaysia imported foreign workers to meet the labor demand, which in turn assisted Malaysia’s transition to a more developed country. Therefore, changes in immigration policy or how Kuala Lumpur enforced policy directly impacted the national economy.¹⁶

The legal immigration system in Malaysia was highly bureaucratized and expensive.¹⁷ Consequently, illegal immigration was faster and cheaper. Furthermore, Malaysian employers preferred illegal migrants because they were cheap, permanent, and unregulated.¹⁸ The government created many restrictions that resulted in legal immigrants being cost-prohibitive to employers. While employers favored illegal immigration, the undocumented workers were easy scapegoats for societal problems, such as infectious diseases, crime, and unemployment. Consequently, the government is challenged with maintaining economic security and domestic tranquility, despite the many accusations against Indonesian immigrants.¹⁹

Malaysia has a history of treating Indonesians differently than other immigrants. The Malaysian government has transitioned from active encouragement in the 1970s of Indonesian illegal immigration to balance against the ethnic Chinese.²⁰ In the 1980s, the government intended the bureaucratization of immigration to slow the process of Indonesian settlement buildups in urban areas. In the 1990s, the Malaysian government enacted and enforced immigration legislation. The state viewed illegal immigration as a nontraditional threat, and the lack of border security made the government appear

¹⁵ Blanca Garces-Mascarenas, *Labour Migration in Malaysia and Spain: A Market Citizenship and Rights* (Amsterdam: Amsterdam University Press, 2012), 44.

¹⁶ Nesadurai, “Malaysia’s Conflict with the Philippines and Indonesia,” 98; Liow, “Malaysia’s Illegal Indonesians,” 44.

¹⁷ Blanca Garces-Mascarenas, “Legal Production of Illegality in a Comparative Perspective: The Cases of Spain and Malaysia,” *Asia Europe Journal* 8, no. 1 (2010): 83.

¹⁸ Ibid.

¹⁹ Garces-Mascarenas, “Legal Production of Illegality,” 82–83; Azizah Kassim, “Illegal Alien Labour in Malaysia: Its Influx, Utilization, and Ramifications,” *Indonesia and Malay World* 25, no. 71 (1997): 72.

²⁰ Kamal Sadiq, “When States Prefer Non-Citizens Over Citizens: Conflict Over Illegal Immigration in Malaysia,” *International Studies Quarterly* 49, no. 1 (2005): 108.

vulnerable.²¹ Additionally, the early 2000s were wrought with mass repatriations, riots by Indonesians in Malaysia, and demonstrations in Indonesia against the maltreatment of immigrants in Malaysia.²²

Since independence in 1957, Malaysia encouraged immigration of Muslim workers from nearby countries, especially Indonesia and the Philippines.²³ Following the race riots of 1969 between the ethnic Malays and the ethnic Chinese, the government sought to bolster the Malays' ethnic advantage over the Chinese by turning a blind eye to illegal immigration from countries, such as Indonesia and the Philippines, while concurrently ensuring big business had access to affordable labor.²⁴ The government of Malaysia, namely the Barisan Nasional (BN), tacitly approved illegal immigration from culturally similar countries. The expectation was the Indonesians, due to their cultural similarity to Malaysian Malays, would assimilate and potentially become a voting bloc that supported the Malay party in the BN, the United Malays National Organization (UMNO).²⁵ The influx of Muslims from Indonesia would augment the Malay Muslim population to curb the influence of the ethnic Chinese.²⁶

Consequently, foreign settlements became commonplace in urban areas on peninsular Malaysia. By the late 1980s, the government recognized that Indonesians were not assimilating as predicted.²⁷ Rather they created their own independent ethnic dynamic, which some Malaysians viewed as substandard. Many Malaysians began to view the Indonesian population as disease-infested, terrorist suspects, Christians, and criminal. As the population of Indonesian immigrants increased, the anti-Indonesian

²¹ Garces-Mascareñas, "Legal Production of Illegality," 866.

²² Sadiq, "When States Prefer Non-Citizens," 106–7; Joseph Liow, *Malaysia's Approach to Its Illegal Indonesian Migrant Labour Problem: Securitization, Politics, or Catharsis?*, Institute of Defence and Strategic Studies-Ford Workshop on Non-Traditional Security in Asia (Singapore: Nanyang Technical University, 2004), 22.

²³ Alexander R. Arifianto, "The Securitization of Transnational Labor Migration: The Case of Malaysia and Indonesia," *Asian Politics and Policy* 1, no. 4 (2009): 618.

²⁴ *Ibid.*, 617.

²⁵ Liow, "Malaysia's Illegal Indonesian," 46.

²⁶ Arifianto, "Securitization of Transnational Labor," 619; Sadiq, "When States Prefer Non-Citizens," 105; Liow, "Malaysia's Illegal Indonesia," 46.

²⁷ Arifianto, "Securitization of Transnational Labor," 622.

sentiment among Malaysians also increased. Many Malaysians worried over the abundance of crimes and communicable diseases that had become associated with illegal Indonesian immigrants. Since legal migration required health screening, any outbreak of disease was simply attributed to the illegal Indonesian population. The Malaysian government realized that Malaysia's dependence on Indonesian immigration was putting the government in a precarious position. On one hand, the government needed to allow immigration to support the economy and to garner political support from the entrepreneurial-class Malaysians.²⁸ On the other hand, the government needed to demonstrate its willingness to prosecute and deport Indonesians as necessary to buttress its support among working-class Malaysians.²⁹

Furthermore, political and economic instability became more pronounced in the late-1980s. The BN experienced a challenge to Prime Minister (PM) Mahathir bin Mohamad's leadership, and he barely retained leadership of the party and his ministerial position.³⁰ Additionally, Malaysia suffered from the economic recession of 1986. One of the government responses was a reduction in direct assistance to Malays.³¹ The economic contraction and political instability influenced the public's perception of illegal Indonesian immigrants. The fear of joblessness among working-class Malaysians influenced domestic politics. The working class were a large voting bloc, and if the government failed to acknowledge the concerns of a large constituency, then the ramifications could be felt during the electoral process.³²

²⁸ For the purpose of this thesis, the term working-class Malaysians will be indicative of low-skilled labor, uneducated beyond primary school, urban-living ethnic Malays. Additionally, the term entrepreneurial class will refer to business owners, plantation owners, construction managers, and other business-elites.

²⁹ Arifianto, "Securitization of Transnational Labor Migration," 622.

³⁰ John Funston, ed., "Malaysia: Developmental State Challenged," in *Government and Politics in Southeast Asia* (New York: Zed Books, 2001), 164.

³¹ *Ibid.*, 170.

³² *Ibid.*, 162, 164, 170.

In the 1990s, the government began to view the illegal migrant problem as a nontraditional security threat³³ because of the pressure applied by working-class Malaysians. As the Malaysian economy prospered and industrialized, the Indonesian immigrants moved from agriculture to construction and service sectors, which resulted in a more urbanized Indonesian population. In other words, the more urbanized the Indonesians became, the more visible they became to working-class Malaysians.³⁴

The government issued multiple prohibitions against hiring new unskilled migrant labor. During the 1990s, Malaysia made several immigration policy changes, to include active expulsion and a freeze on foreign recruitment.³⁵ Specifically, during the Asian financial crisis, the Malaysian administration conducted mass deportations back to origin nations. The actions of the government were two-fold: 1) to preserve job security for citizens during the economic downturn and 2) force out large numbers of illegals to decrease a security threat. The government assumed that a large number of the migrant population would lose their employment during the economic contraction and perhaps turn to criminal behavior to make ends meet. It did not help that during this period it was estimated that 36 percent of prison inmates were undocumented Indonesian immigrants.³⁶ Thus, the mass deportations assuaged the working-class Malaysians' concerns over immigrants taking jobs from citizens or draining the coffers of the government through crime and disease.³⁷

Since the early 2000s, the Malaysian government worked diligently to eradicate its dependence on immigration and established milestones to reduce its reliance on foreign labor. However, the Malaysian economy remains dependent on foreign workers

³³ For the purpose of this thesis, the term nontraditional security threat represents a trans-boundary population movement, particularly the illegal movement into Malaysia that presents a threat to peace, harmony, and economic progress on the national front. Security threats are now internal instead of external.

³⁴ Nesadurai, "Malaysia's Conflict," 100; Liow, "Malaysia's Approach to Its Illegal," 12.

³⁵ Amy Gurowitz, "Migrant Rights and Activism in Malaysia: Opportunities and Constraints," *The Journal of Asian Studies* 59, no. 4 (2000):866.

³⁶ Liow, "Malaysia's Illegal Indonesian," 49.

³⁷ Amarjit Kaur, "Labour Migration in Southeast Asia: Migration Policies, Labour Exploitation, and Regulation," *Journal of the Asia Pacific Economy* 15, no. 1 (2010): 13.

even though many Malaysians have become tired of the perceived problem. So what influenced the Malaysian government to radically change its position on immigration?

Malaysia's immigration issues have been closely scrutinized by many academics. The conventional wisdom argues that the Malaysian government was unaware of the Indonesian immigration problem until the public raised the issue. The government was involved in industrializing and expanding during its nascent post-independence period and therefore deliberately allowed the influx of undocumented workers to perpetuate the economy. Additionally, the ruling party, namely members of UMNO, believed that the Indonesians would seamlessly assimilate with the ethnic Muslim Malays and drive its constituency higher.³⁸ Kuala Lumpur did little to regulate or obstruct illegal immigrants arriving from culturally similar countries, such as Indonesia. Scholars claim that UMNO was a direct contributor to the immigration problem.³⁹ Their school of thought revolves around UMNO's battle to maintain population primacy over ethnic Chinese in Malaysia, and therefore the easy assimilation of undocumented Indonesians would assist UMNO party.⁴⁰

The problem with the conventional wisdom is that UMNO failed to capitalize on the assimilation of illegal immigrants. The Malaysian government began to recognize that the Indonesians were not assimilating.⁴¹ Instead, Indonesians created settlements in urban areas separate from the Malays.⁴² UMNO's inability to harness the Indonesian community and the Indonesian's failure to adapt into the ethnic Malay populace created a perceived zero-sum game. If the entrepreneurial-class Malaysians were importing Indonesians, the working class perceived that their political ambitions via UNMO were not being realized and, additionally, the working class was losing employment

³⁸ Liow, "Malaysia's Approach," 9.

³⁹ Sadiq, "When States Prefer Non-Citizens," 101.

⁴⁰ Arifianto, "Securitization of Transnational Labor Migration," 618; Liow, "Malaysia's Approach to Its Illegal," 8–9.

⁴¹ Liow, "Malaysia's Approach," 14.

⁴² *Ibid.*, 15.

opportunities to the Indonesians.⁴³ The government found itself balancing divergent issues—economy and society—to maintain political power.

Thereby, a myriad of scholars have identified Malaysia's immigration problem as being problematic to the government. Due to the state's focus on the economy and the positive impact of immigration on the economy, the state deliberately did not regulate immigration. The government's quiet support of immigration and its intent to allow business to flourish resulted in privatized migration with minimal governmental oversight.⁴⁴ Anti-Indonesian rhetoric became commonplace, and many Malaysians' perception that Indonesians were decidedly lower than themselves began to filter into the political arena.⁴⁵ The working class opinion was conveyed by Law Minister Rais Yatim: "Malaysians in general cannot tolerate the violent behavior of the Indonesians who are too extreme and ungrateful."⁴⁶ Moreover, Prime Minister Mahathir halted recruitment of Indonesian workers citing that "Malaysia had become too dependent on workers from Indonesia and that the time had come to replace them with workers of other nationalities."⁴⁷ The working-class Malaysians viewed Indonesians as "spreaders of communicable diseases (from tuberculosis to HIV/AIDS), husbands' stealers, prostitutes, child abusers, terrorist suspects (in the aftermath of the 9/11 terrorist attacks in the United States), and propagators of Christianity or deviant Islamic teaching."⁴⁸ In short, the working-class Malaysians believed the Indonesians were unworthy to cohabitate among them and a burden on their state's coffers.⁴⁹

⁴³ Liow, "Malaysia's Approach," 15.

⁴⁴ Amarjit Kaur, "Managing Labor Migration in Malaysia: Guest Worker Programs and the Regularization of Irregular Labor Migrants as a Policy Instrument," *Asian Studies Review* 38, no. 3 (2014): 352, doi: 10.1080/10357823.2014.934659.

⁴⁵ Ibid.

⁴⁶ Liow, "Malaysia's Illegal Indonesian," 51.

⁴⁷ Arifianto, "Securitization of Transnational," 620.

⁴⁸ Ibid., 622–23.

⁴⁹ Ole Waever, Barry Buzan, Morten Kelstrup, and Pierre Lemaitre, *Identity, Migration and the New Security Agenda in Europe* (London: Printer Publishers Ltd, 1993), 186; Reinhard Lohrmann, "Migrants, Refugees and Insecurity: Current Threats to Peace?," *International Migration* 38, no. 4 (2000): 4.

Indonesia viewed the working-class Malaysians' stance on immigration and the resulting Malaysian government's political maneuvers as antagonistic. An academic posited that illegal immigration could affect bilateral relations between countries and migration flows could undermine culture. Malaysia, as the largest importer of human capital, and Indonesia, as the largest labor supplier to Malaysia, needed to resolve their immigration differences for continued cooperative bilateral relations. However, that has not been the case in recent history. The governments have ratcheted up tension and continue to be at odds. Moreover, the idea that Malaysia stole elements of the Indonesian culture and that Indonesians were undermining Malaysian culture was also a hot topic.⁵⁰

The issue of immigration bled into other aspects of Malaysia-Indonesia relations. Despite Indonesia being a principal exporter of human capital, the Indonesian government demonstrated little interest in protecting its citizens abroad. The Indonesian embassy in Malaysia was known for ignoring the plights of its workers. Consequently, the Malaysian government implemented "hire Indonesians last"-type policies as recently as 2002. However, this blatant singling out of Indonesians spurred antagonistic relations between Malaysia and Indonesia.⁵¹ Essentially, the Malaysian government moved from "blood brothers" with the Indonesians to "hire Indonesians last."⁵² Immigration reform in Malaysia was affected by public perception and the government's response to its people.⁵³

Additionally, in 2002, the forced repatriation of hundreds of thousands of Indonesians caused a humanitarian crisis, which perpetuated the worsening of bilateral relations.⁵⁴ Indonesians found themselves forced back to their homeland without proper food, housing, medical care, or prospect for occupation.⁵⁵ The backlash from the

⁵⁰ Jinn Winn Chong, "Yours, Mine, or Ours?: The Indonesian-Malaysian Disputes Over Shared Cultural Heritage," *Sojourn: Journal of Social Issues in Southeast Asia* 27, no. 1 (2012): 1, doi: 10.1353/soj.2012.0008.

⁵¹ Nesadurai, "Malaysia's Conflict," 95.

⁵² Arifianto, "Securitization of Transnational," 624.

⁵³ Nesadurai, "Malaysia's Conflict," 90; Gurowitz, "Migrant Rights," 871.

⁵⁴ Kaur, "Managing Labour Migration," 358.

⁵⁵ *Ibid.*

Indonesian government to Malaysia set the stage for the harsh treatment of Indonesian illegal immigrants. Indonesia expected Malaysia to act with more compassion given their shared identity.⁵⁶ Indonesians viewed the Malaysian government policy as “both a slap in the face against them and as a rude awakening that Malaysians look at Indonesians as a separate ethnic group distinct from the Malays, and look down on the Indonesians with much contempt as sources of their country’s social ills.”⁵⁷ The latent possibilities of immigration reform strain the relationship. The unanticipated second- and third-order effects of changes to the Malaysian immigration policy could hinder Indonesia.⁵⁸

Malaysian political leaders realized that economic development required immigration, but an influx of immigrants could pose serious social issues. The state instituted and enforced immigration policies to control the overwhelming number of unskilled undocumented workers.⁵⁹ Malaysia views migrants as needed but not wanted;⁶⁰ this view is influenced by the demand for cheap unskilled labor coupled with the apprehension of politicians concerning social issues that may occur due to the existence of unskilled undocumented workers.⁶¹ The presence of Indonesian migrants can be perceived by Malaysians as a threat to the distribution of wealth and employment. Malaysian policies mitigate the perceived threat through control of entry and departure, but neglect to establish labor standards or workers’ rights for migrants.⁶² Legal immigration is so heavily regulated that employers and migrants often prefer illegal entry. Intuitively, illegal Indonesians are worse than legal migrants because they cannot be controlled or governed.⁶³

⁵⁶ Arifianto, “Securitization of Transnational,” 621.

⁵⁷ *Ibid.*, 624.

⁵⁸ Nesadurai, “Malaysia’s Conflict,” 90; Gurowitz, “Migrant Rights and Activism,” 871.

⁵⁹ Garces-Mascarenas, “Legal Production of Illegality,” 81.

⁶⁰ Gurowitz, “Migrant Rights and Activism,” 863.

⁶¹ Garces-Mascarenas, “Legal Production of Illegality,” 77.

⁶² *Ibid.*, 82–83.

⁶³ Eva-Lotta E. Hedman, “Refuge, Governmentality, and Citizenship: Capturing ‘Illegal Migrants’ in Malaysia and Thailand,” *Government and Opposition* 43, no. 2 (2008): 380, doi: 10.1111/j.1477-7053.2008.00258.x; Gurowitz, “Migrant Rights and Activism,” 866; Garces-Mascarenas, “Legal Production of Illegality,” 82–83.

As mentioned, migration is big business. Labor-sending countries view outmigration as a poverty reduction strategy. Indonesia incorporated foreign worker targets into its economic plan, which supply a large quantity of cheap labor to Malaysia.⁶⁴ Intellectuals differ on the number of undocumented workers in Malaysia. While the legal immigration process is monitored by both the sending- and receiving-countries, the illegal population can only be speculated upon. The import of cheap labor allows Malaysia's economy to grow. Some scholars suggest that over seventy percent of Malaysia's construction workforce is foreign laborers.⁶⁵ Other academics submit that 35 percent of migrant workers in the ASEAN region work in Malaysia, or about 3 million.⁶⁶ The demand for labor in Malaysia has been rather consistent in recent decades. Academics agree that migrant workers, legal or illegal, are a vital element to Malaysia's prosperity.⁶⁷

Regardless of the questionable number of immigrants, illegal immigration is a persistent problem in Malaysia. With common coastlines and land borders, the proximity of Indonesia makes penetration rather easy. Indonesians look similar to Malays; over time, many Indonesians dress similarly and begin to sound the same as a Malaysian. The authorities' ability to identify an illegal Indonesian immigrant becomes increasingly more difficult. As crossing the border undocumented is an illegal act, many in Malaysian society assume that most illegal immigrants are criminals. Between 1985 and 1991, illegal migrants accounted for 1.5–3 percent of all crimes, but accounted for 14.7–18.2 percent of violent crimes.⁶⁸ Furthermore, between 32.7–48.2 percent of gang robbery was

⁶⁴ International Bank for Reconstruction and Development, *Migration and Remittances Factbook 2011*, 13.

⁶⁵ Michele Ford, "The Global Union Federation and Temporary Labour Migration in Malaysia," *Journal of Industrial Relations* 55, no. 260 (2013): 266, doi: 10.1177/0022185612473216; Nesadurai, "Malaysia's Conflict," 90; Kaur, "Labour Migration in Southeast Asia," 8.

⁶⁶ Kaur, "Labour Migration in Southeast Asia," 9.

⁶⁷ Nesadurai, "Malaysia's Conflict," 90; Kaur, "Labour Migration in Southeast Asia," 8.

⁶⁸ Kassim, "Illegal Alien Labour in Malaysia," 73.

attributed to illegal aliens.⁶⁹ As a scholar repeatedly points out, it is no wonder that many Malaysians feel resentment against immigrants.⁷⁰

According to analysis by Max Tunon and Nilim Baruah of an International Labor Organization (ILO) study, “public attitudes have a great impact upon the status and well-being of migrant workers.”⁷¹ The ILO study illustrated that while 76 percent of Malaysians recognized a need for migrant workers, 80 percent of Malaysians think the government policies regarding migrants need to be more restrictive.⁷² Only 37 percent of Malaysians felt that migrants contribute to the economy.⁷³ However, 80 percent believed that migrants commit a higher number of crimes, which may be why immigration has been addressed as national security issue in lieu of a labor or economic issue.⁷⁴ Additionally, 75 percent of respondents thought migrants were impacting their culture and heritage.⁷⁵ Often the media shapes public attitudes and creates public discourse. In Malaysia, the state controls the media and thus can influence how the public perceives immigration.⁷⁶

Overall, most of the literature concerning Malaysia’s immigration issues has focused on UMNO’s silent approval, the need for labor to continue modernization, or public backlash against Indonesians. Alternatively, this thesis seeks to discover why Malaysia changed its policy so drastically. This thesis seeks to fill this gap.

E. THESIS OVERVIEW AND DRAFT CHAPTER OUTLINE

This thesis is organized into four chapters. The first chapter illustrates the significance of the research question and the bearing it has on contemporary scholarship.

⁶⁹ Kassim, “Illegal Alien Labour in Malaysia,” 73.

⁷⁰ Ibid.

⁷¹ Max Tunon and Nilim Baruah, “Public Attitudes Towards Migrant Workers in Asia,” *Migration and Development* 1, no. 1 (2012): 151, doi: 10.1080/21632324.2012.718524.

⁷² Ibid., 155.

⁷³ Ibid., 153.

⁷⁴ Ibid., 154.

⁷⁵ Ibid.

⁷⁶ Ibid., 152, 154.

The second chapter revolves around the accommodating period of immigration, namely the 1970s to 1980s. The third chapter is the period of the 1990s to 2000s, which concerns the immigration policy becoming more restrictive. The second and third chapters are organized around my hypothesis that labor demand, government approval, and public acceptance of immigration affected the change in immigration policy. The fourth chapter analyzes the difference between the two periods. The fifth chapter is the conclusion and determines if my explanations are feasible.

II. PERIOD OF ACCOMMODATION

The nature of the Malaysian immigration policy in the 1970s and into the 1980s was accommodative. For the intent of this thesis, the term accommodative is meant as liberal, welcome, and unregulated. The government pursued an accommodating policy because the priority was on the economy. Therefore, no policy that could interrupt or hinder the economy was seriously considered by the administration. The movement from import-substitution industrialization (ISI) to export-oriented industrialization (EOI) was a structural change in the economy.⁷⁷ To facilitate the modernization of the economy, the government needed workers to participate in industrialized jobs. The movement to industrialization created work shortages in agricultural positions, thus created a labor shortage.⁷⁸ Due to immigrants filling voids in the economic sector, the public perceived immigrants as a value added to the society. Immigrants—especially Indonesians—pursued dirty, dangerous, and difficult (3D) jobs, which no longer appealed to many Malaysians. Arguably, if a racial or ethnic prejudice did exist, then at the time, that prejudice focused primarily on the Chinese. The government pursued a more liberal immigration policy during this period to promote economic growth.

A. IMMIGRATION POLICY DURING PERIOD OF ACCOMMODATION

The colonial history of Malaya has lasting residual effects on immigration in Malaysia. The British created an open-door immigration policy to stimulate its business interests in Malaya. Immigration was necessary for the large resource extraction projects undertaken by British companies.⁷⁹ Subsequently, a somewhat forced immigration policy created an abundance of Chinese and Indian laborers in Malaya. The Federated Malay States' population swelled to 1.7 million; however, only about 35 percent were Malay.⁸⁰

⁷⁷ Vijayakumari Kanapathy, *Migrant Workers in Malaysia: An Overview* (ISIS Country Paper) (Kuala Lumpur: Institute of Strategy and International Studies, 2006): 431.

⁷⁸ Ibid.

⁷⁹ Norman G. Owen, ed., *The Emergence of Modern Southeast Asia* (Honolulu: University of Hawaii Press, 2005), 312–313.

⁸⁰ Ibid., 312.

The Chinese share of the population was estimated at 42 percent and Indian at 22 percent.⁸¹ The British brought in foreign labor because the Malays were uninterested in wage labor. Many of the ethnic Malays preferred traditional agriculture subsistence and therefore did not aspire to propel the export industry. Thus, the British policy meant the Malays did not have to change, but the British reserved the right to bring in a foreign labor force to extract the local resources.⁸² Since the Dutch in Indonesia were executing their own resource extraction enterprise, the British did not recruit Indonesians. Thus, the over-representation of Chinese and Indians occurred in Malaya and now Malaysia due to forced migration or voluntary temporary migration.⁸³ The transition from an imperial system to a free system did not bring immigration reform. The continuation of a liberal immigration policy persisted until 1989 with the introduction of the Regularization Program for Immigration.⁸⁴

During the period of accommodation, the state instituted mostly pro-immigration reform. The statutes were meant to encourage rather than curtail immigration in order to provide a foreign workforce. During the colonial period, Britain encouraged open borders to secure a labor pool because of large resource extraction projects. The fledgling Malaysian government created little to no immigration legislation, most likely, because the government concentrated on building the economy and creating a stable political system. The immigration policy was very liberal, highly privatized, and largely unregulated. The Immigration Act of 1957 illustrated a laissez-faire approach to immigration.⁸⁵ Employers determined their hiring requirements and contacted a private

⁸¹ Owen, ed., *The Emergence of Modern Southeast Asia*, 312.

⁸² *Ibid.*, 313.

⁸³ *Ibid.*

⁸⁴ *Ibid.*, 312–313.

⁸⁵ “Immigration Act 1959/63,” accessed February 1, 2015, <http://www.agc.gov.my/Akta/Vol.%204/Act%20155.pdf>.

recruiting agency.⁸⁶ The private agency liaised with foreign and domestic governments to obtain legal immigration.⁸⁷

The state introduced immigration regulations that had not existed during the colonial period. Although the government enacted legislation, immigration was still considered laissez-faire. The update of the Immigration Act of 1957 was the Immigration Act of 1959/63, which determined the legalities of immigration. The 1959/63 policy defined how to legally enter Malaysia. It also detailed who was authorized to legally enter and who would be prohibited. The act put the burden of proof of legal immigration on the immigrant and not on the state. The Act determined the state's capacity to cancel passes or permits without warning and prohibited entry into Malaysia. The document defined entry permits, procedures on arrival into Malaysia, examinations of immigrants, and interrogations of travelers. The Immigration Act of 1959/63 outlined the procedures for removal from Malaysia and detention of prohibited immigrants. Most importantly, the act declared the power to arrest and prosecute prohibited immigrants. Since the state did not conduct immigration enforcement, the implementation of the Immigration Act of 1959/63 continued the laissez-faire period.⁸⁸

No legislation was adopted in the 1970s;⁸⁹ however, during the 1980s, the government introduced some regulations and signed several bilateral agreements. In 1982, the state created the Formation of the Committee for the Recruitment of Foreign Workers. The purpose of the committee was to ensure that immigrants were placed into respective gaps in the labor force. The government was not curtailing immigration, but rather ensuring that immigrants remained in 3D jobs. The establishment of the Medan Agreement in 1984 detailed the immigration relationship between Malaysia and Indonesia.⁹⁰ The agreement institutionalized a mechanism for immigration to supply

⁸⁶ "Immigration Act 1959/63."

⁸⁷ Lin Lean Lim, "The Migration Transition in Malaysia," *Asian and Pacific Migration Journal* 5, no. 2-3 (1996): 326.

⁸⁸ "Immigration Act 1959/63."

⁸⁹ Kassim, "Illegal Alien Labour," 57.

⁹⁰ *Ibid.*, 58.

labor to Malaysia. The agreement called for Indonesia to supply labor in six economic sectors, specifically identifying the need for agriculture and domestic workers. Subsequently, after the Medan Agreement, the Malaysian government signed bilateral agreements with other nations. For instance, Malaysia fostered an immigration relationship with the Philippines for domestic workers and enlisted the assistance of Thailand and Bangladesh for workers in construction and agricultural sectors. In 1987, the government codified the legal labor of Indonesians in the plantation sector.⁹¹ Subsequently, other economic sectors opened for Indonesians, such as construction, services, and manufacturing. Most immigration policies instituted in the 1980s were pro-immigration.⁹²

The 1989 immigration regularization program was the first legislation designed to curb the influx of migratory workers.⁹³ The regularization program stated the requirements to gain legal entry into Malaysia. Furthermore, the program defined the guidelines that employers must follow to legally obtain foreign workers. Up until this point in time, the immigration program was largely private and employers were not required to make requests to the government to acquire foreign labor.⁹⁴ In 1989, the government moved to regularize immigration. Thus, the government took control of immigration from the entrepreneurial-class, and immigration was no longer a private business matter.⁹⁵ The government created and implemented policies regarding “recruitment, entry, employment, and repatriation.”⁹⁶

⁹¹ Kassim, “Illegal Alien Labour,” 58.

⁹² Ibid., 57–59.

⁹³ Azizah Kassim, “Amnesty for Illegal Foreign Workers in Malaysia: Some Attendant Problems,” *Manusia dan Masyarakat* 9 (1994): 10.

⁹⁴ Ibid.

⁹⁵ Vijayakumari Kanapathy, “International Migration and Labor Market Adjustments in Malaysia,” *Asian and Pacific Migration Journal* 10, no. 3–4 (2001): 456.

⁹⁶ Chin, “Diversification and Privitisation,” 287; Kanapathy, “International Migration and Labor,” 456.

Table 1. Immigration Overview 1970–1989⁹⁷

Year	Regulation
1970s	Period of Inaction
1982	Formation of the Committee for the Recruitment of Foreign Workers
1984	Medan Agreement with Indonesia—agri-plantation and domestic workers
1985–86	Signing of memorandum of understanding (MOU) between Malaysia and the Philippines—domestic workers
	Permission given to employers to recruit workers from Bangladesh for agriculture
	Permission given to employers to recruit workers from Thailand for agriculture and construction
1987	Legalization of Indonesian labor for plantation sector
1989	Regularization Program for Immigration

B. LABOR DEMAND FOR A STRUCTURAL CHANGE IN THE ECONOMY

The government pursued a liberal immigration policy from the 1970s to the late 1980s to support economic modernization. The economy shifted from ISI to EOI in 1970. The new economic plan (NEP) was a 20-year concept focused on restructuring the economy and society. The idea was to switch from ISI to EOI and improve the economic position of the Bumiputra (sons of the soil or indigenous Malays) in relation to non-Malays. The movement of traditional peasants working agriculture from rural communities to industrialized employment in urban areas created a labor shortage in the agricultural sector. The economic expansion required a labor force, and therefore, Malaysia needed to open its borders to immigration. The demand for labor, due to the NEP, necessitated a liberal immigration policy.⁹⁸

Supply and demand—push/pull—necessitated an expedient immigration philosophy. Between 1970 and 1990, the Malaysian economy expanded at a rate of 6.7

⁹⁷ Kassim, “Amnesty for Illegal Foreign Workers in Malaysia: Some Attendant Problems,” 15.

⁹⁸ Gordon P. Means, “Malaysia,” in *Politics and Modernization in South and Southeast Asia*, ed. Robert N. Kearney (Cambridge: Schenkman Publishing Company, 1975), 153; Chin, “Diversification and Privitisation,” 287; Cheok et al., *Population, Human Capital, and Development: The Malaysian Experience* (Working Paper) (Kuala Lumpur: University of Malaya, 2014), 6.

percent per annum, which its local human capital could not sustain. A second-order effect of the NEP was the need to pull from external sources (countries) to provide labor for the rapidly expanding economy.⁹⁹ The pull factor of industrialization encouraged Malays to leave rural communities and join the urban jungle,¹⁰⁰ which formed a labor shortage in agricultural and plantation sectors. The government did not have a plan for handling labor shortages, nor did it have one for foreign labor recruitment.¹⁰¹ However, the entrepreneurial-minded Malaysians had devised a system of private recruitment for foreign labor. The laissez-faire approach seemed to be working without governmental oversight or regulation.¹⁰² Therefore, the government conducted minimal immigration intervention in the 1970s to push the economic agenda.¹⁰³

In the 1970s, Indonesians were pulled to Malaysia as a destination state for employment because of the rapid Malaysian economic development. Indonesia was a labor surplus country with too many people and too few jobs, which created a push factor. Indonesians vacated their home country in hopes of gaining employment. The liberal Malaysian immigration policy pulled Indonesians to their closest neighbor. The opportunity of higher wages and stable employment appealed to Indonesians. The unregulated immigration policy and the proximity of Malaysia made it an attractive destination for Indonesian immigrants in the 1970s. The push of the Indonesian economy and the pull of the Malaysian economy contributed to an estimated 500,000 to one million Indonesians working in Malaysia in the 1970s and early 1980s.¹⁰⁴

The liberalization of economic policies in the 1970s and 1980s opened Malaysia to foreign investment and trade that in turn encouraged immigrants to migrate to Malaysia. Malaysia was specifically trying to reduce its dependence on resource

⁹⁹ Kassim, "Illegal Alien Labour," 53.

¹⁰⁰ Moha Asri Abdullah, "The Inflow of Illegal Immigrants into Malaysia: Between Policies and Constraints," *Sarawak Development Journal* 2, no. 1 (1999): 58.

¹⁰¹ *Ibid.*, 61.

¹⁰² Kaur, "Indonesian Migrant Workers," 5.

¹⁰³ Abdullah, "Inflow of Illegal Immigrants," 57; Kassim, "Illegal Alien Labour," 53; Kaur, "Indonesian Migrant Workers," 5.

¹⁰⁴ Kanapathy, *Migrant Workers in Malaysia*, 431–33.

endowment and move to a low-cost manufacturing economy.¹⁰⁵ A modernized economy required unskilled and low-skilled labor to propel itself on the road to a manufacturing economy. The oil palm and construction sectors funded the road to industrialization, but are 3D jobs.¹⁰⁶ Therefore, immigrants who worked the unskilled and low-skilled jobs actually fortified the economy. Informally recruited foreign labor was attractive for labor shortages. For this reason, the state allowed a heavy influx of migrant workers. The motivation to capture foreign investment and trade to improve Malaysia's economic position moved the government to silently approve a foreign labor workforce.¹⁰⁷

Indonesians made up the largest portion of contract workers in Malaysia in the 1970s and 1980s. The Malaysian work force consisted of about 22 percent legal immigrants.¹⁰⁸ Indonesians made up 83 percent of the legal foreign workers.¹⁰⁹ The high percentage of Indonesians resulted from low transaction costs associated with legal Indonesian immigration during this period. However, illegal immigration was highly profitable for employers, and therefore, Indonesian illegal immigration thrived.¹¹⁰

Several factors stimulated the Indonesian illegal foreign labor market. The porous nature of the borders—land and sea—provided easy access into Malaysia without detection.¹¹¹ After Indonesians gained access, they had relatively free movement in peninsular Malaysia. Moreover, entrepreneurial-class Malaysians preferred Indonesian illegal workers because they were cheap and plentiful. Illegal workers were not regulated to determine hours, wages, or service time.¹¹² Given Malaysia's small population, sustained economic growth following the NEP implementation led to an increasing

¹⁰⁵ Kaur, "Indonesian Migrant Workers," 5.

¹⁰⁶ Kanapathy, *Migrant Workers in Malaysia*, 429.

¹⁰⁷ *Ibid.*, 429–30; Kaur, "Indonesian Migrant Workers," 5.

¹⁰⁸ Kaur, "Indonesian Migrant Workers," 20.

¹⁰⁹ *Ibid.*, 24.

¹¹⁰ Kaur, "Indonesian Migrant Workers," 20.

¹¹¹ Kassim, "Illegal Alien Labour," 57.

¹¹² Kanapathy, *Migrant Workers in Malaysia*, 429.

dependence on foreign labor. The economic transition was not easy, and Malaysia has had a difficult time reducing its heavy reliance on illegal Indonesian labor.¹¹³

A global economic recession in 1986 highlighted the obvious problem of immigration in Malaysia. At this point in time the government likely became aware of how many immigrants were inside its borders competing with local labor for work.¹¹⁴ The unemployment rate crept from 7.6 percent in 1985 to 8.7 percent in 1986.¹¹⁵ Furthermore, the forecasted unemployment rate for 1987 was 9.5 percent.¹¹⁶ The economic slowdown forced the government to recognize its dependency problem on foreign labor and its residual effects, namely local unemployment during a sluggish economy. The contraction may have highlighted the foreign labor dependency, but the Malaysian economy was already committed, and foreign labor was necessary for growth.¹¹⁷

The attractive Malaysian economy situated in close proximity to an unattractive Indonesian economy encouraged heavy Indonesian migration. The structural change from ISI to EOI that rapidly developed into a modern economy created employment opportunities to immigrants in Malaysia. The move from an extractive rural setting that concentrated on natural resources to a low-cost manufacturing urban setting formed employment voids in the agricultural sector. The 3D jobs provided the income to facilitate the economic transition. Malaysia needed labor and the government was willing to compromise on a laissez-faire approach as a means to the ends. The power of proximity allowed the Indonesians to capitalize on the economic opportunity. Additionally, the government leveraged Indonesian immigrants against the Chinese demographic to mitigate Chinese influence.

¹¹³ Ibid., 430; Kaur, “Indonesian Migrant Workers,” 5; Kassim, “Illegal Alien Labour,” 53.

¹¹⁴ Amarjit Kaur, “International Migration and Governance in Malaysia: Policy and Performance,” *UNEAC Asia Papers* no. 22 (2008): 9.

¹¹⁵ Mauzy, “Malaysia in 1986,” 238.

¹¹⁶ Ibid.

¹¹⁷ Lim, “Migration Transition,” 326; Kaur, “International Migration,” 9.

C. VOTERS' SUPPORT OF THE GOVERNMENT

The Federation of Malaya achieved independence from Britain on August 31, 1957.¹¹⁸ After much debate and dialogue, the British felt comfortable that another partition—India/Pakistan—would not occur.¹¹⁹ The reason for the optimism was the Alliance (precursor to the BN), which incorporated the political parties for the three largest ethnic groups: Malay, Chinese, and Indian.¹²⁰ Although part of the BN, the individual political parties jockeyed for a better position or dominance within the coalition. The one item consistent among the parties was economic development.¹²¹

The 1969 elections and subsequent race riots led the government to create the National Operations Council (NOC). Heightened ethnic tensions, between non-Malays and Malays, permeated the early 1970s. The deputy Prime Minister Tun Razak was the director of the NOC, which allowed him to control the government, the military, and the civilian leadership.¹²² The NOC was charged with establishing “peace and order . . . and restoring harmony and mutual trust among the races.”¹²³ The NOC used the racially-charged relationship between Malays and non-Malays to justify its stringent and absolute control.¹²⁴ Of course, the old guard manned the new institutions, which mitigated the opportunity for change.¹²⁵ The NOC pacified some racial tension. At this time, the government aimed to restore peace and prevent further ethnic violence while maintaining Malay dominance in government.

In 1971, the state effectively marginalized non-Malays and consolidated ethnic-Malay power. The Constitutional Amendments and Sedition Act of 1971 made it a seditious offense to question the 1957 “constitutional provisions relating to the special

¹¹⁸ Owen, “Modern Southeast Asia,” 320.

¹¹⁹ Owen, “Modern Southeast Asia,” 320.

¹²⁰ Means, “Malaysia,” 194.

¹²¹ Owen, “Modern Southeast Asia,” 320.

¹²² Kua Kia Soong, “Racial Conflict in Malaysia: Against the Official History,” *Race and Class* 49, no. 3 (2007): 48.

¹²³ Jerome R. Bass, “Malaysia: Continuity or Change?” *Asian Survey* 10, no. 2 (1970): 157.

¹²⁴ Soong, “Racial Conflict in Malaysia,” 51.

¹²⁵ *Ibid.*, 48.

status of the Malays and other indigenous peoples.”¹²⁶ The constitutionally-protected Bumiputra mobilized in support of the Alliance party, which gained in popularity.¹²⁷ Alliance leadership, namely UMNO, asserted governmental control. UMNO neutralized the Malaysian Chinese Association (MCA) and Malaysian Indian Congress (MIC).¹²⁸ UMNO felt secure in its popularity among the electorate and its position within the coalition, and thus was confident in its political decisions. The government’s goal was industrialization and modernization, and due to Malaysia’s lack of human capital, the state encouraged the use of a foreign labor force. The laissez-faire approach to immigration met the demands of working- and entrepreneurial-class Malaysians. Immigration supported Malaysia’s economic advancement and thereby the social improvement of Bumiputra. During this early period, ethnic politics were predictable, and UMNO secured the Malay vote.¹²⁹

The government encouraged Indonesian immigration because it furthered the economic agenda and mitigated Chinese-political influence. The constitution codified Malay rights, and the NEP outlined Malay quotas for education, business ownership, and civil service.¹³⁰ The NOC and later the state-elected officials mitigated racial conflict between ethnic-Malays and Chinese through news censorship.¹³¹ UMNO’s tactic to welcome Indonesian immigrants as brethren to skew the Malay population increased the BN’s voting bloc.¹³² Specifically, the voting increase translated to an increase of UMNO’s distribution within the coalition. The allowance of illegal immigration marginalized the Chinese voting bloc, and thereby secured UMNO as the prevalent party in the BN.¹³³

¹²⁶ Stephen Chee, “Malaysia and Singapore: Separate Identities, Different Priorities,” *Asian Survey* 13, no. 2 (1973): 151.

¹²⁷ Ibid.

¹²⁸ Ibid., 152.

¹²⁹ Ibid.

¹³⁰ Bass, “Malaysia: Continuity or Change?” 154.

¹³¹ Soong, “Racial Conflict,” 48.

¹³² Arifianto, “Securitization of Transnational,” 617.

¹³³ Bass, “Malaysia: Continuity or Change?” 154–59; Soong, “Racial Conflict,” 48; Chee, “Malaysia and Singapore,” 152.

The Malaysian government disassociated itself from immigration during the 1970s and into the early 1980s. The government had not enacted immigration policy since 1963 until the Medan Agreement in 1984. Although Indonesia and Malaysia agreed on how to request for labor and the specific sectors that Indonesians could perform work, both states neither enforced the new regulations nor curbed immigration.¹³⁴ Subsequently, the lack of regulation over immigration produced large Indonesian immigrant communities, which outpaced ethnic-Malay growth.¹³⁵ Despite the rise in unemployment during the 1980s, many Malaysians were uninterested in 3D jobs.¹³⁶ Thus, the government continued to turn a blind eye to immigration. Indonesian labor filled the 3D gaps, which allowed some Malaysians to seek work in other preferred economic sectors. For this reason, the government became aware of the growing immigration problem, but focused on more pressing domestic challenges.¹³⁷

Malaysia's path to development was not without a few bumps. Malaysia, as a late developer, needed a strong core government to facilitate the institutions necessary to modernize. Japan, and its developmental-state, became the model that Malaysia emulated.¹³⁸ The Malaysian government enabled an institutional environment in which market forces thrived. One such enabler was immigration, which the state depended on to provide cheap labor and create a comparative advantage. Many Malaysians benefited economically and socially from the transition to a modern state. Moreover, the constituency agreed with the government's direction and voted accordingly.¹³⁹

The government's priority remained the economy, and its political strength seemed connected to the state's economic prowess. In 1981, the government enacted the "Buy British Last" policy. The following year, the "Look East" policy announced that

¹³⁴ Patrick Pillai, "Malaysian's State Response to Migration." *Sojourn* 14, no. 1 (1999): 184.

¹³⁵ Chin, "Host State and Guest Worker," 29.

¹³⁶ *Ibid.*, 28.

¹³⁷ Chin, "Host State and Guest Worker," 28; Pillai, "Malaysian's State Response," 184.

¹³⁸ Zakaria Haji Ahmad and Sharifah Munirah Alatas, "Malaysia: Uncertain Mode," in *Driven By Growth: Political Change in the Asia-Pacific Region*, ed. James W. Morley (New York: ME Sharpe, 1999), 177.

¹³⁹ Means, "Malaysia," 153.

Malaysia would no longer empower its previous colonizer financially.¹⁴⁰ Instead, the government wanted to deal with Asian nations. Most Malaysians fully supported the government and its decisions because society was improving. However, the economic recession of 1986 had many Malaysians questioning the decisions of the government.¹⁴¹ The same decisions that the people previously supported, such as a laissez-faire approach to immigration, were being re-evaluated. After all, for the first since independence, the unemployment rate for Malaysians rose to over 7 percent.¹⁴²

During the late 1980s, the BN and Prime Minister Mahathir, experienced a difficult period. The government dealt with stagnation created by the 1986 recession and its cascading effects.¹⁴³ UMNO fractured as the economy plummeted. Subsequently, UMNO failed to manage escalating ethnic tensions and compromise with other parties within its coalition. The exclusion of opposition parties within the BN and the evident power struggle within UMNO resulted in a splintered electorate.¹⁴⁴ UMNO split into two teams: A and B. Team A was led by Mahathir and Team B consisted of his rivals.¹⁴⁵ Ultimately, the executive branch (read: Mahathir) accused the judiciary branch of curtailing the powers of the executive. Many of UMNO's founding fathers no longer recognized the party and disassociated themselves. Mahathir controlled the judiciary, controlled the media, and sought to control the public.¹⁴⁶ Many Malaysians applauded his decisiveness and his negotiation of the global recession, particularly his ban on public meetings and rallies.¹⁴⁷

Mahathir wielded his political power without much constraint. In the mid-1980s, he successfully curbed the power of the traditional sultans, thereby increasing his power

¹⁴⁰ Mauzy, "Malaysia in 1986," 234.

¹⁴¹ *Ibid.*, 238.

¹⁴² *Ibid.*, 234.

¹⁴³ *Ibid.*

¹⁴⁴ Mauzy, "Malaysia in 1987," 214.

¹⁴⁵ *Ibid.*

¹⁴⁶ Mauzy, "Malaysia in 1987," 219–220.

¹⁴⁷ *Ibid.*, 214–17.

as Prime Minister.¹⁴⁸ This was a largely unpopular move within the Malay community but yet did not unseat him from power. Mahathir and his administration curtailed civil and political liberties. However, Malaysia did extend “universal suffrage for citizens” to democratically elect its leadership, which included opposition parties.¹⁴⁹

Many Malaysians did not see a different path for leadership since the BN had co-opted most of its political opposition. Thus, some voters felt disenfranchised. Ethnic voting splintered the electorate too much to effect change. Voting was not going to change political outcomes. However, if voting on issues rather than ethnicity, then a larger electorate could achieve political influence or change political outcomes. Post-recession immigration was one such outcome that society became increasingly aware that the government had not curtailed; and working-class Malaysians were unemployed.¹⁵⁰

In the last years of the period of accommodation, specifically after the 1986 recession, the government’s performance was highly scrutinized. The unemployment rate was the highest since independence, and the state’s response to the recession seemed slow. Although the NEP did not succeed in all its goals, the framework had reduced ethnic-Malay poverty, increased Malay corporate holdings, and structurally changed the economy.¹⁵¹ Additionally, the NEP supported the Bumiputra, who in turn supported UMNO. Mahathir garnered much of his power from the rural vote, since many urbanites no longer voted along ethnic lines.¹⁵² The rural vote was premised on their expectations of the NEP.¹⁵³ A change in politics could be influenced by any perceived failure of the NEP, especially as the economy struggled to recover from the contraction. Thereby,

¹⁴⁸ Jason P. Abbott and Oliver S Franks, “Malaysia at Fifty: Conflicting Definitions of Citizenship,” *Asian Affairs* 38, no. 3 (2007): 343.

¹⁴⁹ Ibid.

¹⁵⁰ Ernst Spaan, Ton Van Naerssen, and Gerard Kohl, “Re-Imagining Borders: Malay Identity and Indonesian Migrants in Malaysia,” *Royal Dutch Geography Society* 93, no. 2 (2002): 164; Abbott and Franks, “Malaysia at Fifty,” 344.

¹⁵¹ Hans H. Indorf, “Malaysia in 1978: Communal Coalitions Continue,” *Asian Survey* 19, no. 2 (1979): 120.

¹⁵² Mauzy, “Malaysia in 1986,” 240.

¹⁵³ Ibid.

society issues increasingly became important to the political parties, since some voters abandoned ethnic-based politics in lieu of issue-based politics.¹⁵⁴

The government's focus on the economy and internal disputes allowed other domestic issues to fester, such as immigration. The once tacit approval of Indonesian immigrants created large communities that refused to assimilate as predicted. The introduction of an Indonesian diaspora did not assist the government in mitigating Chinese influence. The unofficial open door policy created new challenges for the administration.

D. PUBLIC ACCEPTANCE OF IMMIGRANTS

Why would immigrants flock to Malaysia? Malaysia was the premier exporter of rubber, palm oil, tin, and cocoa. The economy was shifting from ISI to EOI in the 1970s. As the economy transitioned, economic stability resulted from sector diversification. Many Malaysians moved to industrialized positions and left behind 3D jobs, which created a labor shortage in the agricultural sector. Consequently, the proportion of urban dwellers increased from 31 percent to 40 percent during the 1980s.¹⁵⁵ As the economy modernized, the agricultural sector experienced a labor shortage but later the problem spread to other economic sectors. The country was greedy for labor. Most Malaysians that wanted work had a job, and yet more human capital was necessary to mobilize the industrial expansion. Therefore, many Malaysians did not perceive the openness of the Malaysian borders as a problem. Job scarcity was near non-existent.¹⁵⁶

Historically, between 1881 and 1939, Malaysia was the number one immigrant society in the world.¹⁵⁷ Prior to colonization, many ethnicities migrated to Malaysia for the natural resources. During colonization, the British imported large numbers of Indians and Chinese. At this time Indonesians were identified as ethnic Malays, and if

¹⁵⁴ Indorf, "Malaysia in 1978, 120; Mauzy, "Malaysia in 1986," 240.

¹⁵⁵ Lim, "Migration Transition," 328.

¹⁵⁶ Lim, "Migration Transition," 328.

¹⁵⁷ Anthony Reid, "Malaysia/Singapore as Immigrant Societies," *Asia Research Institute Working Papers Series*, no. 141 (2010): 5, www.nus.ari.edu.sg/pub/wps.htm.

discrimination or racism did occur it was generally a prejudice against the Chinese or Indians, who were decidedly different from the Malays.¹⁵⁸

The Indonesians were viewed as ethnically Malay and merged with the Malay population. During the 1970s and 1980s, the Indonesians were not subjugated to public scrutiny while the Chinese and Indians were categorically different in the following: appearance, language, religion.¹⁵⁹ A pluralistic society evolved and the terms *Malay* and *Chinese* gained legal definitions, which yielded “different codes of conduct, laws, and privileges assigned.”¹⁶⁰ Understandably, the Indonesians were less scrutinized by the ethnic-Malays and usually looked upon as brethren. The early period of immigration inaction, following independence, was largely due to most Malaysians believing the illegal immigration of Indonesians would be a temporary phenomenon and warranted no restrictions.¹⁶¹

In 1970, Dr. Mahathir wrote *The Malay Dilemma*. Mahathir argued Malays in Malaysia were the lawful people to determine what Malaysia should be, who could be identified as Malay, and how the territory should be governed.¹⁶² Given that the indigenous population was stateless and did not set up a territory, the core culture that took the initiative to set up the state was the definitive people.¹⁶³ The definitive people meant the first immigrants who sought to establish a state, which in Malaya were the Malays.¹⁶⁴ If Dr. Mahathir’s argument was accepted, then his divisive attitude toward the Chinese was also accepted. Thereby, the inclusion of Indonesians as brethren to the ethnic-Malays was due to a shared culture and religion. The state excluded the Chinese as definitive people due to the lack of similarities. The inclusion of Indonesians vis-à-vis the

¹⁵⁸ Ibid., 16.

¹⁵⁹ Abdullah, “Inflow of Illegal Immigrants,” 64.

¹⁶⁰ Abbott and Franks, “Malaysia at Fifty,” 348.

¹⁶¹ Abdullah, “Inflow of Illegal Immigrants,” 64.

¹⁶² Reid, “Malaysia/Singapore as Immigrant Societies,” 17.

¹⁶³ Ibid.

¹⁶⁴ Ibid.

exclusion of Chinese illustrated the ethnic tension that resonated in Malaysia during this accommodative period. The state feared the accumulation of Chinese political influence.

The rhetoric espoused by Dr. Mahathir was clearly anti-Chinese. The Malays were defined as “spiritually inclined, tolerant, and easy going,” whereas non-Malays (read: Chinese) were “materialistic, aggressive, and have an appetite for work.”¹⁶⁵ Dr. Mahathir’s views released in his book coincided with the implementation of the NEP. The NEP contained pro-Bumiputra policies, which alienated the entrepreneurial Chinese.¹⁶⁶ Coincidentally, *The Malay Dilemma* was published during a time of ethnic tension between Malays and non-Malays, in which he clearly endorsed Malays should be in control of Malaysia. The anti-immigrant sentiment circulating throughout this period was aimed at the Chinese. Moreover, the NEP was intended to redistribute wealth to the ethnic-Malay population, which consequently would affect many Chinese business elites.¹⁶⁷

During the economic restructuring and expansion period, illegal alien labor made it possible for Malaysia to develop at “breakneck speed.”¹⁶⁸ The government officials, entrepreneurial class, and working class were in accord that it was a problem that did not require a solution, even while posing some serious concerns. However, not all immigrants were accepted equally. During the late 1970s, and throughout the 1980s, Malaysia was inundated with Vietnamese refugees from the Vietnam Conflict.¹⁶⁹ As with the Chinese, the Vietnamese refugees were also viewed as non-Malay.¹⁷⁰ And worse most Vietnamese were viewed derogatively due to Chinese heritage.¹⁷¹

Many Malaysians focused on domestic challenges they perceived as the most threatening. A perceived threat was the 50,000 Vietnamese that flooded into Malaysia

¹⁶⁵ Spaan, Naerssen, and Kohl, “Re-imagining Borders,” 164.

¹⁶⁶ Ibid.

¹⁶⁷ Ibid.

¹⁶⁸ Kassim, “Illegal Alien Labor,” 76.

¹⁶⁹ Fred R. von der Mahden, “Malaysia in 1981: Continuity and Change,” *Asian Survey* 22, no. 2 (1982): 217.

¹⁷⁰ Wolf and Lowman, “Toward a New Consensus, 105.

¹⁷¹ Ibid.

during 1978.¹⁷² The perception that the Vietnamese were Chinese further exacerbated racial problems among the ethnic-Malays and the Chinese. Some Malaysians viewed the assimilation of Indonesians as a counterbalance against the influx of Chinese.¹⁷³ Once again, the illegal Indonesian migrant worker problem was a non-issue due to other domestic challenges. During the 1970s and 1980s, many Malaysians viewed Indonesians as value-added to the economy instead of a detriment to society.¹⁷⁴

The underlying public opinion immigration theme was if a threat existed, then the Chinese threatened the Malaysians. Consequently, the Malaysian bias was concentrated on the Chinese community and not the Indonesian. The Chinese-Malaysian situation could be better characterized by racial prejudice since many Chinese were Malaysian citizens. The Chinese created wealth, owned businesses, and eclipsed the ethnic-Malay population.¹⁷⁵ The Chinese were urban and industrious. The Chinese were guilty of taking up the skilled labor positions due to their technical educations.¹⁷⁶ The ethnic-Malay education program was rudimentary and lacked the expertise to educate Malays for skilled labor positions.¹⁷⁷ Furthermore, the Malaysians that acquired tertiary education emigrated to other countries, especially Singapore, which created a “brain drain” in Malaysia.¹⁷⁸ Therefore, the problem was circular. Many Malaysians resented the Chinese for being educated, but the Malays that acquired the appropriate education exit the country for higher earnings just as the Chinese have done in Malaysia. Many Malaysians resented the prosperity of the Chinese but, at this time, viewed the Indonesians as equals due to similar education levels. Moreover, most Malaysians considered Indonesians necessary because they assumed unwanted jobs that most

¹⁷² Ibid.

¹⁷³ Kassim, “Illegal Alien Labour,” 76.

¹⁷⁴ Wolf and Lowman, “Toward a New Consensus, 105; Hans H. Indorf, “Malaysia in 1977: A Prelude to Premature Elections,” *Asian Survey* 18, no. 2 (1978): 122; Kassim, “Illegal Alien Labor,” 76.

¹⁷⁵ Spaan, Von Naerssen, and Kohl, “Re-imagining Borders,” 165.

¹⁷⁶ Cheok et al., “Population, Human Capital, and Development,” 4.

¹⁷⁷ Cheok et al., “Population, Human Capital, and Development,” 4.

¹⁷⁸ Ibid., 5.

Malaysians believed inferior. However, the Chinese were perceived as stealing the skilled jobs that many Malaysians were aspiring to.

E. CONCLUSION

The vast population of Indonesian immigrants in Malaysia in the 1970s to 1980s was a result of several factors. A labor shortage was created due to structural changes in the economy. The British, colonial power, had established a demand for labor in the natural resource sectors. The country was heavily reliant on its natural resources until it moved to modernizing its economy. Therefore, as the peasant Malays moved to urban areas in search of more industrialized jobs, a huge void was left in the agricultural and plantation sectors. Since the Malays were looking to improve their socio-economic status, most were no longer interested in 3D jobs. Thus, economic opportunity was an attractive pull factor for the Indonesians to fill the void. At the same time, the government chose to continue its experimentation with a Westminster-type democracy. This was popular amongst most Malaysians that viewed democracy and modernization as synonymous. The government's laissez-faire approach to immigration could likely be attributed to its being focused on other domestic challenges, namely the communist threat and racial conflict. Also, because of the racial conflict that existed amongst many Malaysians and Chinese, the public willingly accepted Indonesians into their borders as brethren. The assimilation of Indonesians would mitigate the growth of the Chinese population. Thereby, many Malaysians applied racial prejudice to the Chinese, who were more likely legal citizens of Malaysia, in lieu of Indonesians, who were likely illegal aliens.

The period of accommodation was focused on modernizing Malaysia and most Malaysians and the government were willing to turn a blind eye to the growing illegal Indonesian immigration problem to ensure continued prosperity.

III. PERIOD OF RESTRICTION

The Malaysian government transitioned its immigration policy from accommodation to restriction in the 1990s. For the intent of this thesis, restrictive as it relates to the government's immigration policy means regulated, hostile, and unwelcoming. The large movement of Indonesians from invisible rural 3D jobs to visible urban blue-collar employment moved the issue into the forefront of the political arena. The government began to view immigration as a threat to polity and society. The administration's prior ambivalence regarding immigration evolved into a nuanced anti-Indonesian immigration stance. Therefore, the 1990s, and through the 2000s, brought harsh immigration laws and enforcement.¹⁷⁹

The Malaysian government pursued this style of policy because its top priority shifted from the economic growth to political survival. On one hand, the government served the entrepreneurial-class Malaysians (few) and focused on the economy. On the other hand, the government needed the political backing of working-class Malaysians (many), who wanted a better quality of life. Unfortunately, the two issues no longer intersected, and the administration had to choose which demographic to serve. Thus, government changed its immigration policy to please the voters who opposed immigration, namely the working-class Malaysians.

A. OVERVIEW OF IMMIGRATION REFORM 1990–2010

Starting from the advent of formal immigration policy in 1990, the Malaysian government response to immigration has been characterized by a reactive approach. The administration's attempts at balancing public pressure regarding immigration and economic development led to several policy reversals. The state was unaccustomed to managing immigration. The period of 1990 to 2010 can be broken into a thematic immigration timeline. The following section describes the associated periods, but allows for analysis later.

¹⁷⁹ Nah, "Globalization, Sovereignty, and Immigration," 491; Chin, "Diversification and Privitisation," 287.

The period 1990 to 1992 was fraught with immigration tension due to legislation and vigorous enforcement. January 1990 legislation froze labor importation from Indonesia. The government evaluated and reconsidered the 1990 measures when entrepreneurial-class Malaysians questioned the state’s actions and its impact on the economy.¹⁸⁰ Early policy in the 1990s illustrated how the forces of market, society, and state played an integral part in immigration. This pattern of instituting and rescinding policies was indicative of the restriction period and can be viewed in Table 2.

Table 2. Malaysian Immigration Regulations Enacted 1990 to 2010¹⁸¹

Year	Regulation
Jan-90	Freeze on Indonesian labor importation
Nov-90	Legalization of Indonesian labor for plantation sector extended 10 months
1991	Formation for the Cabinet Committee on Foreign Workers
Oct-91	Introduction of annual migrant-worker levy, which varies by sector and skill
Nov-91	Legalization of Indonesian labor for plantation sector extended 1 year
Dec-91	Amnesty to illegal domestic workers—they are to register and obtain work permits
	Launching of Ops Nyah I (Operation Expunge I—stop undocumented infiltration)
Jan-92	Amnesty to illegal domestic workers extended—they are to register and obtain work permits
	Amnesty extended to agriculture and construction sectors
Jun-92	Launching of Ops Nyah II (Operation Expunge II—weed out undocumented immigrants)
Jul-92	Permission given for employers to recruit workers from Indonesia, the Philippines, Thailand, Bangladesh, and Pakistan for manufacturing and services sectors
	Exemption order extended to illegals entering Malaysia before June 1992 that are employed within the manufacturing and services sectors
Oct-92	Formation of the Committee for the Recruitment of Foreign Workers at the Ministry of Human Resource
Apr 1993– Jan 1994	Ban on unskilled worker recruitment. Ban lifted for manufacturing sector. Ban reinstated for unskilled and semi-skilled workers for all sectors

¹⁸⁰ Patrick Pillai, “Malaysian State’s Response,” 182.

¹⁸¹ Evelyn Shyamala Devadason and Chan Wai Meng, “Policies and Laws Regulating Migrant Workers in Malaysia: A Critical Appraisal,” *Journal of Contemporary Asia* 44, no. 1 (2014): 25–26; Kassim, “Amnesty for Illegal Foreign Workers in Malaysia: Some Attendant Problems,” 11.

Year	Regulation
Jul-94	Freeze on importation of skilled and unskilled labor except critical sectors in manufacturing and service sectors
	Committee for the Recruitment of Foreign Workers as the Ministry of Human Resource is disbanded
Oct-94	Formation of Special Task Force on Foreign Labor (sole agency for recruitment—one stop shop to deal with processing of immigrants)
Dec-95	All levies increased by 100% except agriculture and domestic sectors
Apr-96	Hari Raya Amnesty for Indonesian undocumented workers
Aug 1996– Jan 1997	Freeze on labor importation (employers are instructed to recruit directly from immigration detention facilities)
Mar-97	Task Force disbanded—functions taken over by Foreign Workers Division of the Immigration Department
Aug-97	Ban on new recruitment due to Asian Financial Crisis
	Second regularization of immigration program
Jan-98	Annual levy increased across all sectors, mandatory contribution to EPF for employer and employee
Jul-98	Ban on the renewal of service sector work permits lifted
Oct-98	Ban on new recruitment lifted in plantation and construction sectors
Nov-98	Freeze on importation of migrant workers lifted
Feb-99	Levies lowered, except for domestic workers
2001	Mandatory EPF contribution lifted
Oct-01	Maximum limit for temporary work reduced from 5 years to 3 years
Feb-02	Ban on Indonesian workers, except domestic sector
Mar-02	Amnesty Program
Jan-03	Restrictions lifted on Indonesian workers in the manufacturing and construction sectors
Apr-03	Freeze on hiring foreign workers from SARs-related countries
Oct-03	Amendment to Immigration Act (higher penalty for undocumented immigration -- mandatory whipping of up to 6 strokes)
Mar-04	New requirement for migrant workers to attend classes on Malaysian language
Oct-04	Undocumented workers allowed to return to Malaysia on official permits
2005	Permission granted to migrant workers whose contracts have expired to change employers within the same economic sector as long as their work permits are still valid
Aug-05	Ikatan Relawan Rakyat (RELA) given power to arrest unauthorized migrants
	Levies are revised for manufacturing and construction sectors on peninsular Malaysia and non-domestic services on East Malaysia

Year	Regulation
2006	Ministry of Home Affairs licensed 270 outsourcing companies to recruit mainly from South Asia
	Electronic Labor Exchange (ELX) created at the Ministry of Human Resource—mandatory for employers in plantation, construction, manufacturing, and services sectors to advertise vacancies in the ELX before they can apply for migrant labor
Nov-06	Signing of MOU between Malaysia and Indonesia—Malaysian employers responsible for paying local agent while Indonesian domestic workers are responsible for paying their Indonesian-agent
2007	New outsourcing system that does not attach work permits to an employer
Jul-07	Major operation to round up an estimated 500,000 irregular migrants
2008	Work permits will not be renewed if they have been in the country 5 years or more
2009	Freeze on the issuance of new licenses for labor-outsourcing companies
Jan-09	Freeze on labor importation to the manufacturing sector
Apr-09	Cost of levy borne by employer instead of employee
Jul-09	Freeze on labor importation lifted for specific sectors
Oct-09	Protests by migrant workers that employers continue to deduct wages to cover levy charges
Nov-10	Compulsory medical insurance policy for migrant workers mandatory (effective January 2011)

The state experimented with immigration policy in the 1990s. The administration tried amnesty, raids, punitive action, and deportation. Furthermore, the Malaysian government instigated a border security and surveillance program known as Ops Nyah, which meant Operation Expunge.¹⁸² From the mid-1990s, the Malaysian government invested large amounts of capital to enforce immigration controls and deter illegal entry. Nevertheless, Malaysia remained a highly coveted employment location for Indonesians. Irregular Indonesian migration continued relatively unabated due to human traffickers, corrupt officials, unprincipled employers, and the actual undocumented migrants.¹⁸³ The unintended consequence of the government imposed legislation was the increased cost of

¹⁸² Kaur, “Managing Labour Migration,” 351.

¹⁸³ *Ibid.*, 353.

regular migration, which created a market for unregulated foreign workers.¹⁸⁴ The regulation on foreign labor recruitment produced a market for illegal labor.¹⁸⁵

In 1991, the Malaysian government revised its strategy on foreign worker recruitment by developing a comprehensive policy on the Recruitment of Foreign Workers. The legislation established the “terms and conditions for the employment of foreign labour.”¹⁸⁶ The legislation created an annual levy on foreign workers to regulate the supply of immigrant labor. The policy instituted a guest worker program in which foreign workers were “recruited under a work-permit system and were bound to their employers and particular job locality.”¹⁸⁷ The levy meant to be applied to the employer was often passed through reduction in pay to the employee.

Governmental intervention produced a new dynamic among employers and foreign labor. Prior to immigration legislation, employers had invested in their foreign labor. Employers had provided housing, subsistence pay, and informal company labor protections.¹⁸⁸ As a result of governmental intervention, the established model of the long-term relationship between employer and employee was revolutionized into an atypical employment model.¹⁸⁹ Atypical because the employee was now a contract worker and not provided housing and labor protections. A result of the new policy was the exploitation of immigrants.¹⁹⁰ The laborer was no longer an investment, but rather a commodity that could be easily disposed of. Thus, the government instigated an adversarial relationship between employer and employee in lieu of the once symbiotic relationship. Additionally, the plan to wean employers from foreign labor by applying a tax was not a deterrent since the employers redirected the levy onto the employee.¹⁹¹

¹⁸⁴ Kaur, “Managing Labour Migration,” 353.

¹⁸⁵ *Ibid.*, 354.

¹⁸⁶ *Ibid.*, 349.

¹⁸⁷ *Ibid.*

¹⁸⁸ *Ibid.*

¹⁸⁹ *Ibid.*

¹⁹⁰ *Ibid.*

¹⁹¹ *Ibid.*, 349–51.

Additionally, in 1991, immigration, amnesty, and repatriation gained popularity. The Malaysian government formed a committee on foreign workers to investigate the severity of the problem. In an effort to inhibit immigration, the state passed legislation that applied levies to migrant workers, meant to make immigration unappealing. In December 1991, the administration conducted an amnesty period specifically targeting illegal domestic workers.¹⁹² Following the amnesty period, which only registered domestic workers, the state initiated its first robust anti-immigration operation – Operation Expunge I.¹⁹³ The purpose was to improve border security and stop undocumented illegal aliens from gaining entry into the country.¹⁹⁴

In 1992, the government's response to labor demands and public perception resulted in amnesty and repatriation. Amnesty to illegal domestic workers was extended. Subsequent to Operation Expunge I, the state had to reassess amnesty for construction and agriculture sectors.¹⁹⁵ Although some economic sectors required illegal labor, the government launched Operation Expunge II in June 1992.¹⁹⁶ The state endeavored to remove illegal labor from the manufacturing and services sectors. By July 1992, the administration contacted Indonesia, among other nations, to recruit labor for manufacturing and services sectors.¹⁹⁷ The government's actions appeared to waffle on immigration, with the urge to satisfy one demographic group—working class—at the expense of another—entrepreneurial class—only to have to recant and re-engage. The administration found it difficult to appease the employers and the local laborers simultaneously.¹⁹⁸

¹⁹² Kassim, "Amnesty for Illegal Foreign Workers," 15.

¹⁹³ Kaur, "Managing Labour Migration," 351.

¹⁹⁴ Nah, "Globalization, Sovereignty, and Immigration," 491; Kassim, "Illegal Alien Labour," 53; Evelyn Shyamala Devadson and Chan Wai Meng, "Policies and Laws Regulating Migrant Workers in Malaysia: A Critical Appraisal," *Journal of Contemporary Asia* 44, no. 1 (2014): 22.

¹⁹⁵ Kassim, "Amnesty for Illegal Foreign Workers," 16.

¹⁹⁶ *Ibid.*, 17.

¹⁹⁷ Kassim, "Illegal Alien Labour," 53.

¹⁹⁸ Nah, "Globalization, Sovereignty, and Immigration," 491; Devadson and Meng, "Policies and Laws," 22; Pillai, "Malaysian State's Response," 182; Kaur, "Indonesian Migrant Workers," 25.

In an effort to appease both working-class and entrepreneurial-class Malaysians, the state required illegal immigrants to register during an amnesty period. The administration realized immigrants fueled the economic engine, so it provided an opportunity for illegal workers to shift to legal status. In the early 1990s, undocumented workers were offered an opportunity to register and become legal immigrants.¹⁹⁹ Between November 1991 and June 1992, 442,276 illegal workers presented themselves for registration.²⁰⁰ The amnesty program attempted to bridge the divide between working- and entrepreneurial-class Malaysians. The initiative registered illegal aliens, which forced employers to raise wages, meet workers' rights conditions, and discouraged hiring illegal labor.²⁰¹ Illegal immigrants were responsible for obtaining temporary work papers from their respective embassies and undergoing medical checks. Indonesians accounted for 83 percent of the illegal foreign workers who applied for amnesty, but most economic sectors were represented (see Figure 1).²⁰²

¹⁹⁹ Kaur, "Managing Labour Migration," 351.

²⁰⁰ Kassim, "Amnesty for Illegal Foreign Workers," 15.

²⁰¹ Ibid.

²⁰² Kaur, "Managing Labour Migration," 351.

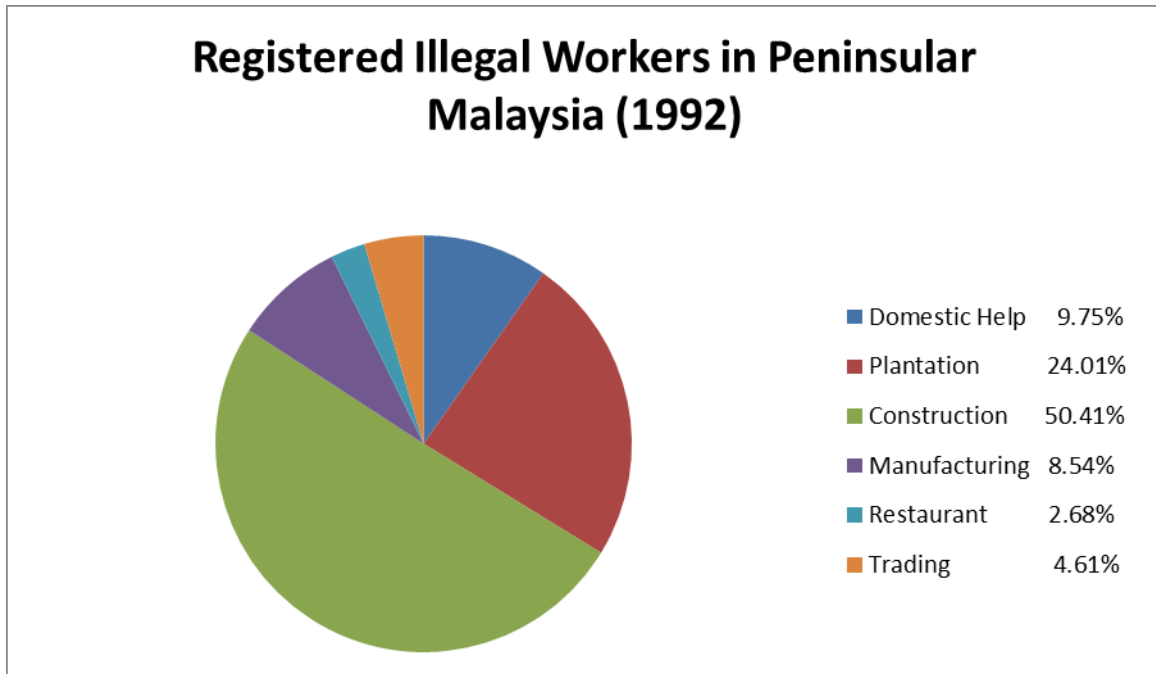


Figure 1. Results of Amnesty from 1992²⁰³

The entrepreneurial class was not incentivized to allow its illegal workforce to register under amnesty. The change from status quo would have resulted in a financial setback for the business-minded group. As the migrant's registration was the employer's responsibility, amnesty was difficult.²⁰⁴ If the entrepreneurial class registered its illegal migrants, then the experience would cost them. They would have productivity-loss from the hours devoted to the process and profitability-loss based on equal pay to local labor. Amnesty meant a reduction in hours and in increase in costs. For instance, migrants no longer worked holidays and weekends without overtime and rated benefits, such as workers' compensation and medical insurance.²⁰⁵ The expectation of the employer "to pay migrant the same wages as Malaysians and provide them with the same working conditions"²⁰⁶ degraded the profit margin of the entrepreneurial class. Amnesty would have likely caused many business closures. Consequently, many employers did not view

²⁰³ Kassim, "Amnesty for Illegal Foreign Workers in Malaysia: Some Attendant Problems," 15.

²⁰⁴ Kassim, "Illegal Alien Labour," 60.

²⁰⁵ Ibid.

²⁰⁶ Liow, "Malaysia's Approach," 14.

amnesty as in their best interest. As a result, many illegal immigrants remained undetected. Amnesty was meant to incentivize employers to gain labor through legal channels, but the cost of legal migration was so cumbersome that employers looked to alternative methods for obtaining labor.²⁰⁷

Between 1993 and 1996, the state alternatively tightened and loosened immigration policy, which resulted in reduced tensions between Malaysians and Indonesians. Although the state regularly reversed immigration policies throughout the mid-1990s, the government attempted to mitigate the opposing forces of business demand for cheap labor and the public's growing anti-immigration sentiment. Between April 1993 and January 1994, bans on foreign labor recruitment were enacted, lifted, and reinstated.²⁰⁸ Throughout 1994, freezes on all foreign labor were imposed, but later rescinded in manufacturing and services sectors.²⁰⁹ By 1994 employers had to demonstrate their inability to hire local labor before they petitioned for foreign labor.²¹⁰ The policy was to hire Malaysian first and fire Malaysian last. By December 1995, all levies increased on foreign labor, except agriculture and domestic workers.²¹¹ In the spring of 1996, the government conducted another amnesty period specifically for illegal Indonesian immigrants. In August 1996, the state froze all foreign labor recruitment.²¹² Employers were instructed to recruit foreign labor from the deportation centers.²¹³ Overall, the state managed immigration through legislation and enforcement.

The 1997 Asian financial crisis (AFC) was a turning point. The AFC immediately halted all new foreign labor recruitment but mismanagement of immigration ensued and policy was fluid. In August 1997, "a total ban was imposed on new recruitment of foreign

²⁰⁷ Kassim, "Illegal Alien Labour," 60; Liow, "Malaysia's Approach," 14–15.

²⁰⁸ Evelyn Shyamala Devadason, and Chan Wai Meng, "Policies and Laws Regulating Migrant Workers in Malaysia: A Critical Appraisal," *Journal of Contemporary Asia* 44, no. 1 (2014): 25–26.

²⁰⁹ *Ibid.*

²¹⁰ *Ibid.*

²¹¹ Kassim, "Illegal Alien Labour," 53.

²¹² Pillai, "Malaysian State's Response," 182.

²¹³ Kaur, "Indonesian Migrant Workers," 25.

workers.”²¹⁴ However, the ban was lifted rather quickly after protests by the entrepreneurial class and employers of foreign domestic workers.²¹⁵ But, the ban was reinstated in January 1998 for the manufacturing, construction, and service sectors of the economy.²¹⁶ In 1997–1998, immigration dropped by over 55 percent, primarily due to the crisis and its effect on the economy.²¹⁷ In 1998, the bans were lifted again and immigrants quickly filled the labor voids in the blocked out sectors.²¹⁸ The AFC disruption changed the course of immigration because many Malaysians that were previously ambivalent regarding immigration began to view immigrants as adversaries. In the culminating years of the decade the state was dedicated to economic recovery and again attempted to normalize immigration.

The mid-2000s were characterized by tightened regulations further restricting immigration. Laws mandated that migrants had to contribute to the Employee Provident Fund (EPF), which was later rescinded. Bans on Indonesian workers took place in 2002, with the exception of domestic workers. The economy suffered from the imposition of regulations. Consequently, the government reversed its total ban and Indonesians returned to construction and manufacturing sectors. At this time, the state allowed the RELA or People’s Volunteer Corps to act as immigration enforcement mechanism.²¹⁹ The government sanctioned the civilian vigilantism and chaperoned some of RELA’s anti-immigration activities,²²⁰ which provided an umbrella of legitimacy to the organization. In 2005, the government authorized RELA to arrest illegal migrants.²²¹ The country formed amnesty programs and conducted operations to gather illegal immigrants. Many working-class Malaysians, some unemployed, were content with immigration

²¹⁴ Muhamad Nadratuzzaman Hosen, “Governance of Indonesian Labor and Migration to Malaysia: An Overview,” *Review of Indonesian and Malaysian Affairs* 39, no. 2 (2005): 35.

²¹⁵ Ibid.

²¹⁶ Ibid.

²¹⁷ Ibid.

²¹⁸ Ibid.

²¹⁹ Hedman, “Refuge, Governmentality, and Citizenship,” 372.

²²⁰ Ibid.

²²¹ Chin, “Diversification and Privitisation,” 294.

reform. In contrast, the entrepreneurial-class Malaysians, who personified the market, were upset with the regulations. Thus, the state reacted to the market and society, which appeared to be moving in opposite directions.²²²

The government began a concerted effort to reduce immigration. The Immigration Act was further tightened in 2002, which called for increased fines, 5-year prison sentences, and six strokes of the cane.²²³ In August 2002, the forced repatriation of an estimated 600,000 Indonesians created a huge humanitarian issue for the Indonesian government.²²⁴ The Indonesian government had to send ships to collect the repatriated immigrants from ports in Malaysia.²²⁵ Moreover, the Indonesian government was ill-equipped to deal with a sizeable illegal migrant repatriation. A humanitarian crisis ensued due to lack of housing facilities, medical care, food and provisions, and water. The crisis at Nunukan claimed the lives of at least 64 workers and their children.²²⁶ This episode strained the relations between the two nations.

B. BILATERAL RELATIONS: MALAYSIA AND INDONESIA

From the early 2000s to 2010, immigration policy directly affected relations between Indonesia and Malaysia. The Malaysian government attempted to suspend Indonesian employment in Malaysia in 2001. In October 2001, work permits for legal immigrants changed from five years to three years without a grandfather clause.²²⁷ Thus, the official status of many immigrants was transformed from legal to illegal overnight. The newly re-categorized illegal immigrants were repatriated within three months. The Malaysian administration also announced during this time period that it would repatriate 10,000 illegal Indonesians each month.²²⁸ In 2002, mass repatriation of Indonesians to an unprepared state resulted in a humanitarian crisis. Over 60,000 Indonesians were sent to

²²² Liow, "Malaysia's Approach," 19–20.

²²³ Kaur, "Managing Labour Migration," 358.

²²⁴ *Ibid.*

²²⁵ *Ibid.*

²²⁶ *Ibid.*

²²⁷ Liow, "Malaysia's Approach," 19.

²²⁸ *Ibid.*

Nunukan, an island meant to house 38,000, for processing.²²⁹ The overpopulation stressed the facilities on the island and resulted in the death of several Indonesians. The state's anti-Indonesian immigration stance coincided with Mahathir's informal "Hire Indonesians Last" policy.

The controversial decision to deport a massive amount of Indonesians sparked anti-Malaysian fervor in Indonesia. In 2002, protests erupted in Indonesia and a common theme bandied about was "remember Konfrontasi."²³⁰ Konfrontasi was an Indonesian policy against the formation of Malaysia after colonialization. The rhetoric during the early 2000s created a tempest between Malaysia and Indonesia, which affected other aspects of their bilateral relations. The heightened strain between the governments of Malaysia and Indonesia not only factored into immigration but other bilateral problems as well, which perpetuated the citizens of both nations to engage in hostile rhetoric and acts. For instance, in 1997, the haze from forest fires in Indonesia swept over major cities in Malaysia, polluting the air and creating a massive health problem.²³¹ The issue was contentious between the countries. Additionally, Indonesia and Malaysia had several territorial disputes before the International Court of Justice (ICJ). In the early 2000s, the disputes were settled, all in Malaysia's favor. The ICJ awarded the islands of Sipadan and Ligitan to Malaysia in 2002.²³² Following the ICJ ruling, Indonesia submitted to United Nations Convention on Law of the Seas (UNCLOS) for territorial waters associated with Ambalat; however, this case is on-going. Malaysia and Indonesia were in debate as to who has rights to the natural resources surrounding the Ambalat area. The Ambalat issue has sparked hostile actions, such as sovereign navy ships ramming each other. Therefore, these historical territorial disputes influenced the polity in both countries and acted as catalysts to stir anti-Indonesian or anti-Malaysian sentiment.

²²⁹ Kaur, "Managing Labour Migration," 358.

²³⁰ Ibid., 23.

²³¹ Chin, "Malaysia in 1997," 185.

²³² Made Andi Arsana, "Are We Losing More Islands After Sipadan-Ligitan Dispute?," *Jakarta Post*, January 30, 2013, <http://www.thejakartapost.com/news/2013/01/30/are-we-losing-more-islands-after-sipadan-ligitan-dispute.html>.

In the early 2000s, the harsh enforcement of legislation and the “hire Indonesians last” rhetoric created a sensation in Indonesia. The policies enacted by Malaysia were criticized for “their degrading and disparaging treatment of Indonesian workers.”²³³ Many Indonesians were upset by the change in policy and the *Jakarta Post* published an article titled “Remember Konfrontasi.”²³⁴ In turn, Malaysia cautioned Indonesia concerning its rhetoric, which seemed ironic given the rhetoric espoused by actual cabinet members in Malaysia. For example, the Malaysian minister of Home Affairs, Radzi Sheikh Ahmad, exhibited his indifference when stating, “Return home the way they [Indonesians] came and not come back. I am sure if they know how to enter the country they will definitely know the way out.”²³⁵ His dismissive views of the Indonesian immigration problem exemplified the perception of many Malaysian people.

C. LABOR DEMAND

The early 1990s were synonymous with low unemployment, a high growth rate, and low inflation. By 1990, due to the successful implementation of the NEP, the Malaysian economy experienced full employment that produced a need for foreign workers.²³⁶ Moreover, the poverty rate diminished to below ten percent.²³⁷ The real GDP grew over eight percent consecutively between 1987 and 1996, which was the highest among ASEAN economies and “one of the highest in the world.”²³⁸ The inflation rate dropped and Malaysia’s currency rating improved from A2 to A1. Working-class Malaysians that wanted a job generally had employment.²³⁹ The unemployment rate was about 2.8 percent, which indicated full employment and a labor shortage.²⁴⁰ Thus, the economy required foreign labor to sustain rapid growth. Although working- and

²³³ Liow, “Malaysia’s Approach,” 22.

²³⁴ Ibid.

²³⁵ Romany, “RELA and Malaysia’s Invisible War,” *Aliran Monthly* 26, no. 9 (2006): 13.

²³⁶ Mohammad Jawhar Bin Hassan, “Malaysia in 1995: High Growth, Big Deficit, Stable Politics,” *Asian Survey* 36, no. 2 (1996): 124.

²³⁷ Ibid.

²³⁸ Ibid., 123.

²³⁹ Ibid., 124.

²⁴⁰ Ibid.

entrepreneurial-class Malaysians prospered, the increased presence of illegal labor in industrialized areas caused friction, especially between working-class Malaysians and immigrant workers.

Many working-class Malaysians perceived migrants as taking their jobs and creating a scarcity of good manufacturing positions. The perception of job competition could be observed in the demographic shift between 1970 and 2010. For example, in 1970, the Malaysian population was about 10.4 million whereas in 2010, the population was about 28.3 million.²⁴¹ The population more than doubled. In 1970 about 52.2 percent of the population was economically active, but in 2010, about 67.3 percent of the population was active.²⁴² Industrialization created job opportunities, but many felt employment competition existed because of the increased population and economic participation. However, the population was aging. While Malaysia's economy was expanding, its fertility rate dwindled. In 1970, 44.5 percent of the population was under 14 years of age, while in 2010 only 27.6 percent were under the age of 14.²⁴³ Moreover, the out migration of skilled and educated Malaysians—brain drain—increased the perception of a labor supply shortage.²⁴⁴ Between 1990 and 1995, employment expanded at 3.2 percent and labor supply lagged behind at 2.9 percent.²⁴⁵ Although empirical evidence suggested that Malaysia's economy needed foreign labor, many Malaysians felt increasingly threatened by foreign labor.²⁴⁶

The implementation of more restrictive immigration policy, following decades of informal foreign labor recruitment, created a demand for illegal labor. The entrepreneurial class stated the “importation of labour through the legal channel was and still is time consuming and costly.”²⁴⁷ Therefore, regulated immigration was largely

²⁴¹ Cheok et al., “Population, Human Capital, and Development,” 3.

²⁴² Ibid., 4.

²⁴³ Ibid., 3.

²⁴⁴ Ibid.

²⁴⁵ Kassim, “Illegal Alien Labour,” 53.

²⁴⁶ Evelyn Shyamala Devadson and Chan Wai Meng, “Policies and Laws Regulating Migrant Workers in Malaysia: A Critical Appraisal,” *Journal of Contemporary Asia* 44, no. 1 (2014): 22.

²⁴⁷ Kassim, “Amnesty for Illegal Foreign Workers,” 10.

unpopular with many prospective Malaysian employers since it affected their profitability. The trade union's points were valid,²⁴⁸ but ultimately, the entrepreneurs were influenced by their bottom line, which was affected by labor costs. For example, Indonesians were willing to accept lesser pay and work without benefits. The employer did not have to submit moneys to the EPF or provide accident compensation insurance. Moreover, employers had the advantage of not paying overtime or extra pay for holidays to Indonesian immigrants. On the surface, the pay seemed comparable to local labor, but when the employer escaped medical benefits, sick leave, or EPF contributions, then foreign labor was cheaper. Furthermore, foreign labor was easily dismissed without the assistance of a labor union.²⁴⁹

An immigration turning point resulted from the AFC when the state, society, and market experienced a direct financial hit. The effects of the AFC reverberated through the Indonesian immigrant communities. The Malaysian ringgit slid about 40 percent in a short period.²⁵⁰ The government moved immediately to discontinue infrastructure projects,²⁵¹ which employed many immigrants, both legal and illegal. Mahathir refused aid from the International Monetary Fund (IMF) on the supposition that the IMF was looking to economically re-colonize Malaysia.²⁵² However, the main reason seemed that Mahathir did not want economic transparency. The transparency would have revealed the pro-Bumiputra policies that maintained UMNO's political supremacy. To maintain the special rights of the ethnic Malays, Mahathir disallowed the IMF to dictate changes to Malaysian fiscal policy.²⁵³ Moreover, the Malay entrepreneurial class had become so dependent on the government subsidies "that it was doubtful they could withstand open competition."²⁵⁴ The Mahathir administration speculated that the IMF would insist the

²⁴⁸ Azizah Kassim, "The Unwelcome Guests: Indonesian Immigrants and Malaysian Public Responses," *Southeast Asian Studies* 25, no. 2 (1987): 271.

²⁴⁹ *Ibid.*, 272.

²⁵⁰ Chin, "Malaysia in 1997," 185.

²⁵¹ *Ibid.*

²⁵² *Ibid.*, 186.

²⁵³ *Ibid.*, 187.

²⁵⁴ *Ibid.*

government award contracts based on bids.²⁵⁵ Open-source bids would destroy the UMNO-preferred system, which awarded contracts to UMNO-related companies.²⁵⁶ In a competitive environment, Chinese businesses would have likely gained the contracts from their UMNO-related Malaysian competitors. The state did not acquiesce to the IMF.

In an effort to stem unemployment, the administration began a large-scale deportation program to reopen labor positions for Malaysian citizens. The recession affected migrant-heavy economic sectors, such as construction, services, and manufacturing. The state anticipated the unemployment rate would rise from 2.7 percent in 1997 to 6.4 percent in 1998.²⁵⁷ The number of unemployed Malaysians increased from 229,700 in 1997 to 564,200 in 1998, construction and manufacturing suffered the most layoffs.²⁵⁸ When the government cancelled domestic infrastructure projects, state-sponsored contractors laid off nearly 200,000 migrants working in the construction sector.²⁵⁹ Additionally, the state terminated or failed to renew work permits for an additional 700,000 more migrants in construction, services, and manufacturing.²⁶⁰ In 1998, the immigration rate dropped by 55 percent.²⁶¹ The economic crisis led to a rise in undocumented Indonesian immigrants since many did not return to Indonesia after expulsion from Malaysia. As the economy recovered, the foreign labor demand also recovered. The government realized its dependency on foreign labor, but had not formulated an immigration reform plan that supported the economy and curtailed the government's reliance.

D. GOVERNMENTAL RESPONSE TO INCREASED PUBLIC PRESSURE

Due to increased public pressure regarding immigration, the government legislated immigration. During the period of restriction, UMNO became aware of its

²⁵⁵ Ibid.

²⁵⁶ Kassim, "The Unwelcome Guests," 187.

²⁵⁷ Pillai, "Malaysian State's Response," 186.

²⁵⁸ Ibid.

²⁵⁹ Ibid., 187.

²⁶⁰ Ibid.

²⁶¹ Ibid.

political fragility and sought to shore up support. On the one hand, the government could remain laissez-faire with immigration but suffer the consequences of an electoral backlash. On the other hand, the government could enact immigration reform and gain the working class support but alienate the entrepreneurial class. The dichotomy between market forces and social forces demanded UMNO to make a choice. Previously, during the period of accommodation, immigration was perceived as economically prudent, but in the period of restriction, immigration was viewed as socially unacceptable. The government was in a quandary: the government faced a choice between more restrictive immigration policy that would please many voters, but harm business supporters and reduce economic growth, and a less restrictive immigration policy that would keep its business supporters content and maintain economic growth, but displease many of its voters and thus threaten UMNO's ability to remain in power. Most likely, this dilemma caused the many immigration policy enactments and reversals. The frequent policy changes caused the polity to question the government.

The power of the economy affected electoral returns, which the government had not predicted. The government had difficulty influencing how Malay and non-Malay voters would vote if ethnicity no longer determined voting blocs.²⁶² Between 1986 and 1999, the ethnic-Malay constituency was overrepresented in electoral contests.²⁶³ In 1986, the over enfranchisement of the Malay population benefited the BN. This was significant because the voting prior to 1995 was easily divided along ethnic lines. However, "by 1995, the shifting ethnic voting trends meant that the electoral arrangements no longer benefited the BN, as well as they had in 1986; in 1995 and 1999, there was no meaningful correlation between constituency size and BN performance."²⁶⁴ Although the BN won overwhelmingly in 1995, the administration became aware that ethnic constituency size no longer determined the vote, but rather economic growth

²⁶² Bin Hassan, "Malaysia in 1995," 126.

²⁶³ Graham Brown, *Playing the (Non)Ethnic Card: The Electoral System and Ethnic Voting Patterns in Malaysia*, Center for Research on Inequality, Human Security, and Ethnicity (CRISE Working Paper No. 21) (Oxford: University of Oxford Press, 2005), 14.

²⁶⁴ Ibid.

swayed many non-Malays to support the BN.²⁶⁵ Therefore, many BN leaders realized electoral contests would be won on pragmatic issues rather than ethnic lines. One such issue that the public wanted resolved was immigration.

In 1996, the fractures within UMNO began to filter into the public realm. Political bouts between Prime Minister Mahathir and Deputy Prime Minister Anwar Ibrahim influenced internal UMNO politics and how the people perceived the party. Mahathir and Ibrahim quarreled over many political decisions, from minister replacement to campaign finance.²⁶⁶ Many speculated that Ibrahim would be Mahathir's successor, and further believed that Ibrahim would challenge Mahathir for the party's presidency. Due to the election landslide of 1995, Mahathir felt emboldened to remain in place.²⁶⁷ Mahathir "pushed through an UMNO resolution that would bar contests for the top two posts, president and deputy president,"²⁶⁸ thereby neutralizing Ibrahim's aspiration to become prime minister. The cold war between Mahathir and Anwar splintered UMNO vote. The political infighting among the top two positions in UMNO created a schism that split the party and the vote.²⁶⁹

The schism threatened to weaken UMNO and its dominance within the BN. If UMNO wanted to remain in control of the coalition, then it needed to maintain the people's confidence in its governance. The liberal immigration policy the government had pursued made a large part of its constituency unhappy. For this reason, the state faced pressure to restrict immigration in order to maintain its principal base of electoral support.

The Asian Financial Crisis of 1997–98 galvanized the government into taking action against illegal immigration and reassessing its foreign labor recruitment strategy. The crisis presented the government the opportunity to look tough on immigration because the economy was in downfall. Due to rising unemployment, business failures,

²⁶⁵ Bin Hassan, "Malaysia in 1995," 126.

²⁶⁶ Chin, "Malaysia in 1996," 181–82.

²⁶⁷ *Ibid.*

²⁶⁸ *Ibid.*, 182.

²⁶⁹ Chin, "Malaysia in 1996," 183.

and capital outflows, the Malaysian government implemented tougher immigration controls. The economic collapse resulted in a surge in unemployment. Legal and illegal labor was no longer needed to fuel the Malaysian economy. Immigration reform targeted employers, as well as migrants. The Immigration Act was amended in 1997 to increase punitive measures against undocumented foreign workers. The tanking of the economy in 1997 created an environment that fostered political instability. As the economy fell, many Malaysians blamed the government for its lack of fiscal discipline. The government asserted authority over immigration, an arena the state believed it could control unlike the economy.²⁷⁰

By 2000, the Malaysian government identified immigration as a threat to political stability or rather a threat to UMNO's primacy within the BN. Since independence, the BN, with the Alliance as its predecessor, had a stranglehold on the Malaysian parliament. But the influx of immigrants created a difficult dynamic of balancing the economy and society. The Malaysian state set a target of reducing its reliance on migrant labor to 1.5 million by 2015.²⁷¹ In relation to other ASEAN members, "Malaysia had the highest rate of reliance on foreign labour."²⁷² The political regime recognized its stability relied heavily upon the economy and consequently, on foreign labor. Since immigrants relocated into manufacturing positions, many working-class Malaysians' perception of immigrants changed from a boon to the economy to a competitor in the job market. These same Malaysians expected the government to respond to the unemployment rate and maintain job protections for its citizens. The state attempted to balance the entrepreneurial class with the working class; one inappropriate counterbalance could have disrupted the establishment.²⁷³

²⁷⁰ Pillai, "Malaysian State's Response," 189–90.

²⁷¹ Alice M. Nah, "Globalisation, Sovereignty, and Immigration Control: The Hierarchy of Rights for Migrant Workers in Malaysia," *Asian Journal of Social Science* 40, no. 4 (2012): 492.

²⁷² *Ibid.*, 491.

²⁷³ *Ibid.*, 491–92.

E. PUBLIC OPINION ON THE IMMIGRATION ISSUE

Many Malaysians viewed immigrants, especially undocumented workers, as a cost to society. Illegal aliens were often associated with the re-emergence of communicable diseases.²⁷⁴ Malaysia had seen an upward trend in tuberculosis, whooping cough, elephantiasis, and so forth, which had relatively disappeared due to vaccinations. Some other social ills often associated back to undocumented workers was the increase of begging, prostitution, and deviant Islamic teachings.²⁷⁵ Thus, the illegal immigrants were viewed as not only health risks, but also as a financial strain on social services.²⁷⁶ The added congestion in the urban areas stressed the water supply, garbage disposal, and sewer.²⁷⁷ Invariably, most communities were against immigrants infiltrating their established space because once immigrants moved into an area, the standard of living depreciated.²⁷⁸ Furthermore, Indonesian migrants—because of their similar language and religion—were more capable than other migrants of taking advantage of the educational facilities for their children and public health services.²⁷⁹

Malaysia's strong economy attracted immigrants, none more so than Indonesians. In 1996, the Malaysian workforce totaled about eight million, and of that about 1.8 million were foreign workers, only 750,000 were properly registered.²⁸⁰ More than half the immigrants were illegal and likely not paying taxes. The illegal Indonesians were blamed for crime, disease, and the introduction of their alien culture. Many Malaysians grew increasingly angrier over perceived ploys by the Indonesians to gain legal status, such as marrying local women or impregnating women.²⁸¹ Malaysia's close proximity and developed economy induced Indonesians to illegally enter Malaysia.

²⁷⁴ Chin, "Host State and Guest Worker," 33.

²⁷⁵ Kassim, "Amnesty for Illegal Foreign Workers," 14.

²⁷⁶ Kassim, "Illegal Alien Labour," 73.

²⁷⁷ Kassim, "Amnesty for Illegal Foreign Workers," 14.

²⁷⁸ Kassim, "Illegal Alien Labour," 73.

²⁷⁹ *Ibid.*, 72.

²⁸⁰ Chin, "Malaysia in 1996," 186.

²⁸¹ *Ibid.*

Additionally, a drain on the state can be directly tied to illegal immigration. The state was channeling about ten million ringgit per year in deportation costs. The cost of repatriation was high. The state bore the cost of deportation, which could take months or years. Therefore, many Malaysians no longer perceived illegal immigration as an economic boon but rather a bust on their state's coffers.²⁸²

Negative representations of migrants contributed to migrant bashing. After a decade (1990s) of ad hoc measures, negative representation of migrants permeated society. The public identified foreign workers as outsiders who needed to be surveilled and contained. The highly publicized deportation events, raids on squatter settlements, and the inadequacies of immigration enforcement created a dynamic of “us versus them” within Malaysia. Therefore, when bad things happened to immigrants, it was seen as deserved.²⁸³

Greater public discourse about immigration became prevalent after 1995. One contributing factor was the economic boom associated with modernization. As the economy industrialized, the population urbanized. The first work shortages were realized in the agriculture and plantation sectors. However, as the economy matured, more labor shortages were realized. The worker shortages had led to a “deluge of applications for foreign workers from desperate employers.”²⁸⁴ The bureaucratic Immigration Department was understaffed and overwhelmed because of the desperate employers.²⁸⁵ The public debate further polarized the immigration issue. Additionally, the move from non-3D jobs into other economic sectors, namely services, “increased their public visibility and heightened concerns, real or perceived, over their social impact on crime, housing, disease, family formation, and permanent settlement.”²⁸⁶ Also, UMNO had won overwhelmingly during the election cycle of 1995, and therefore the party felt more

²⁸² Kassim, “Illegal Alien Labour,” 73; Kassim, “Amnesty for Illegal Foreign Workers,” 17–18.

²⁸³ Chin, “Host State and Guest Worker,” 31.

²⁸⁴ Pillai, “Malaysian State's Response,” 185.

²⁸⁵ Ibid.

²⁸⁶ Ibid.

confident allowing the immigration discussion.²⁸⁷ Particularly since the government personified economic growth and had a plan to reduce its reliance on foreign labor. But, another serious factor was the AFC of 1997–98, during which media coverage showed Indonesians attempting to breach Malaysian borders via small boats.²⁸⁸ The public discourse was resolutely against illegals and the security threat posed by porous borders.

The influx of illegal immigrants has posed societal issues. Media reports are often skewed to reporting only the dreadful acts conducted by Indonesian immigrants. A newspaper article reported that “the majority of recorded cases of burglary, rape, and murder involved Indonesians.”²⁸⁹ The media also voiced the health scare associated with illegal immigrants. The letters HIV, STD, and TB created a media sensation.²⁹⁰ Since illegal immigrants entered the country without the state-mandated medical screening, health hazards were a concern. Many Malaysians felt immigrants were deteriorating their way of life.

Moreover, the proliferation of Indonesians caused deep resentment. Well-to-do Malaysians did not like the highly visible communities that plagued the urban areas. These Malaysians saw the Indonesians as a blight on their landscape. Many Malaysians felt this way because the squatter settlements were all too often health hazards with water wells, latrines, and trash all co-located.²⁹¹ Poor Malaysians perceived the Indonesians as competitors for jobs, and the cause for depressed wages. Also, many Malaysians remarked how the Indonesians created a housing competition that forced the market higher.²⁹² For example, Indonesians had purchased chicken coops and renovated them into living space.²⁹³ The scarcity of housing was driving the value up and making it unattainable for the poorer Malaysians. Immigrants were perceived as eroding the quality

²⁸⁷ Pillai, “Malaysian State’s Response,” 185.

²⁸⁸ *Ibid.*, 186.

²⁸⁹ Spaan, Van Naerssen, and Kohl, “Re-Imagining Borders,” 166.

²⁹⁰ *Ibid.*

²⁹¹ Kassim, “Unwelcome Guests,” 275.

²⁹² *Ibid.*, 274.

²⁹³ *Ibid.*

of life in a modernizing country. The close cohabitation that occurred in squatter settlements led many Malaysians to complain about Indonesians lack of decency. Males and females that were not considered close-blood ties were mixing freely and often inappropriately dressed. Specifically, multiple families living in close proximity and wearing only shorts for men and sarongs for women. Many Malaysians resented the intrusion of Indonesians into their workplace, home, and mosque and were set against Indonesian immigration, legal or illegal.²⁹⁴

Entrepreneurial- and working-class Malaysians were at odds over immigration. The perception of foreign immigrants changed from help to hindrance. As the perception shifted, the words used to describe them changed as well. For example, the language changed from “irregular migrants” to “illegal migrants,” which later became “illegal aliens” and then simply “aliens.”²⁹⁵ The term alien denoted “low-wage migrants (regardless of immigration status) as outsiders that did not have a legitimate place and space within the nation of Malaysia.”²⁹⁶ Many Malaysians viewed the aliens as responsible for assaults, thefts, diseases, and so on. Generally, most aliens were viewed as a criminal element, which can be derived from widely circulated text message in 2006: “Get Vietnamese workers, dogs missing; Get Bangladeshi workers, Malay girls missing; Get Indonesian workers, money missing; Get Indian workers, jewelry missing; Get Chinese workers, husbands missing.”²⁹⁷ Immigrants were universally blamed as the source of social ills, but the economy was in the black. The economy was outperforming most of its neighbors within ASEAN. Thus, the state created policy to appease the working-class Malaysians, but would later rescind the policy to acquiesce to economic pressures to appease the entrepreneurial-class.

²⁹⁴ Spaan, Van Naerssen, and Kohl, “Re-Imagining Borders,” 168.

²⁹⁵ Chin, “Diversification and Privitisation,” 289.

²⁹⁶ Ibid.

²⁹⁷ Ibid., 292.

F. CONCLUSION

Immigrant workers in an economically expanding country were not a recent phenomenon. The backlash against immigrants, legal or illegal, was also not a new occurrence. The implementation of immigration policy was a new occurrence in 1990. Due to the increased visibility of immigrants, the government was compelled to reform immigration to meet the expectations of its polity. However, the opposing forces—entrepreneurial- and working-class Malaysians—within society and their interests drove the state to create and destroy many statutes.

The government was hampered by the forces of market and society. On one hand, the government sought to keep the economy thriving and allowed the entrepreneurial-class to influence its legislation. On the other hand, the vastness of the working-class Malaysians could not be ignored and they were fearful of immigrants taking their good jobs. The labor shortage remained the status quo. Malaysia was operating at a deficit in the human capital category. Despite the need for foreign labor to propel the market, the government was confounded because many within society had determined that Indonesian immigration was contrary to its values. The government's reactive approach in an effort to appease the masses only succeeded in motivating many employers to seek illegal undocumented workers. The state attempted to manipulate the polity by implementing immigration legislation, but would need to reverse the policy to maintain the economy.

IV. COMPARATIVE ANALYSIS

From 1970 to 1990, the period of accommodation, the Malaysian state welcomed immigration because labor demand necessitated a foreign labor force, and the economy was the government's priority. In contrast, from 1990 to 2010, the period of restriction, the country still required external labor, but the government's priority was now focused on social costs of immigration. The government's response to public pressure turned the immigration issue into a contentious debate.

The purpose of this chapter is to determine the causes of the change in immigration policy in Malaysia, especially in regards to Indonesia. To that end, it evaluates three themes over two different time periods: accommodation (1970–1990) and restriction (1990–2010). The first theme is the matter of labor demand, which was possible due to a burgeoning economy. The second theme is the government's domestic approval, whether the government could afford to marginalize working- or entrepreneurial-class Malaysians. The third theme is the public perception of immigrants, positive or negative and why it viewed immigration in this way. The purpose of analyzing labor demand, governmental approval, and public perception is to determine why Malaysian immigration policy changed. The comparative analysis reveals the following three things: 1) the labor demand did not change, 2) public approval of the government declined, and 3) the public opinion about immigrant workers, especially from Indonesia, declined, too.

A. COMPARING LABOR DEMAND

According to Malaysian records, during the period of accommodation, the Malaysian economy was at full employment. The only time it was not at full employment was during the 1986 economic contraction. Full employment is a situation in which the market uses all labor resources in an economically efficient way.²⁹⁸ The remaining unemployment is frictional. Frictional unemployment results from workers in the labor

²⁹⁸ "Full Employment," accessed March 1, 2015, <http://www.investopedia.com/terms/f/fullemployment.asp>.

force seeking better or different employment, but employment opportunities do exist.²⁹⁹ Most economists estimate, however, that frictional unemployment between 2–7 percent still indicates full employment.³⁰⁰ In 1982, the unemployment rate in Malaysia was 3.2 percent.³⁰¹ The Malaysian economy maintained full employment for the duration of the period. However, the economy felt the sting of a global economic contraction in 1986, and subsequently, unemployment rose to 7.4 percent.³⁰² The government did not enact immigration legislation during the economic downturn. Most likely the state was preoccupied implementing plans for an economic recovery. In the following years, 1987 and 1988, the unemployment rate nominally declined to 7.3 and 7.2 percent, respectively.³⁰³ By 1989, the economy was again at full employment with an unemployment rate of 5.7 percent.³⁰⁴ Incidentally, however, by 1989 after three years of greater than 7 percent unemployment,³⁰⁵ the state initiated immigration reform. This was the first time since 1963 that the government updated its immigration policy.

Despite immigration reform, the full employment indicator, illustrated by the low unemployment rate in Malaysia, enticed both legal and illegal Indonesian immigration. Immigrants supported the economy and were somewhat responsible for its growth. Cheap labor allowed the Malaysian economy to flourish and to be globally competitive. From 1970 to 1990, immigration was largely unregulated. By 1980, scholars estimate that 20 percent or one-fifth of the economy was dependent on foreign labor.³⁰⁶ Malaysia was particularly attractive to immigrants given its economic prosperity, lack of human capital, and proximity to labor-surplus countries, like Indonesia, in the region.³⁰⁷

299 “Full Employment.”

300 *Ibid.*

301 “Principal Statistics of Labour Force Malaysia State 1982–2013,” accessed March 1, 2015, http://www.statistics.gov.my/portal/index.php?option=com_content&view=article&id=1251&Itemid=109&lang=en.

302 *Ibid.*

303 *Ibid.*

304 *Ibid.*

305 *Ibid.*

306 Chin, “Diversification and Privitisation,” 286.

307 Pillai, “Malaysian State’s Response,” 190.

The state's response to social pressures affected legislation, but not labor demand. Between 1990 and 2010, the average unemployment rate was 3.2 percent.³⁰⁸ Throughout this period, the state enacted and enforced many different immigration policies; however, the labor demand did not change. The Malaysian economy maintained full employment. The much anticipated unemployment surge because of the AFC was not realized. In the years affected by the AFC, specifically 1997 through 1998, the unemployment rate dropped from the previous year to 2.4 percent and rose slightly to 3.2 percent, respectively.³⁰⁹ Despite the crisis, the unemployment rate indicated full employment. However, some could argue that the government's intervention resulted in stabilizing unemployment. The mass deportations that the state instituted immediately after the economy crashed were attributed to the low unemployment rate. Specifically, the government's success was the result of the lesson learned in 1986.

When Malaysia began to regulate immigration in 1990, its "stop go" migration policy contributed to illegal immigration.³¹⁰ From 1990 to 2010, the Malaysian state heavily regulated immigration. Although the state initiated immigration reform, the need for labor continued. Scholars estimated that the hidden illegal migrant population was between 2–4 million, which accounted for about 10 percent of Malaysia's population.³¹¹ Although the economy supported 10 percent more individuals, the unemployment rate from 1990 to 2010 averaged only 3.2 percent.³¹² Malaysia's lack of human capital meant more jobs in the economy than available domestic workforce supply. Thus, a labor demand existed. While ad-hoc immigration policy was meant to promote flexibility in the labor market, it had instead persuaded employers to seek alternative methods for workforce acquisition.³¹³ Despite governmental intervention with ad-hoc immigration policy, full employment while sustaining a substantial hidden illegal workforce illustrated that the labor demand between the periods remained status quo.

³⁰⁸ "Principal Statistics of Labour."

³⁰⁹ Ibid.

³¹⁰ Lim, "Migration Transition," 335.

³¹¹ Chin, "Diversification and Privatisation," 288.

³¹² "Principal Statistics of Labour."

³¹³ Chin, "Host State and Guest Worker," 35.

Once the government identified immigration as a political problem, it sought to regulate it. By the time the state became aware of the immigration problem, the problem could affect the economic stability of the country. The lack of oversight and the labor demand motivated many entrepreneurial-class Malaysians to recruit illegal labor. The sector most affected by undocumented workers was construction, which the growing population centers needed. The massive deportation programs in the early 2000s deeply impacted the country. An example of this was after major immigration enforcement in 2002, the disappearance of Indonesian workers resulted in a cost increase of nearly 30 percent in agricultural products.³¹⁴ As 65 percent of documented foreign workers in Malaysia were Indonesian, mass deportation seriously disrupted the economy.³¹⁵ A different deportation operation in 2002 impacted construction greatly. The construction sector was comprised of over 70 percent Indonesian immigrants, of which 80 percent were undocumented workers.³¹⁶ Consequently, when the government implemented immigration reform, some sectors, especially construction, were severely degraded, many by as much as 40 percent.³¹⁷ Malaysia's dependence on foreign labor could jeopardize its economic wellbeing. Therefore, immigration reform was not without its economic consequences, especially in Malaysia, where labor-surplus did not exist to fill the voids created by repatriation.

Despite legislation, the change in unemployment between the periods of accommodation and restriction was negligible. The average unemployment rate between 1982 and 1989 was 4.9 percent,³¹⁸ which included three years out of eight during which the unemployment rate was over 7 percent. However, the average indicated full employment over the period. As discussed, the period of restriction average was 3.2 percent.³¹⁹ The low unemployment rate and the expanding economy induced Indonesian immigration. An argument could be made that the relative low unemployment rate was

³¹⁴ Liow, "Malaysia's Approach," 22.

³¹⁵ Chin, "Diversification and Privatisation," 290.

³¹⁶ Ford, "Global Union Federation," 266; Liow, "Malaysia's Approach," 21–22.

³¹⁷ Liow, "Malaysia's Approach," 22.

³¹⁸ "Principal Statistics of Labour."

³¹⁹ "Principal Statistics of Labour."

the result of immigration reform. The argument, however, is difficult to prove due to the sizeable population of illegal immigrants that went unregulated during the period.

As of 2010, labor demand remained a relevant immigration concern because the development of human capital continued to lag economic growth. The economic growth rate was 7.4 percent.³²⁰ The population growth rate was just 1.8 percent and the labor participation rate was static at 63.7 percent.³²¹ Additionally, the unemployment rate was 3.3 percent,³²² which indicated full employment (see Table 3). The Malaysian economy flourished and demanded labor from external sources. The government responded to its economic and social concerns, but its responses did little to mitigate a workforce shortage.

Although the labor demand remained unchanged, the Malaysians government's public approval did change between the two periods. Public perception on immigration challenged the government's economic agenda. Despite the economy's need to efficiently fill employment voids, many Malaysians demanded the state regulate and enforce limits on immigration.

³²⁰ "Malaysia at a Glance," accessed March 10, 2015, http://www.statistics.gov.my/portal/index.php?option=com_content&view=article&id=472&Itemid=96&lang=en.

³²¹ Ibid.

³²² Ibid.

Table 3. Full Employment Indicator for Labor Demand³²³

Accommodation Period		Restriction Period	
Year	Unemployment Rate	Year	Unemployment Rate
1982	3.4	1990	4.5
1983	3.8	1992	3.7
1984	5.0	1993	4.1
1985	5.6	1995	3.1
1986	7.4	1996	2.5
1987	7.3	1997	2.4
1988	7.2	1998	3.2
1989	5.7	1999	3.4
		2000	3.0
		2001	3.5
		2002	3.5
		2003	3.6
		2004	3.5
		2005	3.5
		2006	3.3
		2007	3.2
		2008	3.3
		2009	3.7
		2010	3.3

³²³ “Principal Statistics of Labour.”

B. COMPARING THE GOVERNMENTAL APPROVAL

From 1970 to 1990, the government had a singular priority, promoting rapid economic growth.³²⁴ The government encouraged immigration and enacted very little reform during this time period. The state was involved in structurally changing the economy, which created physical shifts in the population. Many Malays relocated from agrarian rural areas to industrialized urban centers. The population shift was sustainable through immigration, which filled vacant agricultural 3D jobs. The state was ambivalent to employers recruiting foreign labor without governmental oversight or participation. The Malaysian public was conducive to economic development and embraced the necessary Indonesian immigrants as brethren.

The BN was a coalition of the three largest ethnic parties, which meant that UMNO had co-opted non-Malay opposition parties.³²⁵ Although the concentration was on the economy, UMNO also sought to maintain its single-party hegemony over national politics.³²⁶ In doing so, the UNMO silently welcomed ethnically-similar Indonesians into the country to support the economy and bolster ethnic politics.³²⁷ Although the Chinese were Malaysian citizens in 1970, UMNO feared its fellow citizens' ability to influence the government more than it feared an overwhelming influx of Indonesian immigrants.³²⁸ The government was concerned with the rising power of the Chinese community within Malaysia. It sought to mitigate Chinese power through the introduction of ethnically-similar Indonesians.³²⁹ The state viewed the Indonesian immigrants as a tool to mitigate Chinese influence in the government and as a tool to propagate the economy. The influx of illegal Indonesians could be absorbed into society and passed off as ethnic-Malays. Therefore, UMNO saw the situation as win-win. It was not until the strong economy

³²⁴ Chee, "Malaysia and Singapore," 151.

³²⁵ Means, "Malaysia," 194.

³²⁶ Chee, "Malaysia and Singapore," 152-53.

³²⁷ Liow, "Malaysia's Illegal Indonesian," 46.

³²⁸ Chee, "Malaysia and Singapore," 152.

³²⁹ Liow, "Malaysia's Illegal Indonesian," 46.

created better standards of living did some Malaysians acknowledge that Indonesians were not their brethren, but rather an inferior race.

As the government became aware of the unintended social consequences associated with mass immigration, it reformed its policies. The state focused on the social aspects to mitigate political backlash from the electorate. Initially, both Malays and non-Malays were excited about the economic transformation that the government brought to fruition. The working- and entrepreneurial-class Malaysians were in accord with the government's ambivalent position on immigration. Laissez-faire was an ideal approach to immigration and handled labor shortage problems. Society envisioned immigration as a transitory phenomenon on which to build an economic foundation. However, industrialization occurred and immigration continued unabated. Many in society began to perceive that immigrants, legal or illegal, were a detriment to Malaysian society and that immigration required governance.

The state had to balance public perception with economic development. Over time, the administration could no longer rely upon the electorate to vote solely along ethnic divisions.³³⁰ Rather, the electorate was more focused on social issues after nearly 20 years of social improvement. The ruling coalition was an amalgamation of ethnic parties but UMNO (ethnic-Malay) was the largest, and thus had the most to lose.³³¹ The BN could have won an election, but UMNO could have lost its primacy within the coalition had the voters chosen to vote on issues. However, both Malays and non-Malays were content with the economic advancement. The days of mitigating the Chinese electorate through an ethnic-Malay population increase were gone.³³² Both ethnic and class politics were at play. UMNO had to be careful in its application of immigration intrusion. Thus, the period of restriction arrived with a reactive ad-hoc policy, which tried to appease both ethnic-based voters, as well as class-based. UMNO wanted to win the majority of ethnic-Malays, working-class Malaysians, and entrepreneurial-class. However, if a group had to be marginalized, then UMNO chose to alienate the

³³⁰ Bin Hassan, "Malaysia in 1995," 126.

³³¹ Means, "Malaysia," 194.

³³² Chin, "1995 Malaysian," 395–401.

entrepreneurial-class because the working class constituency was much larger. Furthermore, the rural vote was decidedly in UMNO's favor, whereas the urban vote was not as predictable.³³³

During the period of restriction, the government's responses were reactive because it had to balance its goals of promoting economic growth and maintaining its base of public support. Although the government favored working-class Malaysians, the economy remained a priority. The frequent reversal of immigration policy, as happened in the 1990s and 2000s, demonstrated the government's lack of confidence in its own policies. The 1995 General Election demonstrated the nuanced shift of how the constituency determined its vote, whether ethnic-based or issue-based. Thus, the ruling party (UMNO) recognized its need to garner votes by appeasing voters. The electorate wanted decidedly different things, especially in regards to immigration. The challenge to meet both social and economic demands placed UMNO in a politically awkward situation. UMNO tried to appease both working- and entrepreneurial-class Malaysians since its political longevity depended on the electorate. The tactic of ad-hoc policy in an effort to shore up support from both classes only created uncertainty regarding immigration.³³⁴

The paradigm change from a singular priority, the economy, to a dual focus, the economy and society, altered the political focus. UMNO was wary in its attempts to reduce illegal immigration because jeopardizing economic development could adversely affect its political stability.³³⁵ UMNO vacillated between indecision and repatriation concerning immigration in an attempt to gain public approval.³³⁶ For this reason the state equivocated and immigration policy was unpredictable. In 1997, the Cabinet Committee on Foreign Workers reported an economic loss of 2 billion RM (or Malaysian Ringgit, the official currency of Malaysia) because of a labor shortage, which caused the

³³³ Ibid.

³³⁴ Chin, "1995 Malaysian," 395–401.

³³⁵ Liow, "Malaysia's Approach, 22.

³³⁶ Kaur, "Transnational Migration," 250.

government to loosen its immigration policy.³³⁷ In 1998, the state granted permission to recruit 20,000 new migrant workers and relocated 20,000 migrants awaiting deportation.³³⁸ The mass deportation operation was the result of social pressures on the government, but the economic impact forced the government to reconsider its actions.³³⁹ This exemplified how the economy was at odds with the society. The government—namely UMNO—was in a precarious position, attempting to balance a two-pronged agenda that had divergent goals.

The dual priority agenda was problematic because the state benefited in the global market due to immigration, while it discounted social concerns that would impact elections. The government could not abandon one priority for the other. Although the state identified both legal and illegal immigrants as a security threat because of the increased rate in crime and highly contagious diseases, the low-cost labor structure enabled Malaysia to have an economic advantage internationally.³⁴⁰ An artificial low-wage structure resulted from illegal labor, which the government condoned to enhance market competition.³⁴¹ The depressed wages also encouraged foreign direct investment because of low-labor costs. The shadow illegal labor market played a sizeable role in sustaining economic development in Malaysia. Nonetheless, the depressed earnings were a flashpoint among domestic workers, who were victims of the shadow market.³⁴² Thus, illegal Indonesian immigrants' cheap labor contributed to the economy through reduced production costs, but the social consequences were at odds with the economic agenda.³⁴³

Between 1990 and 2010, due to the government's dual priority approach, immigration policy reversal and back-pedaling was the custom. The state had difficulty balancing economic and social problems. When the administration established law, one

³³⁷ Chin, "Host State," 30.

³³⁸ Ibid.

³³⁹ Spaan, Van Naerssen, and Kohl, "Re-Imagining Borders," 167.

³⁴⁰ Kassim, "Illegal Alien Labour," 75.

³⁴¹ Abdullah, "Inflow of Illegal Immigrants," 61.

³⁴² Ibid.

³⁴³ Kanapathy, "International Migration," 429; Abdullah, "Inflow of Illegal Immigrants," 61.

group's expectations were met while the other group felt marginalized. Furthermore, when the state alienated economic interests, it impacted the country. Tangible results of overlooked economic interests spanned from rise in cost of produce to a complete shut-down of a sector. The government's agenda set the economy at odds vis-à-vis society. The government's balancing act both produced and rescinded vast amounts of immigration legislation. UMNO's lack of confidence in its political supremacy made the party wavered on immigration. Immigration inconsistency compelled many employers to seek alternative forms of foreign labor recruitment, namely through illegal channels.

The illegal immigration problem cannot be solved unilaterally by the destination country. Origin countries have a responsibility to build up their economy and provide employment opportunities to their citizens in an effort to promote human security³⁴⁴ and curtail emigration. However, some countries, like Indonesia, include out-migration and remittances in their economic plan and poverty reduction strategy. Thus, regardless of the immigration control measures enacted in Malaysia in reaction to social concerns, the problem persisted. The change in governmental priority influenced immigration reform, but a solution appeared unattainable without consulting Indonesia.³⁴⁵

C. COMPARING TRANSFORMING PUBLIC PERCEPTIONS

Following independence and during Malaysia's nascent years, the public's perception of immigration hinged on anti-Chinese sentiment. The British colonial period produced a lingering Chinese diaspora in Malaysia, renowned for its industrious and entrepreneurial spirit. The ethnic-Malays resented the Chinese for their accrual of wealth and overrepresentation in business and politics. The implementation of the NEP was a turning point as it sought to restructure society, as well as the economy.

The NEP, meant to realign society, created new social prejudices. Since UMNO controlled the BN, UMNO had a stranglehold on parliament.³⁴⁶ UMNO had the

³⁴⁴ The United Nations defines human security as freedom from want, freedom from fear.

³⁴⁵ Kassim, "Amnesty for Illegal," 23.

³⁴⁶ Abbott and Franks, "Malaysia at Fifty," 348.

capability to influence changes in the state constitution.³⁴⁷ The NEP codified Bumiputra rights, which persuaded many Malaysians to vote along ethnic lines.³⁴⁸ The population of the non-Malay and Malay electorate was too close to marginalize, and therefore, UMNO privately welcomed illegal Indonesian migrants.³⁴⁹ The concept was that illegal Indonesians would assimilate and bolster the Malay constituency. As previously discussed, the concept failed because many Indonesians did not assimilate and instead created another political uncertainty. The government had experienced a similar problem with the Chinese.

The public perception on immigration did not change so much as it shifted focus from the Chinese to the Indonesians. Although many Chinese were allowed into Malaysia by its colonizer, Britain, the lack of assimilation and good business acumen made many Malaysians resent the Chinese despite being Malaysian citizens. The social prejudices that existed since independence were concentrated on the Chinese. The government attempted to mitigate the overrepresentation of the Chinese in wealth, education, and business by codifying Bumiputra rights in the constitution and creating the NEP. Although no empirical evidence exists, many scholars speculate that UMNO preferred illegal Indonesian migrants because legal migrants had documentation declaring their origin country; whereas, illegal migrants were undocumented and claimed to be Malay. As the Indonesian number increased in both rural and urban areas, the Indonesian immigrants became controversial and more politicized.³⁵⁰

The eventual buildup of Indonesian communities formed a social hostility that produced the period of restriction. The state could no longer allow immigration to self-regulate. The economy was developing but so were domestic social issues, such as education, health care, housing, earnings, and so forth. The visible presence of illegal Indonesian settlements impacted many Malaysians.³⁵¹ Some Malaysians believed that

³⁴⁷ Ibid.

³⁴⁸ Ibid.

³⁴⁹ Abdullah, "Inflow of Illegal Immigrants," 64.

³⁵⁰ Spaan, Van Naerssen, and Kohl, "Re-Imagining Borders," 166.

³⁵¹ Kaur, "Indonesian Migrant Workers," 26.

illegal Indonesians were responsible for the increases in communicable diseases and crime and decreases in wages and standard of living.³⁵² Immigrants, and specifically Indonesians, were absorbing the good jobs, not simply the 3D jobs.³⁵³ The government enacted reform to curb immigration. However, curtailing immigration only affected the immigrants that chose to migrate legally. Additionally, the policy encouraged illegal Indonesian immigration. Employers preferred illegal migrants because the state could not regulate them. The change in public perception harkened in the era of restriction, but it was only one side of the governmental challenge. The administration still had to balance its economic objectives with social concerns.³⁵⁴

Large Indonesian immigrant communities produced fear among many Malaysians. The lack of assimilation and the large number of Indonesians formed the public's bias. Many Malaysians feared job scarcity and the potential for another ethnic group eclipsing the ethnic-Malays. Also, the supply of foreign workers eroded the collective-bargaining power of the domestic laborers,³⁵⁵ which created a race to the bottom. The lowering of wages and quality of life signaled the worsening conditions. When Indonesians entered Malaysia illegally, the Malaysian treasury was affected. The illegal entry deprived Malaysia's coffers of remittance taxation, which many Malaysians resented and viewed as another social concern.³⁵⁶ Although both documented and undocumented workers contributed to the Malaysian economy, the public resented an Indonesian presence in their communities and feared their job opportunities would vanish to Indonesians.³⁵⁷

In 2010, an ILO study confirmed that most Malaysians did not appreciate the immigrant community. Approximately 80 percent of the Malaysian respondents felt that

³⁵² Chin, "Diversification and Privatisation," 290.

³⁵³ Nah, "Globalisation, Sovereignty, and Immigration," 493.

³⁵⁴ Chin, "Diversification and Privatisation," 288; Liow, "Malaysia's Approach," 19–20.

³⁵⁵ Chin, "Host State and Guest Worker," 25.

³⁵⁶ Liow, "Malaysia's Approach," 16.

³⁵⁷ Chin, "Host State and Guest Worker," 36.

undocumented workers should not expect any rights at work or in the state.³⁵⁸ The public, also 80 percent of Malaysian respondents, felt that illegal immigrants committed a higher number of crimes.³⁵⁹ Interestingly, however, almost three-quarters of respondents, 73 percent, favored punitive actions against the employers instead of the illegal migrants.³⁶⁰ Employers viewed migrants as essential to the economy. However, many Malaysians did not employ migrants and probably had little interaction with them. Therefore, some Malaysians could not correlate the economic benefit migrants provided to the general public.³⁶¹ The Malaysian respondents, however, were able to associate employers' need as a driving factor that propelled illegal immigration.

A shift in prejudice from one ethnic group to another occurred in Malaysia. As outside groups threatened those inside, the dynamic of "us versus them" began to erode relationships. Many Malaysians had not abandoned their bias against immigrants, but rather simply adjusted their bias to Indonesians.

D. CONCLUSION

The comparative analysis helped determine if the themes drove the government's immigration responses. Labor demand did not affect legislation, but did affect whether the government rescinded policy. The shift in public perception definitely impacted governmental decisions. The most telling was the incorporation of public opinion into domestic politics, which heavily influenced the state. During the period of restriction, the government's ad-hoc immigration policies were most likely the result of partisan domestic politics. UMNO was compelled to meet the demands of citizens to remain in power, but also had to acquiesce to economic pressures to ensure Malaysia's path to modernization.

³⁵⁸ Tunon and Baruah, "Public Attitudes," 153.

³⁵⁹ *Ibid.*, 154.

³⁶⁰ *Ibid.*, 155.

³⁶¹ *Ibid.*

V. CONCLUSION

After Malaysia gained independence in 1957, immigration served as the bedrock for economic development. The immigration issue was complicated. It involved both economic and social aspects that transcended labor demand and public perceptions. The state took responsibility for promoting economic growth as well as social protections. Thus, the government's responses to immigration varied depending on the situation at the time. Immigration policy between 1970 and 2010 evolved from *laissez-faire*, to an economic imperative, to a social concern.³⁶²

Malaysia's accommodative period from 1970 to 1990 was consistent with its economic growth strategy. With the implementation of the New Economic Policy (NEP) in 1970, Malaysia developed a reliance on immigration to support its high economic output.³⁶³ Low-cost labor made Malaysia's products more competitive on open markets. Thus, during this nascent period of economic development, the government was hesitant to institute legislation that potentially could disrupt its path to modernization and out of third-world status.³⁶⁴ The Malaysian public was content with the direction of the economy and their quality of life improvements. The state's encouragement of immigration was appreciated by most Malaysians.

Malaysia's restrictive period from 1990 to 2010 was characterized by registration, amnesty, and repatriation, which were consistent with an ad-hoc policy attempting to stabilize both economic development and social order. An economic rationale was the premise for the state's immigration policy, which meant that migrant workers were temporary and would rise or fall with the corresponding economic condition.³⁶⁵ However, the state failed to assess the origin country's economic situation. For instance, Indonesians favored an economically depressed period in Malaysia over a prosperous economic period in Indonesia. The vast inequities between origin and destination states

³⁶² Spaan, Van Naerssen, and Kohl, "Re-Imagining Borders," 167.

³⁶³ Nah, "Globalisation, Sovereignty, and Immigration," 503.

³⁶⁴ Kaur, "Managing Labour Migration," 363.

³⁶⁵ Pillai, "Malaysian State's Response," 189.

encourage emigration and immigration respectively.³⁶⁶ Consequently, migration was no longer a temporary phenomenon based on economic conditions. As the public became increasingly aware that immigration, especially Indonesian, was not diminishing, society coalesced and demanded the government do something about the immigration problem.

Malaysia, similar to other developing nations, has faced a plethora of challenges on its path to modernization. One such challenge has been immigration, both legal and illegal. Ultimately, it was the state's responsibility to maintain the path despite adversities. Malaysia has demonstrated that domestic politics and its attempt to assuage the public perception on immigration encumbered economic development. The government was in an uncomfortable position because once a strong economy gained a foothold, the public was able to scrutinize other social issues. While the government may have been content to remain solely focused on the economy, the people objected to the social costs inflicted on them by immigration. Particularly, the Malaysians saw Indonesians as inferior. Working-class Malaysians feared that immigration would infringe on their economic opportunities and would result in substandard working conditions. Moreover, the presence of Indonesian migrant communities lowered the standard of living in areas and affected the property value of working-class Malaysians sharing neighborhoods. The insatiable appetite for workers did not diminish, and thus continued to entice Indonesians, legal and illegal, to work in Malaysia.

The question remains as to what was the cause of Malaysia's drastic change in immigration policy. The most important cause was a decline in the government's approval rating. In 1970 with the NEP, the state demonstrated its willingness to legislate against minority ethnicities. This action resulted in the mitigation of Chinese influence and economic development. As the Malaysian economy improved, Malaysian lives improved, such as their standard of living and working conditions. When some of these improvements declined, many Malaysians perceived unregulated Indonesian immigration as the catalyst. The historical relationship between the two ethnicities goes back to intra-archipelagic migration. However, the 21st century Malaysian perception of Indonesians

³⁶⁶ Pillai, "Malaysian State's Response," 189.

had transformed from historic kinship that shared an ancestral environment to that of an ethnically inferior race that was not welcome in Malaysia. Ultimately, the polity evolved and challenged UMNO to prioritize society whereas previously the state only had to concentrate on the economy. The precarious position resulted in chronic policy reversal, but achieved little in softening the public's perception of Indonesians. The government's (UMNO) need for approval to maintain political dominance is demonstrated by its attempts to appease the public.

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