

Affirmative Action Policy in Malaysia: To Restructure Society, to Eradicate Poverty

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Abstract

This article reviews the Malaysian experience in rectifying the economic and social imbalances in Malaysia through a comprehensive system of affirmative action policies designed to benefit the politically dominant but socially and economically weak Malay majority. The special focus of the article is on the initiation and implementation of the New Economic Policy (NEP) introduced in the wake of the violent racial clashes of May 1969. The NEP was an ambitious programme of social engineering aimed at redistributing wealth, eradicating poverty, and re-structuring society. The article argues that in the 20-year time frame of the NEP's implementation, its objectives have been achieved to a considerable extent and that the Malays of Malaysia are socially and economically better off today than they were in the late 1960s.

Introduction

In this article we look at the Malaysian experience in rectifying the economic and social imbalances among the major ethnic groups in its multi-racial society. The specific focus of the article is The New Economic Policy (NEP), an ambitious programme of social engineering aimed at redistributing wealth among ethnically diverse groups, eradicating poverty and restructuring society. There was a need to 'restructure Malaysian society' in order to do away with the identification of race according to economic activity, for example, Malays as paddy cultivators, Indians as rubber tappers, and Chinese as businessmen. Such 'professional categorisation' drawn along ethnic lines has not only implied social compartmentalisation but also economic stratification. It was therefore inimical to social cohesiveness, and justified the need for 'restructuring of the society'. The NEP was not only an economic programme, but was also a socio-political agenda to ensure equitable

distribution among social groups, to promote national unity and maintain political stability. All in all it was an “affirmative action” programme, necessitated by pressing problems of economic inequality between races, as a by product and a legacy of colonialism and its open door immigrant policy, and precipitated by violent racial clashes (known as the 13th May 1969 incident). The programme was formulated and conceived by a small group of skillful political strategists (combining threats and persuasion), and implemented by an army of experienced public servants (inheriting a tradition characterised by professionalism of very high quality and simultaneously charged with a strong sense of nationalism).

Since this was an exercise to change the *status quo* (within which there were groups who were already contented and comfortable as they were and not interested in changing the rule of the games), it was to be expected that the process of formulating and implementing the NEP would not be smooth sailing. There was bound to be resentment and opposition from the non-Malays for what they might perceive as an ‘encroachment’ on their advantageous position or an impediment to their progress. Among the Malays, there was bound to be disillusionment and frustration when ‘promises’ delivered by the NEP were not up to their expectations.

In any study of the NEP as an affirmative action policy, inevitably one should look into the political dynamic of inter-racial cooperation and competition in Malaysia. Together with this, as mentioned earlier, the other issues that need to be addressed are: the historical background of the multi-racial society in Malaysia, the roots of economic inequality, the constant inter-racial jealousy and suspicion, the causes and effects of the May ‘69 racial riots, the skill of crises management, and the innovative political leadership pertaining to affirmative action.

Social and Economic Disparity

Social and economic disparities had existed in Malaysia since the colonial era, or even before the arrival of the European colonial powers (Portuguese in 1511, the Dutch in 1640 and the English in 1795). However, in a pre modern, or traditional Malaysia, when the population was relatively homogeneous, social and economic disparities, were ‘silently condoned’ and accepted as a fact of life. It was not an issue of concern and did not create a social conflict, at least not openly. But as the country was gradually exposed to modernisation, and immigrants from other countries perceptibly altered the demographic features and the population composition, economic disparity among social groups, especially inter-ethnic, started to cause jealousy and discontent. In a relatively apolitical

society the sense of jealousy and discontent might be contained from becoming salient. But as a society becomes increasingly politicised, either as a result of a nationalist movement against colonialism or as a by-product of electoral activity, jealousy and discontent will exacerbate into a feeling or sense of unfairness and injustice. The Malaysian experience showed that after long years of pent-up feelings of jealousy and of unfairness, and with occasional minor commotions, major violent racial riots finally erupted to everyone's dismay in May 1969. As with most such events, there have been various views and interpretations as to the cause, or causes, of the riots. It was fashionable in those days, to include 'gangsterism', and 'communist agents' among the culprits. Earlier, government reports cited "political and psychological factors contributing to the conflict". But a government White Paper issued in 1971 entitled *Toward National Harmony* stressed the "economic factor" as the cause. This view was later amplified in public comments by government leaders. They cited the failure of earlier economic policies to address the relative deprivation of the Malays in comparison to the non-Malays as being the underlying root cause of the crisis. The riots did not last long. The authorities managed to restore order within a few days after the violent incidents started. However, the destruction of life and property – according to official reports, there were 196 fatalities and 439 injuries – and perhaps the adverse international publicity the country had suffered as a consequence of the riots, apparently had conveyed a loud and clear message to the government: the need for affirmative action in order to create a more equitable society.

The history of social and economic disparities among the main ethnic, or racial groups in Malaysia is actually inseparable from the growth of its multi-ethnic society. To put the discussion in its proper perspective it is in order to trace the history and various ramifications of the multi-racial Malaysia. When it was still a British colony, and was then called Malaya, Malaysia was described as "an example of a multi-racial society *par excellence*".¹ Such a description was attributable to the extremely heterogeneous nature of the Malaysian (Malayan) society which was divided along numerous dimensions – racially, religiously, regionally, linguistically, economically, and socially. Among each of the main groups, there are many sub-groups. For example, in every single linguistic group, a further division can be discerned on the basis of dialects. In every religious group there were several sects or several schools of thought with sharp differences which contain potential conflicts. And in every single ethnic or racial group, differences can be discerned along economic, social and regional dimensions.

The more salient and significant demographic feature of Malaysia - especially in the early years of independence, and which, to a relatively lesser extent, persists today - was the association of ethnic identification and economic activities and geographical areas, namely rural and urban. Malays were mainly rice growers in the rural areas, while the Chinese dominated the commercial sector based in the urban areas, and most of the Indians, largely Tamils, were rubber plantation labourers. The nature of their professions and the different localities of their residence minimised the chances of one ethnic group interacting with another or others. All this was largely responsible for the emergence of a "plural society" defined by Furnivall as "comprising two or more elements of social orders which live side by side, yet without mingling into one political unit."²

The modernisation process and population growth with their attendant ramifications, however, made it almost impossible for these ethnic groups to continue their "compartmentalised co-existence" characterised by the lack of inter-mingling. Social and economic interactions were bound to increase and at the same time bound to be more problematic due to the various differences and contradictory demands of the different groups. The ethnic differences almost automatically implied linguistic, religious, educational, social and economic differences, which, in turn contributed to perceptual differences and, differences in worldly orientations and ideal expectations. All these provided potentials for ethnic conflicts of various dimensions with possible alarming consequences. But before we speculate further, it is in order to look into the causes, or the sources, of the differences.

Origins of the Plural Society

How did the "plural society" come into being? The roots should be traced to the British colonial era when wave after wave of immigrants from China and India flooded the Malay Peninsula, the original geographical component of the present day Malaysia. Centuries before the "onslaught" of British colonialism and the influx of the Chinese and the Indian immigrants, the Malays had laid their claim to the land by establishing a complete socio-political community with the founding of the Malacca Sultanate in 1402. But even before the 13th century, the Malay Peninsula had been subject to territorial claims by various Malay kingdoms and empires in the region like the Sumatra-based Srivijaya in the fifth and sixth century, the Patani-based Langkasuka in the sixth and seventh century and the Java-based Majapahit in the eleventh and twelfth century.³ Well before the establishment of these civilised ancient kingdoms, the Malays

had a long history of occupancy in Malaysia. It is believed that their ancestors came to South East Asia in prehistoric times, probably migrating from Indo-China or Yunnan over 3,500 years ago.

Between the second and the sixteenth centuries, as stated earlier, a number of great island empires which encompassed Malaysia as well as other insular South East Asian countries, were created and maintained by the Malays.⁴ The intrusion of European imperialism, specifically with the conquest of Malacca by the Portuguese in the early part of the sixteenth century marked the beginning of the Malay socio-political decline. Ever since the fall of Malacca in 1511, throughout some 400 years of colonial rule, the Malay people never seemed to be able to gather its strength for resurgence. Its kingship was continuously being divided into smaller and smaller units, and its aristocracy gradually lost its cultural and intellectual roles. However, two main elements, i.e. the Malay language and the religion of Islam, helped to sustain the Malays as a people, or as a cultural community, during the colonial period.⁵ It was only in the early part of the 20th century that the modern notion of nationalism plus the unifying role of Islam and the Malay language, inspired the Malays to seriously challenge Western colonialism. This long history, perhaps, justifies the Malays' claim to be the indigenous people of Malaysia, and along with this claim they believe that they have the natural right to political control over the country.

The Chinese are believed to have had relations with Malaysia as early as the fifth century.⁶ However, large-scale Chinese immigration to Malaysia only started in the second half of the nineteenth century when the British began to rule the country. The British encouraged such immigration to provide cheap labour for the tin mines. The rapid increase of the Chinese population in Malaysia within a short span of a few decades, was phenomenal. For example, in one tin mining area in Perak, the Larut Valley, there were only three Chinese before 1850. Slightly more than a decade later there were between 20,000 to 25,000 Chinese newcomers, and by the end of 1871 their number had increased to 40,000. By 1901 the Chinese constituted 46% of the population of Perak where the tin mining area of Larut Valley is located.⁷ This is one example of the rapid increase of the Chinese population in Malaysia by the end of the 19th century.

This period of mass immigration of the Chinese to Malaysia coincided with the period of rapid growth of the country's economy, especially due to tin mining. They were mainly engaged in the tin mining industry, and it was this which boosted the economy and made the Chinese feel that they played important roles in the economic development of the country. Indeed the economic dominance of the

Chinese began to take shape with the growth of the tin mining industry. The increasing number of non-Malays coupled with their increasing control of the economy, has been a source of fear to the Malays whose claim of indigeneity to the land dated back thousands of years. This fear was among the early factors, besides resentment against British colonialism, which gave birth to Malay nationalism between the two World Wars. Up to the present, this fear and jealousy against the Chinese, is still considered an important factor in organising the Malays politically.

Like the Chinese immigrants, the Indians came in substantial numbers to the Malay Peninsula, almost concurrent with the advent of British colonialism. The first Indian contacts with South East Asia, presumably with the Malay Peninsula, according to some literary sources, dated back to the sixth century B.C. However, more meaningful contact with a cultural impact which has lasted to the present day, began to take place as early as from the first or second century A.D. But thus far there is no evidence of large-scale migration of people from the Indian sub-continent to the Malay Peninsula, until the end of the nineteenth century. Like the Chinese migration from China, it was encouraged by the British colonial administration which even went a step further in promoting it by establishing an Indian Immigration Fund in 1907. Labourers from Southern India were given accommodation and free passage to their place of employment in Malaya. Special agencies were formed to facilitate all that.⁸

The Chinese immigrant labourers concentrated mainly on the tin mining industry, and the Indian migrants were employed as rubber estate and railway workers. They lived as isolated communities socially and geographically, away from the Chinese tin mine labourers and the Malay paddy planters. Similar to the Chinese pattern of migration, at the early stage, the Indian labourers stayed in the Malay Peninsula for relatively short periods before they went back to India either on "home vacation" or on permanent retirement. As time passed, they decided to make the Malay Peninsula their permanent home. As a result in a short span of 40 years, from 1891 to 1931 to be exact, the Indian population increased in the four main Sultanates of the Malay Peninsula (namely Selangor, Perak, Pahang and Negeri Sembilan) otherwise known as the Federated Malay States (FMS) almost twenty fold, from 20,000 in 1891 to 380,000 in 1931.⁹

The preceding brief accounts on the influx of immigrants from China and India to the Malay Peninsula should highlight three inter-related points: first, the British colonial administration not only introduced and imposed an open-door immigration policy (at least up to 1931) on the Malay States but actively involved in bringing a great number of immigrant labourers from China and India especially towards the end of

the nineteenth century and at the beginning of the twentieth century. Secondly, in the four Sultanates that made up the FMS there had been an extraordinarily rapid growth of population in a relatively short period of less than 40 years, from 418,500 in 1891 to 1,713,100 in 1931 i.e. more than 400%. And thirdly, the phenomenal growth, had an additional significance in the sense it drastically altered the population structure in terms of its ethnic composition especially pertaining to the indigenous Malays *vis-à-vis* the immigrant groups.

At the beginning of the nineteenth century, the Malays comprised 90% of the whole population of the Malay Peninsula, including the small island of Singapore. The proportion was reduced to 54% in 1911, and declined further to 49% in 1921 and yet lower to 45% in 1931.¹⁰ Thus, emerged a “plural society”, as defined by Furnivall, that effectively served the economic and political interests of British colonialism in Malaya at that time. Through skillful colonial manipulation of the various ethnic groups economic exploitation of Malaya by the British colonial interests turned out to be a successful one as far as the British were concerned. However, when it concerned the interests of the various ethnic groups that made up the plural society, a host of questions cropped up.

Perpetuation of Differences and Inequitability

In Furnivall's definition of plural society it was implicit that the several social orders (different ethnic groups) not only lived separately in different geographical locations and engaged in different economic activities, but also grew and developed separately through different educational programmes, different ideological orientations and a different rate of economic progress. Those differences were further perpetuated by a series of practices initiated by the colonial administration, either by instituting formal policies or by taking a *laissez-faire* attitude on selected matters or by sheer neglect, allowing certain groups to be trapped in their backwardness.

In addition there were infra-structural developments, that took place in an irregular manner, benefiting certain groups and neglecting certain others. While there was indeed rapid economic growth the distribution of benefits was not equitable. The disparity and inequality in sharing the growing economic pie took place in several dimensions: between Europeans (British) and the Asians (indigenous or immigrants), between the immigrant and the indigenous population, between the Chinese immigrants and the Indian immigrants, and between the Malay aristocrats and the Malay peasants. By design or by accident, all that

seemed to be in line with the “divide and rule policy” of the British, a policy which was politically and economically very much to their advantage. But above all, in the context of this article, this was a policy which saddled the plural society with differences, jealousies, suspicions and even animosities but in which people yet lived or had to live, in the same country.

Growing Sense of Alienation and Resentment

When the British colonial rule was approaching its termination in Malaya the uneven development that was a feature of Malaysia’s plural society became more evident. The immigrant ethnic groups who used to be “transients” were now permanent residents. Their much improved economic well-being, consciously or unconsciously, had become a source of jealousy to the indigenous Malays. In the same vein, the Malays were increasingly resentful, and to a certain degree fearful, of the rapid growth of the immigrant population. The following quotation from a leading Malay intellectual provides a summary of how the Malay community perceived their plight and expressed their sense of alienation first with the emergence, and then with the “maturity”, of the plural society:

The immigrant population was introduced on a very large scale, giving a new life to the peninsula economic activity, for the benefit of the colonials, but obviously at a great disadvantage to the indigenous people. New centres of plantation and mining activities, displacing the traditional centres of Malay economic activities grew along the coasts and river banks. The new cities were populated exclusively by the immigrants, and the indigenous people were in one way de-urbanised, or were ruralised, and were largely deprived of the new modernising agents, especially the secondary and tertiary education. The net result of this, until late 1960s, [was that] some 85-90 percent of the new intelligentsia, the new intellectuals and professionals, were made up from the immigrant communities, less than 15% from the indigenous people, even though they formed the majority of the population. Coupled with the economic dominance of the immigrant communities, more than 85% of the economic middle class were from the immigrants. This set the basis for the balancing games of contemporary Malaysian politics, a game of communal reaction and counter-reaction in search of a more equal society.

Culturally the effect of this intellectual and economic dominance of the immigrant communities in Malaysia, could easily be predicted. There has been an attempt to reject the history and tradition of the

indigenous people, or attempt to displace or neutralise the indigenous culture. The use of English as the exclusive medium for the education of the new intelligentsia during the colonial time and immediately after, had greatly helped in this. For obvious reasons the colonial government attempted to subjugate the indigenous culture, or at least tried to neutralise it – and the Malaysian English education did exactly that. Nowhere else in South East Asia had the indigenous people been made to feel embarrassed or ashamed with their own culture, as in Malaysia – thus depriving the country and its people of the very source of cultural pride that grew and evolved from its own very earth. Malay intellectual and cultural thinking, for example, had all along been branded as communal or racial, placed at the same level with the cultural chauvinism of the immigrant communities – and the Malaysian English press had all along avoided any reportage or analysis of this indigenous cultural thinking, even though this finally shaped the cultural politics in Malaysia.¹¹

This lengthy quotation from Ismail Hussein's writing should serve three purposes: to illustrate, first of all, the sense of bitterness the Malays suffered as a result of British colonialism with its open-door immigration policy which drastically and substantially reduced the percentage of the Malay population and which led to their "ruralisation" or "marginalisation", away from the mainstream of economic growth and social development; secondly, to provide some indications on how the Malays were "left out" in the modernisation process which gained momentum with the advent of British colonialism, and third, to set an example of a fairly representative opinion or perception of a major component of the plural society which might be diametrically opposed to that of another component. The Chinese - another important component of the Malay or Malaysian plural society – would certainly have a perception or opinion different from that put forward by Ismail Hussein. If the Malays were fearful and resentful of the fact that as "indigenous people" they have been swamped by the "immigrants", the Chinese were concerned about their disadvantageous position and political under-representation. Thus this long extract from Ismail Hussein illustrates some of the many thorny issues in the Sino-Malay relationship in Malaysia's plural society.

The Malaysian situation perhaps can be summed up in two sub-headings of a chapter in well-known book on Malaysian politics.¹² The two sub-headings are worded as follows "*Malay Historical Development: Political Authority and Economic Deprivation*" and "*Chinese Historical Development: Economic Advance and Cultural Deprivation*". About 15 years

before the Western scholar Van Vorys, summed up his view of Malaysian development in this way, Swee, a local writer of Chinese origin observed that “there is broadly a division of the populations into a group whose members wield political power but possess very little economic strength and another whose members possess economic strength but very little political power.”¹³ It was often stated of the Malaysian political economy that, the Malays are in control of politics and the Chinese are in control of the economy, but such an abstraction is certainly an over-simplification, for in the real sense, economic power and political power were intricately intertwined in a manner that not all Malays benefited from the Malay political power, and, likewise, not all Chinese benefited from the Chinese economic power.

Racial Discrepancies

The general observation of the Chinese is that of an affluent community whereas the Malay community is still economically backward. As Yusuff states:

To witness the wealth of the Chinese before 1969 (i.e. before the infamous racial riots), one needed only to observe the following: Drive along the main housing developments around Kuala Lumpur and see who owned them? Look at the shops in the big cities such as Kuala Lumpur, Penang and Ipoh, or visit offices of any large modern enterprises and see to whom they belong? Examine the ethnic composition of the faculty and students of the University of Malaya (prior to 1970) and see who forms the majority? The answer would be either Chinese or other non-Malay groups.¹⁴

And about the poverty of the Malays, Yusuff noted:

In general, prior to 1969, the economic conditions of the Malays were backward. To observe this, one only needs to travel to the rural areas and see the standard of living and life style of the Malays. The contrast with the Chinese was overwhelming. While many Malays were living below the subsistence level, the great majority of the Chinese and Indians were able to have motor scooters, transistor radios, and even cars and televisions [*which were rare luxurious items in the late 1960s*]. These economic imbalances caused grievances among the Malays and in turn fuelled communal tensions.¹⁵

The validity of such casual observations on the economic disparity between the Malays and the Chinese can further be verified by

statements made by important top leaders of both communities and by citing official statistics. For example during an election campaign in 1964, Tan Siew Sin the President of the Malaysia Chinese Association (MCA) a principal partner in the multi-racial alliance coalition, said:

We have to accept that the Chinese are economically stronger than the Malays. The Malays therefore, feel that in order to counter balance their weak economic position they have got to have political power.¹⁶

In a radio interview in April 1967 on the New Zealand Broadcasting Corporation, Deputy Prime Minister, Tun Haji Abdul Razak bin Hussein, said:

It is true at the moment that political power is in the hands of the Malays and economic power in the hands of the Chinese. That is why we must try and balance things out. That is why we are doing our best to try and give the Malays a little bit of share in the economy to enable them to feel safe in the country. After all these were the original settlers.¹⁷

The remarks of Tan Siew Sin and Tun Razak on the economic gap between the two ethnic groups can further be illustrated by a survey conducted on the eve of Malaya's independence in 1957, as presented in Table 1.

Table 1
Approximate Aggregate Individual Incomes By Race, 1957

	Malays	Chinese	Indians	Total*
Aggregate of Individual Incomes (M\$)	1,125	1,975	475	3,675
Percentage of total	30	54	13	100
Population (m.)	3.13	2.33	0.7	6.28
Average annual income per head (\$)	359	848	691	585
Average annual income per adult male (\$)	1,433	3,264	2,013	2,128

Household Budget Survey, Report of the Inland Revenue Department, 1958; and *Census of Malaya, 1957*, quoted in T H Silcock and E K Fisk, *The Political Economy of Independent Malaya*, Singapore, Eastern University Press, 1963, p 3, cited by Vasil, op.cit., p 20.

*Includes Europeans and others.

More than ten years after achieving independence, in spite of the various governments economic development programmes, especially the well-known Rural Development Programme, the general economic plight of the Malays had hardly improved. There was no significant or perceptible narrowing of the inter-elite economic gap. Table 2 shows that the racial economic disparities became even wider:

Table 2
The Mean Incomes of Households by Ethnic Group 1957 to 1970
(Peninsular Malaysia)
(M\$ per month and as percentage of Malay Mean Income)

	1957/58		1967/68		1970	
	\$	%	M\$	%	\$	%
All Ethnic Groups	199	138	217	167	264	153
Bumiputra	144	100	130	100	172	100
Chinese	272	189	321	247	394	229
Indian	217	151	253	195	304	177
Others	n.a.	n.a.	839	645	813	473

Source: For year up to 1970: Sudhir Anand, *Inequality and Poverty in Malaysia – Measurement and Decomposition*, Oxford University Press, 1983, p 30, cited in *Rais Saniman, et.al. op.cit.*, p 147.

The economic disparity can further be highlighted by the following figures, computed in the early 1970s on the communal composition of ownership of various economic sectors.¹⁸

- (a) The value of private property in the Municipality of Kuala Lumpur owned by the Malays was less than 5% whereas the Chinese owned more than 75%.
- (b) Ownership of public property companies listed on the Stock Exchange was 1.3% by the Malays and 89.2% by the Chinese;
- (c) Capital ownership in limited companies dealing with various businesses, was 1.5% by the Malays and 22.8% by the Chinese.

Remedial Measures and Innovations

From the foregoing discussion it should be obvious that the social and economic imbalances in the Malaysian society were developing along racial lines. Furthermore, should such imbalances lead to clashes and violent riots, such clashes would also erupt along racial lines. References to these inter-racial economic disparities became the stuff of political

campaigns and these latter became a potentially explosive phenomenon, that is, political mobilisation and competition featured by very sharp racial undertones. All these would make remedial measures more complex, it needed not only strong political will but also tactful leadership and well-planned strategies. It was against this background that Malaysia's ambitious 'affirmative action' policy was promulgated in 1971, assuming the title of the New Economic Policy (NEP).

Between the violent incidents of the May 1969 riots and the inception of the NEP in 1971, a series of major changes took place in the governance of Malaysia. In a sense these changes were the consequences of the riots, and in another sense they were a prelude or an important preparation for a significant affirmative action programme under the direct leadership of Tun Abdul Razak. Tun Razak succeeded Tunku Abdul Rahman as Prime Minister in September 1970. He was the most important single leader responsible for the introduction of the affirmative action policy embodied by the NEP.

Tun Razak's innovativeness as a leader was seen at its best during the critical period immediately after the infamous riots. He was instrumental in setting up two important institutions to meet the political and administrative needs of the time. One was called the *National Consultative Council* (NCC) which in a sense could be considered as a 'substitute' to the suspended Parliament¹⁹ although it was consultative (not legislative) in functions. The other was the *National Operation Council* (NOC) which could be considered as an "additional executive branch of the government" (although one could argue that it was then more important and more effective than the cabinet). These two institutions, the 'consultative' NCC and the 'authoritarian' NOC paved the way for the innovative (and 'affirmative') NEP.

Two-Pronged Objectives of the New Economic Policy (NEP)

The NEP was launched in conjunction with the "Second Malaysia Plan 1971-75" which stressed that its ultimate and over-riding objective was to forge national unity. Presenting the Second Malaysia Plan in Parliament in July 1971, the Prime Minister Tun Razak, asserted that "it (NEP) was the last chance for the survival of the people and the country."²⁰ It contained a two-pronged development programme.²¹ The first prong aimed at reducing and to eventually eradicate poverty by raising income levels and increasing employment opportunities for all Malaysians, irrespective of race. The second prong aimed at accelerating the process of restructuring Malaysian society to correct economic imbalances, so as to reduce and eventually eliminate the identification of race with economic

functions. The process involved the modernisation of rural life, a rapid and balanced growth of urban activities and the creation of a Malay commercial and industrial community in all categories and at all levels of operation, so that Malays and other indigenous people would become full partners in all aspects of the economic life of the nation. Thus the two prongs could be summed as distributive objectives, and restructuring objectives.

The “distributive objective” which was intended to “eradicate poverty irrespective of race” could be considered to be the “less controversial” of the two, as it was meant for all groups and did not imply any racial bias. Although poverty was more widespread among the Malays, there was also a significant number of Chinese and Indians who were poor. But the second prong intended to “correct economic imbalance ... to eliminate the identification of race with economic functions To create a Malay commercial community ...” was clearly biased in favour of the Malays (together with other indigenous groups referred to as *Bumiputera*), and therefore, was the essence of the affirmative action under discussion. Thus it was expected that it would face a certain amount of resistance, albeit latent and indirect, from the non-*Bumiputera*.

As reflected in the Second Malaysia Plan, the government was both determined and assertive about the “restructuring targets”. To this end, the government set a time table that within a period of 20 years from the inception of the New Economic Policy, as stipulated in the Second Malaysia Plan:²²

- Malays and other indigenous people will manage and own at least 30% of the total commercial and industrial activities in all categories and scale of operation.
- A Malay commercial and industrial community (*the absence of which was conspicuously felt*) will be created by means of deliberate training and human resource development programmes.
- The employment pattern at all levels and in all sectors, particularly the Modern Rural and Urban Sectors, must reflect the racial composition of the population.
- New industrial activities in selected new growth areas will be established.

To achieve all that, especially the objective of creating a Malay commercial and industrial community the government made it clear that it would play a significant interventionist role. The Second Malaysia Plan stated further that the government would participate more directly in the establishment and operation of a wide range of productive enterprises. This would be done through wholly-owned enterprises and joint ventures with the private sector. Direct participation by the government in commercial and

industrial undertakings represents a significant departure from past practice.

Among the important measures taken to realise these various objectives, especially to accelerate the creation of a Malay (*Bumiputera*) Commercial and Industrial Community was either to upgrade or create specialised agencies to perform special functions. These agencies included the *Perbadanan Nasional Berhad* = The National Trading Corporation, (PERNAS), *Majlis Amanah Rakyat* = Council of Trust for Indigenous People, (MARA), State Economic Development Corporations (SEDCs), Urban Development Authority, (UDA), Federal Agricultural Marketing Authority, (FAMA), Bank *Bumiputera* and *Permodalan Nasional Berhad* = The National Equity Corporation (PNB).

The economic activities performed by the public enterprises and trust agencies mentioned above could be considered as active government intervention in the economy with the objective of improving the *Bumiputera's* economic participation and benefits. In addition, the government also provided business premises and physical facilities in urban centres and other forms of fiscal incentives as well as favourable licensing of economic activities.

Another important component of the New Economic Policy, in order to achieve the 30% target mentioned earlier, and benefit the Malays, was a large scale programme in human resource development including setting up a chain of junior colleges throughout the country, sending students overseas for tertiary education, instituting quotas for enrollment in local universities and granting scholarships and bursaries. Equally important and significant was employment restructuring of private companies of certain sizes by instituting a racial quota at all levels. A special legislative enactment to this effect, called the Industrial Coordination Act (ICA), was passed in Parliament in 1975. Large companies with capital and employment above a certain limit were also required to restructure their ownership to ensure *Bumiputera's* participation (ownership) either through individual involvement or trust agencies.

Certainly the tasks outlined in the NEP's two-pronged objectives, especially the "restructuring target", were formidable. The Malays had high expectations that the NEP would improve their position. And the non-Malays, especially the Chinese were naturally full of apprehensions that the "change of socio-economic status quo" would adversely affect their advantageous position. On account of these diametrically opposed expectations of the two principal groups in Malaysia's plural society affirmative action programmes of the NEP had to be implemented with

the right combination of 'strong political will', and tactful leadership and 'proper strategies'.

Political Relevance and Political Will

If political will was essential for the implementation of the NEP, it should also be remembered that its formulation was prompted by the political necessity to achieve an important socio-political objective – national unity. It was conceived and formulated as a political response to an incidence of political violence (the 13 May 1969 riots). Hence, it was one of the most important political decisions made by the national leadership since Malaysia became an independent nation. Thus, the political dimension of the NEP could hardly be over-emphasised. The Malay intellectuals and political leaders also looked at it as the most timely political opportunity to improve their economic backwardness and to catch up with the Chinese. They saw it as, or expected it to be, an answer to a long series of their political and socio-economic grievances and pleas which had been articulated over many years by various means.

Indeed, years before the NEP was formulated, even long before Malaysia (Malaya) became independent, Malay interest articulators, politicians, intellectuals and literary personalities had repeatedly voiced their concern about the plight of the Malays and accordingly called for bold remedial measures from the authorities. For example, in 1955, about two years before independence, an All-Malaya Malay Youth Congress was convened by various groups consisting of politicians, educationists, religious leaders, literary personalities and student leaders. The convening of the Congress was prompted by an accumulated sense of apprehension and anxiety of the Malay community leaders in the wake of new political developments and increasing political assertiveness of the Chinese. On hindsight one could note that certain resolutions adopted at the Congress antedated the spirit and some of the important contents of the NEP. For example, among the resolutions adopted were:

- to ask the government to set up an economic planning board to consider ways to redress the unbalanced economic position of the Malays and other communities;
- to ask the government to grant 50 percent of mining rights to the Malays, and give subsidies to Malay coconut small holder plantations for replanting;
- to seek the establishment of a land development scheme with the view to opening up more land for the Malays;

- to seek the establishment of central marketing boards for rubber, copra and other industries to enable Malays to sell their product without having to deal through middlemen;
- to ask the government to introduce legislation to oblige private industries to employ at least 50% Malays out of their total employees.²³

Similar aspirations as articulated by the All-Malaya Malay Youth Congress resolutions were repeatedly expressed by other groups through various channels prior to the May 1969 riots. Two other congresses, the *Kongres Ekonomi Bumiputera* (*Bumiputera* Economic Congress) held in 1965 and 1968, echoed the voice of the 1955 Youth Congress especially pertaining to the demand for improving the economic status of the Malays in the country. Among the resolutions passed in the *Bumiputera* Economic Congress were two which requested the government to ensure that 50% of the Dunlop Company's products should be marketed by Malay retailers and urging the government to make special allotments and facilities for Malays to trade in the share and stock exchange market.

The various resolutions debated and passed in the three congresses were partially indicative of the Malay's sense of desperation with regard to their economic backwardness. At that time (1955, 1965, 1968) the resolutions might have been considered as "radical" and "unrealistic". Perhaps that was why they did not evoke any positive response from the governments of the day. It was only after the shock to the political system and to society from the violent May 1969 riots that the government gave serious attention to these issues. Although in a slightly different form, the spirit and the content of the three congresses were finally incorporated in the New Economic Policy.

An irony one might note here is that the "radical" resolutions of the All-Malaya Malay Youth Congress (1955) and the *Bumiputera* Economic Congress (1965) were adopted at a time when the overall Malay political and electoral power *vis-à-vis* the other communities was much stronger, but they failed to commend themselves for implementation. The translation of ideas suggested in the resolutions into government policy was only undertaken when the overall Malay electoral power in the country was on the decline, as the results of the 1969 elections appeared to suggest. Table 3 gives some indications on the decline of the Malay electoral strength between 1955 and 1959.

Table 3
Communal Composition of the Electorate in the Federation of Malaya, 1955, 1959

Community	Electorate			
	1955		1959	
Malays	1,078,000	(84.2%)	1,217,000	(56.8%)
Chinese	143,000	(11.2%)	764,000	(35.6%)
Indians	50,000	(3.9%)	159,000	(7.4%)
Others	9,000	(0.7%)	4,000	(0.2%)
Total	1,280,000		2,144,000	

Source: K J Ratnam, *Communalism and the Political Process in Malaya*, Singapore, University of Malaya Press, 1965, pp 187,200.

The point to drive home in the context of this discussion is that the Malay leadership in the Malaysian government could have used their strong political power to carry out effective and substantial affirmative action policies when its political support from the Malay constituencies was much stronger in the early years of independence. This might prompt one to ask: why was the substantive "affirmative action" by the Malaysian government, dominated by Malay political leaders and bureaucrats, only taken after such a long delay? This is tantamount to asking: why were the Malays negligent in using their political power to improve their socio-economic status. A comprehensive answer to such questions will certainly need a separate and different sort of study which will have to deal with complicated structural, psychological and situational problems. And the lack of strong political will, for whatever reasons, was certainly an important determining factor.

It has been argued that the accumulated historical grievances, and especially the immediate precipitating events that led to the outbreak of the May 1969 incident, had pushed the Malay leadership into resoluteness and thereby built its "strong political will" to embark on affirmative action. In other words, the "strong political will" only came to the Malay leadership when they, and their followers, increasingly felt insecure and threatened by the events and circumstances that led to the violent incident.

Political Will and Relevant Strategies

The Malaysian political leaders responsible for the formulation and implementation of the NEP had little difficulty in obtaining strong support from the Malay community. To have a wide-based support from all communities, especially the Chinese, it had to resort to both coercive and

persuasive methods. The coercion included latent and overt threats that the violent racial riots of May 1969 might recur unless all parties ensured the success of the NEP with its two-pronged objectives.²⁴ The government, or the Malay political leaders in power, asserted that the rejection of the NEP or failure of its implementation would be tantamount to frustrating the Malays again which might result in a recurrence of violent racial riots. Together with such an assertion, deliberate efforts were also made to highlight the economic and social backwardness of the Malays *inter alia*, by presenting objective analyses by a “third party” as well as by publishing relevant detailed statistics.

A member of the “third party” who looked into the issues of ethnic economic disparity was Professor Just Faaland, head of the Harvard University Advisory Service in Malaysia in the late 1960s and early 1970s. In his document entitled *Racial Disparity and Economic Development*²⁵ Professor Faaland highlighted the fact that “the *Bumiputera* (Malay) who constitute more than half of the population had received less than one third of the increase of GNP which accrued from growth in the economy in the period from *Merdeka* (Independence) up to the riots of 1969”. He summarised the nature and magnitude of the racial economic imbalance by suggesting a number of generalisations, as follows:

- the average Malay has a lower standard of living than the average non-Malay;
- Malays form a much higher proportion of population in rural areas than in towns;
- Malays populate the relatively poorer States and engage in less productive occupations to a higher degree than do non-Malays;
- Malays form a higher proportion of the work force in low productivity traditional agriculture and a lower proportion of the work force in high productivity modern industry and commerce;
- within given industries and enterprises Malays – as compared to non-Malays – typically hold lower-echelon positions;
- placed in similar physical situations the motivation, incentiveness, energy and productivity of Malays in many activities fall short of those of non-Malays;
- Malays own (or have property rights over) only about one third of land under agricultural cultivation;
- Malays have a significantly lower share of ownership of industrial and commercial capital.

Faaland quoted a number of relevant passages from a speech delivered in November 1969 over Malaysian Television by Deputy Prime

Minister Tun Abdul Razak, who stressed the need to “bring to the open all fundamental and sensitive problems of our multi-racial society” and who admitted that the government’s policies since *Merdeka* have been ineffective in dealing with the wide income and productivity disparity between the races”.

According to Faaland, the main conclusions of his analysis are “discouraging, but clear”. He summarised them as follows:

- The economic imbalance between Malays and non-Malays was already very large. Our estimate of a disparity ratio of nearly 7:4 or \$1,250 per worker today is a minimum estimate.
- The imbalance is deeply entrenched in the structure and dynamics of the economy, indeed, it is not tractable in the perspective of a decade or two.
- A clear change in development strategy backed by consistent, persistent and courageous implementation is required if the Government wishes to attack the disparity problem. Continuation of present policies – even their more efficient and determined implementation – will be ineffective. So will *ad hoc* and marginal adjustments in development strategy.
- The new strategy would have to emphasise distribution and Malay participation over growth and transfers – in many cases at the cost of maximum growth.
- The choice of strategy is a political decision, but a choice must be made. Failure to change present policies represents as much a choice as does adoption of a new strategy.
- The new strategy assumed in this article implies *inter alia*:
 - that increased job opportunities in the modern rural sector be reserved for Malays,
 - that new land be opened up at three times the present rate,
 - that the settlement and economic exploitation of this land be very largely reserved for Malays,
 - that industrial and commercial expansion in the rural areas and smaller towns be subjected to preferential and discriminative, restrictive and supportive policies which will ensure that this growth will take place largely with Malay entrepreneurship, ownership and work force,
 - that the Federal and State Governments or their organisations act more vigorously and comprehensively to ensure Malay participation – if necessary by direct Government operations
- Given such a strategy and firmness, consistency and perseverance in its implementation, the achievement of parity was still at most a long-term option. Optimistic analysis shows that the disparity ratio may be reduced from 7:4 in 1967 to 7:5 in 1985. Even so the absolute income and productivity differential will increase markedly, not fall.

- Such containment or improvement in the racial balance as was projected for 1985 implied an overall growth rate of 6.4% annually, i.e. higher than in the past when the development strategy gave priority to overall growth over racial balance. This is not the only, but a major illustration of the optimism underlying the projections.
- The employment structure will change drastically, leading to a very considerable migration from the rural to the urban sectors. The problems of city organisation and development will be large and difficult.
- The unemployment situation will inevitably represent a most serious economic, social and political problem.

Faaland's analysis and relevant observations made by the government leaders were reinforced by the release of statistical data on the racial disparity in many areas. In the field of higher education, for example, according to the University of Malaya enrolment record for the 1962/63 session, the Malays constituted only 20% of the total number of students in all faculties (disciplines) and comprised only 4.6% of students in the Science and Engineering Faculties. The bulk of the Malay students was enrolled in the Faculty of Arts and Social Sciences. Table 4 provides further details:

Table 4
Student Enrolment in each Faculty at the University of Malaya by Race
(1962/63 session)

	Malay	Chi- nese	Ind- ians	Ceyl- onese	Eura- sians	Others
Faculty of Agriculture	6	56	6	6	0	0
Faculty of Arts	247	319	90	42	9	16
Faculty of Engineering	5	185	24	9	4	1
Faculty of Science	16	228	41	25	3	5

Source: University of Malaya, Document No AR 344/62 p 2,
cited in G P Mears, *Malaysian Politics*, 1976.

The discrepancy was further highlighted by the National Operation Council (referred to earlier) in a special report on Campus Life issued not long after the 1969 riots. Among other information released were statistics on the total number of graduates in various fields and according to community group between 1959-1970.

Table 5
Total Graduates by Community Group (1959 to 1970)

	Malay	Chinese	Others
Bachelor of Arts	1369	1404	603
Bachelor of Science	69	1488	150
Bachelor of Engineering	4	408	41
Bachelor of Agricultural Science	40	162	21
Diploma in Education	229	626	216
MBBS	12	108	9
Bachelor of Economics	112	185	31
Total	1905	4381	1071

Table 5 shows that the Malays accounted for less than a quarter of the student body in all faculties except in the Faculty of Arts, where they totaled 61% in 1970. The Chinese made up about 80-90% of the student body in Medicine, Science and Engineering. Until 1965 the Indians and Ceylonese, about 14% of the student body, outnumbered the Malays, 25% of the student body, in Science, Engineering and Education. For every Malay graduate in Engineering between 1959-1970, there were 100 Chinese graduates. The ratio for the Science graduates of Malay to Chinese was 1:20 while for medicine it was 1:9.

Similar disparities were also reflected in the racial composition of the University's teaching staff, where, in 1969, there were 51 Malays, 143 Chinese, 75 Indian and 119 others (mainly expatriates).²⁶

A similar pattern of racial disparity was noted in the professional fields, as Table 6 would testify:

Table 6
Membership of Registered Professionals by Ethnic Group 1970

Profession	Bumi-putra	%	Chinese	%	Indian	%	Others	%	Total
Architects	12	4.3	224	80.9	4	1.4	37	13.4	227
Accountants	40	6.8	387	65.4	47	7.9	118	19.9	552
Engineers	66	7.3	643	71.0	122	13.5	75	8.3	906
Dentists	20	3.1	579	89.1	33	5.1	18	2.8	650
Doctors	79	3.7	954	44.8	857	40.2	241	11.3	2,131
Veterinarians	8	40.0	6	30.0	3	15.0	3	15.0	20
Total	225	4.9	2,793	61.0	1,066	23.3	492	10.8	4,536

Source: *Laporan Majlis Perundingan Ekonomi Negara* (Report of National Economic Consultative Council) *Percetakan Negara, Kuala Lumpur, 1991, p 94-95*

As can be seen from the Table above, in 1970, before the inception of the NEP, there were only 12 *Bumiputera* architects (4.3% of the total number registered in the country) as opposed to 224 Chinese (80.9%) and 4 Indian (1.4%), 37 Others (13.4%). The number of registered accountants: *Bumiputera* 40 (6.8%), Chinese 387 (65.4%), Indian 47 (7.95), Others 118 (19.9%). The pattern is similar in other professional fields (engineering, dentistry and medical doctors). In short, the number of *Bumiputera* professionals was extremely low, in terms of percentage (4.9%) or in absolute numbers (225 out of a total 4,576), while the *Bumiputera* constituted more than 50% of the total population. Thus, it was obvious that, as in the field of education, in the professional field too the *Bumiputera* were left far behind compared to the other ethnic groups.

A wide gap was noted in the racial breakdown of property ownership in the municipality of Kuala Lumpur where there was an unusually high concentration of Malay administrative officers, Kuala Lumpur being the Federal capital, and where an equally high concentration of publicly subsidised Malay establishments was to be found. Malay ownership was less than 5% as opposed to Chinese ownership of 75%. Further details are presented in Table 7.

Table 7
Communal Composition of Land Ownership in Kuala Lumpur, 1968

Communal Groups	Number of Properties	Value M\$
Malays	2,875	4,619,487
Chinese	13,398	66,223,890
Indians	2,447	7,318,936
Others	1,063	14,204,526
Total	18,783	92,366,839

Source: Compiled from the files of the Kuala Lumpur Municipal government.

Cited in Von Vorys, *op.cit.*, p 242

Malay ownership of share capital in the Limited Companies in West Malaysia, as pointed out by the Second Malaysia Plan, was also negligible (1.5%) *vis-à-vis* the Chinese ownership (22.8%). Table 8 provides further details:

Table 8
Communal Composition of Share Capital Ownership in Limited Companies in West Malaysia, 1969

Community	All Industries (M\$ million)
Residents	
Malays	49,294
Malay Interests	21,339
Chinese	1,064,795
Indians	40,983
Federal and State Governments	21,430
Nominee companies	98,885
Other individual and locally controlled Companies	470,969
Foreign controlled companies in Malaysia	282,311
Non-residents	1,235,927
Total	3,285,933

Source: *Second Malaysia Plan 1971-1975*, p 40.

Another relevant statistic which would further highlight the racial imbalance, is that pertaining to the incidence of poverty among the various races. As can be seen from Table 9, of a total of 900,000 Malay households (surveyed in 1970), as many as 65% were poor. Of a total of 525,000 Chinese households, 26% were poor and among the 160,000 Indian households, 39% were poor. Taking all poor households together, the Malays accounted for 74% of the total, followed by the Chinese 17%, Indian 8%, and others about 1%.

Table 9
Peninsular Malaysia: Households in Poverty by Race, 1970

	All Households (000)	Poor Households (000)	Poverty incidence (%)	Total poor Households (%)
Malay	901.5	584.2	64.8	73.8
Chinese	525.2	136.3	26.0	17.2
Indian	160.5	62.9	39.2	7.9
Others	18.8	8.4	44.8	1.1
Total	1,606.0	791.8	49.3	100.0
All rural	1,166.7	683.7	58.6	86.3
All urban	439.3	108.1	24.6	13.7

Source: *Third Malaysia Plan 1976-1980*

Statistics on the *mean household incomes* among the three main ethnic groups shows the same pattern. As shown in Table 10, the mean monthly household income for all the ethnic groups in Peninsular Malaysia for 1970, was M\$ 264. For the Malay household the mean monthly income was M\$ 172, far below the national average of M\$ 264; for the Chinese it was M\$ 394, more than double of the Malays; and for the Indians it was M\$ 304, still much higher than for the Malays.

Table 10
Peninsular Malaysia: Mean Household Incomes, 1970

Groups	Mean Household Income (M\$ per month)
Malay	172
Chinese	394
Indian	304
Others	813
Rural average	200
Urban average	428
All households	264

Source: *Third Malaysia Plan 1976-1980*

Thus the socio-economic backwardness of the Malays could not only be seen through casual observation but could also be demonstrated statistically. Prior to 1970, some of the statistics cited above were either treated by the government as confidential or were simply never made public. However after the 1969 racial riots, there seemed to be deliberate attempts by the government and by certain scholars to publicise them in order to further highlight the racial imbalances and thereby to justify affirmative action as embodied in the NEP. The Second Malaysia Plan reiterated this argument in these words:

National Unity is unattainable without greater equity and balance among Malaysia's social and ethnic groups in their participation in the development of the country and in the sharing of the benefits from modernisation and economic growth. National Unity cannot be fostered if vast sections of the population remain poor...²⁷

Thus, there was an urgent need to correct the various ethnic imbalances and to restructure society.

All these implicitly gave the Chinese the message that in a chaotic and riot-torn Malaysia, they had more to lose than the Malays. The

Chinese, known for their pragmatism and proven ability to work and survive in many adverse conditions, seemed to read the message and accordingly made adjustments to suit the new mood and style of the Malay leadership which seemed determined to effectively implement the NEP. The Chinese seemed to acknowledge the claim made by a leading Malay politician who argued that:

... the politics of this country (Malaysia) has been and must remain for the foreseeable future, native based ... It must be a native based ..., but in cooperation with all the other races in the country²⁸

Thus the Chinese overtly, although reluctantly, supported or rather “tolerated” the NEP. Latent and silent opposition from the non-*Bumiputera* community, however, continued in many forms. Open opposition, was discouraged by at least two important factors: (i) ‘ghosts’ of the May 1969 riots were still looming around for a number of years, (ii) amendments to the Constitution make it seditious even for legislators (both members of Parliament and State Assemblies) to question provisions in the Constitution pertaining to the “special rights and privileges” of the Malays. The constitutional amendment was considered as an effort to reduce ‘politicking’ and to enhance the government’s powers to improve the economic status of the Malays.²⁹

“Stick and Carrot” Strategy: National Front Coalition and *Rukunegara*

Further efforts to ‘reduce politicking’ was undertaken by Tun Razak persuading a number of major opposition parties to become partners in the grand national coalition, which originally consisted of three ethnically-based political parties called the ‘Alliance’. When a few opposition parties joined in, the ‘Alliance’ became the ‘National Front’. Thus, with the national coalition having a wider political base, with a substantially reduced strength of the opposition parties and with the prohibition of public discussion of ‘sensitive issues’ the Tun Razak government enjoyed a stronger political position, and could afford to exercise its strong political will to implement the NEP. This was the case at least in the early years of the NEP, especially until the untimely demise of Tun Razak in January 1976.

In addition to the strong political support enjoyed by Tun Razak’s leadership, the implementation of an affirmative NEP was further eased by a new mood and new orientation of nation building with the introduction of a national ideology called *Rukunegara* which was intended to instill a sense of unity and nationhood among the various ethnic

groups. It was first introduced as a form of proclamation by the *Yang di Pertuan Agong* (The Paramount Ruler) on the occasion of Independence Day celebrations, 31 August, 1970. The *Rukunegara* was worded in the form of a resolution or a pledge:

OUR NATION, MALAYSIA, being dedicated to achieving a greater unity of all her peoples; to maintaining a democratic way of life; to creating a just society in which the wealth of the nation shall be equitably shared; to ensuring a liberal approach to her rich and diverse cultural traditions; to building a progressive society which shall be oriented to modern science and technology.

WE, her peoples, pledge our united efforts to attain these ends guided by these principles:-

Believed in God
Loyalty to King and Country
Upholding the Constitution
Rule of Law
Good Behaviour and Morality

At first glance the *Rukunegara* might be perceived only as an effort to formulate a “national ideology” in a larger framework of nation building. It evolved from close consultation and deliberation in the National Consultative Council and represented a national consensus and commitment to the task of creating a united, socially just, economically equitable and progressive Malaysian nation. Although it appears to be more rhetorical than substantive the *Rukunegara*, nevertheless, complemented other efforts to achieve the NEP’s over-riding objective, that is, national unity. In this sense the *Rukunegara* could be considered as a major component in the overall “stick and carrot” strategy to implement the affirmative action policy.

Another element of the “stick and carrot” strategy that needs to be mentioned was an assurance from the government that the NEP’s two – pronged objectives were to be achieved in the context of an expanding economy. Such an assurance was meant to allay any fear of a possible “Robin Hood syndrome”. The Second Malaysia Plan categorically stated: “The New Economic Policy is based upon a rapidly expanding economy which offers increasing opportunities for all Malaysians And the government will ensure that no particular group will experience any loss or feel any sense of deprivation.”³⁰ In line with its promise that the NEP is “based upon a rapidly expanding economy” and “no particular group

will experience and lose or feel a sense of deprivation”, the government employed not only logical arguments by presenting relevant “facts and figures” and persuasive campaigns, besides subtle or implied coercion, but also flexibility. Prime Minister Mahathir was quoted to have said, “the NEP will be held in abeyance, more or less, except in areas where there is growth”.³¹ Accordingly when there was an economic recession in the first half of the 1980s, the government took steps to relax the ethnic equity requirements of Industrial Coordination Act (ICA).³² This should answer the question as to how the Malaysian government manages to avoid turmoil or violence in implementing the affirmative action policies. The policies were conceived and implemented with the combination of strong political will, tactful leadership and suitable strategies in mind. The leadership and the country had the advantage of a conducive economic climate except for a few short years in the early 1980s, and at the present moment (1997-1998). Equally significant was the conducive social atmosphere as a result of the inherent sense of pragmatism within a given ethnic group coupled with the inherent sense of tolerance and forbearance of another. Strong political leadership and stable political condition, after learning a bitter lesson from the 1969 incident of political violence, also significantly contributed to an overall effective strategy for the implementation of the NEP.

Conclusion

By way of conclusion, a pertinent question would be: how effective or how successful have all those affirmative action policies been in improving the position of those who were identified as potential beneficiaries (i.e. the *Bumiputera*). Impressionistically, or through casual observations and comparisons, one would conclude that at the end of the NEP's 20-year time frame the *Bumiputera* (especially the Malays) of Malaysia in the 1990s are certainly much better off, socially and economically than they were in the late 1960s. Twenty years of the NEP has changed the social landscape of most urban centres, especially the capital Kuala Lumpur. There is an increasing number of Malays now to be seen behind the steering wheels of motor-vehicles in the streets of Kuala Lumpur. The number of Malay business establishments has also increased which is also a reflection of the escalating purchasing power of the Malays. The number of Malay students in the institutions of higher learning, seems to be as large as their non-Malay counterparts, which approximately reflected the proportionate ethnic composition of the whole population in the country. The Malays have certainly benefitted from the affirmative action programmes under the NEP.

The statistics in Table 11 would show a significant growth in the number of *Bumiputera* registered professionals. The number of *Bumiputera* architects has increased from 12 (4.3% of the total architects in the country) in 1970 to 192 (21.62%) in 1988. *Bumiputera* accountants increased from 40 (6.8%) in 1970 to 514 (12.09%) in 1988; *Bumiputera* engineers from 66 (7.3%) to 4,895 (29.44%); *Bumiputera* dentists, from 20 (3.1%) to 307 (24.12%). *Bumiputera* doctors from 79 (3.7%) to 1,653 (25.86%); *Bumiputera* veterinarians, from 8 (40.0%) to 206 (33.77%); *Bumiputera* surveyors, from 108 (29.9%) in 1980 to 300 (34.72%) in 1988, *Bumiputera* lawyers, from 131 (12.8%) in 1975 to 504 (19.67%) in 1988. The total number of *Bumiputera* professionals in various fields was increased from a mere 225 (4.9%) in 1970 to 8,571(25.1%) in 1988. The numbers and the percentages cited above were still below the 30% target of the NEP, but the overall increase, nevertheless, was extraordinary compared to the growth in the 20 years preceding the NEP.

Another example of the *Bumiputera* economic improvement as a result of the NEP was in the ownership of corporate wealth which grew from 2.4% in 1970 to 27.2% in 1988. Examples in other areas (improvement of household income, employment rate, poverty eradication) would show approximately the same pattern of percentage increase. The achievements were exponential compared to that of the preceding 20 years, but fell short of the stated 30% target of the NEP.

Finally, it can be summed up that the formulation and the implementation of the NEP as an affirmative action policy in Malaysia benefitted from the courage and the wisdom of the country's political leaders in blending coercive and persuasive power. There was no doubt that the affirmative action policies under the NEP had successfully improved the socio-economic positions of the long neglected and economically backward *Bumiputera* groups. Although at the end of its 20 year time frame, (1970-1990) the NEP, had not achieved 100% of the stated targets, in relative terms, nevertheless, its overall achievements and impact can be described as phenomenal.

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Notes

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3. Barbara W Andaya and Leonard Andaya, *A History of Malaysia*, London, Macmillan, 1986, pp 7-36.
4. G Coedes, *The Making of Southeast Asia*, Berkeley, University of California Press, 1966, pp 56-75.
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7. Gordon P Means, *Malaysian Politics*, New York, MacMillan and Co., 1970, p 26.
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9. T E Smith, *Population Growth in Malaya*, London, Royal Insitute of International Affairs, 1952, pp 9-20.
10. *Ibid.*
11. Ismail Hussein, *op.cit.*
12. Karl Von Vorys, *Democracy Without Consensus: Communalism and Political Stability in Malaysia*, Princeton, Princeton University Press, 1975, pp 21-52.
13. Goh Keng Swee, "Entrepreneurship in a Plural Economy," *Malaysia Economic Review*, Vol. III, April, 1958, p 3.

14. Mohamed Agud Yusuff, *Consociational Politics: The Malaysian Experience*, Kuala Lumpur, Percetakan Pemuda Enterprise, 1992, p 7.
15. *Ibid.*, p 7.
16. *The Straits Times*, March 6, 1964, quoted in R K Vasil, "Politics in a Plural Society", Kuala Lumpur, Oxford University Press, 1971, p 5.
17. *Ibid.*, p 5.
18. Von Vorys, *op.cit.*, p 242.
19. When the state of emergency was declared as a consequence of the riots, the newly elected parliament was suspended.
20. Cited by Karl Von Vorys, *Democracy without Consensus*, New Jersey, Princeton University Press, 1975, p 406.
21. The following account in the next few pages is based on four main sources: the *Second Malaysian Plan (1971-1975)*; the *Outline Perspective Plan (1971-1990)* both published by the government of Malaysia; Zainal Aznam Yusuf, "Growth and Equity in Malaysia" in *Malaysian Development Experience*, National Institute of Public Administration, Kuala Lumpur, Malaysia 1994; G Sivalingam, "The New Economic Performance of the Races in West Malaysia, 1970-1985" in Manning Nash (ed), *Economic Performance in Malaysia: The Insider's View*, World Peace Academy, New York, 1988.
22. *Second Malaysia Plan, 1971-1975*.
23. For further accounts of the Congress see, Firdaus Hj Abdullah, *Radical Malay Politics*, Pelanduk Publication, Petaling Jaya, Selangor, Malaysia, 1985, pp 149-163.
24. It was generally acknowledged that in a politically unstable and "violence ridden" Malaysia, the Chinese had more to lose than the Malays because in such a situation business and economic activities which were largely controlled by the Chinese, would be adversely affected.
25. The document is reproduced in Just Faaland, J R Parkinson and Rais Saniman, *Growth and Ethnic Inequality*, Kuala Lumpur, Dewan Bahasa dan Pustaka, 1990, pp 271-302.

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27. *Second Malaysia Plan*, *op.cit.*
28. Prime Minister's Department Malaysia, *Development Forums*, Vol. II, No. 2, pp 5-6, quoted by G Sivalingam, *op. cit.*, p 41.
29. G Sivalingam, *op.cit.*, p 41.
30. *Second Malaysia Plan*, p 1.
31. *Far Eastern Economic Review*, 17 April 1986, p 127.
32. The ICA was passed in Parliament in 1975 as part of the plan to restructure society. It required industry and commerce (private sector) to employ 30 percent Malays and promote them in appropriate sequence to supervisory and management position.