

## **ORIGINS AND DEVELOPMENT OF THE AFFIRMATIVE POLICY IN MALAYA AND MALAYSIA: A HISTORICAL OVERVIEW**

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It is often believed that the *bumiputera* policy is inextricably intertwined with the emergence of the United Malays National Organization (UMNO)<sup>1</sup>, a powerful Malay political party which have dominated the government since the inception of the Federation of Malaya and subsequently the Federation of Malaysia. While it is true that the *bumiputera* policy flowered with the New Economic Policy (NEP), the seeds of policies of safeguarding and favoring the natives had in-fact been sown during colonial times.

### **COLONIAL ORIGINS**

As a result of large scale Chinese immigration into the Malay states in the latter half of the 19<sup>th</sup> century and the early decades of the 20<sup>th</sup> century, the entire demographic landscape of the Malay Peninsula changed dramatically. What was once a Malay country became a plural society in which the Malays had come close to becoming a dispossessed minority.

The reason is that British colonial policies led to large scale Chinese immigration into the Malay states and this altered dramatically the demographic patter of these states. While towns and urban areas became predominantly Chinese in character, Chinese settlers also moved out into the rural Malay heartland to become farmers and agriculturists. More

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<sup>1</sup> UMNO was established in 1946 to oppose the Malayan Union scheme which aimed at uniting the Malay states under the rule of a British governor as well as giving citizenship to non-Malays on very liberal terms. The Malayan Union was also designed to do away with Malay privileges and create a new Malayan nationality.

often than not Chinese settlers had alienated Malay lands illegally. Since British policy ensured that aliens were entitled to hold land, this created serious anxieties among the Malays that they would be driven off and dispossessed of their lands as Chinese settlers continued to make inroads into Malay areas. The ultimate nightmare was that of Malays in their own states having being dispossessed would end up working as tenants of western, Chinese and Indian landlords on land that was once theirs. Thus Malay representations to the Colonial authorities led to action to safeguard Malay land held under customary tenure to prevent it from falling into the hands of non-Malays, and thus Malay reservations were created whereby such land could only be alienated to Malays and cannot be transferred out of Malay hands.

But non-Malays were allowed to hold land acquired before the various laws were passed and they could also transfer their holdings to other non-Malays. But, pitfalls remained because even though the original legislation made it impossible for Malays to transfer reservation land to non-Malays, the law did not prevent a Malay to pledge his land to a non-Malay and this loophole was ruthlessly exploited by Chinese and Indian moneylenders and speculators who acquired control of the land with the Malay as the mere nominal owner. Only in 1933 was the Malay Reservation Enactment of the Federation of Malay States (FMS) amended to forbid charge or lease to non-Malays. For many non-Malays in particular the Chinese, enactments like the Malay Reservation Enactment were perceived as discriminatory and a clear indication of a policy of "Malaya for the Malays".

The various enactments passed to create Malay Reservations meant that non-Malays could still acquire land outside these reservations.<sup>2</sup> British colonial rule was only interested in ensuring that the Malays were not dispossessed of their land. In no uncertain terms it was stated that:

We do not hold that the protection of a backward peasantry is the sole or the chief object of the policy of reservation. The policy is territorial, and whatever the competitive capacity of the Malay may be he cannot, as a race, compete with the far more populous peoples of other races who are attracted to Malaya. It is a question of

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<sup>2</sup> *The Economic Development of Malaya, Report of a Mission organized by the International Bank for Reconstruction and Development*, Government Press, Singapore, 1955, p. 227.

numbers. If the future of the Malay is to be assured, he must have room for expansion, and that requires land to be reserved.<sup>3</sup>

Thus the British tacitly admitted that the Malay must be protected from being dispossessed of their lands.

By the 1930s, the Chinese had effectively outnumbered the Malays in the FMS while in the United Federation of Malaysia States (UFMS), the non-Malay population was significant enough to cause concern. According to the 1931 census, 38 percent of the Chinese in the Straits Settlements and 31 percent in the Malay states were local born and they were no longer willing to be treated as aliens and as such demanded citizenship rights and other privileges which went with residence. They also demanded an end to the special treatment accorded to the Malays. Although the notions of state, nation and nationality were yet to emerge among the politically unsophisticated Malays, the growing unease with Chinese demands for political rights in order to protect their economic interests in the Malay states led to a lively debate between the Malays who viewed the Malay states as *Tanah Melayu* and the Chinese who saw the Malay states as British Malaya. However, this fledgling debate between native and immigrants rights came to an abrupt end with the advent of the Japanese Occupation which began in 1941 and ended in 1945.

### **Malayan Union to Persatuan Tanah Melayu**

The issue of native and immigrant rights was rekindled with the defeat of the Japanese and the return of the British after the Pacific War. The Malayan Union scheme which was drafted in Britain during the war by the Colonial Office was introduced within six months after the British reoccupation of Malaya. Sir Harold MacMichael who was given the task of negotiating with the rulers arrived in Malaya in October 1945 and by December 1945 he had obtained the consent of the Malay rulers to the Malayan Union proposals.

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<sup>3</sup> Rupert Emerson, *Malaysia, A Study in Direct and Indirect Rule*, University of Malaya Press, Kuala Lumpur, 1966 (reprint), p. 513, quoting from the Straits Settlements legislative Council Proceedings, 19<sup>th</sup> October 1932.

This Malayan Union was not a federation but a tightly knit union of all the Malay states and the British settlements of Pulau Pinang and Melaka excluding Singapore which would still remain a crown colony. Important symbols to the Malays such as Islam, the Malay language would be put aside while the Malay monarchies would be politically irrelevant and reduced to mere figureheads. State governments would cease to exist and in its place a centralized government head by a British governor would be installed. Islam would not have an official status. A Pan-Malayan education department would be set up and English would be the common language to foster for all. But the greatest blow was the new citizenship proposals that would make non-Malays eligible for Malayan Union citizenship if they had been born in Malaya or had resided there for ten out of the fifteen years. K. J. Ratnam, a noted political scientist stated that on this basis, 83 percent of the Chinese and 75 percent of the Indians in the Malay states would be eligible for citizenship under very liberal laws.<sup>4</sup>

To add insult to injury the Malayan Union would open the civil service in the Malay states to non-Malays and change what was previously British policy to make the Civil Service a preserve of the Malays and the English.<sup>5</sup> Thus at one stroke what were once Malay states had changed to become a Malayan entity. The Malays who were the natives of these states had been reduced to a mere community residing and sharing the land with other communities in a state that was once theirs. Whatever rights and privileges once negotiated between the Malay rulers and the British in the past had now been nullified.

Thus, it was not surprising that Malay opposition to the Malayan Union scheme was total for this would have led to the destruction of the Malay characteristics of the Malay states as well as the demise of Malay culture and possibly their ethnic identity because they would be in no position to compete with the other races in the Malay peninsular. Since other works have dealt with the Malayan Union episode in great detail, it is not necessary to go into details here except that it is suffice to say that the British abandoned the scheme and replaced it with the *Persekutuan*

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<sup>4</sup> Ratnam, K. J., *Communalism and the Political Process in Malaya*, Kuala Lumpur, University of Malaya Press, 1965 (reprinted 1967) p. 75.

<sup>5</sup> Ibid.

*Tanah Melayu*.<sup>6</sup> This *Persekutuan Tanah Melayu* supposedly reinstated Malay rights and privileges but it also gave citizenship rights and along with it, political rights to the non-Malays.

The period from 1948 till 1957 when Malaya obtained its independence was a period of uneasy quiet. It was only with the ending of British rule that serious social, political and economic problem surfaced as both Malays and non-Malays expect their aspirations to be met by an independent government that derives its right to rule from the people's mandate. The Reid Constitutional proposals provided for the continuation of the special rights and privileges for the Malays in four areas: Malay land reservation; the reserving of a quota of licenses for certain businesses; the operation of a quota in the Malayan Civil Service whereby appointment would be in the ratio of one non-Malay to every four Malays; and special quotas for scholarships and educational grants. However, the Reid Report proposed that the special position of the Malays should be reviewed after fifteen years with a view to their eventual withdrawal. This suggestion was opposed by UMNO and was consequently left out of the Constitution. Thus the Malayan Constitution set no time limit for Malay rights and privileges.<sup>7</sup>

Therefore, in four major areas in the 'special position' provisions found in the Constitution viz the Public Service, licences and permits, scholarship and land – all these came into existence during British colonial rule. But with the exception of land holdings, effective implementation of the other provisions were questionable and British attempts to uplift the economic and social position of the Malays were a dismal failure. It was thus left to the independent government of the

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<sup>6</sup> Among the works that dealt with the Malayan Union scheme, the following can be referred to, James de V. Allen, *The Malayan Union*, New Haven, Yale University, 1967; Mohamed Noordin Sopiee, *From Malayan Union to Singapore Separation: Political Unification in the Malaysia region, 1945–65*, Kuala Lumpur, Penerbit Universiti Malaya, 1974; Anthony J. Stockwell, *British policy and Malay politics during the Malayan Union Experiment, 1942–1948*, Monograph no. 8, Kuala Lumpur, MBRAS, 1941; Ariffin Omar, *Bangsa Melayu: Malay Concepts of Democracy and Community, 1945–1950*, Kuala Lumpur, Oxford University Press, 1993.

<sup>7</sup> R. S. Milne and D. K. Mauzy, *Politics and Government in Malaysia*, Federal Publications, Singapore, 1978, p. 40.

*Persekutuan Tanah Melayu* to rectify the glaring discrepancies between the Malays and the non-Malays.

## THE PERIOD OF LULL 1957–1969

From 1957 till the riots of May 1969, no significant progress was made towards redressing the economic imbalance between the Malays and the non-Malays. The government of Tunku Abdul Rahman carried on as if Malaya was still a British colony. Part of the reason why there was no determined affirmative action taken to rectify the economic imbalance between the Malays and the non-Malays, in particular the Chinese, was because of a ‘bargain’ between the UMNO and the Malaysian Chinese Association (MCA) leaders whereby as a *quid pro quo* the MCA conceded that the ‘special rights’ of the Malays should be protected and in return UMNO conceded that the Chinese and other non-Malays would be granted ‘easier’ citizenship rights based on the principle of *jus soli* as well as allowing the Chinese a free hand to pursue their business interests.<sup>8</sup> This ‘pact’ in many ways obstructed any serious attempt to correct the social and economic imbalance between the various ethnic communities within the Malayan Federation. In addition, the Malayan Emergency which began in 1948 and ended officially in 1960 did not give much opportunity for this new state to embark on a positive affirmative policy towards the indigenous inhabitants. Malay nationalists were not content with the so called ‘pact’ between the UMNO and the MCA which was seen as static and detrimental to Malay interests. It was argued by Malay nationalists that ‘pact’ benefited the non-Malays who would acquire citizenship rights as well as other business automatically through the passage of time while the same time frame could never guarantee that the Malays would achieve economic progress let alone parity with the non-Malays. Attempts by the Malay elite to take measure to accelerate the economic progress of the Malays did not achieve much success. Indeed these Malay elite took over from the British the administrative structures and organizations that were set up to tackle the problem of Malay economic backwardness.

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<sup>8</sup> Tunku Abdul Rahman Putra Al-Haj, *Looking Back: Monday Musings and Memories*, Pustaka Antara, Kuala Lumpur, 1977, pp. 59, 178.

For example, the Rural Industrial Development Authority (RIDA) which was launched by Sir Henry Gurney, the British High Commissioner was taken over. RIDA was established with the aim to assist rural small and medium Malay entrepreneurs to obtain capital and skill either for the purpose to start or expand their own small and medium businesses or participate in the business of buying and trading shares.<sup>9</sup> In addition to RIDA, the Federal Land Development Authority (FELDA) was set up at the beginning of the First Five Year Malaya Plan (1956–1960) mainly to help poor and landless Malays. Thus, we noted that affirmative action was very limited and did not depart from the rural groove created by the British so that the well entrenched Chinese and British commercial and economic interests were not endangered. However, the aspiration of the Malays went much more beyond being better farmers and peasants and these aspirations had to be met by the Malay nationalists.

In 1959, Dato' (later Tun) Abdul Razak Hussein, the then Deputy Prime Minister set up the Ministry of Rural and National Development. A massive rural development program was initiated countrywide with the aim to provide infrastructure facilities to the rural Malays. However, these rural development programs were nothing more than an election ploy to win votes for UMNO against Parti Islam Se Tanah Melayu (PAS). Thus, a programme for rural development did not alter in any significant way the socio-economic conditions of the rural Malays. The details of the distribution of household by income show the Malays at a marked disadvantage when compared to the Chinese even with the rural development projects.

The 1960s saw a rise of a nascent Malay entrepreneurial class, petty traders and those who owned small and medium industries. The massive rural development projects which consisted of infrastructure projects such as bridges, roads, pipe water, community halls and electricity; agricultural projects as animal husbandry; the provision of new equipment and training for fishermen, supply of boats and engines had some impact. Even more significant was the establishment of cooperatives and other commercial institutions as well as the provision of credit on very easy terms. Undoubtedly this did help the rural peasantry to a limited extent. But dissatisfaction remained because in

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<sup>9</sup> The Fiennes Report gives an evaluation of RIDA's activities between 1953 and 1955. It is noted that the emphasis was on Malay rural economy.

comparison with the non-Malays in particular the Chinese, the Malays had improved marginally and were still at the periphery of mainstream economic development. While token rural development may help the rural Malays, urban Malays demanded much more such as involvement in transportation, mining, contracting, etc. Pressure on the government to look into the interest of this nascent middle-class Malays was apparent in the first Bumiputera Economic Congress (Kongres Ekonomi Bumiputera) which was held in June 1965. Detailed strategies and economic programmes were planned. Three years later another Bumiputera Economic Congress was held in 1968 to evaluate the achievements of programmes implemented since 1965. These Congresses, did create a mindset among the nascent middle class Malays of the need to assert themselves more forcefully into the economic sphere even at the cost of challenging what was viewed as a Chinese and foreign preserve. Thus this meant in effect the unravelling of the 'pact' between the Malays and the Chinese agreed to during the *pre-merdeka* period.

Malay backwardness in education was an acute embarrassment to the political elite that had promised progress to the Malay masses. A careful perusal of the enrolment of Malays from the primary to the post-secondary level of education revealed all too clearly the need to take effective remedial measures to stem the decline of Malays in education. In terms of enrolment in tertiary education, it required serious government intervention to ensure that the Malays had a fair representation in tertiary education in Malaysia. It was only after the riots of 1969, that the government took steps to ensure that Malays would be given the necessary support to pursue their education at the tertiary level as can be seen in the increase in Malay enrolment.



Table 1: Distribution of Households By Income, Peninsular Malaysia, 1970.\*

Income range (per month)	Urban households per cent of total households				Rural households as per cent of total households				Total			
	M	C	I	O	M	C	I	O	M	C	I	O
\$1-99	4.4	4.3	1.2	0.1	80.1	5.3	3.7	0.9	84.5	9.6	4.9	1.0
\$100-199	7.3	12.0	4.4	0.1	53.5	12.9	9.6	0.2	60.8	24.9	14.0	0.3
\$200-399	10.2	21.8	4.2	0.1	30.1	24.2	9.3	0.1	40.3	46.0	13.5	0.2
\$400-699	11.6	30.6	6.6	0.5	20.0	25.1	5.5	0.1	31.6	55.7	12.1	0.6
\$700-1499	11.7	42.4	9.2	2.0	11.5	19.1	3.3	0.9	23.2	61.4	12.5	2.9
\$1500-2999	8.5	48.5	10.7	6.6	5.5	13.6	2.9	3.7	14.0	62.1	13.6	10.3
\$3000 and above	6.8	42.7	16.0	13.3	5.4	9.3	1.3	5.3	12.1	52.0	17.3	18.6

\* Income includes cash income, imputed income for earnings in kind plus transfer receipts.

M = Malays, C = Chinese, I = Indians, O = Others

Source: Malaysia, *Mid-Term Review of the Second Malaysian Plan, 1971-1975*, Table 1-2, p. 4.

Table 2: Enrolments in Tertiary Education by Race, 1970–1973.

	1970				1973			
	M	C	I	O	M	C	I	O
<i>Diploma and Certificate courses</i>								
Number	2865	537	36	19	6954	1125	75	30
Percent	82.9	15.5	1.0	0.6	85.0	13.7	0.9	0.4
<i>Degree Courses</i>								
Number	3237	4009	595	307	6188	4565	907	89
Percent	39.7	49.2	7.3	3.8	52.7	38.8	7.8	0.8
<i>Pre-University and Preliminary courses</i>								
Number	520	1141	47	11	704	1442	108	5
Percent	30.3	66.4	2.7	0.6	31.2	63.8	4.8	0.2
Total	6622	5687	678	337	13846	7132	1090	124
	49.7	42.7	5.1	2.5	62.4	32.1	4.9	0.6

M = Malays, C = Chinese, I = Indians, O = Others

Source: Malaysia, *Mid-Term Review of the Second Malaysia Plan, 1971–75*, Table 11-5, p. 195.

Undoubtedly the riots of 13 May 1969 were a watershed in terms of the affirmative policies initiated by the government. The vehicle to implement the affirmative action to uplift the Malays was the NEP. The NEP had two major goals. The first goal was the eradication of poverty irrespective of race and the second goal had four objectives which was restructuring employment patterns, restructuring ownership in the corporate sector, creating a *bumiputera* commercial and industrial community and finally establishing growth centers in rural areas. The main idea which ran as a thread through the four objectives was to lift up the economic situation of the *bumiputeras* (especially the Malays) who were economically far behind the Chinese and other ethnic groups in Malaysia. The rationale of restructuring employment patterns was “to ensure that employment in the various sectors of the economy and employment by occupational levels would reflect the racial composition of the country”<sup>10</sup>. The core of the policy was to ensure preferential employment of *bumiputeras* in the professional and industrial sectors and to break the colonial mould of confining the Malays to rice farming, fishing and other low income jobs.

The NEP was published in the form of the Second Malaysia Plan, 1971–1975. The implementation of the NEP could be divided into several phases. The first phase of the NEP was the vital period of its inception i.e. 1971–1973. This period was one of the preparation during which the main architect of the NEP, Tun Abdul Razak and his supporters were laying the groundwork for an affirmative policy of rapid Malayization as well as fending off opposition from detractors (including the Tengku) who had misgivings about the whole policy. The second phase of the NEP could be characterized as the rapid emergence of Malay economic nationalism in the wake of Malay political domination and this took place between 1973–1975. During this second phase important individuals such as Dr. Mahathir Mohamad and Tengku Razaleigh Hamzah as well as other key supporters of the NEP acquired political power over the government and UMNO and implemented vigorously the policies of the NEP. Malay economic nationalism was clearly manifested in the Petroleum Development Act (PDA) of 1974 and the Industrial Coordination Act (ICA) of 1975. The third phase of the NEP would cover the period from 1976–1984 during the premiership of Tun

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<sup>10</sup> Government of Malaysia, 1973, *Mid-Term Review of the Second Malaysia Plan, 1971–1975*, Kuala Lumpur, Government Press, p. 9.

Hussein Onn (January 1976–July 1981) which saw the establishment of the NEP's equity redistribution systems and finally the period from 1984–1990 which saw readjustments and change of the NEP under Dr. Mahathir Mohamad who assumed the office of Prime Minister in July 1981.

The first phase under Tun Razak saw the government's direct involvement in economic activities especially dramatic was the switch from involvement in agricultural and rural development (as seen in the 1960s) into the commercial and industrial sectors of the Malaysian economy. Tun Razak focussed on the emergence of *bumiputera* enterprises and entrepreneurs. A mechanism for the emergence of individual Malay shareholders as a means to restructure equity ownership in favor of Malay *bumiputeras* was put into operation via the PDA 1974 and the ICA in 1975<sup>11</sup>. The Industrial Act was meant to strengthen government control over foreign and Chinese capital while the Petroleum Development Act was meant to establish government control over oil resources.

The ICA covered all manufacturing enterprises above a certain size in terms of fixed assets and number of employees irrespective of whether or not they are entitled to investment incentives. It also ensured that manufacturing licensing was directly linked with an enterprise's observance of the goals of the NEP. Ethnic composition of employment as well as promotion of *bumiputera* companies as distributors was also covered under the ICA. Tun Razak wanted to create a viable and economically active Malay middle class. However, he was also aware of the fears of the Chinese community concerning the NEP and attempts were made to tamper the draconian impact of the ICA between the years 1971 till 1974.<sup>12</sup> Nonetheless, Razak had ensured that UMNO would call

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<sup>11</sup> It must also be noted that the policy of Malay participation in equity ownership was enhanced through the establishment of the PNB and the ASNB in 1978.

<sup>12</sup> Originally, the ICA required non-Malay manufacturing firms with more than \$100,000 in shareholders' funds and employing more than twentyfive workers to divest at least 30 percent of their equity to Malay interests. They also have to incorporate into their workforce a number of Malay employees to reflect the Malay proportion in the country's population. This would mean that at least 50 percent of the workforce must be Malays. However, apprehension by both Chinese and foreign investors caused the government

the shots in the government. In a speech at the 26<sup>th</sup> General Assembly of UMNO held on 21–22 June 1975, Tun Razak had envisioned the emergence of a Malay middle class in a restructured Malaysian society by 1990. To achieve his aim, UMNO was integrated into the government to oversee economic and social policies that will benefit the Malays. With this in mind, UMNO established seven bureaus which were Bureaus of Politics, Finance, Education, Labor and Labor Union, Religion, Culture, Social and Welfare, and Economics. All these bureaus were involved in the implementation of the NEP. But the economic bureau played a vital role in overseeing the implementation of the NEP.

However, it is only after 1975 with the emergence of Dr. Mahathir Mohamad and Tengku Razaleigh Hamzah that the implementation of the NEP gathered steam. As head of the UMNO economic bureau Tengku Razaleigh reorganized the bureau and stressed four main objectives in implementing the NEP. These were research on the national economy as a whole, an in-depth study of the economic position of the Malays in the national economic development, analyzing the implementation strategies of Malaysian development plans from the viewpoint of Malay cultural values and finally to scrutinize economic issues for the UMNO General Assembly.

With the death of Tun Razak in 1976, the implementation of the NEP rested on the shoulders of Dr. Mahathir and Tengku Razaleigh. Even before the death of Tun Razak, the percentage of *bumiputera* capital accumulation was rising. However, this increase was through public enterprises such as Pernas, Majlis Amanah Rakyat (MARA) and Urban Development Authority (UDA) which accumulated the capital as *bumiputera* trust agencies on behalf of *bumiputera* individuals. However, capital held by public enterprises on behalf of *bumiputeras* was no indication of economic progress of the Malays and therefore the UMNO Economic Bureau raised the issue of transferring equity ownership to *bumiputera* individuals. This suggestion was conveyed in a seminar held on 8–9 May 1976 commemorating the 30<sup>th</sup> anniversary of the founding of UMNO. Based on this suggestion steps were taken to establish agencies to promote individual *bumiputera* equity ownership.

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to modify the ICA so that its implementation would be uniform. It should also be noted that unfavorable economic conditions which affected Malaysia in 1975 also led to modifications of the ICA.

The Yayasan Pelaburan Bumiputera was set up in 1978 as one of the first such agencies. In 1979, the Permodalan Nasional Berhad (PNB) and the Amanah Saham Nasional Berhad (ASNB) was established. Through the establishment of such agencies a system of equity transfer to *bumiputera* individual was carried out.

When Dr. Mahathir Mohamad became Prime Minister in 1981, he initiated a "Look East" policy in December of the same year. Though he felt that the Japanese economic model was suitable for Malaysia, it was obvious that he was adapting it to carry out the *bumiputera* affirmative policy. His early tenure was marked by a recession in 1984 that lasted for one and a half years. Mahathir eased restriction on foreign investment to the extent that a foreign-invested company with 50 percent of its produce exported could be 100 percent foreign owned. The ICA was also revised in 1985 and 1987 to ease the obligations companies had to fulfill to obtain manufacturing licenses. However, the trend towards transferring shares from public companies to individuals continued unabated during the Mahathir era which saw a greater tie up between UMNO and individual Malay entrepreneurs who acquired these shares. Undoubtedly, the NEP did contribute to the emergence of a Malay middle class which did in time bring about a significant degree of political stability within the political framework. While it cannot be denied that the NEP was aimed mainly at uplifting the Malays and ensuring stability, it cannot be denied that the non-Malays were not outright losers in this affirmative policy.

It is generally believed that the Chinese community lost out as a result of the affirmative policies of the NEP. However, the reality is different. At the inception of the NEP, the first Prime Minister had stated clearly that he would never condone a special rights policy of "robbing Peter to pay Paul"<sup>13</sup>, and as such there would be no outright confiscation of Chinese enterprises and companies to be handed over to Malays. The Tunku had in mind the anti-Chinese policies initiated by the Sukarno regime of Indonesia during which there was wholesale appropriation of Chinese properties which were handed over to Indonesian *peribumis* in the late 1950s and 1960s. The net result of such a policy was the impoverization of the state. Even Tun Abdul Razak who was very sympathetic to the

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<sup>13</sup> Tengku Abdul Rahman, *Looking Back*, Kuala Lumpur, Pustaka Antara, 1977, p. 243.

Malay nationalists had stated in the official declaration of the NEP that “the government will ensure that no particular group or community will feel any sense of deprivation or loss or feel any sense of deprivation of his rights, privileges, income, job or opportunity”<sup>14</sup>. Thus, even in the drawing up of the NEP, non-Malay participation was evident as can be seen in the contribution of Tan Sri Thong Yaw Hong, a Chinese who headed the Economic Planning Unit (EPU) and who was assisted by several other senior Chinese economists serving in the government.

Thus there were moderating effects that were evident in the NEP when it was made clear that the “government will spare no effort to promote national unity and develop a just a progressive Malaysian society in a rapidly expanding economy so that no one will experience any loss or feel any sense of deprivation of his rights, privileges, income, job or opportunity.”<sup>15</sup> While ensuring to safeguard the interests of the Chinese community, Chinese leaders were also aware of the need for a dynamic affirmative policy to help the Malays economically and bring about stability. Nonetheless, the Chinese community had enough political and economic acumen to adjust and benefit from the NEP. While the initial years of the NEP gave the Chinese community some anxious moments, especially the years 1976 to 1985, but it was evident that the Malay leadership would not go to extremes in their affirmative policies especially if extreme measures would lead to Chinese dissatisfaction and the drying up of foreign investment into Malaysia.

A good indicator as to how the Chinese adjusted to the NEP would be to investigate Chinese private sector responses. Chinese entrepreneurs and businessmen forged business and political ties with economically and politically established Malays. Thus Malay bureaucrats, top military personnel and members of the royal families were invited to participate as shareholders. Through such means Chinese entrepreneurs and business were able to circumvent obstacles posed by the NEP by involving well connected Malays into their business and thus being able to procure licenses, permits, contracts and other business ventures regulated by the state. Indeed shrewd Chinese businessmen formed joint ventures with Malays and even exploited important sources of Malay

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<sup>14</sup> *Malaysian Business*, October 16, 1986, p. 15.

<sup>15</sup> Malaysia, 1971, *Second Malaysia Plan, 1971–1975*, Kuala Lumpur, Government Press, pp. v–vi.

capital such as Pernas, PNB and Peremba Berhad (an investment arm of UDA). Even UMNO corporations such as the Fleet Group and institutional funds such as the Lembaga Urusan Tabung Haji, Lembaga Tabung Angkatan Tentera were also involved with Chinese business enterprises.

The new class of Malay millionaires such as Tun Daim Zainuddin, Tan Sri Azman Hashim, Tan Sri Wan Azmi Wan Sulaiman, Tan Sri Rashid Hussein and even members of the royalty such as Tunku Imran ibni Tuanku Jaafar of Negeri Sembilan had their Chinese business partners. Still there were casualties in this period of adjustment and many Chinese businessmen and enterprises that did not adapt to the changing economic climate declined and even cease to exist. But it would be unfair to state that the NEP benefited only the Malays to the total detriment of the Chinese community. It would be correct to state that it inaugurated a period of collaboration between certain sectors of the Chinese and Malay communities in the economic sphere and this eased considerably ethnic tensions between the two.

However, a serious study of the NEP would show that the Malaysian government had always tried to balance the demands of Malay nationalists for tangible economic achievements for the Malays and the need to take deregulatory measures and respect economic principles to ensure sustained economic growth as only growth can fulfill Malay demands for economic progress. Tun Hussein Onn's adjustments to the ICA and Dr. Mahathir's policy adjustment up to 1986 are cases to note. Thus, two decades of the NEP has seen the rise of the equity ownership of *bumiputeras* improved to 20.3 percent according to government statistics. Though this falls short of the 30 percent envisaged, it is still impressive. The result is the emergence of a Malay middle-class and new Malay entrepreneurs. Thus as far as the Malay Peninsula is concerned, the affirmative policies towards uplifting the Malays led to a *modus vivendi* between the Malays and the Chinese and this lessened considerably serious ethnic tensions between these two communities and brought about political stability.

However, it would be unrealistic to assume that rectifying the economic and social imbalance between the Malays and the Chinese should be beginning and the end of affirmative economic and social action in Malaysia. While the May 13<sup>th</sup> riots ushered in the *bumiputera* policy to



help the Malays, other indigeneous communities such as the *babas*, *Sams-sams* and the Portuguese community of Melaka as well as the *orang asli* and even more so the natives of Sabah and Sarawak need a continuation of the affirmative action policies to uplift them from their economic and social backwardness because in comparison to the Malay community they are even further behind. Article 153 of the Malaysian Consitution was extended to Sabah and Sarawak in 1971 and therefore the natives of Sabah and Sarawak acquired the same special status as Peninsular Malays for purposes of reservations and quotas. Indeed, Article 153 (1) states that "it shall be the responsibility of the Yang di-Pertuan Agong to safeguard the special position of the Malays and natives of any of the states of Sabah and Sarawak and the legitimate interests of other communities." Thus, the key is the definition of "Malay" or "native." Since I am not a lawyer, I leave it to the legal minds to grapple with these thorny issues. To what extent the affirmative action policies that were initiated in Malaya were implemented with the same vigour and determination in the states of Sabah and Sarawak have yet to be investigated in greater detail. However, I note that Article 161A (4) of the Malaysian Constitution states that "the Constitutions of the States of Sabah and Sarawak may make provisions corresponding to Article 153". Thus, the onus of affirmative action in both these two important states in Malaysia rests squarely on the shoulders of their respective state governments and to what extent that responsibility is effectively discharged depends on the political will of those who effectively controlled the state government.