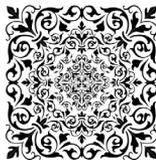


MALAYSIA'S FREE INDUSTRIAL ZONES: RECONFIGURATION OF THE ELECTRONICS PRODUCTION SPACE

By Sri Wulandari
Asia Monitor Resource Centre (AMRC)



Introduction

In 2009, Infineon, a Germany-based semiconductor vendor and a big player in the semiconductor industry, moved its production site from Malacca in Malaysia to Wuxi near Shanghai in China. Infineon argued that the relocation was part of a plan to replace the maturing technology, located in Malaysia, with more advanced activities. Indeed, in April 2011, Infineon came good on its commitment by investing US\$160 million to expand its semiconductor production in Malaysia into backend technologies and processes.

In addition to German investors like Infineon, Malaysia is also a favoured destination for investors from the United States. More than 70 percent of US investment in Malaysia goes to the electronics and electrical goods sectors. And electronics and electrical products constitute more than 60 percent of Malaysian exports to countries in the European Union (EU). Malaysia is the EU's second largest trading partner in Southeast Asia.

Citing the report of Malaysia Investment Performance 2011 (MIDA 2012), a total of 129 E&E (Electronics and electric) projects with investment of RM20 billion were approved in 2011. Major sources of investments were from Japan, US and Germany (MIDA 2012). The investments from Japan were mainly electronics component, and consumer electronics and electrical sub sectors. Investments from USA were mainly in the electronics component and industrial electronic sub sectors, while investments from Germany were mainly in the electronics sub sector (MIDA 2012). MIDA (2012) also reported the 3,031 establishment of regional and global operation in Malaysia. The world renowned electronics multinational companies such as IBM, General Electric, Hewlett Packard, Sharp Electronics, Siemens, and NEC Infrontia have established their operational headquarters (OHQs) in Malaysia.

The electronics industry in Malaysia accounts for almost 50 percent value of the total country's export. The industry has four main sub-industries which are consumer electronics, electronics components, industrial electronics and electrical goods. Semi-conductors, falling into category of electronics components, contribute the largest share in terms of export value of all the sub industries. Malaysia also plays a prominent role in semi-conductor manufacturing and testing at the regional level.

With the goal of becoming a fully industrialized country by 2020 and a catalyst for regional economic growth, Malaysia in 2007 put into plan the establishment of economic corridors in the five designated regions to connect the strategic industrial

zones. This process shows the physical (and ideological) expansion of the special economic zone. One of the economic corridors, the Northern Corridor Economic Region (NCER), is also aimed at preparing Malaysia to be the main hub of the Indonesia-Malaysia-Thailand Growth Triangle (IMT GT). While the development of IMT GT has been relatively slow compared to other growth triangle projects, such as the Greater Mekong Subregion, it will be shown in this paper that Malaysia's efforts have in fact demonstrated the acceleration of the global production activities.

This chapter is an attempt to provide a complimentary analysis and background on the zoning of the electronics industry and labour issues in Southeast Asia region, topics already covered in some detail in chapter on Batam free trade zone. All two chapters discussing the evolution of electronics industry should serve as background for a deeper understanding of regional labour divisions in Asia, especially Southeast Asia region. Regarding labour issues, this chapter briefly describes the emergence of the four regional electronics unions in the country and their current and future challenges ahead.

Historical Context of the Free Industrial Zones (FIZs) in Malaysia: Development of electronics industry, production clustering and global division of work

As of 2010, Malaysia had 200 industrial estates and 18 free trade zones located within its borders, the result of decades of government planning. To understand the historical context of the establishment of these FIZs in Malaysia, we need to review several factors, including the government's strategy shifting from the import substitution policy to the promoting of export-oriented industries. It is also important to understand the diffusion of the electronics industry within the context of how the state develops strategies to access the tacit knowledge of the industry and retain high valued-added operations.

The opening of the free industrial zones in Malaysia was in line with the government's strategy to shift from import substitution to export-oriented industries. Indeed, compared to Indonesia and the Philippines, Malaysia and Thailand were pioneers in welcoming foreign investment onshore.

Government efforts to woo export-oriented manufacturing firms have been critical in at least four important ways¹:

a. The federal government's free trade zone (FTZ) legislation offered financial incentives in the form of:

- Pioneer status—which gave companies tariff exemptions on imports and exports, and a corporate income tax holiday period of five to 10 years. Firms were thus exempted from corporate income tax of 35 percent and development tax of 5 percent; Upon expiry of pioneer status, firms may receive investment tax credits (ITC) which would give a further tax exemption over a period of five to 10 years. The exemption is available to approved investments. Losses during the tax holiday period could extend the period;
- Where FTZs could not be established, licensed manufacturing warehouses (LMWs) could be established, and investors would enjoy similar privileges as firms located in FTZs

b. Amendments to the Employment Act of 1955 and the Industrial Relations Act in 1967 imposed tighter control on labour organizations. The government did not allow unions in the electronics industry until 1989 when in-house unions were first permitted. Several firms still refused to recognize some of these in-house unions

- Government leaders offered unofficial guarantees to safeguard multinational corporate interests, ensuring effective production coordination (e.g. power supplies and Customs' treatment)
- Local state governments offered subsidized land, water, electricity and other physical infrastructure support.

The opening of FIZs in Malaysia also coincided with the need to create employment opportunities and overcome social tensions which erupted in ethnic riots in 1969 and spilled over to Singapore. Meanwhile, within the period of the early 1970s, Singapore had been successful in exercising an economic scheme of attracting foreign investment in knowledge-intensive industries by setting up the Economic Development Board, which functioned as an investment agency. Just like her neighbouring Singapore, Malaysia aggressively sought to attract foreign investment to establish its own semiconductor assembling and manufacturing in Malaysia in the 1970s. Despite being the late starter compared to Singapore, Malaysia in early 1980s successfully expanded its electronics industry which grew rapidly to account for 50 percent of the country's total exports.² In the 1990s, Malaysia strived to create a knowledge-intensive electronics industry. The government's efforts as far as its industrialization policy are concerned can

be considered very successful. By 2010, electronics components were the most important sub-sector and continued to account for the lion's share of the country's exports. In 2010, electronics and electrical products, petroleum products, basic metal products, transport equipment and non metallic mineral products constituted 65.7 percent of the total investments approved (MIDA 2011).

As pointed out earlier, the evolution of the electronics industry also plays a prominent role in the zoning process. There are three salient points to describe how the evolution of electronics industry is related to the zoning process. One needs to look at the value added from the production process: The added value then depends on how Malaysia accesses the foreign technology.

In terms of government policy, Malaysia adopted some of the key strategies that Singapore had successfully employed to attract foreign investment in knowledge-based industries. One of Singapore's first crucial steps was to set up the Economic Development Board (EDB). (Malaysia would later establish a similar agency in Penang, the Penang Development Corporation (PDC)). Singapore's EDB was charged with the primary responsibility of attracting foreign investment in manufacturing. The EDB mainly provides financial and tax incentives schemes which facilitates the development of the technology.

As with other countries in Southeast Asia, Singapore first foray into the electronics industry was with the set up of chip assembly plants. US-based multinationals, such as Texas Instrument and National Semiconductor, were the first companies to commit to building assembly plants in Singapore. Other companies, such as Hewlett Packard and NEC from Japan, followed later. In general there were four stages in the evolution of Singapore semiconductor industry .³

The initial years from 1960s-1976 were marked with the preparation of the agency, EDB, which as a quasi government body played the role of attracting foreign investment. The EDB also facilitated the expansion of the technical expertise. The second stage from 1976-1985 saw the upgrading of MNC activities and the expansion of the government's scope internal and external leverage via the MNCs. This also marked the beginning of the indigenous industry, established initially as contract service providers to MNCs. By the mid 1980s, the MNCs upgraded their expansion and activities. In the context of the semiconductor industry, the upgrading encompasses MNC-based wafer fabrication and expansion of local services industries. In the decade of 1990s and onwards, both the MNCs and indigenous firms engaged in all phases of production of integrated circuits (ICs) and wafer fabrication. The framework for research and development (R&D) to support the upgraded activities was also developed in this decade.

Meanwhile in Malaysia, the opening of the Bayan Lepas Free Industrial Zone (FIZ) in 1972 could be considered as the turning point for greater industrialization in Penang and the start of the development of the electrical goods and electronics cluster of zones in the state (Yeow and Ooi 2009). The subsequent growth of these industries changed the landscape of Malaysia's manufacturing sector (Yeow and Ooi 2009). Penang became the pioneer state in Malaysia which seized the opportunity to attract foreign investment in the electronics industry. In 1989, Penang Development Corporation (PDC), jointly with MNCs invested there, led the formation of the Penang Skill Development Centre (PSDC). The formation of PSDC was the result of the joint efforts of the chief executives of Motorola, Intel and Hewlett-Packard who formed a steering committee to set up the centre (Yeow and Ooi 2009). The late 1980s saw another round of expansion of the functional responsibilities of the Penang plants (Mathews and Cho 2002). The plants in Penang expanded their functions to providing customer services, so that Asia Pacific customers no longer needed to refer to the parent companies.

According to Mathews and Cho (2000), Penang managers seized the opportunity of expanding their role by offering customer services for Intel products that would soon become obsolete. In the process, they acquired at a cost the technology for the production of these MNC products. Thus, the opportunity was created by providing services for the obsolete products, while Intel focused on the new products. Thus, how the technology transfer was acquired.

The government body, PDC, led the initiative to elevate the industry to a knowledge-intensive industry. However, a similar dynamic was not seen in the other federal states in Malaysia, such as Selangor, Malaka, and Negeri Sembilan. The administrative capital, the promotional agency of MIDA and federal support was strongest in Selangor.⁴ Negeri Sembilan and Malaka benefitted from a spillover from expansion occurring in Selangor. A number of MNCs, which had set up in Malaysia in the late 1970s and early 1980s and were now seeking sites with cheaper land and lower wage costs, relocated to Negeri Sembilan and Malaka.⁵ In these federal states, unlike in Penang, the cooperation between development agency and private sector for the improvement of skills and technology was relatively weak.

Meanwhile in Perak in 1972, Carter Semiconductor, a local small semiconductor contract assembler, was set up. Like its counterparts in Korea and Taiwan at that time, it offered MNCs cheap assembly services using rows of highly dexterous but poorly paid young women (Mathew and Cho 2000). Later in 1980, Carter Semiconductor was bought by the Hong Leong group⁶ and the firm was renamed

Carsem. Determined to improve the facility and technology of the factory, Carsem managed to spawn an independent chip assembly plant and its own packaging house, Unisem.⁷ Perak itself, under the auspices of Perak State Development Corporation, had been the home of several industrial parks dedicated to specific industries. These were the Ceramic Park in Chemor, the Foundry & Engineering Park, the Furniture Park in Pengkhalan II and the Pharmaceuticals Park in Seri Iskandar (PSDC Portal 2012)⁸. Another industrial park is under process to become investment destination, Perak Hi-Tech Industrial Park. Perak also has set up two free trade zones (FTZs) in Kinta and Jelapang.

The opening up of the production space for industrial zones continued to take place in Malaysia. In 1991, Sama Jaya FIZ was set up in Sarawak. The objective was to create an integrated electronics manufacturing zone where each operation within the area complemented the others. The thinking was that not only would manufacturers choose Sama Jaya as their base, but also the various support organisations essential for developing a fully-fledged local electronics industry would want to locate there (Economica 2002). Due to the availability of cheap land and labour, Sama Jaya FIZ quickly attracted investment from the US and Japan. Japanese electronics manufacturer, Toko Electronics became the first entrant, the pioneer in the zone in 1995. A year later, US printed circuit manufacturer Zyco, now known as Sanmina, and hard disk manufacturer, Komag, opened their factories there.

In line with the plan of making Sarawak the nation's center for the manufacture of electrical goods and components and the electronics industry, the government in 2010 set out a plan to transform Sama Jaya FIZ into a hub for the solar industry within the frame of establishing it as a downstream industry.

As part of its project to bring the country to the level of a fully industrialised nation by 2020, the government set up the first hi-tech industrial park, the Kulim Hi-Tech Industrial Park in the northern state of Kedah in 1996. By 2011, the KHTP was home to 24 MNCs and 37 small and medium-scale enterprises, employing 26,700 workers (The Star, 2011). KHTP, initially, was established to further the development of electronics industry in Penang. Similarly with Sama Jaya FIZ, in 2011 five companies from Japan, the US and Europe had negotiated with the KHTP on the set-up of solar-related and electronics manufacturing in the park.

Spillover from Singapore: Market driven regionalization

After the separation of Malaysia and Singapore, in 1965, economic ties between Malaysia and Singapore were not rebuilt until the 1980s. In 1988, the Johor state government announced a policy of 'twinning' with Singapore: Singapore's labour intensive industries would relocate to Johor to build up the industrial base there (EAAU 1995). Thus, economic relations between Johor and Singapore predated the formation of the Indonesia-Malaysia-Singapore growth triangle (IMS GT). The concept of a growth triangle, encompassing Singapore, Johor, and Riau (Indonesia) with their different comparative advantages or factor endowments to form an economic zone was first articulated in December 1989 by Singapore's then first deputy prime minister Goh Chok Tong. Yet, Singapore's territorialization of power over its two neighbouring countries was coloured by fluctuating bilateral relations, and conflicts emerged from Singapore's aggressive attempts to secure land and labour in the neighbouring countries.

A front page headline in *Utusan Malaysia*, a Malay language newspaper, in 2000 reported that lorry loads of land, rocks and sand were leaving Johor for Singapore, prompting a political reaction at the federal as well as Johor state government levels (Fauziah and Mir Azri, 2000 as cited by Sparke, Sidaway, Bunnel, and Warr, 2004). Another political confrontation arose from reclamation projects around Pulau Tekong, Singapore's second largest island lying to the northeast of the main island. The reclamation project was reportedly resulting in a narrowing of the channel between the two countries (the Tebrau Straits) and impacting on ships' entry to Johor's eastern port at Pasir Gudang (Sparke, Sidaway, Bunnel, and Warr 2004). This sparked concerns about Singapore's encroachment on the territory of Malaysia.

As discussed in the chapter on the Batam Free Trade Zone (FTZ), in the context of regionalization Singapore is an exemplary case of a political state which has actually set out to build an effective and dynamic regional economy within itself by systematically capturing the molecular processes of capital accumulation in space and time within its borders. (Harvey 2003 :106-107). Thus, the regionalization should be put in the context of market-driven integration. Despite their fluctuating bilateral relations, the two countries finally signed an important agreement on railway land in 2010. The agreement, signed by Singapore Premier Lee Hsien Loong and his Malaysian counterpart Nazib Tun Razak on 24 April 2010, ended two decades of dispute over land in Singapore occupied by Malayan Railway. It also paved the way for Singapore's involvement in the Iskandar Malaysia (IM) township project in southern Johor (Sparke, Sidaway, Bunnel, and Warr 2004).

The agreement was also facilitated the plan to further develop Johor Baru Iskandar Malaysia Industrial Zone by Singapore's Temasek and Malaysia's Khazanah. Malaysia set aside 217 hectares for Singapore in this joint venture (Antara 2010). Malaysia International Trade and Industry Minister Datuk Mustapa Muhamed argued that Singapore lacked the physical space to expand its industry (AsiaOne 2012). This dynamic has created resentment from Indonesia businessmen, seemingly abandoned by Singapore investors who were disappointed with the Batam FTZ and relocated their manufacturing facilities to Iskandar Malaysia.

Zones quickening global integration of production activities

As part of China- Malaysia economic cooperation, the China-Malaysia Qinzhou Industrial Park was unveiled in 2012. The Qinzhou Industrial Park is the third government-to-government development deal in China, following the China-Singapore Suzhou Industrial Park and the China Singapore Tianjin Eco-city (CNTV 2012). Said to be inspired by the speedy progress of Qinzhou development in China, the Malaysia government is striving to establish another zone, the Malaysia-China Kuantan Industrial Park (MCKIP).

Industries targeted for the MCKIP are the plastic and metal equipment industries, automotive components, fibre cement board, stainless steel products, food processing, carbon fibre production, electrical goods and electronics (E&E), information and communication technology (ICT), consumer products and renewable energy (The Star 2012). To speed up the process of integrating these production activities in Asia Pacific, the Malaysia government provides competitive land pricing and guarantees of the effective costs. These are the same incentives provided during the establishment of KHTP.

Aware of the profitability gained through the integration of the global production operations, the Malaysian government in 2007 drafted plans for infrastructure projects to create an economic corridor, connecting strategic industrial zones in the country. The MCKIP, for instance, is located inside the East Coast Economic Region (ECER) Special Economic Zone (SEZ)⁹, which is one of five economic corridors set up. The industrial activities within the ECER corridor range from a palm oil refining and manufacturing cluster, to bio fuel production cluster, to downstream petrochemicals producers, to a cluster of heavy industries related to iron and steel making and automotive parts manufacture. Iskandar Malaysia is another economic corridor, connecting five zones; Johor Baru, City

Centre, Nusajaya, Western Gate Development, Eastern Gate Development and Senoi Sekundai. This 2,217 sq km economic corridor was the first corridor to be launched, and has attracted US\$11 billion in investment, including US\$1.2 billion from Middle Eastern investors (Yeow and Ooi 2009).

Penang and KHTP will be under the Northern Corridor Economic Region (NCER). NCER, strategically located within the Indonesia-Malaysia-Thailand Growth Triangle and having well developed infrastructure, is well positioned to be the processing, logistics and entrepot port for the area (Yeow and Ooi 2009). Economic corridors have also been set up in Sabah and Serawak. In Serawak, the focus of the corridor will be on the creation of downstream industries which benefit from the abundant energy resources in Serawak. Thus, the aim of this corridor is to attract energy-intensive industries.

Reconfiguration of the production space

The rapid clustering of the industrial facilities through the ambitious projects of the establishment of economic corridors has led to the reconfiguration of the production space and the integration of countries into global production activities and networks. As mentioned earlier, the concept of regionalization applies here. In this context, citing Glassman (2010), regionalization can be differentiated from regionalism. Regionalism is driven by formal government-to-government arrangements such as economic unions and trade agreements, while regionalization is “less ‘constructed’ and (more) market-driven form of integration” (Evans, Kaplinsky, and Robinson 2006, 16)¹⁰

Securing land and labour has been the main motive of regionalization. The uneven growth of the electronics industry in Singapore in the decade of 1980s pushed the country to expand its production territory. Malaysia followed the trajectory of Singapore by setting up development agencies to develop the industries in its various regions. However, the Malaysian case is more complicated than Singapore. There are two salient factors to take into account to comprehend this matter. The first is Malaysia's National Economic Policy (NEP) which was a restructuring program introduced after the ethnic riots in 1969. Ideally the NEP was intended to be an affirmative action programme, providing equal opportunities for all, regardless of the race. However, in practice, it has been giving privileges to ethnic Malays. In the context of the development of the zone, this policy propelled the local dynamics in terms of domestic investment and the process of tapping

technology transfer, as ethnic Chinese Malaysians dominated many spheres of business in the country. In 2010, the Najib administration revealed a new policy called New Economic Model (NEM) which put the emphasis on the inclusiveness of all races in approaching the development goal. Many believe that NEM aimed to solve the problem of a lack of (new) investment in the country.

The second important element was the manner in which Malaysia pursued its ambition to lead the electronics and electrical goods manufacturing in the region. The establishment of the economic corridor and science and technology parks which were preceded by the guarantee of the availability of land accelerated the realization of that ambition. This was followed by a change in the social contour with the influx of migrant workers. In 2006, the number of the registered migrant workers in Malaysia reached 1.9 million in which 1.2 million came from Indonesia. Many believe that the actual figures reached around three million to five million at the peak if unregistered migrant workers were included. In 1980s, as noted in a World Bank report published in 2009, Malaysia's manufacturing-led prosperity was achieved with the employment of more than two million Indonesians who streamed in to fill jobs in construction and services industries.

Freedom of Association in Malaysia

In line with the government's commitment to safeguard the operations of multinational companies in Malaysia, the Malaysian government through the Employment Act of 1955 and the Industrial Relations Act of 1967 imposed tighter control on labour organizations. The government did not allow unions in the electronics industry until 1989, when in-house unions were first allowed to set up and organize.¹¹

The first attempt to form an independent trade union took place at the RCA factory in 1989. The union was registered under the name of RCA Sdn Bhd Employees Union. Within the same year, the company changed its name to Harris Solid State Sdn Bhd. This had the consequence of forcing the de-registration of the RCA Sdn. Bhd. Employees' Union under Malaysian law, and for the union to fight for re-registration¹². The factory then transferred all the workers to its sister company, Harris Advanced Technology (M) Sdn Bhd(HAT) with the exception of 24 who were union activists. The factory then shut down its production plant and dismissed the 24 unionists. After two decades of banning the registration of the electronics union at the national level, finally in 2010, the four regional

unions managed to register themselves. The union is divided into regional unions, because the government does not allow the establishment of nation-wide unions.

Those four regional unions are the Electronics Industry Employees Union (EIEU), Western Region, covering the states of Kuala Lumpur, Selangor and Perak; EIEU Eastern Region covering the states of Kelantan, Terengganu and Pahang; EIEU Northern Region, covering the states of Penang, Kedah and Kerlis; and EIEU Southern Region, covering the states of Johor, Mellaca and Negeri Sembilan.

However, the four unions still need to struggle to organize members who are mostly migrant workers employed on short-term contracts. EIEU Western Region, for example, has 3,000 members out of 70,000 workers eligible for membership in the union in the western region.¹³ In fighting for the recognition of these four regional unions, the Malaysia Trade Union Congress and Electronics Industry Workers Union Sponsor (KSIE), representing the union, held several negotiations until the minister finally approved the establishment of the four regional unions. KSIE and MTUC in fact had initially insisted on the establishment of a national union for the electronics industry. Thus, the formation of the four regional unions was a compromise.

The major challenge of the electronics unions is the organizing of migrant workers who work on a short-term contract basis. Malaysia is the Asian country with the highest ratio¹⁴ of migrant workers. The total workforce in Malaysia is 10.9 million, out of a total population of 27.17 million (ILO 2011). In 2010, estimates made by Ministry of Home Affairs placed the number of documented migrant workers working in Malaysia at just over 1.8 million (ILO 2011). Around 32.8 percent or 688,886 migrant workers work in the manufacturing sector (Malaysia Immigration Department 2010).

According to the Trade Union Act 1959, migrant workers are entitled to join a trade union. At the same time, Article 28 (a) of the Trade Union Act requires that any union officer be a citizen of Malaysia, effectively disqualifying migrant workers from serving as leaders of a union (ILO 2011). Nevertheless, work permit issued by the Immigration Department prohibit migrant workers from joining any associations. Breach of this requirement will result in dismissal and deportation.

Ironically, using low skilled migrant workers in the electronics manufacturing has been the mindset of the employers, while Malaysia with a relatively small population and ambitious manufacturing goals has suffered from a shortage of low-skilled labour for many years. Yet, with abundant sources of cheap labour on Malaysia's borders, migrant workers are forced to accept low payment

and an atmosphere of job insecurity with an obedient attitude.

In the last two years, there have been several protests against the industrial practices in the zone. In 2010, around 5,000 Nepalese workers, employed at JYC Company in the Tebrau industrial area in Johor, protested against death of their co-worker in the workplace. The protestors argued that the worker died because of the belated response by the company which delayed critical, timely treatment. In 2009 alone, 183 Nepalese migrant workers in Malaysia died due to illness, occupational accidents and suicide (Libcom 2010). The three-day protest by the JYC employees, resulted in a victory for the workers with the employer agreeing to provide RM10,000 in compensation to the family of the death man and a pay rise for the workers from RM428 a month to RM546 a month.

The exploitation of and discrimination against migrant workers has not been confined to the workplace. Indonesian woman workers working for STEC Company producing DDRAM in Penang said that members of the community around the workers' housing often sexually abuse migrant women workers. In one incident, a local man tried to rape an exhausted worker who just finished her overtime shift. But the community defended and protected the perpetrator.

Another threat to the security of migrant workers has come from the Malaysian police. This is because many migrant workers working in the zones do not have work permits. Thus, their mobility inside the country is very restricted. In 2011, migrant workers working for a giant electronics company, Western Digital in Sungeiway FIZ, raised a protest on the work permit issue. The police often harassed migrant workers without work permits. To avoid detention and further abuse, the workers bribe the police with between RM50-200. With a basic salary of RM450 per month, the workers may use 10-50 percent of their salary to protect themselves. In 2011, according to company data, around 1,000 migrant workers were waiting for their work permits to be processed.

The migrant workers in the zone also complain of the discrimination action against them, especially during the annual Moslem holidays. The migrant workers are required to work, substituting for the locals who take leave on these holidays. The availability and steady supply of cheap migrant workers from countries like Nepal, Bangladesh and especially neighboring Indonesia is often used by the employer as a reason or threat to prevent the local workers from demanding the improvement in the working conditions. Creating divisions among workers seems to be a classic tactic that never fails to undermine collective action.

Regionalization: Expanding the special economic zone and the challenges ahead

Based on the study of the development of the zone in Malaysia and the country's unceasing ambition to be the regional hub for the economic growth, we can draw four conclusions. First, the expansion of the scope of the zone will continue. In 1993, the Indonesia-Malaysia-Thailand Growth Triangle was established. The aim was to accelerate the economic transformation of the member states and provinces in the three countries by exploiting their underlying complementarities and comparative advantages (ADB 2010). The drafters of the growth triangle sought to take advantage of the complementarities of each country located in the area through physical connectivity, such as infrastructure and the removal of the trade barriers.

In 2006, the leaders of these countries reaffirmed their commitment which included their political commitment to develop the IMT-GT as a special economic area. The commitment resulted in the drafting of the road map of the IMT GT for the period 2007-2011. The political commitment also involved regulations to facilitate the role of the private sector in this special economic area. The establishment of Northern Corridor Economic Region (NCER) in Malaysia aimed to physically connect the three countries located in the growth area and was in line with the country's ambition to become the regional hub for the region. In early 2012, Malaysia government stated explicitly its ambition to be the hub of the growth triangle between China, Southeast Asia and India. The establishment of the economic corridors inside the country and the regionalization through the growth triangle shows how the "physical expansion" of the special economic zone takes place.

Second, border cities will emerge from this cross-border development and their development will also be accompanied by the reconfiguration of the social structure to adapt to the economic activities. The mobility of labour will be the main element contributing to the reconfiguration of the society. Malaysia and Singapore have been popular destination countries in Southeast Asia for migrant workers, especially those from Indonesia, but they have also attracted workers from Cambodia, Myanmar, Bangladesh, the Philippines and Nepal. Said mobility is part of the spatial organization of production, which is highly profitable when articulated to include segregation (ethnically or by gender), labour flexibility and deregulation; ethnic origin, fluctuating and periodic mobility and the lack of paper credentials allow for the construction of segmented labour markets with

differentiated labour production costs and asymmetric power relations (Narotzky, 2004: 124, 131) ¹⁵.

Third, the integration of the economic activities in the region, the development of downstream industries (as in the case of the Serawak corridor), and the regionalization are explicitly political in a sense that the state has to adjust its structure and institutions to facilitate the private sector. In the context of Malaysia and ASEAN, the free trade agreements with countries such as China, Korea, Japan, India, and Australia contribute to the reconfiguration of the production space. Indeed, the territorialization of power by countries which are well equipped with knowledge-intensive industry and stronger financial capital must be taken into account. This is in order to understand the position of the developing and least developed countries in the integration, as the territorialization of power takes place by securing the land and cheap labour.

Fourth, this constitutes major challenges for the labour movement. There is a need to determine the best strategies to organize migrant workers and overcome the competition between workers. The guarantee of the availability of the land (to investors) is often associated with the passing of the law on spatial fix which, in practice, dispossess the poor from their land and livelihood. Thus, a comprehensive resistance strategy, which involves all sectors of the local community, is required.

Endnotes

1. As cited from (draft) of Rasiah,Rajah (year unknown) "Regional Dynamics and Production Networks: The Development of Electronics Clusters in Malaysia".
2. National Semiconductor opened the first chip assembly plant (in Malaysia) in 1971. By the end of 1972, nine more U.S. firms had announced plans to set up shop in the country. Not surprisingly, the industry expanded throughout 1970s. In 1981, electronics accounted for 50 percent of Malaysia's total exports. (Gassert 1985)
3. As summarized from "Jack and the Beanstalk: How Singapore and Malaysia are Doing it" (Mathews, John A and Cho 2000)
4. As cited from (draft) of Rasiah,Rajah (year unknown) "Regional Dynamics and Production Networks: The Development of Electronics Clusters in Malaysia".
5. Ibid.,
6. Hong Leong Group is a Malaysian conglomerate founded in 1963
7. Unisem now has factories in Ipoh (Malaysia), Wales (UK), Chengdu (China), Batam (Indonesia) and California (US)
8. as retrieved from http://www.pknperak.gov.my/index.php?ch=ba_idp&catid=2&subcatid=42&show=all on 17 April 2012
9. ECER covers 51 percent of land area of peninsular Malaysia, i.e., the states of Kelantan, Trengganu, Pahang and the district of Mersing in Johor,
10. As cited from Glassman (2011)
11. As cited from (draft) of Rasiah,Rajah (year unknown) "Regional Dynamics and Production Networks: The Development of Electronics Clusters in Malaysia"
12. Complaint against the Government of Malaysia presented by the International Metalworkers' Federation (IMF), Report No. 277, Case No. 1552, (ILO Database, ILOLEX 2011)
13. Discussion with Saharuddin Adnan, the organizer of EIEU Western Region, in 2010
14. Based on the ratio of migrant workers to total population
15. As cited in Labor Mobility: Structural Impositions Accompanying the Incorporation of Indigenous People to the Market, Chevez (2009)

References

Bunnell, T., Grundy-Warr, C., Sidaway, J., and Sparke, M., "Geographies of power in the Indonesia-Malaysia-Singapore growth triangle" (2004); as retrieved from <http://faculty.washington.edu/sparke/growthtriangle.pdf>

Bunnell, T., Grundy-Warr, C., Sidaway, J., and Sparke, M.: "Geographies of power in the Indonesia-Malaysia-Singapore growth triangle" (2011); as retrieved from <http://faculty.washington.edu/sparke/geopower.pdf>

Chevez, Gonzalez Lilian, "Labor Mobility: Structure Impositions Accompanying the Incorporation of Indigenous People into the Global Market", *Migracion Y Desarrollo*, No. 13, (2009)

"China-Malaysia Industrial Park unveiled in Qinzhou", (CNTV 4 April 2012); as retrieved from <http://english.cntv.cn/program/newsupdate/20120401/114980.shtml>

"Council to fast track development of Malaysia-China Kuantan project", (The Star Online, 9 April 2012); as retrieved from <http://biz.thestar.com.my/news/story.asp?file=/2012/4/9/business/20120409085554&sec=business>.

"Five MNCs in the negotiations to invest in Kulim Hi-Tech Park", (The Star Online, 3 December 2011); as retrieved from <http://biz.thestar.com.my/news/story.asp?file=/2011/12/3/business/10007702&sec=business>

Glassman, J., *Bounding the Mekong: the Asian Development Bank, China and Thailand* (University of Hawaii Press, 2010).

"Growth Triangles of South East Asia", East Asia Analytical Unit, Commonwealth of Australia (1995).

Harvey, D., *New Imperialism* (Oxford University Press, 2003).

Gassert, T., *Health Hazards in Electronics: a handbook* (Asia Monitor Resource Centre 1985)

ILO Database Report No. 277, Case No. 1552 (ILOLEX, 2011).

Indonesia Malaysia Thailand Growth Triangle Building a Dynamic Future, A Roadmap for Development 2007-2011 (Asian Development Bank 2007)

"Iskandar Malaysia out to attract S'pore investors", *Asiaone* (15 May 2012); as retrieved from <http://business.asiaone.com/print/Business/News/Story/A1Story20120315-333605.html>

Lee, K., McGuinness, C., and Kawakami, T., *Research on Occupational Safety*

and Health for migrant workers in five Asia Pacific countries: Australia, Republic of Korea, Malaysia, Singapore and Thailand (ILO, 2011).

Malaysia Investment Performance 2011 (Malaysian Investment Development Authority 2012)

“Malaysia: migrant workers protest ends in victory”, Libcom (23 August 2010); as retrieved from <http://libcom.org/news/malaysia-migrant-workers-protest-ends-victory-23082010>.

Mathews, John A. and Cho, Dong-Sung, Tiger Technology. (Cambridge Books, Cambridge University Press, 2000).

MIDA Annual Conference on Investments in the Manufacturing and Service Sectors, Media Statement (Malaysian Investment Development Authority 2011) as retrieved from <http://www.mida.gov.my/env3/uploads/PerformanceReport/2010/MediaStatement.pdf> on 18 April 2012

Rasiah, Rajah, “Regional Dynamics and Production Networks: The Development of Electronics Clusters in Malaysia” (draft/year unknown); as retrieved from www.ucsc.edu/globalinterns/cpapers/rasiah.pdf

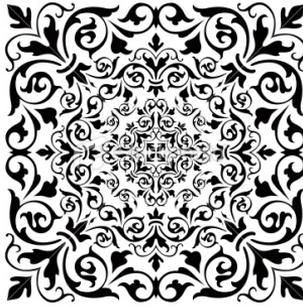
“SAMA JAYA : Sarawak’s High-Technology Success Story”, *Economica* (8 April 2002); as retrieved from <http://www.netinc.net.my/news/2002/apr/001.htm>

“Singapore-Malaysia industrial estate affects Batam trade zone”, *Antaranews* (30 May 2010); as retrieved from www.antaranews.com/en/news/1275219329/singapore-malaysia-industrial-estate-affects-batam-trade-zone

Strategy and Action Plan for Greater Mekong Subregion East and West Corridor (Asia Development Bank 2010)

“Unions see light in electronics sector after 40 years”, *Malaysiakini* (30 April 2010); as retrieved from <http://www.malaysiakini.com/news/130644>

Yeow Teck Chai and Ooi Chooi Im, “The Development of Free Industrial Zones-The Malaysian Experience”, (World Bank, 2009).



ABOUT WRITER'S

- **Sri Wulandari**, AMRC Program Coordinator for New Ways of Organizing Project. Her email address is : wulan@amrc.org.hk / wulanbdg@gmail.com
- **Surendra Pratap**, He is a founder of Centre for Workers Education (CWE), an India-based organization. CWE develops strategic research, education material and cultural and information resource center. CWE also works with various sections of labour movement for building democratic labour movement in India. Surendra is the former AMRC intern. During his internship period in 2011, he made a significant contribution to AMRC programs. His email address is surendrapratap@gmail.com
- **Apo Leong**, AMRC Consultant. He is also a well known expert on workers rights issues in China. His email address is: apo@amrc.org.hk
- **EILER**, The Ecumenical Institute for Labor Education and Research, Inc. (EILER) is a non-government organization that provides services to workers through development of workers' education, research and multimedia. EILER has been working for the promotion of workers' rights, advocacy on labor issues, and providing support to strengthen workers organizations. For more information, please visit us at www.eiler.ph

We, in the Zone (2)

Resistance Against The Zone



ASIA
MONITOR
RESOURCE
CENTRE

Asia Monitor Resource Centre

Flat 7, 9 Floor, Block A, Fuk Keung Industrial Building
66-68 Tong Mei Road, Kowloon
Hongkong
Tel: (852) 2332-1346
Fax: (852) 2385-5319
<http://www.amrc.org.hk>



978 979535665