

dominance. Today is the time for experiments for finding a *modus vivendi* of direct foreign investment whereby the host country's need for capital, technology, and managerial resources may be harmonized with its understandable desire to avoid a sense of economic dependence. The "new forms of partnership" include proposals for combining capital transfer in the form of portfolio investment with separate arrangements for transfer of technology and managerial skills. Uppermost on the agenda for the developing countries are various schemes for sharing ownership and control in the subsidiaries of foreign-based multinational enterprises, including some forms of pre-arranged divestiture. Although Vernon recognizes some utility of such schemes in meeting "political and psychological needs of the host country" (p. 269), his main arguments in terms of standard economic cost-benefit calculus lead him to a position basically inimical to the divestiture proposal. Readers from the developing countries may have wished the arguments to have been conducted more properly in terms of political economy, with emphasis on the need for harmony of interests.

What are the implications of the multinational corporate behavior for the world pattern of trade and factor movements? Vernon's volume represents a rich mine of observations full of insights on the future shape of the world economy. Vernon reports that, in the course of the Harvard Project's studies, the behavioral model that has proved most useful is "one quite far removed from the classical model" of perfect competition. The environment of corporate operation is also characterized by "the pervasive presence of ignorance and uncertainty in the decision-making process." (p. 115) Because of the oligopolistic character of the market, the direction of international commodity transactions is conditioned less by cost advantage and factor endowments in specific countries than by the decision of the multinational enterprises as to the balancing of conflicting demands of different sources and markets. (p. 177) If about a quarter of all U.S. exports of manufactured goods is accounted for by parent-to-subsidiary sales, involving 264 U.S. parents and their subsidiaries (p. 16), the fact that it is entirely in the hands of multinational corporate decisions to distribute costs and benefits between the affiliate units of the enterprise through setting transfer prices must raise a fundamental question as to the theoretical foundations of international equilibrium price. These observations merit further elaboration to provide building blocks for a more realistic and dynamic theory of international trade.

To stay within the confines of the problem areas designated by the author, however, it may be worth mentioning that the world Vernon portrays in which multinational corporations play such a decisive role is highly asymmetrical in the distribution of power. (p. 112) But the nature of political and economic influence that the U.S.-controlled multinational enterprises, the heroes of this study, can and almost certainly seek to exercise in international economic policy of the present time has been deliberately placed outside the scope of the political and social discussion in this volume.

(Hiroshi Kitamura)

Administration and Development in Malaysia: Institution Building and Reform in a Plural Society by Milton J. Esman, Ithaca, Cornell University Press, 1972, xi+341 pp.

This book is the result of Milton J. Esman's observations as a senior advisor to the

Prime Minister's Department, Government of Malaysia, in 1966-68. Before serving in Malaysia, he was active in U.S. government development programs, and he has written several articles on the problem of comparative government and development administration. In this book, Esman tries to analyze the administrative reform of Malaysia between 1965 and 1969 in the context of a plural society.

His concept of development administration is that "its central core is the role of government administration in inducing, guiding, and managing the interrelated processes of nation building, economic growth, and societal change." (p. 1) Development administration, according to his thesis, has four interrelated elements: (1) the substantive element, (2) managerial element, (3) social change, and (4) the political element. (pp. 2-3) Thus, Esman identifies development administration as the essential element for the political, economic, and social development of the developing countries.

In laying emphasis on the role of development administration in development, this thesis is analogous to that of Ralph Braibanti. In contrast, the thesis of F. W. Riggs seeks a "balanced growth" of political, economic, and social development, and does not stress development administration. This difference between the two views seems to me to be the result of differences in recognition and observation of development administration. According to the former view, the bureaucracy plays the most important role in implanting modern values and technologies in the developing countries; therefore, the modernization of the bureaucracy must be given the first priority. Adoption of this view by Esman and Braibanti reflects the fact that these scholars have done case studies on India, Pakistan, and Malaysia. These former British colonies have inherited strong civil service systems after Independence. In these countries, the bureaucracy and bureaucrats play rather powerful roles in politics. On the contrary, Riggs insists that "premature or too rapid expansion of the bureaucracy when the political system lags behind tends to inhibit the development of effective politics."¹ Riggs has done a case study on Thailand where the bureaucracy plays a relatively weak role in comparison to the kingship and the military.

In line with his emphasis of development administration, Esman's study of Malaysia centers on the communal pluralism, dual socioeconomy, openness and permeability of the system, and administrative state. (pp. 16-66) "In Malaysia," as he points out, "the administration" was the most powerful and most prestigious set of structures in the society." (p. 67) Furthermore, "in government service education was the key to opportunity" (p. 73), and Malays have controlled government through the Malaysian Home and Foreign Service (MHFS, formerly the Malayan Civil Service). Nevertheless, the professions have been predominantly in the hands of non-Malays. Thus, Malay control of the MHFS and non-Malay domination of the professional services has created strains in the administration. (p. 78)

As for the value and belief pattern of Malaysian administrators, Esman's observations are similar to those of James C. Scott.² In Chapter 5, "Blueprint Strategy for Administrative Reform," Esman introduces the Montgomery-Esman Report³ which advised (1) the creation of a Development Administration Unit (DAU) in the Prime

¹ F. W. Riggs, "Bureaucrats and Political Development: A Paradoxical View," in *Bureaucracy and Political Development*, ed. J. LaPalombara (Princeton, N.J.: Princeton University Press, 1963), p. 126.

² James C. Scott, *Political Ideology in Malaysia* (New Haven: Yale University Press, 1968).

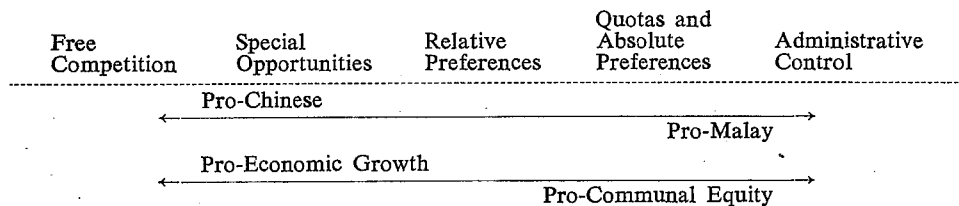
³ John D. Montgomery and Milton J. Esman, *Development Administration in Malaysia: Report to the Government of Malaysia* (Kuala Lumpur: Government Printer, 1966).

Minister's Department, (2) improvement of the government's education and training programs for all levels of the civil service, and (3) strengthening the professional competence of the MCS (now MHFS) so that it can provide the necessary administrative leadership for this rapidly developing country. (pp. 143-44) Accepting this report, the Malaysian government established the DAU on July 1, 1966, and began to assemble and train a staff, and to form an effective organization. (p. 163)

As for the staff training, DAU officers have been sent to the United States, mainly to the University of Pittsburgh where Esman was a professor and head of the Department of Economic and Social Development from 1959 to 1969. (He is now a professor of government at the Cornell University.) As for organization, the DAU has constituted the critical linkages between Tun Razak (then Deputy Prime Minister and now the Prime Minister), the Chief Secretary, the Treasury, the Federal Establishment Office, and the Economic Planning Unit. (p. 179)

The specific activities of the DAU can be divided into five areas. First, civil servants are trained for development according to seven areas of specialization: administrative management, foreign affairs, economic administration, social development, rural and agricultural development, urban affairs and local government, and internal security and defense. Second, in program budgeting several reforms have been introduced. Third, a widely diffused process of management reform in land administration has been started. (p. 215) The fourth activity of the DAU has been rural development. "Rural development was the euphemism for a politically charged, high-priority national goal of uplifting the Malays." (p. 216) The fifth activity has been industrial development, an area with inevitable racial angles. "The moderate response of the Alliance government was to attempt to encourage Malays without hurting Chinese." (p. 229) The DAU has worked to improve the relationship among the Industrial Development Division of the Ministry of Commerce and Industry, the Federal Industrial Development Authority, and the MARA (Majlis Amanah Raayat).⁴ After three years of operation of the DAU, there remain unsolved problems in local government and administration, government-staff relations, and administrative planning in the ministries and departments. Also, there were two critical defects in the original design of the DAU. "The first was in down grading the status of its leadership far below what was recommended in the Montgomery-Esman Report. . . . The second main defect related to doctrine and strategy. The American-inspired apolitical management notion that the power of persuasion and demonstration could induce senior officials to undertake reforms with a minimum of compulsion proved to be unsuitable in the Malaysian administrative environment." (p. 243)

After description of the activities of the DAU, Esman analyzes the problem of administration and the management of communal conflict. (Chapter 8) Referring to the post election rioting of May 1969, he states, "In a plural society modernization will



⁴ Council of Trust for Indigenous Peoples.

intensify rather than mitigate communal conflict." (p. 247) Then, he hypothesizes the allocative spectrum in Malaysia as below. (p. 252)

He also categorizes three types of management of communal conflict before and after May 1969. He designates the strategy of the government before May 1969 as an "avoidance model," in which public discussion of conflict-laden communal issues is avoided whenever possible. (pp. 258-61) After May 1969, "Malaysia's communal politics amount to mutual deterrence—a two-party game." (p. 261) "In Malaysia the two-party zero-sum game can be converted to a three-party increasing-sum game. . . . The third party is the governmental elite, the senior political and administrative group, whose primary functions are systems guidance and conflict management." (p. 262) Then, he constructs the guidance model as a further step. The aims of this model are (1) insuring a climate of growth and opportunity, (2) maintaining a strong governmental presence, and (3) stimulating and structuring intergroup communication. (pp. 262-76) He emphasizes the role of the senior civil servants who are "the least parochial and the most cosmopolitan of all the elite groups in Malaysia." (p. 277)

In the concluding chapter, Esman restates the basic premises of his approach. He writes that in Malaysia, "the displacement of the moderate Alliance-civil service elite would have led to severe communal turbulence with no possibility of an alternative democratic consensus and the ultimate prospect of a military regime. The reform strategy described and analyzed in this volume was based on these political premises. Both at the micro level—the single institution—and at the macro level—the political system—elite-based guided change strategies were indicated in Malaysia, not because they are intrinsically good but because they seemed the most feasible path to humane socio-economic development and conflict regulation in a change-resistant and conflict-prone society." (p. 295) In my view this idea deeply reflects the actual participant observation of the Malaysian development administration by the author.

As an American scholar, Esman has judged that "the American-inspired, apolitical management notion . . . proved to be unsuitable in the Malaysian administrative environment." (p. 243) Here existed the difference between the bureaucracies of the United States and Malaysia. In the former two-party political system, the bureaucracy could employ "apolitical management." But, in the latter, the bureaucracy has been the main political power through the country's history. As far as I understand, the indigenous political system, established during the Malacca Sultanate in the early 1500s was subordinated to the Malayan Civil Service (the British colonial officers) under the British rule. The Malay bureaucrats with English education, recruited by the British into the Malay Administrative Service, emerged as the second-rank administrators. These bureaucrats were the sons of the traditional political elite of the indigenous Sultanate system. After the Second World War, the Malay bureaucrats took over the posts of the British officers, and in the 1950s members of the Chinese and Indian elites were also recruited to the Malayan Civil Service. With this historical background, the Malayan bureaucrats have come to exercise the dominant political power, inheriting both the indigenous political system and the British colonial administration. Because of this historical process, the way of thinking and the value orientation of Malaysian administrators is rather traditional. If this is the case in Malaysia, introduction of the American-type development administration into the actual Malaysian scene could be expected to be difficult. This means that technical reform or innovation alone could not change the administrative system in Malaysia.

Here, I agree with Esman's thesis that development administration involves the

interrelated process of nation building, economic growth, and social change. I also agree with his allocative spectrum in Malaysia, which I have referred to before. However, I cannot agree with Esman's three models for communal conflict management applying to periods before and after May 1969. He considers that the government policy before May 1969 can be designated as an "avoidance model." As far as I know, however, there were several cases of communal conflict and open discussion of these issues after the Second World War. During my stay in Kuala Lumpur from 1964 to 1966, for instance, I saw some cases of racial conflict and heard open discussions. These incidences before May 1969 were not so much related with class struggle, and hence allowed open discussion. But the "May 13 Tragedy" was a big crisis which involved class struggle. Because of this, the UMNO-led Alliance government prohibited open discussion on the communal problem. This might be called the "deterrence model." As a step forward, Esman proposes a "guidance model." This model seems to me to be too optimistic. His expectation of the role to be played by senior civil servants is rather questionable. The Malaysian bureaucrats have been a Malay-dominant group with considerable political power, and their way of thinking and value orientation is rather conservative due to their social background and their elite English education. Among them there also exists communal conflict regarding the choice of economic policies. The pro-Malay policy of the Alliance government after the "May 13 Tragedy" may deepen the communal cleavage within Malaysian society in general, and among the bureaucrats in particular. With this in mind, I view the future of Malaysian politics in the light of the interrelation between communal conflict and class struggle.⁵

(Yoshiyuki Hagiwara)

⁵ See, Yoshiyuki Hagiwara, "Political Culture and Communalism in West Malaysia," *Developing Economies*, Vol. 10, No. 3 (September 1972).