INTRODUCTION

This paper analyses the views of the Chinese business community toward the Bumiputera Policy. This study is based on primary data drawn from in-depth interviews conducted in 1996, 1997, 1999 and 2003 with 62 Chinese entrepreneurs in the small and medium enterprises (SMEs), in Peninsular Malaysia. The study revealed some old and new views of the policy.

Some of the views are ‘old’ and have long been noted by earlier researchers. Among these are: dissatisfaction on the grounds that the Chinese who are citizens and who have lived in Malaysia for generations and have contributed to the economy and overall well-being of the country continue to be treated differently from the Malays. These representatives of the Chinese business community stress that they are not against the New Economic Policy (NEP) itself. However, they are concerned that the NEP had been implemented often by over-zealous officials, sometimes even contrary to the spirit of the NEP.

In this regard, there are two aspects with which they are particularly upset. First, they believe that only a small group of Malays, not the majority, had enjoyed much of the benefits of the policy. Second, they also think that the government had done too much for this group of Bumiputera Commercial and Industrial Community (BCIC) to the extent that there has developed a dependency syndrome among the Malays on the state. Former Prime Minister, Tun Dr. Mahathir Mohamad, called this the ‘tongkat syndrome’ which he declared was unhealthy for Malays as well as for the country as a whole. These Chinese businessmen have welcomed this concern expressed by Dr. Mahathir. In this regard, there is also concerns as to when this policy of preferential treatment for Malays will be brought to an end.
Following the regional financial crisis of 1997/98, there have emerged two other ‘new’ views. First, nearly all the Chinese businessmen interviewed, nowadays, have a holistic approach towards the pro-Bumiputera policy. They recognize the importance of maintaining political stability and harmony amongst different ethnic groups in the country. They refer to the example of race riots, which occurred in Indonesia due to the financial crises. In this respect, most Chinese businessmen viewed the Bumiputera Policy as essential for achieving political stability. However and ironically, the policy is also viewed as a stumbling block. It might even result in the inability of Malaysian businessmen to compete effectively in the highly competitive global economy. In fact the respondents who are involved in the SMEs were referring to themselves and the difficulties that they are encountering nowadays, without government help, they fear that they might not be able to push ahead as before. Several cases of SMEs forced to close down were cited in the interviews.

Amongst all Chinese entrepreneurs interviewed in this study expressed dissatisfaction with the policy and urged that the policy should be discontinued or amended. However, they envisioned that it would be impossible to abolish it in the near future, and that it is not easy for the government to remove the policy due to political reasons. Then again, the Chinese business community perceived themselves as not dependent on the state but finding their own ways. They visualized that Chinese business will continue to survive even under the present Bumiputera Policy. They also envisaged that if the affirmative policy is abolished or amended, it will help to create greater dynamics in the local Chinese enterprises and eventually this will make them more competitive in the regional and global economy. In the long run, a competitive SME sector will be of overall benefit to the country.

---

THE 'BUMIPUTERA POLICY': VIEWS OF THE CHINESE BUSINESSMEN

There is an extensive literature that debating the pros and cons of the NEP and its impact upon the Malaysian economy, especially in the corporate sector (Gomez & Jomo 1999; Searle 1999). Some of the issues discussed here regarding this affirmative action policy are not new. However, the focus and approach used in this study is rather different from those stated in earlier studies. For the researcher seeks to represent the views of the Chinese businessmen interviewed in the SMEs sector in the post-NEP era by allowing a variety of ‘voices’ to be expressed.

Various Dissatisfactions

Most of the Chinese businessmen interviewed viewed the Bumiputera Policy as unfair. For them, even though the Chinese had already lived in Malaysia for such a long time, had been given the citizenship and have contributed to the country nonetheless, they continued to be treated differently from the Malays. Chen, a respondent verbalized, “the Malays themselves were immigrants as well and they should not call the Chinese ‘immigrants’ and make themselves the Bumiputera or ‘son of the soil’”. Several company directors in this study alleged that at present Chinese have no opportunity at all to secure small government projects because there are already many small Bumiputera contractors existing as a result of the implementation of the Bumiputera Policy. In terms of government’s big development projects, all are given to big companies owned by Malays. However, according to this group of Chinese businessmen, most of these companies were not capable of running the projects and ended up sub-contracting to the Chinese contractors. In this way, most Chinese businessmen in this study see themselves as only a supplier or just a sub-contractor to all government projects. They believed that though difficult to secure government projects, Chinese could enter into partnerships with the bumiputeras but these kinds of joint ventures often ended up as Ali-Baba partnerships. Ali-Baba partnerships were very common in the small and medium sized enterprises, especially in the construction and logging sector that needed licenses (Heng 1992: 134). Most of the Chinese businessmen interviewed in this study viewed that Ali-Baba partnership in itself is also a problem. They alleged that very often the Baba or the Chinese were cheated and not being paid by the Ali or the Malays because the
payment goes to the Malay who received the government contract. A few Chinese businessmen expressed their dissatisfaction that, in the government high tech manufacturing projects like the Proton car industry, and Perwaja Steel, the Chinese were marginalized. They viewed that in such a situation, the policy has eventually created a ‘new’ Malay dilemma, the ‘crutches’ culture amongst the Malays, monopoly and Ali-Baba business, which is unhealthy for the country and its economy.

A ‘New’ Malay Dilemma

At the 7th Prime Ministerial address organized by the Harvard Club of Malaysia, the former Prime Minister, Tun Dr. Mahathir Mohamad said that “the old dilemma of the Malays was whether they should distort the picture a little in order to help themselves and the new dilemma was whether they should not do away with the ‘crutches’ that they had got used to” (The Star, 30 July 2002). The former Prime Minister’s concept of the new Malay dilemmas had influenced the perception of many Chinese businessmen towards the Bumiputera Policy.

A good number of the Chinese businessmen in this study reasoned that the government had the basis to protect the Malays because they were poor and lack of business background in comparison to the Chinese community but they observed that the government had already overdone it and had caused a counter effect. The Chinese business community viewed the policy as an essential policy but they also saw the dilemma of it, the creation of a dependency syndrome or ‘crutches syndrome’ amongst the Malays for special privileges accorded to protect them and for special government aid. The Chinese businessmen see this as very harmful for the Malays as well as for the country.

Two of the company directors interviewed were concerned about the continuous over dependency of the Malays on government aid. Ng², a managing director of an engineering company remarked “there’s a need for transparency in the government’s assistance for the Malays”. He quoted Dr. Mahathir’s warning to the Malays not to be too dependent on the crutches. Ng warns that, “if the government tries to be protective towards the Malays, this will cause the Malays to continue being weak,

² Name of respondents used here are pseudo names.
not being independent but dependent”. Ng emphasized the importance of providing equal opportunity for all ethnic groups for the benefit of the country in the long run. Low, another company director said “the policy is not good for the country because it only supports the bumiputeras who might not be skillful or talented. Yet we need to promote the efforts of the talented and skillful if we are to succeed at the global level”.

Indeed, most Chinese businessmen interviewed foresee that the country’s economic competitiveness will get worse if the government continues with the affirmative policy. They believe that it will be good for the Malays and for the country if the policy is abolished or at least amended.

Some of the Chinese businessmen compared themselves with the Malays to highlight how Malay businessmen are still very much dependent on the government for projects and special assistance. In turn, these Malay businessmen do not learn to work hard, raise funds slowly and take the necessary risks, among others.

According to Lim, “certain bumiputeras are very successful only because they rely on the tongkat – they are still very much dependent on the government”. Conversely, he said, “Chinese have to go their own way and are usually resourceful. They take risks and fund themselves in their businesses”. Another company director, Pong, called attention to the advantages of bumiputeras getting help from the government in the form of business permits and loan without collateral to start a business. Another company director, Liu verbalized that,

*Bumiputeras* are too dependent on the government but the Chinese are more independent. The Chinese take time to save enough money and to raise the needed funds but the Malays depended very much on the government and they cannot endure hardship. In the capitalist world, we need to be resourceful in raising sufficient funds as capital to continue to survive. The *bumiputeras* do not have this habit or practice, they spent more than what they earned.

Some Chinese businessmen opined that in an environment where there is no government protection, Malays will tend to work harder and will be more competitive. Two company directors who set up sales office in Singapore commented on the differences between the Malays in
Chin Yee Whah

Malaysia and those in Singapore. Through their experience, they discovered that the Malays in Singapore are more skillful, knowledgeable, and hardworking. They struggle very hard for themselves as there is no special policy favoring them. They pointed out that the Malays in Malaysia lack the spirit of competitiveness and are not particularly resourceful.

Another Chinese businessman, Frederick, who had business dealings with Malays businessmen in Singapore compared his experience working with Malays in Malaysia and those in Singapore. He prefers to do business with Malay in Singapore rather than with Malays in Malaysia. For Frederick, ethnicity is not a problem but what counts is “business conducts”. According to his limited experience, he observed that Malay Singaporeans know business practices but not the Malay Malaysians. He accentuated that, “Malay Singaporeans know and practice proper business ethics, such as settling the credit when it is due, unlike the Malays in Malaysia who keep delaying payment without giving any reason”. Due to the unfulfilled expectation on certain basic practices in business dealings with Malay Malaysians, Frederick stopped his business deals with them. He alleged that they are “not businessmen-like,” they “do not know business rules”, they “do not know the purchase and sales practices in the business circle,” they “do not settle the credit when it is due” (he emphasized). He believed that if the bumiputeras continue to conduct their business in such “unprofessional ways”, they would not be able to last in the market.

Monopoly and Its Effects on SMEs

Chinese businessmen in this study viewed that the Malays depended too much on the government for businesses and are also too dependent on the monopolistic influence in the heavy industry, in the shipping industry, in the banking and finance sectors. Chinese businessmen highlighted that this practice of dependency and of relying on monopolies in the various industries as very unhealthy for promoting Malay entrepreneurship as well as for promoting long-term economic growth in the country.

In the eyes of the Chinese, there is too much government intervention and it makes the country less competitive in the global economy. According to Michael, a company director, “the Malays are now
controlling the financial sector and the high tech industries, and Malays own big corporations and industries. All of these are monopolized by the *bumiputeras*. He referred to the case of Malaysia Airline System (MAS), the national carrier saying that the government overpaid for the shares in the company, in order to protect the interests of a particular individual. He stressed that this is simply bad business besides being bad for the country, especially in the highly competitive global economy. Another company director, Lee, said that,

With the implementation of the NEP, a small group of *bumiputera* or the Malay elites now own several big companies especially those involved in shipping, aviation, highway concessions, etc. And most of these businesses are domestic businesses that are dependent on state patronage. However, the Malays are still unable to have a significant ownership in the SMEs sector. They are still lagging behind the Chinese in spite of the fact that Chinese are unable to get big projects and therefore have to venture into small and medium businesses and to move overseas.

Malay dependency on government contracts and the dependency on the monopoly of certain business sectors in the country whether wholly owned by Malays or Malays being shareholders in a Chinese controlled company, pose serious negative effects on the development and survival of smaller companies, especially amongst the SMEs. The recent interview survey with a steel manufacturer, Kok, revealed how the government’s excessive protection of monopolistic companies such as WSteel³ caused the deleterious effects on other steel-products related SMEs in the country.

According to Kok, special protection given to WSteel hit the SMEs in the steel industry really hard. WSteel could enjoy such a protection because a prominent *bumiputera* is amongst the major shareholders of the company. The over diversification of the parent company into various businesses was very much affected by the 1997/98 financial crisis. On top of that, the company also suffered loses due to its heavy investment of USD500 million in the steel industry and it is no longer competitive to compete in the open market. Thus, in May 1999 the state intervened by giving WSteel a special Approved Permit (AP), a

³ This is a psuedonym.
protection of 30 percent against import duty. WSteel sells hot rolled coil at RM1,318 per tonne, that is, US$347. This represents a protection of US$142 per tonne, hitting the downstream industry very severely.

According to Kok, in the steel industry, this special protection for WSteel hit the SMEs real hard because SME manufacturers that produce steel furniture, foundries, engineering companies, and other steel-related industries are forced to ‘support’ or to buy from WSteel because it is very difficult for SMEs to secure an AP. And even if a medium size SMEs is able to secure an AP, there is a quota system to limit their import volume. There are also many rules to comply with. For example, they are not allowed to resell imported steel in the same form but have to process it into other forms of product. This discouraged many medium sized SMEs to apply for an AP. And it is not profitable on the economic scale for small SMEs to apply for an AP. Under such unfavorable situation, most SMEs could not import raw steel and they have to buy from WSteel in which the cost is 50 percent higher compare to direct import. In such a way the cost of production increased in the downstream industries, making most steel-related SMEs less competitive and some were forced to close shop.

Essential Policy but Ill Implemented

Most Chinese businessmen viewed the policy, as an essential policy but was ill implemented that only benefited a small group of bumiputeras. Chinese businessmen viewed that the NEP had been liberalized at the third quarter of the implementation for the good of the country. This liberalization occurred in the context of widespread Chinese alienation and falling foreign investments during the recession of the mid-1980s. With deregulation and privatization as new NEP priority after 1986, domestic Chinese and foreign investments rebounded, thus revitalizing the Malaysian economy (Heng 1997: 263). However, the policy only brings benefits to a small group of Malay elites. The Chinese business community perceived that the NEP did not change much of the bumiputera’s economic status apart from the elite. They alleged that the government had mismanaged the country’s wealth and distributed the money to a small group of people who have links to those in power. According to one company director, Liu,
In business, many Malays now owned big corporations and this is due to the government’s economic policies that have created a big ‘cake’ to share amongst Malaysian people but most of the shares went to UMNO supporters and it led to money politics which caused the Malays to split into three factions.

Basically, almost all Chinese businessmen in this study are not satisfied with how the government implemented the Bumiputera Policy. The policy is perceived as a way of creating a small group of rich Malays with the majority of Malays having not benefited from the policy.

Essential Policy to Create Stability

Most Chinese businessmen in this study perceived the policy as necessary to help the Malays so that they could catch up together with the other ethnic communities in the country, in terms of wealth distribution. In fact, the policy did achieve its main aim to restructure Malay society and at the same time reduced the poverty gap between Chinese and the Malays (Abdul Rahman 2002). In the eyes of the Chinese businessmen, the policy is crucial to help maintain stability and ethnic harmony. Their logical thinking is, if the gap between the rich and the poor increases it may lead to ethnic conflict and riots. Their simple reasoning is, in life when the stomach is full, there will not be much problems and society will be stable. One of the company managing directors, Yip, believed that if the Malays suffer in terms of their socio-economic well-being, the Chinese will face difficulties too. At the same time, if the Malays enjoy good economy, then the Chinese will be safe. It is logical to reason that the future of the Chinese will be good provided the Malays are economically stable. If the Malays are not stable, the Chinese will suffer, it is all related to politics. (This view was express by Yip in 1996 before the 1997 financial crisis.)

The perception on political security in the post-financial crisis is given greater emphasise when reference to the ethnic riots that took place in Indonesia after 1997. According to a company director, Tan, believes that “the Bumiputera Policy is good, especially to narrow the economic gap between different ethnic groups...jealousy will arise when an ethnic group is too rich and the other one is too poor”. Tan understood that a racial riot took place in 1969 and the causes of this incident had been
discussed for a long time. He said, "today after the economy gap is bridged between the two ethnic groups, ethnic conflict and riots had been avoided." According to another company managing director, Yong, viewed that "there is nothing wrong with the policy because it tried to bridge the gap between the poor and the rich to create a harmonious society...the policy is good as long as the government do not over do its support and thus spoil the bumiputeras." He believed that if the gap between the rich and the poor increases it might create conflict. Yong is very idealistic. He said "when people become rich they will never want to go back to poverty, the society will grow to be rich and rich Malays will influence poor Malays and when the poor sector of the society become rich the unhappiness will not appear...a lot of money has been wasted but it helps to avoid racial riots and demonstrations".

The achievement of stability as perceived by the Chinese businessmen is based on material gain measurement or 'equal' distribution of wealth in the country. Indeed this view was given according to their knowledge of the Malaysian history, the ethnic conflict and riots between the two major ethnic groups in Malaysia, the Malays and the Chinese in 1969. They realized that the well being of the Malays is an important factor in preserving stability as well as creating a safe environment to ensure business success. They believed that if the Malays become rich and successful in business it would help to reduce ethnic tensions.

On top of that, the rapid growth of the country’s economy in the 1990s (before the 1997/98 financial crisis broke out) also influenced their views to a certain extent. The brisk economic growth had created “new economic opportunities, employment prospects and rising living standards, but also the political stability which it necessitated, associated with in the minds of most Malaysians with the Barisan Nasional” (Loh 2003: 261). It was in this context that most Chinese businessmen recognized the important relationship of material needs and stability. They observed that many Malays are now highly educated, owning big cars, big house, wearing branded clothes and involved in business both in big corporations and small enterprises. They realise that harmony is important to create a stable and safe environment for business development and economy growth. Malaysia’s former Prime Minister, Tun Dr. Mahathir Mohamad in 1970 had mentioned the importance of harmony amongst different races and the Malay stability. He warned,
"when the Malays are insecure the nation itself cannot be secure" (Mahathir 1994: 80).

Under the rapid economic growth and the need to establish a harmonious environment to ensure continuous business development, the new concept of ‘genuine joint venture’, as well as inter-ethnic partnership was instituted in October 1995 under the auspices of the Ministry of Entrepreneur Development (MED) to help speed up the formation of a BCIC (MED 1998). The establishment of a BCIC had actually altered the way Chinese businessmen perceived the bumiputera policy. They viewed that the policy had created a Malay middle class and entrepreneur class (Chin 2004), therefore helped to reduce the income gap between the Chinese and the Malays. The realization of the importance of shared interest in the economy amongst different ethnic groups surfaced in the response of one of the company directors even before the race riot occurred in Indonesia following the 1997/98 Asian financial crisis. According to Leong, many problems will occur if the nation’s wealth is not distributed properly. When interviewed in September 1996, he warned that, “in Indonesia, racial riots might happen if only a small population (mostly Chinese) control the nation’s economy and most of the indigenous population live in poverty”. He stressed that the NEP had helped to reduce these imbalances and preserve political stability and therefore create a safe haven to encourage foreign investment and enable business development for the locals. He emphasized, “it is impossible for you to stay in a bungalow while the rest of your neighbors live in ‘rumah atap’ (wooden house). When the rumah atap catches fire, your bungalow will be burned as well.”

The empirical data and explanations given above gives us a picture that this group of well educated businessmen in the SMEs take a macro view in agreeing with the policy to uplift the Malays as a way to avoid possible future ethnic and racial tension that may become a hindrance to their business development and expansion. The racial riots in Indonesia after the financial crisis had created greater awareness amongst the Chinese business community that they is a need to maintain racial harmony in Malaysia. The majority of the Chinese businessmen in this study highlighted the importance of the NEP. They emphasized that without the NEP, the Malays would have lagged far behind and this would have resulted in major problems. Most of them relate the bumiputera Policy to the race riot that took place in Indonesia in the
aftermath of the financial crisis of 1997. Chinese businessmen view that political stability and ethnic harmony are important factors for their life security and a protected environment for business activities and economic growth.

According to one of the company directors, Chuah, stated that,

without the Bumiputera Policy, our country could have become like Indonesia.... Everybody looks for fairness and the political system must be balanced up. The Malay population is increasing but the Chinese population is decreasing, the rich becomes richer and the poor becomes poorer; this is what I worry. This situation may eventually cause the poor to rebel and we will face the same fate like the Chinese minority in Indonesia. Another company director, Liaw, put emphasis on the importance of the NEP by saying that, “the policy is good otherwise we would end up like Indonesia”.

The 30 Percent Ownership of Bumiputera Participation in Public Listed Companies

Almost all Chinese businessmen in this study agreed or ‘have to agree’ with the 30 percent bumiputera participation, since it is a governmental policy and so there is no choice. A managing director of a company, Koay, expressed his opinion that, “the 30 percent of bumiputera participation in the public listed companies is the government policy”. He spoke frankly that, “most of the 30 percent is not given freely and that the bumiputeras have to pay something to take up the shares. From the Chinese businessmen’s point of view, the bumiputera seem to have an easy way to get into a listing company but in reality the bumiputera still need to fight among themselves to be able to secure their shares”.

There is always competition amongst the Malays themselves. Though there is no choice but to incorporate Malay shareholders, Chinese businessmen have a choice to choose their Malay shareholders. Another company director, SH supposed that the Chinese businessmen have to give the bumiputera 30 percent of shares but to him it is just a matter of who to give to and how to do it. He emphasized that, “the bumiputera today is rich, many of them are businessmen and are ready to join the Chinese if the Chinese want to list their companies”. He assumed that,
"if the Chinese businessmen go to the Kuala Lumpur Stock Exchange (KLSE), the officers there will get ready names of Malay businessmen for them to choose if the Chinese do not have a Malay to take up the shares for listing”.

Though Chinese businessmen have to incorporate 30 percent share for the bumiputera they do view it as “giving away” the 30 percent to the bumiputera, but as a policy, a rule to abide with for listing purposes. Most Chinese businessmen viewed listing as a way to make quick money, and they do not mind giving the 30 percent shares to bumiputeras as share holders in their company, the important thing is who is the person that could help the company make profit.

Will the Government Abolish the Bumiputera Policy?

Some of the Chinese businessmen in this study view that the government itself is in a dilemma. They felt that the government is forced to continue with the policy. They reasoned that the Malays have become too dependent as well as demanding of the government and that the Bumiputera Policy has become “a right”. The Chinese businessmen felt that if the government keeps on with the policy, it is not helping to develop the Malays. On the other hand, if the government eliminates the policy, the Malays will oppose the government, and the Malay party, United Malays National Organisation (UMNO) will lose Malay support, so it is difficult for the government.

Chinese businessmen believe that the policy will continue. On account of this they wish that the government would at least make some amendments to the policy. Many of them mentioned that they have already become used to the policy. A company managing director, Chu, stated that, “the policy is already there for so long and we have been carrying 3kg of weight for so long and we don’t feel tired but this actually stir us up to work harder to compete in the market”. Most of the Chinese businessmen are confident that whatever the policy is, they could adapt to it. They perceived themselves as having better survival skills compare to the Malays. Most of the Chinese businessmen are optimistic of their future. Some said that since there are many Bumiputera-Chinese partnerships in business, Chinese companies would continue to survive. They believed that the Chinese and the Malays need one another. Liaw expressed his opinion that, “the government helped
the Malays but we don’t have to worry about them because in Malaysia, the Malays also need the Chinese. Without the Chinese, the Malay will not be able to develop the country’s economy”. Another managing director, Yong stated that, “without the Chinese, only some Malays might be able to get rich but most of them will not be able to survive in their business…” Yong is optimistic, he said that, “if Malaysia is no longer a place for business investment, there are always other places we could invest in, for example the huge market in China”. He talked about his Malay friend’s concern, “My Malay friend asked me whether the Chinese would go back to China. They are scared of the Chinese leaving the country.” Yong further elaborated that the country needs the Chinese for economy development, “Chinese are business minded, they go wherever they can find money. Many Taiwanese are already in China, and so are some Malaysian Chinese businessmen. If Malaysia turned into a desert, we will look for water somewhere else and China has opened up its market and is more liberal now.”

CONCLUSION

Generally, the Chinese businessmen in this study viewed the Bumiputera Policy as a good ideal, an essential policy to help the poor, especially the Malays, to reduce inter-ethnic income gap, to create political stability and racial harmony amongst Malaysians. However, they were very disappointed with the ill implementation of the policy. Taking into consideration the rapid changes in the regional and global economy, the Chinese business community believed that it is time for the government to eliminate or at least make a relevant amendment to the Bumiputera Policy. The Chinese business community also believed that if this policy continues, it will bring harm to the Malays and to the country as well in an increasing complexity and more competitive economic environment.

REFERENCES


Chin, Yee Whah, 2004, Ethnicity and the Transformation of the Ali-Baba Partnership in the Chinese Business Culture in Malaysia, in


