

## **TOWARDS THE NATIONAL VISION POLICY: REVIEW OF THE NEW ECONOMIC POLICY AND NEW DEVELOPMENT POLICY AMONG THE *BUMIPUTERA* COMMUNITIES IN SARAWAK**

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### **INTRODUCTION**

Some observers (Torii, 1997; World Bank 1993; Chowdhury and Islam 1996; IMF 1997) of Malaysia's economic development claimed that Malaysia represent one of the success stories of a developing economy. Malaysia succeeded in reducing its incidence of poverty from 49.3 percent in 1970 to 6.3 percent in 2002 (Allaudin Anuar, 2003). According to the World Bank (1993) Malaysia occupies a unique position for three related reasons. Firstly, it is the only one of the dynamic economies of East Asia that is substantially multi-ethnic; secondly, it is one of the few open market economies to integrate commitments to poverty elimination and redistribution in its growth strategy. Another reason cited for Malaysia's success story is direct Government intervention under the twenty-year New Economic Policy (NEP), which was launched in 1971, and the ten-year New Development Policy (NDP), which covers a period from 1991–2000. As Malaysia enters into its ten-year National Vision Policy (NVP) era starting 2001, the emergence of recent events and development trends necessitate a rethinking and re-examination of both policies. This raises fundamental questions: How far have Malaysia succeeded in eradicating poverty and addressing economic inequality? The answers to this question will provide input in the formulation of the NVP and other development policies in the future.

The basic argument of this paper is that, while to a certain extent the observations are correct (World Bank 1993; Chowdhury and Islam 1996; IMF 1997), what they fail to see is that these achievements are but the initial impact of the NEP. Now after more than 30 years since the implementation of the NEP, its achievement is far from being a "success". In fact, one is skeptical that Malaysia succeeded in

maintaining its success stories beyond the NEP. New studies and data (Eighth Malaysia Plan, 2000; MAPEN 1999) had emerged which lay the foundation for such skepticism. Malaysia's success stories warrant close analysis, especially in the light of new data, development trends and various challenges that currently confronts poverty and income distribution in Malaysia. Despite more than thirty years of poverty eradication and economic restructuring, poverty and economic inequality still persist. Of particular concern is the impact of the NEP and NDP on the Dayak – recently termed as the *bumiputera* minority – communities in Sarawak.

The NEP (1971–1990) and the NDP (1991–2000) eras have ended, however, very little is known about the effect of these social engineering policies on Sarawak *bumiputera* in general and the *bumiputera* minority in particular. Although currently the *bumiputera* minority as an ethnic group is not destitute, official data and result reported that, in economic and social terms, they are at a disadvantage relative to other ethnic groups in Malaysia. However, there have only been a few serious studies examining the nature and extent of such disadvantage and how the situation may have been changing in recent years when the Malaysian economy and society has undergone many changes. Also, there is hardly any study that critically examines the *bumiputera* minority achievement in terms of the NEP and NDP. Recent exceptions are Jayum (2000) and Madeline (2000, 2001) who address the question of *bumiputera* minority political and economic position.

The primary objective of this paper is to discuss critically the impact of NEP and NDP on the *bumiputera* community in Sarawak. The secondary objective of this paper is to highlight some critical issues in the socio-economic development of Sarawak *bumiputera* community in general, and the *bumiputera* minority community in particular.

A critical analysis of the NEP and NDP on the on *bumiputeras* in Sarawak is necessary because of the near absence of such analysis. Previous analysis tends to focus on the impact of these policies on *bumiputeras* in Malaysia. Second, an open and critical discussion of Sarawak *bumiputera* socio-economic development and achievement within the context of national development is long overdue because the NEP and NDP era had ended in 1990 and 2000 respectively. Third, this

discussion is pertinent as an input for future development policies, particularly those that concern Sarawak.

This paper is divided into five sections. The first section outlines briefly the ethnic background of Sarawak. It will be followed by a discussion of the two major social engineering policies, namely the NEP and NDP. The next section evaluates the impact of NEP and NDP on the *bumiputera* in Sarawak.

## **BUMIPUTERA IN SARAWAK**

Before discussing the issues at hand, it is useful to provide a brief introduction of the *bumiputera* community in Sarawak. In this paper, the *bumiputera* community encompasses the Malays, Iban, Bidayuh, Melanau<sup>1</sup> and Orang Ulu<sup>2</sup>, while the non-*bumiputera* refer to Chinese and Indians. Under the Eighth Malaysia Plan and Outline Perspective Plan 3 (OPP3), the term *bumiputera* minority was created. While there is no specific definition of a *bumiputera* minority, it is reasonable to include all the *bumiputera*, except for the Malays and Javanese. This definition seems rather odd to many *bumiputera* minority because of their population size in the State. One plausible explanation is that the population size of the Malays may be small (a minority in terms of population size) in Sarawak, however, they are technically included in the 'majority' *bumiputera* because of their inclusion into the wider Malay ethnic group in Malaysia.

In 2000, the *bumiputera* community forms 70.6 percent of total population in Sarawak. Of the total *bumiputera* population, the *bumiputera* minority is in fact the majority in terms of population size, yet they are termed as 'minority'. As shown in Table 1, the Iban represented 29.1 percent of total Sarawak population making it the largest ethnic group in the State, followed by the Chinese (25.9%), and Malays (22.3%).

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<sup>1</sup> See Federal Constitution.

<sup>2</sup> The Orang Ulu group includes the Kayan, Kelabit, Kenyah, Ukit, Seping, Penan, Punan, Lun Bawang. In some official statistics the Orang Ulu group falls under 'Other *Bumiputera*' category.

Table 1: Sarawak – Total Population by Ethnic Group, 1990 and 2000

Ethnic Group	Census 1990		Census 2000	
	Number	% of total Population	Number	% of Total Population
Malays	350,570	21.3	462,270	22.3
Iban*	483,468	29.4	603,735	29.1
Bidayuh*	135,595	8.3	166,756	8.0
Melanau*	93,721	5.7	112,984	5.5
Orang Ulu*	100,088	6.1	117,690	5.7
Chinese	447,525	27.2	537,230	25.9
Others	14,632	0.9	8,103	0.4
Non-Malaysian citizen	17,172	1.0	62,738	3.0
Total	1,642,771	100.0	2,071,506	100.0

Note: \* These indigenous groups are grouped as *bumiputera* minority

Source: Adapted from Malaysia (2001), *Banci Penduduk dan Perumahan Malaysia 1991*; and *Banci Penduduk Malaysia 2000* (Table 2.12)

## NEP AND NDP: AN OVERVIEW

In Malaysia, no government policies<sup>3</sup> have had that much impact on society as that of the NEP. One simply cannot discuss Malaysian socio-economic development without giving due attention to the NEP and subsequent policies. The implementation of the NEP in 1971 saw the beginning of direct government intervention in economic development (Table 2). This policy saw a shift away from the *laissez-faire* approach of earlier development plans. The Government launched the NEP during the Second Malaysia Plan with its sole objective of achieving national unity. The NEP forms the basis of the OPP1 which covers a period of twenty years (1971–1990). When the NEP period ended in 1990, the Government introduced the NDP (1991–2000) and the NVP (2001–2010) during the OPP2 and OPP3 respectively (Chart 1).

<sup>3</sup> Other government policies included, Look East Policy, Privatization Policy, Corporatization Policies, Penerapan Nilai-Nilai Islam, etc.

The NEP successor policy, the NDP, is more committed to growth and income-raising and emphasizes deregulations. The NDP continues with the objectives of the NEP, but with a focus on eradicating hard-core poverty and the creation and strengthening of BCIC.

Besides discussing the NEP, it is also necessary for us to analyze how these policies had been translated at the state level. For discussion purposes, I categorise Sarawak's development phases into three. Developmental, Growth and Drive Towards Maturity. The basis of this categorization is Sarawak's gross domestic product (GDP) and policy orientations. The 'Development' phase is characterized by slow economic growth. The main focus is on developing key economic sectors. The 'Growth' phase coincided with rapid economic growth in Sarawak. This period saw the State emphasizing on revitalizing economic sectors. The main objective of development is to transform the way of thinking or a change in attitude to enable Sarawakians to benefit from economic growth. The third phase – Drive towards Maturity – focuses on accelerating growth and enhancing quality of life. Based on this categorization, one can say that the NEP and NDP was implemented during a period when Sarawak was experiencing rapid economic growth beginning in the mid-1980s. The ability of Sarawak to implement the NEP and NDP is unquestionable given its high economic growth. One of the key features of NEP was that it was predicated upon a rapidly growing economy. This was deemed necessary so as to, *inter alia* : (a) provide increased employment or economic opportunities for the poor and other disadvantaged groups to enable them to get out of the poverty trap and participate in the mainstream of economic activities; (b) ensure that distribution did not take place from the reallocation of existing wealth but from expanding and new sources of wealth.

**Table 2: Summary of Malaysia's Development Phases and Economic Policies**

Development Phases	Economic Policies	Characteristic	Prime Ministers	Sarawak Chief Ministers
<ul style="list-style-type: none"> <li>• First Malaya Plan (1956–1960)</li> <li>• Second Malaya Plan (1961–1965)</li> <li>• First Malaysia Plan (1966–1970)</li> </ul>	Open market	<i>Laissez-faire</i>	YM Tunku Abdul Rahman	<ul style="list-style-type: none"> <li>• Stephen Kalong Ningkan (1962–1966)</li> <li>• Dato Penghulu Tawi Sli (1966–1981)</li> </ul>
<ul style="list-style-type: none"> <li>• Second Malaysia Plan (1971–1975)</li> <li>• Third Malaysia Plan (1976–1980)</li> </ul>	New Economic Policy (1991–2000)	Direct government intervention	<ul style="list-style-type: none"> <li>• Tun Abdul Razak (1970–1976)</li> <li>• Tun Hussein Onn (1976–1981)</li> </ul>	
Development Phases	Economic Policies	Characteristic	Prime Ministers	Sarawak Chief Ministers
<ul style="list-style-type: none"> <li>• Fourth Malaysia Plan (1981–1985)</li> <li>• Fifth Malaysia Plan (1986–1990)</li> </ul>		<ul style="list-style-type: none"> <li>• Liberalization</li> <li>• Privatization</li> <li>• Malaysian Inc.</li> </ul>	Dato' Seri Dr. Mahathir Mohamad	Datuk Patinggi Tan Sri (Dr.) Haji Abdul Taib bin Mahmud (1981 – present)
<ul style="list-style-type: none"> <li>• Sixth Malaysia Plan (1991–1995)</li> </ul>	National Development Policy (1990–2000)			
<ul style="list-style-type: none"> <li>• Seventh Malaysia Plan (1996–2000)</li> <li>• Eighth Malaysia Plan (2001–2005)</li> </ul>	National Vision Policy (2001–2010)	<ul style="list-style-type: none"> <li>• Financial Crisis (1997–1998)</li> <li>• Globalisation</li> <li>• Liberalisation</li> <li>• K-Economy</li> <li>• Competitiveness</li> <li>• Economic resilience</li> </ul>		

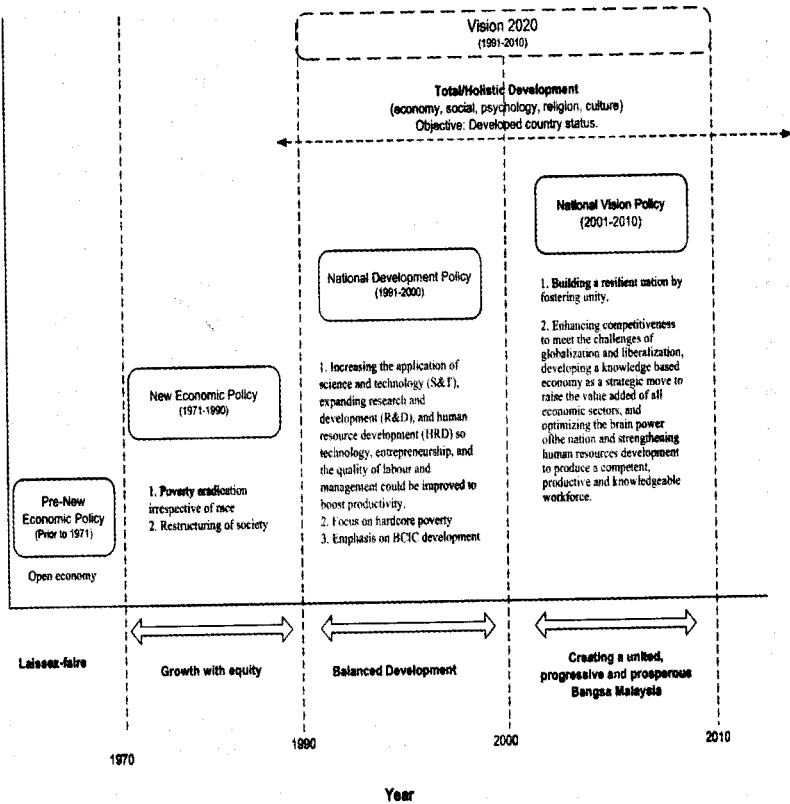


Chart 1: Summary of Malaysian Economic Policies

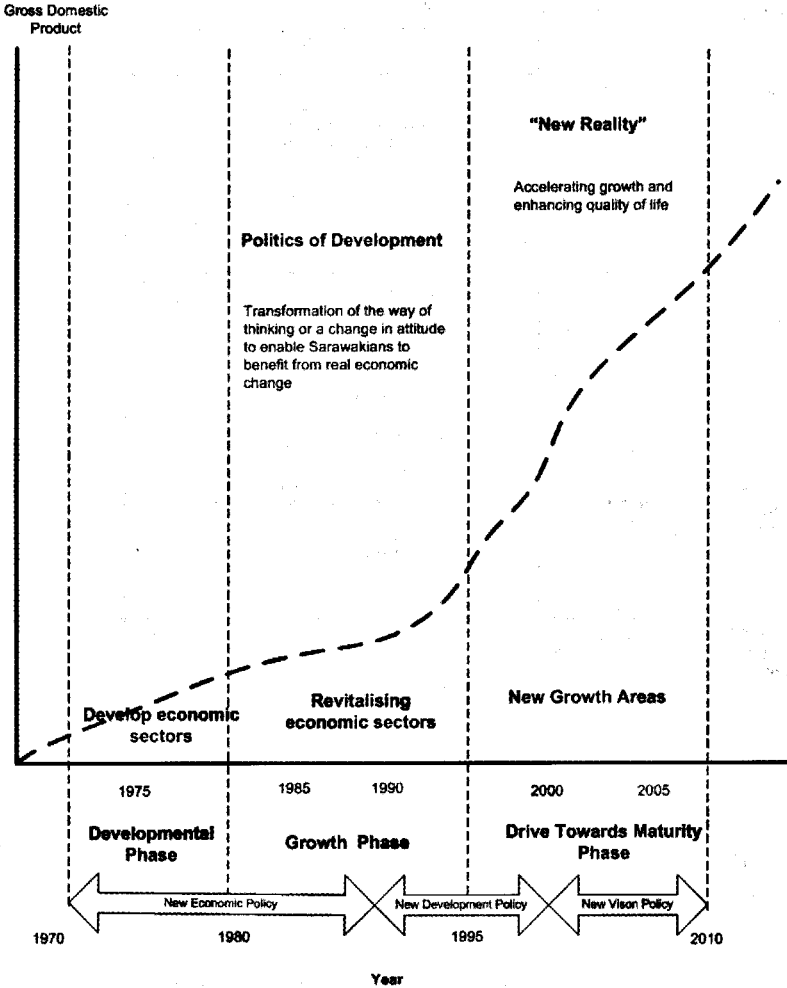


Chart 2: Sarawak – Economic Development Phases and Policy Orientation

As a planning strategy, NEP is unique because it was based on development by *amanah* or trusteeship to achieve the two principal objectives of poverty eradication and socio-economic restructuring. Development by trusteeship differs fundamentally from a competitive environment where economic resources are allocated according to the rules of demand and supply. Under a system of development by trusteeship, poverty incidence and socio-economic restructuring



significantly depended on trustee's decision and the manner in which those decisions are implemented. The success of this policy hinges on economic growth and structural change. The underlying principle of this policy is a betterment of the *bumiputera* communities while striking an "optimum balance between the goals of economic growth and equity".<sup>4</sup> To achieve that goal, two major strategies were utilized, predicated upon the premise that: (a) national unity was unattainable without greater equity and balance among the ethnic and other social groups of Malaysia in their participation in the development of the country and in the sharing of the benefits of economic growth; and (b) national unity could not be fostered if vast sections of the population remained poor, and if sufficient productive employment opportunities were not created for the expanding workforce. The two strategies were: (a) reducing absolute poverty with the intention of eventually eradicating it, (b) restructuring society to correct economic imbalances so as to reduce and eventually eliminate the identification of race with economic function.

To reduce poverty, the government focuses on raising income levels and increasing employment opportunities for all Malaysians irrespective of race. The second prong of the NEP strategy was to be achieved through the restructuring of employment patterns, ownership share in corporate sector and the creation of the BCIC. To achieve the second prong of the NEP, it was envisaged that the state will "*participate more directly in the establishment and operation of a wide range of productive enterprises*"(Second Malaysia Plan, 1971: 7). This was to be accomplished through wholly-owned enterprises and joint ventures with the private sector. Direct participation by the government in commercial and industrial activities was a significant departure from past practice. The objective of an interventionist role of the state was to establish new industrial activities in selected growth centers and to create a *bumiputera* commercial and industrial community.

The attainment of NEP objectives required substantial efforts at bringing about sizeable inter-sectoral labor movements, absorption of the *bumiputera* in new employment, particularly in the industrial and services sectors, and viable participation of *bumiputera* individuals in the modern sectors of the economy. The target was that by the end of the NEP period, the *bumiputera* would own and manage at least 30 percent of total commercial and industrial activities of the economy (Table 3).

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<sup>4</sup> See the Second Outline Perspective Plan, 1991–2000.

With respect to ownership restructuring, the target was to increase *bumiputera* ownership of corporate share capital from 2.4 percent of the total in 1970 to at least 30 percent by 1990. To attain the desired target, *bumiputera* share ownership was projected to expand at the rapid rate of 30 percent per annum compared with 14.5 percent per annum projected for the total value of equity capital in the corporate sector during the OPP1 period. The equity shares of other Malaysians and foreigners were projected to grow moderately by 15.4 percent and 10.3 percent per annum, respectively. Also, to achieve this objective the government designed the NEP to give effect to the special rights and privileges of the *bumiputera* by initiating a variety of protective policies, such as subsidies, quotas, scholarships, and licensing and trade concessions. This strategy was designed to offset *bumiputera*'s historical disadvantage in relation to the non-*bumiputera* (Abdul Rahman Embong 1996; Ishak Shari 1995; Malaysia 1984; Mehmet 1988; Snodgrass 1980).

Having outlined key government policies, the next step is to discuss *bumiputera* achievement within the context of the objectives and strategies of NEP, and NDP. However, in discussing *bumiputera* achievement, this paper attempts to focus on the following question: To what extent has the NEP and NDP actually uplifted the economic position of the *bumiputera vis-à-vis* other Malaysians? The following two sections will answer this question. Section 4 discusses the impact of development by trusteeship system on poverty eradication. Section 5 analyzes the impact of the NEP on socio-economic restructuring on *bumiputera* communities in Sarawak.

Table 3: Selected Socio-Economic targets under NEP and NDP

	Year		Target	
	1970	NEP	NDP	
Incidence of Poverty				
• Overall	49.3	16.7	5.5	
• Rural	58.7	23.0	1.9	
• Urban	21.3	9.1	10.0	
Ownership of Equity (Corporate)				
• Bumiputera	2.4		30.0	
• Other Malaysian	34.3		40.0	
• Foreigners	63.3		30.0	
<i>Bumiputera</i> Employment by Sector*				
• Primary	67.6		61.4	
• Secondary	30.8		51.9	
• Tertiary	37.9		48.8	
<i>Bumiputera</i> Employment by Occupational Category* (% of total employment)				
• Professional and Technical	47.2		50.0	
• Administrative and Managerial	22.4		49.3	
• Clerical	33.4		47.9	
• Sales	23.9		36.9	
• Agricultural	68.7		62.3	
• Production	31.3		52.0	
• Services	42.9		52.3	

Note: \* Fifth, Sixth and Seventh Malaysia Plans.

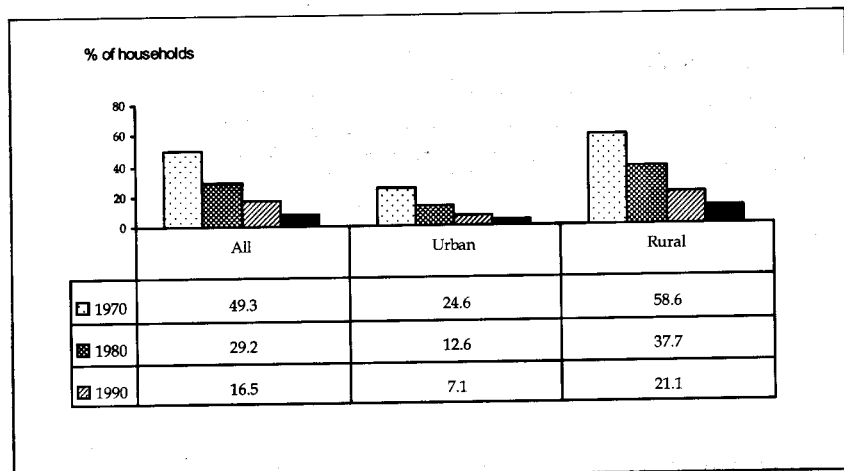
## POVERTY ERADICATION

In Malaysia, poverty is measured by Poverty Line Income (PLI), which takes into account households' minimum needs for food, clothing and shelter and other regular expenditures that are necessary to enable them to maintain a decent standard of living. The PLI give the minimum level of household income per month necessary to maintain a decent living.

Malaysia's success in reducing poverty has been spectacular (IMF, 2000). Malaysia succeeded in reducing its incidence of poverty from 49.3 percent in 1970 to 16.5 percent and 16.5 percent in 1990 (NEP period). During the NDP period (1991–2000), the incidence of poverty was further reduced to 17.5 percent (Chart 3).

Sarawak also registered a reduction in its incidence of poverty during these two development periods. Sarawak managed to reduce its incidence of poverty from 51.7 percent in 1976 to 21.0 percent in 1990 and 12.7 percent in 2000 (Chart 4). Although Sarawak has succeeded in reducing its incidence of poverty, it fell short of addressing effectively *bumiputera*, particularly *bumiputera* minority poverty.

Data in Table 4 shows that the *bumiputera* minority has always had the highest incidence of poverty in the State. In 1976, it was estimated that 74.9 percent of Bidayuh households, 71.5 percent of Iban households, and 64.1 percent of Melanau households are classified as poor. When the NEP era ended, 36.4 percent of Iban, 33 percent of Melanau and 25.8 percent of Bidayuh households are still poor.<sup>5</sup> In contrast, only 16.5 percent of Malay households and 4.3 percent of Chinese are classified as poor in 1990. Of all the ethnic groups in Sarawak, the Chinese community experienced the highest reduction in incidence of poverty (Table 4). During the 14 year period, the Chinese experienced a reduction of 79.6 percent in their incidence of poverty as compared to 46.6 percent among other *bumiputera*, 48.5 percent among Melanau and 49.1 percent among Iban households.

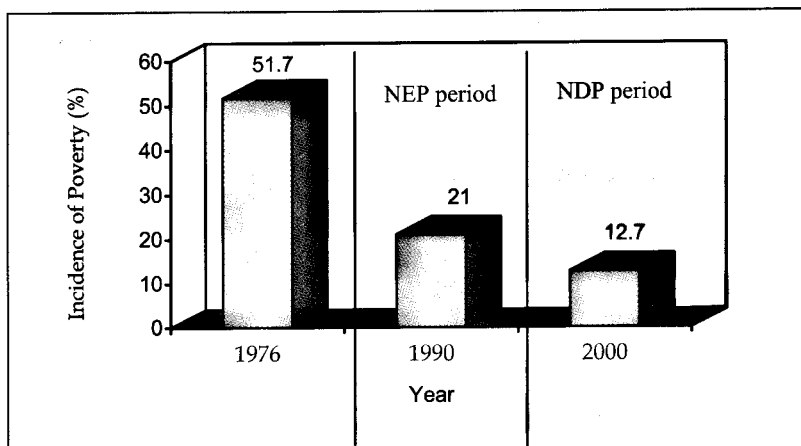


Source: Malaysia Development Plans (va rious issues)

Chart 3: Incidence of Poverty in Malaysia, 1970–2003

<sup>5</sup> In 1989, the Poverty Line is estimated at RM452.00 (household income) or RM86.32 per capita income.

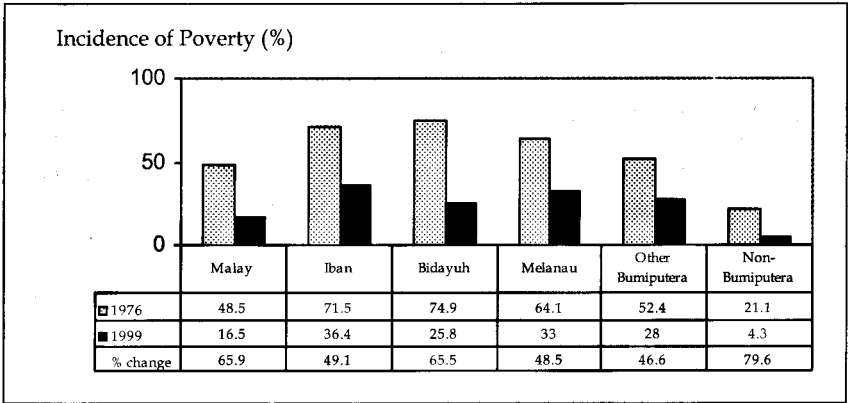
In Sarawak, as in the case of most other states in the country, poverty is basically a rural phenomenon. As indicated in Table 5, the incidence of poverty in rural areas is relatively higher as compared to urban areas. When the NEP and NDP eras ended, the state government managed to reduce the incidence of rural poverty from 60.7 percent to 24.7 percent in 1990 and 16.5 percent in 2000. Although there is a huge reduction in the incidence of rural poverty, there were about 59,000 households still living below the official poverty line of RM593 in the state. Given the high percentage of *bumiputera* minority in rural areas, it is reasonable to conclude that the rural poor are mostly the *bumiputera* minority.



Source: Malaysia Five-Year Development Plans (various issues)

Chart 4: Sarawak – Incidence of Poverty 1976, 1990 and 2000

**Table 4: Sarawak – Incidence of Poverty by Ethnicity, 1976 and 1990**



**Note:** Percentage Change =  $(1990-1976)/1976 \times 100$

**Source:** Adapted from Malaysia Five-Year Development Plans (various issues) and Economic Planning Unit (2001: unpublished)

**Table 5: Sarawak - Incidence of Poverty by Strata and Ethnic Groups, 1976, 1989 and 2000**

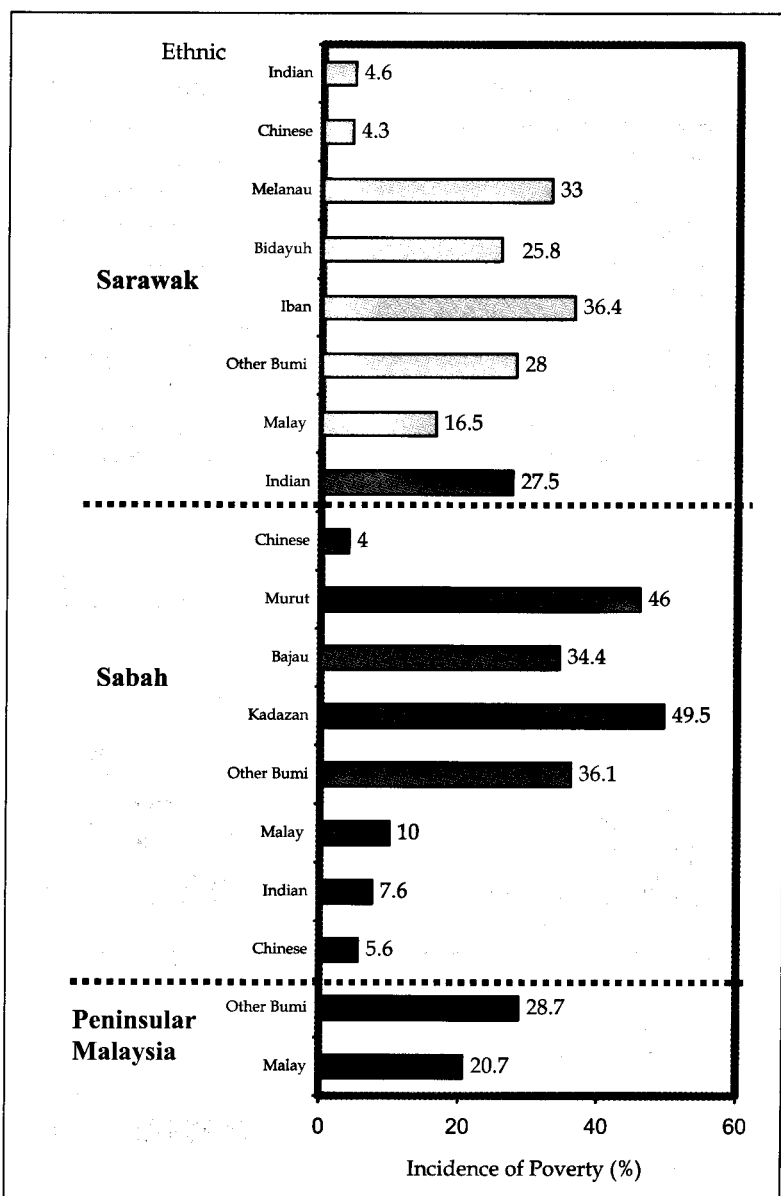
	1976		1989		2000	
	No. of Poor Households ('000)	Poverty Incidence (%)	No. of Poor Households ('000)	Poverty Incidence (%)	No. of Poor Households ('000)	Poverty Incidence (%)
Overall	107.1	51.7	70.9	21.0	59.9	12.7
<b>By Strata</b>						
Rural	100.7	60.7	67.8	24.7	59.0	16.5
Urban	6.4	16.3	3.1	4.9	0.9	0.8

*Source:* Adapted from Ishak Shari (1995) and Malaysia Five-Year Development Plans (various issues)

The state and federal governments have introduced numerous programs to address poverty, such as Program Pembangunan Rakyat Termiskin (PPRT), Program Jabatan Kesihatan, Program Jabatan Pendidikan Negeri, Program Jabatan Pertanian Negeri, Program Jabatan Pengairan dan Saliran Negeri, Program Jabatan Tanah dan Survei, Program Sarawak Economic Development Corporation, Lembaga Kemajuan Ikan Malaysia Jabatan Perikanan Laut Sarawak, including Regional and Area-based Rural Development Projects (Integrated Agricultural Development Programme [IADP], Rural Growth Centres, and Native Customary Land). How far have government policies contributed towards reducing rural poverty? Undeniably, these policies have contributed towards reducing rural poverty. Government policies, however, may have played a lesser role in poverty reduction than we or the government would like to believe. In rural areas, especially among the *bumiputera* minority *bilik-families*, poverty reduction seems to be largely attributable to remittances from family members on *bejalai* (Madeline 2000). Given that the official concern for poverty among the *bumiputera* have emphasized large-scale, commercial (IADP, schemes), modern farming and productivity-enhancing efforts for farmers, the bulk of rural *bumiputera* minority – who practice traditional or subsistence farming – have been bypassed by the main thrust of official poverty eradication efforts. The same could be said of other rural workers – such as plantation workers and contract laborers engaged in public works and on land development projects. They too seem have been largely ignored by NEP and subsequent initiatives.

Besides analyzing poverty in Sarawak, it is also useful to compare the incidence of poverty in Sarawak with that of Peninsular Malaysia. It is evident from data in Chart 5 that the *bumiputera* minority of Sarawak, particularly the Iban and Melanau are among the poorest in the country.





Source: Adapted from MAPEN II (2001: Jadual 2.46)

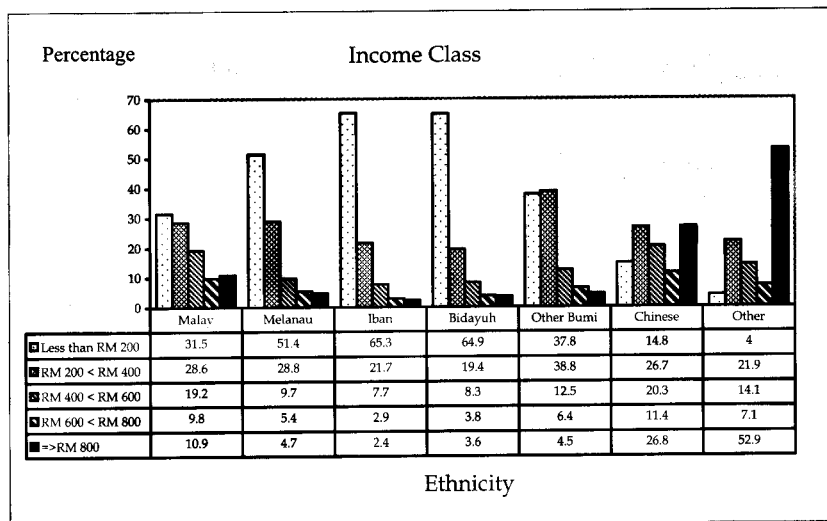
Chart 5: Incidence of Poverty by Ethnicity and Region, 1990

## SOCIAL RESTRUCTURING

The second strategy of the NEP is socio-economic restructuring. This strategy focuses on reducing the existing imbalances in income, employment and ownership of corporate wealth.

### Income

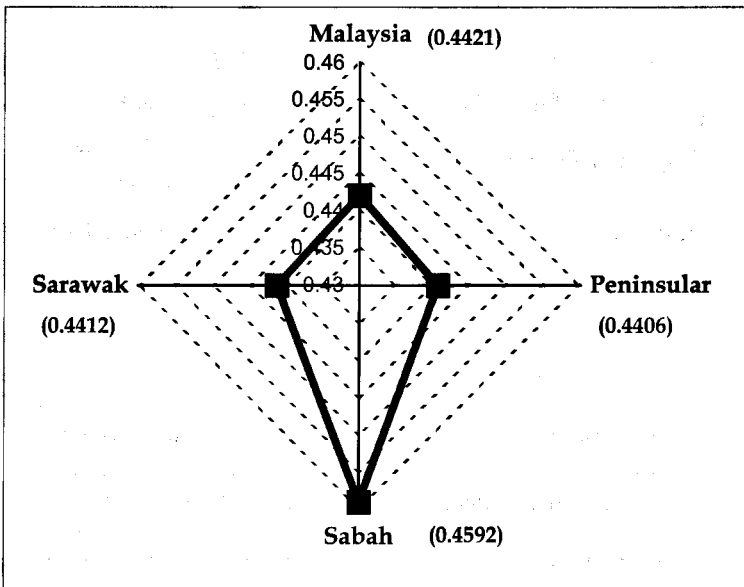
This section analyses the impact of NEP on economic inequality. The earliest information on income distribution in Sarawak was based on data provided by the United Nations Development Program (UNDP) (1980). A UNDP report shows that 41.5 percent of all households in Sarawak received less than RM200 per month in 1976. It also reports that 65.3 percent of Iban, 64.9 percent of Bidayuh, 51.4 percent of Melanau, 37.8 percent of other *bumiputera* earned less than RM200 in 1975, as compared to 31.5 percent Malay and 14.8 percent Chinese households (Chart 6).



Source: Adapted from UNDP (1980) and Department of Agriculture (1998), Preliminary Report, 1977 Census of Agriculture

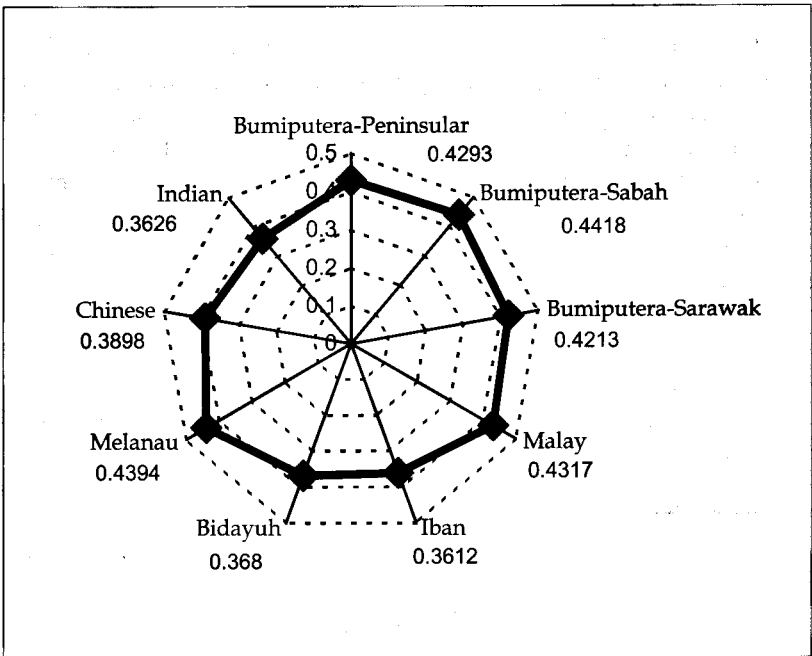
Chart 6: Sarawak – Percentage Distribution of Households by Ethnicity, Monthly Household Income, Class and Sector, 1976

According to the UNDP (1980) report, Sarawak has moderate inequality in 1976. The income shares were 50.9 percent for the top 20 percent, 37.4 percent for the middle 40 percent, and 11.7 percent for the bottom 40 percent. After the implementation of the NEP, Sarawak witnessed a relatively higher degree of income inequality. In 1990 (Figure 1), the Gini coefficient for Sarawak (0.4412) is lower than national average (0.4421) but higher than that of Peninsular Malaysia (0.4406) indicating that there is higher inequality in Sarawak as compared to that of Peninsular Malaysia. Another feature worth highlighting is that income is less equal among the *bumiputera* as compared to the Chinese households. Among the *bumiputera* in Sarawak, the Melanaus registered the highest degree of income inequality, followed by the Malays (Figure 2). The NEP does not appear to have made much progress in terms of addressing inter-ethnic and intra-ethnic income inequality.



Source: Adapted from Economic Planning Unit, 2001 (unpublished)

Figure 1: Gini Coefficient by Region in Malaysia, 1990



Source: Adapted from MAPEN II (2001)

Figure 2: Gini Coefficient by Ethnicity in Malaysia, 1990

An analysis of data on mean income among households in 1990 reveals that the Iban continue to have the lowest mean income (RM710) and the Chinese households continue to earn the highest mean income (RM1,754) in the State. In fact, Indonesian households in Sarawak earn a relatively higher mean income than *bumiputera* minority households (Chart 7). The data reveals that the income distribution pattern has changed very little even after the government has introduced the NEP and NDP.

Data in Table 6 shows income inequality in Sarawak and Malaysia by ethnicity. Despite the implementation of the NEP, there is a wide income gap between *bumiputera* and non-*bumiputera*. The income ratio between Malay and Chinese households in Sarawak is 1:1.32. The income gap is even more obvious between *bumiputera* minority and Chinese, as reflected by their income ratio of 1:2.47 for Iban households, 1:2.11 for Bidayuh households, 1:2.03 for other *bumiputera*, and 1:1.84 for Melanau households (Table 6: Column a). An analysis of intra-ethnic income inequality reveals the gap between the Malays and *Bumiputera* minority

(Table 6: Column b). Income gap is widest between Iban and Malay households as shown by their ratio of 1:1.88. Income gap also exists between Sarawak *bumiputera* and *bumiputera* in Peninsular Malaysia. One obvious impact of the NEP on Sarawak *bumiputera* is that it succeeded in making the Malays (RM1,332) earn higher mean household income as compared to their counterparts in Peninsular Malaysia (RM939). In fact, Sarawak Malays earn much higher mean income as compared to the average Malaysians (RM1,169). The data also shows that Sarawak Chinese earn more (RM1,754) than their counterparts in Peninsular Malaysia (RM1,582).

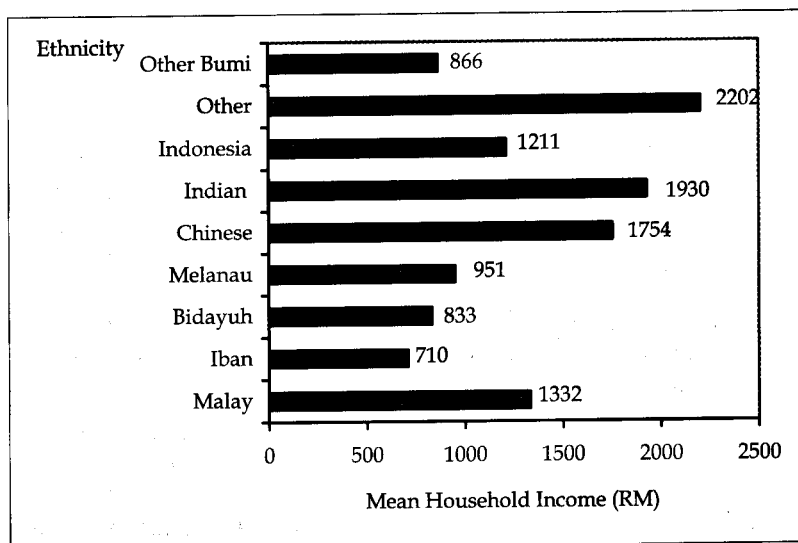


Chart 7: Sarawak – Mean Household Income by Ethnicity, 1990

Table 6: Sarawak and Malaysia – Income Inequality Ratio and Gini Coefficient, 1990

	Mean Income (RM)	Ratio				Gini Coefficient
		(a) Sarawak Chinese: Various Ethnic Groups	(b) Sarawak Malays: Various Ethnic Groups	(c) Malaysian Bumiputera: Various Ethnic Groups	(d) All Malaysia: Various Ethnic Groups	
<b>Sarawak</b>						
• Malay	1332	1.32	1.00	0.73	0.88	0.4317
• Iban	710	2.47	1.88	1.36	1.65	0.3626
• Bidayuh	833	2.11	1.60	1.16	1.40	0.368
• Melanau	951	1.84	1.40	1.02	1.23	0.4394
• Chinese	1754	1.00	0.76	0.55	0.67	0.3898
• Indian	1930	0.91	0.69	0.50	0.61	0.3626
• Other	2202	0.80	0.60	0.44	0.53	0.3897
• Other Bumiputera	866	2.03	1.54	1.12	1.35	0.3882
• Indonesia	1211	1.45	1.10	0.80	0.97	0.3276
<b>Peninsular Malaysia</b>						
• Bumiputera	939	1.87	1.42	1.03	1.24	0.4293
• Chinese	1582	1.11	0.84	0.61	0.74	0.4227
• Indian	1198	1.46	1.11	0.81	0.98	0.388
<b>Malaysia</b>						
• Bumiputera	967	1.81	1.38	1.00	1.21	0.4293
• All	1169	1.50	1.14	0.83	1.00	0.4421

Source: Calculation by author based on data from MAPEN II (Table 2.57).

Undoubtedly, the NEP and NDP have succeeded in increasing Malay household mean income, but these policies are also partly responsible for the high inequality within the *bumiputera* community in the state. Income inequality is the highest among Melanau and Malay households as depicted by their gini coefficient of 0.4394 and 0.4317 respectively.

## **Employment**

Another major NEP strategy is employment restructuring. As discussed earlier, the NEP targeted that by 1990 (Malaysia 1975, Table 4.4; Malaysia 1980, Table 3.10) there will a decline in *bumiputera* employment in the primary sector from 67.6 percent in 1970 to 61.4 percent in 1990. NEP also targeted for an increase in the share of *bumiputera* involvement in secondary employment from 30.8 percent in 1970 to 51.9 percent in 1990. The NEP also targeted an increase in the share of *bumiputera* in tertiary employment from 37.9 percent in 1970 to 48.4 percent in 1990.

One way of employment restructuring is through the creation of new jobs in public organizations and absorbing *bumiputera* into them. Since the implementation of the NEP, there has been a tremendous growth of public sector employment. Wong (1983) estimated that the total number of employees in the Malaysian public sector grew by an average of about 5 percent per year from 1970 to 1987. Since the implementation of the NEP, the public sector became Malaysia's biggest employer. The NEP period also saw the creation of new employment opportunities in statutory bodies, which represent the State's direct participation in economic activities. One of the main objectives of these statutory bodies was to increase *bumiputera* participation in business management. As a result, management level posts were increasingly created within these statutory bodies to absorb as many qualified *bumiputeras* as possible. In Malaysia, between 1970 to 1985, three quarters of new public service jobs went to Malays. There are evidence (Ling et al. 1988; Malaysia 1986: 102), which show that among bureaucrats holding the most senior government posts, 80 percent were Malays and 6.3 percent Chinese. Although there is no available data for Sarawak, an examination of the list of senior government officers in the state and statutory bodies reveals a similar trend. It is only in the police, armed forces and resident/district offices do we see a better representation of other ethnic groups.

Based on data presented in Tables 7 and 8, one can see that *bumiputera* share of non-agricultural employment and professional occupation have not increased along the lines of the NEP targets. Despite of the Government's effort to restructure employment, the *bumiputera* in Sarawak continue to predominate the primary sector and low-income jobs. In 1990, 66.5 percent of *bumiputera* minority worked as agriculture,

husbandry and forestry workers as compared to 29.9 percent of total Malays and 15.0 percent for all Chinese (Table 8). Also, *bumiputera* minority participation in the professional and technical occupation is relatively low (4.6%) as compared to the Malays (12.7%) and Chinese (9.8%). In terms of industries, it is evident from Table 10 that the majority (68.3%) of the *bumiputera* minority are concentrated in the agriculture, forestry and fishing industry. There is very limited *bumiputera* minority involvement in the more lucrative sectors such as manufacturing, construction, and wholesale and retail trade.

Table 7: Sarawak – Employed Population by Occupation and Ethnicity, 1991 (Percentage)

Occupation	Malays	Chinese	Others	Non-Malaysian	<i>Bumiputera</i> Minority
Professional, technical and related workers	12.7	9.8	16.6	8.9	4.6
Administrative and managerial workers	0.8	3.1	0.9	1.3	0.2
Clerical and related workers	12.2	13.6	9.5	0.7	4.2
Sales workers	5.3	18.3	6.5	2.1	1.7
Service workers	15.8	8.0	14.5	4.7	6.7
Agricultural, animal husbandry and forestry workers, fisherman and hunters	29.9	15.0	27.1	43.2	66.5
Production and related workers, transport equipment operators and laborer	23.2	32.0	24.8	39.0	15.9
Activities inadequately described	0.1	0.1	0.0	0.1	0.0
Unknown activities	0.1	0.2	0.1	0.1	0.1
Total	100	100	100	100	100

Source: Malaysia (1991) *Population and Housing Census*.



Table 8: Employed Population by Industry and Ethnicity, Sarawak, 1991 (Percentage)

Industry	Malays	Chinese	Others	<i>Bumiputera</i> Minority
Agricultural, forestry, hunting and fishing	29.5	19.9	26.9	68.3
Mining and quarrying	0.7	0.7	0.8	0.9
Manufacturing	10.4	11.2	9.0	5.7
Electricity, gas and water	1.1	0.9	1.1	0.4
Construction	5.7	9.9	8.4	5.6
Wholesale and retail trade and restaurants and hotels	9.2	26.0	10.4	3.7
Transport, storage and communication	3.9	5.3	4.2	1.7
Financial, insurance, real estate and business services	2.5	4.7	2.4	0.9
Community, social and personal services	35.9	19.5	36.1	12.5
Activities inadequately described	0.6	1.3	0.4	0.2
Industry unknown	0.4	0.6	0.3	0.1
Total	100.0	100.0	100.0	100.0

Source: Malaysia (1991) *Population and Housing Census*.

Data from Tables 7 and 8 show that the NEP has achieved limited success towards achieving its objective of restructuring employment to eliminate the identification of ethnicity with employment. More important, this data clearly shows that the *bumiputera* minority community still has a long way to go before they can stand on equal footing with other Malaysians.

### Wealth Restructuring

As part of its strategy to restructure society, the NEP sought to restructure wealth. This strategy involves the restructuring of corporate assets, physical capital (machinery, real estate) and human capital. The restructuring of ownership and control of the corporate sector is the paramount objective of the NEP's wealth restructuring strategy. The government sets a target that within a period of twenty years (1971–1990), the *bumiputera* would own at least 30 percent of corporate equity and control of companies.

One indisputable fact is that the federal and state government have done much to uplift *bumiputera* economic position (Madeline 2002). Despite various government assistance and programs to assist *bumiputera*, they managed to control only 19.3 percent of total share capital in 1990 and 19.4 percent in 1998 (Table 9). Clearly, *bumiputera*'s share fell below the targeted 30 percent, but there was a marked increase (average annual growth rate of 11.5%) in individual and *bumiputera* institutions' share of corporate wealth during the 20-year period. One can attribute this dramatic increase in *bumiputera* wealth ownership to the NEP and direct government involvement in providing assistance to *bumiputera* entrepreneurs. Undeniably, such an achievement may not be possible without the NEP.

What has been the impact of wealth restructuring on the *bumiputera* community in Sarawak? The *bumiputera* ownership of corporate wealth has increased markedly, but sufficient evidence shows that the *bumiputera* minority community had achieved very limited success in corporate ownership. To ascertain *bumiputera* minority ownership of corporate assets, I analyzed and tested empirically data of companies listed in the Kuala Lumpur Stock Exchange (KLSE 2000).<sup>6</sup>

Until 20 June 2001 there were 809 companies<sup>7</sup> listed in the KLSE with a listed nominal value of RM175,500 million and a listed market valuation of RM403,495 million. Of the total, I identified 28 companies are either owned by Sarawakians or registered in Sarawak.<sup>8</sup> Of these 28 companies, 16 companies were registered in the main board and the remaining 12 companies were registered in the second board of the KLSE. Collectively, Sarawak-based companies represented 3.4 percent of total public listed companies in Malaysia.

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<sup>6</sup> See KLSE on Disc: Vol. 2, No. 1. This data contains a comprehensive list of all corporations that are KLSE members. It includes companies registered in Malaysia and elsewhere.

<sup>7</sup> A total of 512 companies were listed in the main board and the remaining 297 companies were listed in the second board.

<sup>8</sup> The public listed companies were classified as 'Sarawak-owned/based companies' based on their registered address in Sarawak.

Table 9: Malaysia – Ownership of Share Capital (at par value) of Limited Companies, 1970, 1990 and 1998 (percentage)

Nationality	Year			NEP Target
	1970*	1990**	1998***	1990
<i>Bumiputera</i>	2.4	19.3	19.4	30.0
• Individuals and <i>Bumiputera</i> Institutions	1.6	14.2	17.7	
• Trust Agencies	0.8	5.1	1.7	
<i>Non-Bumiputera</i>	32.3	46.8	41.1	40.0
• Chinese	27.2	45.5	38.5	
• Indians	1.1	1.0	1.5	
• Others	-	0.3	1.0	
<i>Nominee Companies</i>	2.0	8.5	7.7	30.0
<i>Foreigners</i>	63.3	25.4	31.8	

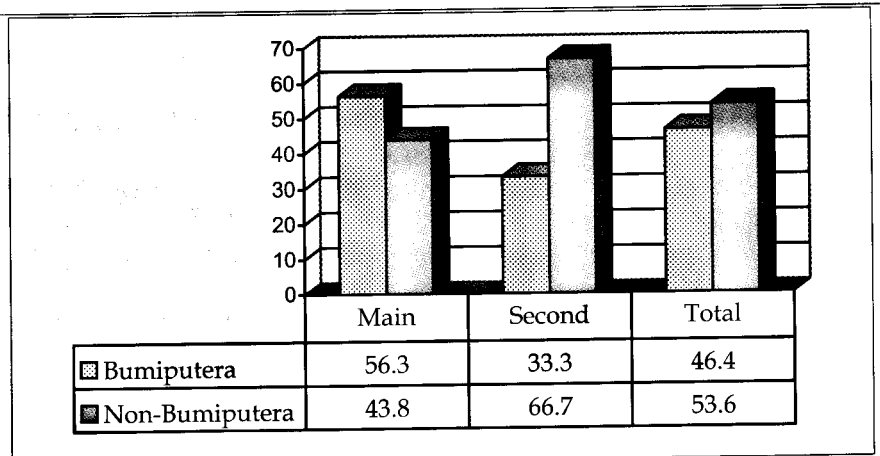
Source: \* Third Malaysia Plan, Table 9-9

\*\* Seventh Malaysia Plan, Table 3-5

\*\*\* Mid-Term Review Seventh Malaysia Plan, Table 3-9

An analysis of ownership of Sarawak public listed companies according to ethnicity reveals the following trend. Of total Sarawak-owned/based companies, 46.4 percent are *bumiputera*-owned and 53.6 percent are non-*bumiputera*<sup>9</sup> (see Chart 8). There is a higher percentage of *bumiputera* compared to non-*bumiputera* owned companies in the main board. The situation is reversed in the second board whereby there is a higher percentage of non-*bumiputera* compared to *bumiputera*-owned companies.

<sup>9</sup> In this paper, a company is classified as '*bumiputera*-owned' or 'non-*bumiputera* owned' company based solely on the ethnic background of the Chairman. The classification is not based on the equity share larger than 50 percent.



Note: Figures refer to column percentages.

Chart 8: Percentage Distribution of Sarawak-Owned/Based Companies according to Ethnicity, 2000

These Sarawak-based companies registered a total paid-up capital of RM5,010,831,747. The *bumiputera*-owned companies even had a relatively higher paid-up capital compared to the non-*bumiputera*. On average the *bumiputera* owned companies registered a total paid-up capital of RM257.3 million compared to RM110.9 million for the non-*bumiputera* owned companies. The huge paid-up capital is partly due to the high involvement rate of *bumiputera* in industrial products, such as industrial gases, ready-mixed concrete manufacturing, cement and plastic manufactures (KLSE 2000).

Evidently, the *bumiputera* community in Sarawak is capable of owning and controlling public listed companies (PLCs). This clearly indicates that the government’s BCIC program have succeeded in creating middle-class *bumiputera* entrepreneurs in the Sarawak. The next pertinent question is: how many public listed companies in Malaysia are owned and controlled by the *bumiputera* minority?

My analysis of companies registered with the KLSE shows that none of the 28 Sarawak-owned/based PLCs had a Bidayuh, Iban or Orang Ulu as its Chairman indicating that all the *Bumiputera* companies were either owned, chaired or registered to Malays, Melanau and Chinese. In the absence of additional information (such as *bumiputera* minority equity

share in these PLCs) it is safe to say that the Iban, Bidayuh and Orang Ulu did not control nor own any corporate assets and wealth. So far the Bidayuh, Iban and Orang Ulu only served as members of board of directors in these public listed companies. Even then, their numbers are less than ten. Sarawak *bumiputera* participation in the corporate sector have improved tremendously since the implementation of the NEP. Upon closer examination, the NEP and NDP failed to develop let alone strengthen *bumiputera* minority equity ownership and control of at least 30 percent of companies in Malaysia. Suffice to say, the closest that the *bumiputera* minority got to achieving the 30 percent objective is through their investment in PNB's *amanah saham* and *Amanah Saham Sarawak*. The government recognizes such inequality, and had taken remedial steps by issuing policy statements in the Eighth Malaysia Plan (2000:76): "...special attention will be given to increase equity ownership among *bumiputera* in Sabah and Sarawak such as the Kadazandusun, Iban, Bajau, Murut, Bidayuh, Melanau and other *bumiputera* minorities".

While Iban, Bidayuh and Orang Ulu ownership of corporate equity is non-existent, their involvement in private limited companies are relatively higher. Based on companies registered by Registrar of Companies (ROC) and Registrar of Business (ROB)<sup>10</sup> it is evident that the *bumiputera* have started to move away from their traditional economic activities into the commercial sector. Data in Chart 9 shows that the non-*bumiputera* owned 75.7 percent of registered companies suggesting their strong presence in the commercial sector in Sarawak.

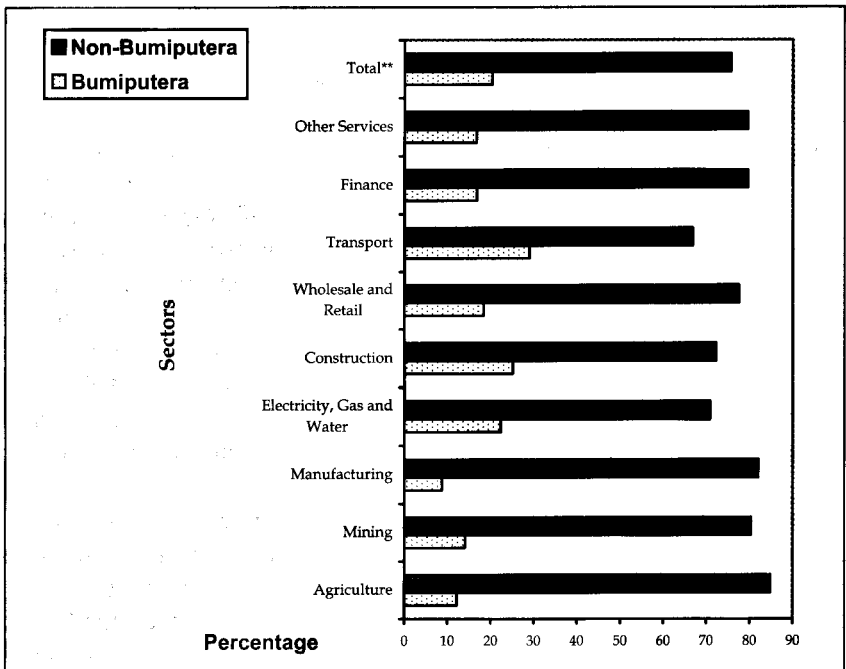
It is also useful to analyze the impact of NEP ownership restructuring objectives at the sectoral level. Census data shows that the *bumiputera* are mostly involved in the agriculture sector. Their involvement, however, are mostly limited to traditional farming and small-scale production. The *bumiputera* appear to have penetrated the food sector. Data in Table 10 shows that *bumiputera* entrepreneurs owned 33.88 percent of food products in the State. This data, however, has to be interpreted with caution because *bumiputera* equity ownership in this sector tends to be dominated by trustee companies, such as Bintulu

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<sup>10</sup> This list does not contain all *bumiputera* companies registered in ROC and ROB. This discussion is based on an analysis of 2088 companies provided by ROC and ROB. The objective of this discussion is to give an impression of the companies included in the list.

Edible Oils Sdn. Bhd. (78% owned by Sarawak Land Development Board).

In the wood-based sector, the majority of *bumiputera* are employers or laborers rather than entrepreneurs. The Population Census 1991 estimated that 79.8 percent of those in the wood-based sector were employed as forestry workers. When compared to other ethnic groups, the Iban appear to have the highest percentage (88.9%) of forestry workers. Of total 220 mills in Sarawak, only 10.6 percent belonged to *bumiputera*. The highest concentration of *bumiputera* is in woodworking and furniture.



Note: \* A company is classified as 'bumiputera-owned' or 'non-bumiputera owned' company based solely on the ethnic background of the Chairman. The classification is not based on the equity share larger than 50 percent.

\* The total figure does not add to 100 percent because this table does not include data on foreign and joint-venture companies.

Source: Adapted from James Dawos Mamit (2002: Table XIII)

Chart 9: Sarawak – Distribution of *Bumiputera* Companies according to Commercial Activities registered by ROC, 1997 (%)

Table 10: Sarawak – Percentage of Equity Ownership in Selected Food-Based Sector, 1996

Product	Nationality		
	<i>Bumiputera</i>	Non- <i>Bumiputera</i>	Foreigners
Cooking oil	29.89	65.63	4.48
Food	33.88	44.58	21.54
Beverages	0.91	3.06	96.03

Source: James Dawos Mamit [2002: 2(e)]

In the more lucrative oil and gas sector, the majority of the *bumiputera* companies are engaged in plant maintenance services, marine services, building and structural works, mechanical and instrumentation works, and office and site maintenance services. One business activity, which the *bumiputera* community is able to penetrate is the management of Petronas service stations. In 1998, of a total of 29 service stations in Sarawak, 25 stations were managed by *bumiputera* (Table 11).

Table 11: Sarawak – Number of Petronas Gas Stations, 1998

Towns	Ethnicity	
	<i>Bumiputera</i>	Non- <i>Bumiputera</i>
Kuching	11	2
Bintulu	2	0
Miri	4	0
Sibu	4	2
Serian	1	0
Limbang	1	0
Lundu	1	0
Sapoh	1	0
Total	25	4

Source: Petronas

Sarawak experienced rapid expansion in its manufacturing sector, especially after 1993. One of the main reasons for the critical jump in manufacturing in 1993 was due to federal government initiatives to stimulate the movement out of labor-intensive firms from the Western corridor to Eastern Peninsular Malaysia and Sabah and Sarawak. Whilst structural changes have taken on new dimensions from 1993, industrialization in Sarawak is still resource-based. Table 12 shows that

wood and wood products have remained the main manufacturing industries between 1995–1998. Of all the manufacturing projects approved during 1995–1996 period, *bumiputera* equity ownership is highest in transport (72.7%) followed by paper products, printing and publishing (65.6%). Between 1997–1998, *bumiputera* equity ownership in other sectors increased.

Table 12: Sarawak – Equity Structure of Manufacturing Projects Approved, 1995–1998

Industry	1995–1996		1997–1998	
	Total Equity (RM'000)	<i>Bumiputera</i> Equity (%)	Total Equity (RM'000)	<i>Bumiputera</i> Equity (%)
Food & Beverages	4,634	21.6	1,915	37.3
Wood & Products	12,199	35.8	121,545	2.6
Furniture & Fixtures	12,751	30.3	12,598	36.1
Paper products, printing & publishing.	1,600	65.6	2,085	88.0
Chemical & products	1,550	45.2	1,630	30.6
Rubber products	370	0.0	200	0.0
Plastic products	3,395	21.8	2,160	53.1
Non-metallic minerals	3,620	17.3	6,240	48.1
Architectural metal products	6,071	20.6	14,143	29.7
Machinery	369	22.7	5,800	73.8
Electrical & electronic	3,036	46.7	2,523	35.4
Transport equipment	5,610	72.7	1,210	0.0
Warehouse & godown	26,020	19.6	4,920	59.1
Others	200	25.0	n.a	n.a
Total	81,425	28.8	176,978	15.3

Source: James Dawos Mamit (2002: Table V)

In the manufacturing sector, the majority of firms in Sarawak are small-scale (65.7%). Table 13 shows that there is a higher percentage of non-*bumiputera* operating small-scale firms (67.8%) compared to *bumiputera* (52.4%). Of total manufacturing firms included in this analysis, only 9.1 percent are *bumiputera*-owned indicating that the manufacturing sector in Sarawak is heavily controlled by non-*bumiputera*.



Table 13: Sarawak – Size of Establishments according to Existing Paid-Up Capital and Ethnicity

Firm Size	<i>Bumiputera</i>		Non- <i>Bumiputera</i>		Total
	Number	%	Number	%	
Small (Less than or equal RM0.5 million)	33	52.4 (6.0)	457	67.8 (94.0)	490 (100.0)
Medium (RM0.5 and less than RM2.5 million)	17	27.0 (1.3)	131	19.4 (88.7)	148 (100.0)
Large (More than or equal RM2.5 million)	10	15.9 (20.0)	40	5.9 (80.0)	50 (100.0)
Non-Response	3	4.8	46	6.8	7.0
Total	63	100.0 (9.1)	674	100.0 (97.9)	688 (100.0)

Note: Figures in bracket refer to row percentages

Source: Strategic Industrialization Programmes and Database for Small and Medium Industries in Sarawak, Vol. 1, 1995

An analysis of the types of manufacturing establishments by equity in Sarawak reveals a high concentration of small- and medium-scale industries in three sectors, namely wood and wood products (37.1%); food, beverage and tobacco (18.1%); and fabricated metal products (17.4%). In 1995, the Chinese controlled 90.2 percent of manufacturing establishments in the state. The *bumiputera* only has 15.3 percent of equity share in the manufacturing sector. While this data is only for 1995 it is reasonable to say that the trend has not changed much until now given the fact that the majority of approved manufacturing projects are owned by non-*bumiputera*.

One sector where *bumiputera* presence is more prevalent is construction. At the national level, about 82.7 percent of total contractors registered with Pusat Khidmat Kontraktor (PKK) in 1999, are *bumiputera* (Kementerian Pembangunan Usahawan 2000: 89). In the case of Sarawak the percentage is lower (21.6%) for contractors. The majority of *bumiputera* are class EX and F. Less than 10 percent contractors managed to qualify for class B and A (Tables 14 and 15). The high concentration of *bumiputera* in the class EX and F suggest their inability to upgrade to the higher category, thus securing larger-scale and more

lucrative projects. Also, these small-scale contractors have to compete with each other and non-*bumiputera* for contract works. One direct impact of the NEP is the implementation of the Program Kontraktor Berdikari, whereby *bumiputera* contractors in the state were 'adopted' and tenders were awarded to class EX and F based on direct negotiation basis. These programmers and direct negotiated projects may have assisted small-scale contractors and suppliers to acquire profits and survive in the short-run. But, in the long-run, such programmers can have a negative effect on the sustainability and survival of *bumiputera* contractors.

Table 14: Sarawak – Number of *Bumiputera* Contractors and Suppliers by Class

Class	Contractors				Suppliers			
	Non- <i>Bumiputera</i>	<i>Bumi-putera</i>	Total	% share of <i>Bumiputera</i>	Non- <i>Bumiputera</i>	<i>Bumi-putera</i>	Total	% share of <i>Bumiputera</i>
A	101	11	112	9.82	101	11	112	9.82
B	76	6	82	7.32	294	23	317	7.26
BX	88	13	101	12.87	0	0	0	0.00
C	179	31	210	14.76	506	56	562	9.96
D	240	35	275	12.73	0	0	0	0.00
E	330	52	382	13.61	1	0	1	0.00
EX	607	129	736	17.53	0	0	0	0.00
F	1404	559	1963	28.48	1	0	1	0.00
Total	3025	836	3861	21.65	903	90	993	9.97

Source: James Dawos Mamit (2002: Table V)

Table 15: Sarawak – Number of Supplier by Head (Supplies and Services)

Head	Name	Non- <i>Bumiputera</i>	<i>Bumiputera</i>
i.	Civil Engineering	233	28
ii.	Mechanical/electrical	373	31
iii.	Plants equipment	100	17
iv.	Water supply materials	319	44
v.	Office machines/equipment	252	28
vi.	Supplies and others	201	33
vii.	Chemical and materials	114	10

Head	Name	Non- <i>Bumiputera</i>	<i>Bumiputera</i>
viii.	General Supply	148	25
ix.	Charter services/printing	0	0
	Total	1750	216

Source: James Dawos Mamit (2002: Table II)

There is also limited *bumiputera* participation in the services sector. Less than 5 percent of hotels in Sarawak are owned by *bumiputera* (Table 16). One of the main reasons for low *bumiputera* involvement in the hotel business is high cost and stiff competition from non-*bumiputera*. The number of *bumiputera* owning travel and tour agencies is relatively higher. Of total (150) agencies, 30 percent belonged to *bumiputera*.

Table 16: Sarawak – Ownership of Hotel Business by Ethnicity, 1996–1997

Year	No. of Hotels	Hotel Owner			
		<i>Bumiputera</i>		Non- <i>Bumiputera</i>	
		Number	%	Number	%
1996	184	9	4.8	175	95.2
1997	208	10	4.8	198	95.2

Source: Pejabat Pendaftaran Pelesenan Penguatkuasaan Pelancongan Wilayah Sarawak

Table 17: Sarawak – Number of Travel and Tour Agencies, 1997

Ethnicity	Number	%
<i>Bumiputera</i>	45	30
Non- <i>Bumiputera</i>	105	70
Total	150	100

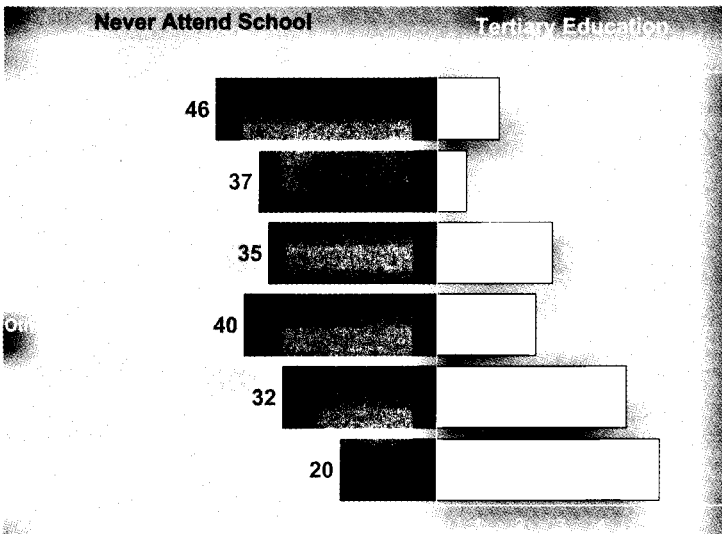
Source: Pejabat Pendaftaran Pelesenan Penguatkuasaan Pelancongan Wilayah Sarawak, Jun 1998

## Human Capital Development

A key component of NEP is the restructuring of human capital by means of a comprehensive strategy of employment restructuring. In order to prepare *bumiputera* for employment in the modern sector, the government launched massive investment in the development of human resources. This was done through an expanded system of higher education and scholarships for university studies locally and abroad. Did

the *bumiputera* minority benefit from the vast expansion in university openings and government scholarships, both locally and abroad? To answer this question, one must examine *bumiputera* educational attainment.

Despite massive government investment in human resource development under the NEP, 46 percent of Iban, 37 percent of Bidayuh, 35 percent of Melanaus, and 40 percent of other *Bumiputera* never attended school in 1991. Only 1.5 percent of Iban, 0.7 percent of Bidayuh, 2.8 percent of Melanaus and 2.4 percent of other *bumiputera* attended tertiary education.



Source: Sarawak Population Census 1991

Chart 10: Distribution of Population by Education according to Ethnicity, 1991 (%)

There are several reasons for the relatively low educational achievement of *bumiputera* minority. One of the major contributing factors is the high incidence of school dropout rates among *bumiputera* minority students. Between 1991 to 1997, it was reported that 68,000 student in Sarawak failed to continue their education up to Fifth Form (Utusan Sarawak, February 12, 2000). The majority of them are *bumiputera* minority students. Clearly, the immediate challenge to *bumiputera* community will be to keep students in school.

Another pertinent issue relates to examination performance among *bumiputera* students. Despite the government's effort, the trend in examination performance, particularly among the *bumiputera* minority community is a source of serious concern. In the absence of official data, an analysis of news reports revealed that there is a relatively high percentage of *bumiputera* students, particularly in the interior areas did not obtain grades A and B in critical subjects – Mathematics, English and Science – in their Ujian Penilaian Sekolah Rendah (UPSR) examinations. The majority of them obtained grades D and E. In contrast, the majority of *bumiputera* students seem to be performing well in subjects such as Living Skills, which involve agriculture, carpentry and welding. *Bumiputera* minority poor educational performance in critical subjects often hindered them from entering premier educational institutions or pursuing programs conducted by the Ministry of Education.<sup>11</sup> Due to their poor examination performance, *bumiputera* minority students face difficulties getting accepted into Majlis Amanah Rakyat (MARA)'s education program<sup>12</sup> – the one institution created by the Government with the sole purpose of assisting *bumiputera*.

In terms of tertiary education, data in Table 18 shows that student enrolment into public institutions of higher learning, Institut Pengajian Tinggi Awam (IPTA) reflects the existing university entry quota of 55 percent for *bumiputera* and 45 percent for non-*bumiputera*. However, the percentage of non-*bumiputera* in private institutions of higher learning, Institut Pendidikan Tinggi Swasta (IPTS) is much higher (85.0%) compared to *bumiputera* (15.0%). Given the poor examination performance and high dropout rates among the *bumiputera* minority, one can expect their selection into foreign universities on government

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<sup>11</sup> The Ministry of Education conducted *Program Matrikulasi Sains* (pharmacy, medicine), *Program Matrikulasi Teknologi* (engineering), and *Program Matrikulasi Sains Pengurusan* (accountancy). In 1999, the total number of students enrolled in these programs are 25,302 (Kongress Ekonomi *Bumiputera* Keempat, 1999: 308).

<sup>12</sup> MARA's educational institutions included Maktab Rendah Sains MARA, Kolej MARA, Institut Kemahiran MARA, Institute Kemahiran Tinggi MARA (German-Malaysia Institute, Malaysia-French Institute, British-Malaysia Institute, Japan-Malaysia Institute), Maktab Sains MARA or Kolej Profesional MARA. In 1995, a total of 30,916 *Bumiputera* were enrolled into these institutions.

scholarship<sup>13</sup> and enrolment into the highly competitive IPTA, to be low. Their examination performance may qualify them to enter IPTS, but many were prevented from pursuing or completing their tertiary education in those institutions because the majority of *bumiputera* minority (particularly those from rural areas) does not have the financial means or sufficient information on sources of educational assistance.

Table 18: Malaysia – Student Enrolment into IPTA and IPTS according to Ethnicity, 1998

Institutions of Higher Learning	<i>Bumiputera</i>		Non- <i>Bumiputera</i>		Total
	Number	%	Number	%	
Public (IPTA)	75,178	55.0	61,511	45.0	136,869
Private (IPTS)	28,000	15.0	154,000	85.0	182,000
Total	101,178	32.0	215,511	68.0	318,869

Source: Malaysia, Mid Term Review, Seventh Malaysia Plan

Another related issue is the enrolment of *bumiputera* minority students into degree programs that can hardly prepare them for employment in lucrative economic sectors. An analysis of students enrolled at IPTA reveals a high concentration of *bumiputera* minority in the social science compared to the science faculties. Even in the social science faculties, the majority of them are enrolled in degree programs that have low market demand, such as history, public administration, geography, literature, political science, sociology and anthropology. There is only a small percentage of *bumiputera* minority enrolled in faculties offering science, technical and professional courses such as accounting, law, economics, engineering, architecture, medicine and computer science.

Clearly, the major issue regarding *bumiputera* minority education is not only of poor academic performance but also of access in terms of entry into universities, distribution of scholarships and enrolment in science and professional degree programs. Consequently, this situation will to some extent impede the development of skilled manpower among the *bumiputera* minority.

The following section summarizes the key issues emerging from discussions and analysis in the earlier sections. It will be followed by some policy recommendations to address some of the pertinent issues

<sup>13</sup> In 1998, the Malaysian government offered scholarships or loans to 14,518 students to pursue their education in foreign universities.

confronting *bumiputera* and *bumiputera* minority socio-economic development.

## NEP AND NDP: A REASSESSMENT?

It is useful at this point to reexamine the NEP and NDP in the light of present situation. The key arguments in this paper are that although the *bumiputera* minority forms the largest *bumiputera* community in Sarawak, they have not benefited as much as other Malaysians from the implementation of the NEP and NDP. One cannot deny that the federal government in general and state government in particular, have done a lot to eradicate poverty and restructure society. Sufficient evidence showed that the government has succeeded in reducing poverty by increasing *bumiputera* and *bumiputera* minority income level. However, the government has achieved limited success in redistributing wealth to the *bumiputera* minority as reflected by their limited control and ownership of physical capital (machinery, real estate), corporate assets and human capital (skill and education). Unlike the Chinese who have long been concerned with the erosion of their economic interest, the *bumiputera* minority are only beginning to realize that they do not have much economic interest to protect even after more than 30 years since the government implemented the pro-*bumiputera* economic policies. This paper also shows that the NEP strategy of equity restructuring by trusteeship has resulted in an increase of *bumiputera* wealth, but it is mostly concentrated in certain *bumiputera* groups and individuals.

A close examination of Malaysia's development policies, particularly the NEP and NDP reveals that it was articulated as a solution to inter-ethnic problems. Even after the NEP and NDP eras have ended in 1990 ethnicity was and continue to be the cornerstone of Malaysia's economic policy as reflected in subsequent policies; the NDP and NVP. Initially, the policy appears attractive. The pro-*bumiputera* (Malay) economic policy of distributing income appeared to be coherent and succeeded in the initial years, because the majority of poor are *bumiputera*. As Malaysia becomes developed, one needs to question the validity of continuing the articulation of Malaysia's economic policy in the political rhetoric of inequality. The widening economic gap within the *bumiputera* community as well as the emergence of cross-cutting cleavages in society necessitate a reexamination of Malaysia's current economic policies.

Clearly, the bigger challenge to the government is no longer inter-ethnic disparity but that of intra-ethnic, particularly between the *bumiputera* minority and Malays (see Madeline 1998, 2000, 2001; Bilson 2001; Jayum 2000). The government itself recognizes this fact, as implicitly cited in the objectives of the NDP (2001).

In the NEP years, the focus was on the reduction of the gaps among ethnic groups, rural and urban dwellers, and income groups. However, under NDP, reducing intra-ethnic income gaps also became an objective. But no specific numerical targets were set for any of those objectives.

The existence of intra-*bumiputera* inequality suggests that deeper division amongst the *bumiputera* community has emerged, implying that there emerged diverse and conflicting interests within the *bumiputera* community itself. By focusing on inter-ethnic inequality, current policies will lead to widening inequality within the *bumiputera*; the very community that these policies aim to support and protect, and give 'preferential treatment'. Continued use of ethnicity as the foundation of economic policy is no longer coherent. Continuing the pro-Malay oriented economic policy would apparently lead to internal contradictions and tension within the *bumiputera* community.

In Sarawak, it was the Malays and the Chinese who benefited the most from the economic growth during the NEP and NDP period. Government policies appear to be bias against *bumiputera* minority in public sector employment and business support. Government employment and wealth restructuring programs achieved limited success in increasing *bumiputera* minorities in the management and administrative occupational category. While an increasing number of *bumiputera* have entered the modern and lucrative economic sectors in Malaysia, the fact remains that economic growth during the NEP and NDP period, did not equally benefit the majority of *bumiputera* minority. The *bumiputera* minority continues to predominate at the rural sector. For those who managed to migrate to the urban areas, the majority worked in the lower rungs of the occupational ladders, such as clerical staffs, salespersons, coffee-shop waiters/waitresses, and cashiers in supermarkets. Undeniably, some *bumiputera* minority managed to seek employment in the lucrative oil and gas industry, and construction companies.



More glaring is the failure of the *bumiputera* minority to own corporate equity. One can say that the sectoral restructuring of the NEP and NDP flowed only one way. These two policies succeeded in moving the Malays into urban commercial sectors where they were underrepresented but hardly succeeded in moving the *bumiputera* minority out of sectors where they were over-represented (agricultural).

The gradualist approach of the government toward *bumiputera* minority economic development, if not properly addressed can and will frustrate the nascent *bumiputera* minority businessmen, graduates and bureaucratic group who felt they have not benefited from the policies that were designed to uplift them. A content analysis of discussions on web-sites such as Randauruai reveal that some *bumiputera* minority are even fearful that they and their children will face more diminished opportunities in the future. Some were resentful of the fact that their community continued to receive much less than what they desire and believe they deserve. The NEP and NDP may have achieved limited success in achieving the economic restructuring objectives of the NEP, but it generated greater *bumiputera* expectations of their rights, entitlements and privileges, thus sowing the seeds of inter- and intra-ethnic resentment at the same time (Jomo and Wee 2002).

In my opinion, there are various reasons accounting for the limited impact of the NEP and NDP policies on *bumiputera* minority community. Firstly, the NEP was conceived by UMNO, formulated based on the 1969 racial riots and events which happened in Peninsular Malaysia and later imposed on Sabah and Sarawak where the race riots were largely irrelevant. The NEP was conceived to advance Malay economic well-being and narrow the income-gaps between the Malays (*bumiputera*) and Chinese in Peninsular Malaysia. Input from Sabah and Sarawak, particularly non-Malays *bumiputera* such as the Dayak is almost non-existent. In fact, there were more input from the Chinese as compared to the *bumiputera* minority in the NEP when it was conceived. Such input came from top Chinese bureaucrats, business leaders and the politicians. One can say that the NEP was conceived and formulated based on the needs of the Malays to advance Malay economic well-being, and the Chinese input to safeguard their economic interest.

Secondly, the underlying objectives of the NEP was to address inter-rather than intra-ethnic inequality. In the words of the former Prime

Minister (Mahathir 1998:3 cited by Tan Wooi Syn, 2002: 2), “The NEP ... was not concerned with making all the *bumiputeras* earn equally, or share equally the wealth distributed amongst them”. For the Prime Minister, the NEP was formulated to establish equity between races and not between classes of people.

The third factor is related to the way the government classify the various ethnic groups in this country into *bumiputera* and non-*bumiputera*. The Malays and the indigenous communities of Sabah and Sarawak are classified as *bumiputera*. Such classification gave the impression that government policies are neutral – it has similar effect on *all bumiputera* groups irrespective of their ethnic background. This effect is most evident in official statistics where the less economically advantaged *bumiputera* minority are classified as *bumiputera* together with the more economically advanced Malays. Metaphorically, one can say that the *bumiputera* minority is statistically invincible. Owing to this classification and definitional ‘errors’ or problems, *bumiputera* minority achievement is either over- or understated, thus giving incorrect signals to policy-makers.

One can understand the reasons behind such classification ‘errors’. One plausible explanation is that major policies (NEP, NDP, NVP) were formulated by federal government officers (who are mostly Peninsular Malaysians) and based mostly on Peninsular Malaysia (Malays) socio-economic background, experiences and ethnic make-up. In plain term, one can summaries the thinking underlying federal government policies as such: “All Malays are *bumiputera* and all *bumiputera* are Malays”. These early policies fail to recognize that the *bumiputera* minority are not Malays, and as such they do not share the same economic, social, religious and cultural characteristics or (non) privileges as the Malays.

This paper calls for the government to recognize these differences and design policies targeted at the *bumiputera* minority directly rather than indirectly as part of the *bumiputera* community. A targeted and systematic approach is necessary given the fact that the *bumiputera* in general, and *bumiputera* minority in particular are still lagging behind the non-*bumiputera*. I am concerned that the *bumiputera* minority can survive and compete in the new liberalized and competitive environment because of the ‘uneven level of playing fields’. In the NVP era, the economic environment is both open and highly competitive, with limited

room for experiment or errors. It is an environment where only the “strongest”, the “most capable” and those with the education and requisite skills, will survive. The new economy is characterized by flexible production, innovation and knowledge-driven and digitization.

The state government has braced itself for the challenges and opportunities brought about by the new economy, as reflected by its policies, strategies, programmes and projects in the Eighth Malaysia Plan. During the Eighth Malaysia Plan and the NDP periods, the State is focusing on the development and promotion of new industries and technologies that focuses on biotechnology, agro-food processing, high-tech manufacturing, micro-electronics including Information and Communication Technology (ICT). The *bumiputera* community must equip themselves to participate effectively and benefit from the opportunities created by the New Economy.

Also, recently there is a trend towards addressing the widening gap between the *bumiputera* minority and other Malaysians. In the Eighth Malaysia Plan and the Third Outline Perspective Plan, the government had issued statements giving ‘special’ considerations to the *bumiputera* minority. Such statements, if not properly implemented, only look good on official planning documents. The extent to which the government is willing to give special treatment to the *bumiputera* minority has yet to be evaluated. Existing evidence, however, indicates that the government is making some efforts towards this end, as reflected by the recent budget allocations to assist *bumiputera* minority (2003 Budget). In Sarawak, the State government recognizes the need to address the economic and spatial imbalances as had being highlighted in its development agenda for 2000–2020 and the political speeches of the Chief Minister. The development agenda for 2000–2020 does not only focus on achieving the economic objective of high GDP growth, but it also focuses on social, politics and spatial. This development agenda reflects a move away from the narrowly defined objectives of the NEP and NDP, towards a more holistic approach to development in Sarawak. Such an approach by the State Government is highly commendable.

## CONCLUSION

By way of conclusion, I return briefly to the general question posed earlier on the impact of NEP and NDP on *Bumiputera* communities in Sarawak. This paper argues that the NEP and NDP have succeeded in reducing the incidence of poverty, but it is less successful in achieving its economic restructuring objectives. There is a need to re-examine the ethnic dimension in government economic policies. Such a re-examination is necessary given the widening gap within the *bumiputera* community. The challenge to Malaysian development policy on the *bumiputera* is the distribution of income and wealth not only between *bumiputera* and non-*bumiputera* but also within the *bumiputera* community. In this paper, allow me to reiterate these points I have made in my previous paper (Madeline 2002) that the foundation of a strong *Bangsa Malaysia* lies not with the reduction in absolute poverty but on the reduction in relative poverty. Also, the foundation of a resilient *Bangsa Malaysia* lies not with the concentration of physical, human and corporate wealth in the hands of a few privileged individuals and groups, but in the distribution of wealth to those individuals and groups who are economically disadvantaged. What Malaysia needs is not just a policy that is pro-Malay, but one which can eradicate relative poverty and redistribute wealth to achieve the principal objectives of NEP – bringing Malaysians together towards national unity.

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