

CHINESE DIASPORA IN MALAYSIA SINCE 1969

*Dissertation submitted to Jawaharlal Nehru University in
partial fulfilment of the requirements for the award of the degree of*

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SNEHA



**SOUTHEAST ASIAN STUDIES
CENTRE FOR SOUTH CENTRAL SOUTHEAST ASIAN AND
SOUTHWEST PACIFIC STUDIES
SCHOOL OF INTERNATIONAL STUDIES
JAWAHARLAL NEHRU UNIVERSITY
NEW DELHI-110067**

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DECLARATION

Certified that the dissertation entitled “**CHINESE DIASPORA IN MALAYSIA SINCE 1969**” submitted by me in partial fulfillment of the requirements for the award of the Degree of **MASTER OF PHILOSOPHY (M.PHIL)** has not been submitted for the award of any other degree of this or any other University.

Sneha
Sneha

We recommend that this dissertation be placed before the examiners for evaluation.

Prof. Ganganath Jha

(Chairperson)
CHAIRPERSON
Centre for South Central South East
Asian and South West Pacific Studies
School of International Studies
Jawaharlal Nehru University
New Delhi-110067

Prof. Ganganath Jha

(Supervisor)
SUPERVISOR
Centre for South Central South East
Asian and South West Pacific Studies
School of International Studies
Jawaharlal Nehru University
New Delhi-110067

To Maa & Papa

Thank You For Everything

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PREFACE

Malaysia, a former British colony is a modern multi-ethnic, multi-cultural and multi-religious nation made up of 'citizens' of diverse ethnic groups and cultures, speaking different languages and living within a territory with fixed boundaries, which they regard as their native land. Malaysia's population now stands at 23,274,677 according to July 2000 census. Accordingly, Muslim Malays comprised 65.1%, Chinese 26.0% and Indians 7.7% of the total population. In a way Malaysia is "Asia in microcosm" as it contains the three most important races and religion of Asia. One of the distinctive features of the Malaysian social system is the close link between Islam and Malaysian culture and politics.

Today, a Malaysian is a citizen of the federation, although they may be ethnically a Malay, a Chinese, an Indian, an Indonesian, a European or a member of some other ethnic group. A Malay, on the other hand is constitutionally defined as a person belonging to indigenous group which constitutes more than half of the Malaysian population. A Malay is distinguished by use of the Malay language and generally by practice of the Islamic faith.

The Chinese Diaspora has a multiplicity of national, political and class identities and a diversity of cultural and historical roots. Chinese Diaspora around Southeast Asian region has established themselves as self-regulating entities. It was done without the sponsorship and protection of the Chinese state. One of the persisting features of the Chinese Diaspora is their intense social mobility and constant transformation. The Chinese Diaspora made the breakthrough from the concentration in trade to prominent positions in finance and manufacturing of East and Southeast Asia since the seventies. The Chinese in Malaysia occupy a very sensitive position because of their dominant economic position. It is estimated that there are about 24 million ethnic Chinese communities spread throughout Southeast Asia, of which a major chunk is located in Malaysia.

In Malaysia, constitutionally all communities are equal but some are more equal than others. Multiculturalism as practiced in Malaya initially and in Malaysia subsequently

never gave 'equal status' and 'equal worth of citizens' because citizenship was exclusively or inclusively related to Malays only and not to other ethnic communities. The Affirmative Action made a clear cut division between Malays and non-Malays because it was introduced to the politically dominant group (i.e. Malays) to raise its economic status as against that of an economically more advanced minority (i.e. Chinese). Even the Constitution provided Malay language to be the National language (official language) which meant English, Chinese and Tamil would be relegated to an inferior position. Non Malays need to acquire work permits. Bahasa Malaysia as medium of instruction in primary schools and colleges also shows discrimination towards other languages. And thus the Chinese and Indian ethnic minorities are the ones who feel victimized by such policies and thus resulting in tensions between Malays and non-Malays. Though Chinese are playing major role in economy and politically representing itself in coalition government, yet they are being discriminated as minority by the ethnic Malays.

This research work represents a modest attempt to discuss the process of ethnic differences between different diasporic communities in Malaysia. The present research work apart from discussing the economic role played by Chinese in Malaysia also focuses on the Bhumiputra Policy taken in favour of ethnic Malays which is totally against their development.

The present study has been divided into five chapters. The First chapter discusses about the Malaysian population trend, its ethnic composition, religious patterns and contemporary history. It also deals with the meaning and contents of Diaspora and explains Chinese Diaspora in Malaysia.

The second chapter discusses the Malaysian policies towards different aspects of Chinese Diaspora since the racial riots which took place in Kuala Lumpur in 1969. The chapter also sees the developments of Chinese Diaspora and ethnic Chinese in Malaysia.

The third chapter focuses on the New Economic Policy which came into force in 1970 under Mahathir Mohammad. It also explains constitutional provisions regarding rights and responsibilities of Malaysian nationals.

The fourth chapter stresses on the political participation of Chinese in Malaysia and also briefs the different associations of ethnic-Chinese like Malaysian Chinese Associations (MCA), Democratic Action Party (DAP) and GERAKAN in Malaysia.

The Fifth chapter, in addition to giving a brief summary of the preceding chapters, will seek to evaluate the future of ethnic Chinese in Malaysia.

The present research work is based on the exploration of both primary and secondary sources covering official documents, reports and policy papers of Malaysian Government, as well as consulting the books and articles to this research.

Map of Malaysia



Source: www.asiamap.com

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Sneha
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New Delhi

15th July 2009

Chapter I

Introduction

THEORETICAL FRAMEWORK

The problem of definition arises whenever a new field of academic study is developed. The concept of 'Diaspora' has acquired a renewed importance in the modern era of globalization. The era of globalization has effected a change in the way the Diasporic community is viewed.

In the modernizing and highly interdependent nations where economic and social barriers are rapidly disappearing and in the context of advanced communication network, the role of the Diaspora has assumed significance.

Meaning of Diaspora:

Etymologically, the ancient word Diaspora derived from the Greek term *Diasperien* from 'Dia'(through) and 'Speiro' (to scatter) literally meaning 'scattering or dispersion'.¹ The term 'Diaspora' denotes "scattering of people with a common origin, background and beliefs".² with the enhanced interdependence between states, transnational relationship and contacts that have become significant.

According to *The Encyclopedia of Social Sciences (1931)* "Diaspora is a Greek term for a nation or part of a nation separated from its own state or territory and dispersed among other nation but preserving its national culture".³ The term 'Diaspora' is generally used to refer to those Jewish people who reside outside the Palestine. The connection of Diaspora maintains are symbolic. For scholars, the term 'Diaspora' combines various categories such as immigrants, guest workers, ethnic and radical minorities, refugees and travelers. Diaspora may be created as a community, as a result of voluntary or forced migrations mass exile, and by the emigration of economically depressed groups to other countries. Diaspora's cultural origin can be traced to their motherland and not to the country in which they resides. Recent changes in the world political order have caused large-scale movement of people in almost every region.

¹ www.uohyd.ernet.in/njword/.htm

² V. S. Seth, "Dynamics of Indian Diaspora in East and South Africa," *Journal of Indian Ocean Studies*, New Delhi, Vol. 8, no. 3, December 2000, p. 218

³ *Encyclopedia of Social Sciences*, Vol. 5, New York: The Mac Millian Company, 1935, p. 216

Given the relationship between the Diasporic community and the motherland, there exists a possibility of their return from the country of their adoption. Thus, Diasporas have originated from migration. It is also quite clear that Diasporas are ethnic minority groups residing in host countries but maintaining strong emotional, sentimental and material links with their respective countries of origin.⁴ Now the concept has been generalized to refer to any population, which has migrated from its country of origin and settled in a foreign land. They selectively incorporate and synthesize themselves with the roots of their origin and senses of their past. The assessment of the Diaspora goes beyond the historical and cultural ties and extends itself into a wider economic role. In a globalizing world, migration is a significant force of historical change which a Diasporic community assimilates, accumulates into its host society and tends to lose its affinity and linkages with its land of origin. Thus, the role Diaspora is very significant in formation of ethnic identity, shaping ethnic relations and the reconstruction of societies. They provide a broadways for understanding the dynamics of culture. By this way, it is gaining competence in the contemporary history.

Theorizing Diaspora offers critical spaces for thinking about the discordant movements of modernity, the massive migrations that have defined this century from the late colonial period through the decolonization era into the 21st century. Theorization of Diaspora need not and should not, be divorced from historical and cultural specificity. Diasporic traversals question the rigidities of identity itself religious, ethnic, gender, national; yet this Diasporic movement marks not a post modern turn from history, but a nomadic turn in which the very parameters of specific historical movements are embodied and as Diaspora itself suggests are leathered and regrouped into new points of becoming.⁵

Recent theorizations of Diaspora also seek to represent the lives that unfold in myriad Diasporic communities across the globe. Diasporic subjects are marked by hybridity and heterogeneity – cultural, linguistic, ethnic, national, and these subjects are defined by a traversal of the boundaries demarcating nations and Diaspora. Diaspora subject

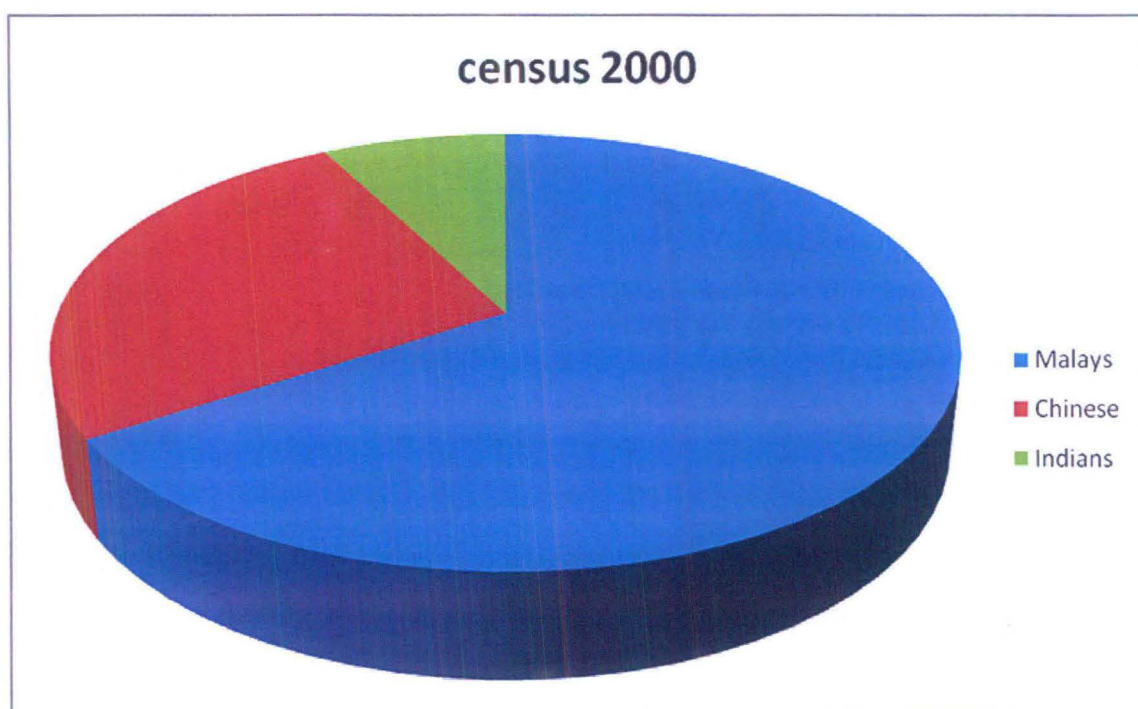
⁴ Gabriel Sheffer (ed.), *Modern Diasporas in International Politics*, London, Croomhelm, 1986, p. 3

⁵ *Ibid.*, p. 3

experiences double (and even plural) identifications that are constitutive of hybrid forms of identity; hybrid national (and transnational) identities are positioned with other identity categories and severed from an essentialised, nativist identity that is affiliated with constructions of the nation or homeland.⁶

Table: Distribution of Citizen Population by Ethnic Group (1991-2000)

Ethnic Group	Year		Increase no.	%	Percentage	
	1991	2000			1991	2000
Malays	8,521.9	11,680.4	3,158.5	37.1	50.7	53.4
Other Bhumiputras	1,778.0	2,567.8	789.8	44.4	10.6	11.7
Chinese	4,623.9	5,691.9	1,068.0	23.1	27.5	26.0
Indians	1,316.1	1,680.1	364.0	27.7	7.8	7.7
Others	572.4	269.7	-302.7	-52.9	3.4	1.2
Total	16,812.3	21,889.9	5,077.6	30.2	100.0	100



⁶ *Ibid.*, pp. 5-6

Diaspora has been theorized from many diverse points of departure – East Asian, South Asian, South-east Asian, Asia Pacific, Caribbean, South American, Latin American, African and Central European. Recent use of the term moves from essentialist notions of homeland, national or ethnic identity and geographical location to deployments of Diaspora conceptualized in terms of hybridity, metissage or heterogeneity.

The Diasporic studies have emerged as an important new field of study; it is not complete without its critics. Theorizations of Diaspora have been holly contested and critiqued. The term ‘Diaspora’ has been critiqued as being theoretically celebrated, while methodologically indistinct and a historical. Some scholars, arguing that Diaspora enters into a semantic field with other terms and terrains, such as those of exile, migrant, immigrant and globalization, have asserted that Diasporic communities are paragons of the transnationalist movement.⁷

In the last century, under the pressure of monumental transnationalist and global shifts (economically, politically and geographically), the nation as a political ideal and as a state form, has undergone significant transformation, if not massive ideological erosion. The shaping of national identities occurs within much discursive fames – juridical, political, civil, economic and literary. Such deterritorialization of nationalism and nation-state however, do not place us within a decisively post-nationalist world. Diaspora has been loosely associated with other terms, particularly transnationalism, to describe the disjuncture’s and fractured conditions of late modernity; however Diaspora needs to be extricated from such loose associations and its historical and theoretical. Specificities made clear, while Diaspora may be accurately described as transnationalist, it should not be taken as transnationalism.⁸

Transnationalism may be defined as the flow of people, ideas, goods and capital from national territories in a way that undermines nationality and nationalism as discrete categories of identification, economic organization and political constitution. Analysts differentiate Diaspora from trans-nationalism, in that Diaspora refers specifically to the

⁷ *Ibid.*, pp. 6-8

⁸ *Ibid.*

movement forced or voluntary of people from one or more nation state to another – Transnationalism speaks to larger, more impersonal forces – specifically, those of globalization and global capitalism. Where Diaspora addresses the migrations and displacement of subjects; transnationalism also includes the movements of information through cybernetics as well as the traffic in goods, products and capital across geopolitical terrains through multinational corporations.⁹

Some scholars even suggest that such movement will force redefinition of citizenship, arguing for models of flexible, Diasporic and even nomadic citizenship. In the end one need to by posing specific questions that interrogate the foundation and the imbricate construction of nationality, national identity, citizenship and Diasporic or migrant subjects. The migratory space traversed by migrant or refugees in a few decades mark Diasporic zones that deterritorialize and reterritorialize the increasingly blurred borders of nations and nation-states.

The five different types of imagined world landscape that help explain the nature of this ‘new’ global economy are: ethnoscape (people who move between nations, such as tourists, immigrants, exiles, guest workers and refugees), technoscapes (technology, often linked to multinational corporations), financescapes (global capital, currency market, stock exchanges), media scapes (Electronic and new media) and ideoscapes (official state ideologies and counter ideologies).¹⁰ By describing these imaging worlds that traverse the borders of the nation-state, it becomes possible to reflect on how communities are forged. Transnationally, across nation-states through networks of Diaspora migration, technology, electronic media, ideologies, and global capital. The suffix-scape allows us to point to the fluid, irregular shapes of these landscapes, shapes which characterize international capital as well emerging international culture. These terms with the common suffix-scape also indicate that these are not objectively given relations which look the same from every angle of vision but rather than they are deeply perspectives constructs, inflected by the historical, linguistic and political

⁹ Kapil Kapoor, “Theorizing Diaspora and the Indian Experience” in Adesh Pal & Tapas Chakrabarti, ed., *Theorizing and Critiquing: Indian Diaspora*, New Delhi. Creative Books, 2004, pp. 29-31

¹⁰ Arjun Appadurai, “Disjuncture and Differences in the Global Cultural Economy”, in Brazil, Jana Evans and Anita Mannur, ed., *Theorizing Diaspora*, Oxford. BlackWell Publishing Ltd., 2003, p. 1

situatedness of different sorts like: nation states, multi-nationals, Diasporic communication, as well as sub-national groupings and movements (whether religious, political or economic).

Modern Diaspora are minority ethnic groups of migrant origins residing and acting in the host countries but maintaining strong, sentimental and material links with their countries of origin i.e. their homelands. The Diaspora are almost ethnically distinct, often differ from the population of their host country in their race, religion, culture and almost in their language. In the past the host society did not encourage migrants to assimilate with the native population, a change their national identity or mix socially with the locals.¹¹ Being a minority in their host countries, the Diaspora assiduously preserves their ethnic, religious identity and solidarity.¹² It is this solidarity based upon a kind of ethnic exclusive identity that gives the Diaspora the cutting edge in its relation with the people of the host country.¹³ The Concept of *Diaspora* like that of identity has become a part and parcel of Layman's vocabulary as much as that of debates in academic circles.

The Chinese Experience:

The Chinese Diaspora has a multiplicity of national, political and class identities and a diversity of cultural and historical roots. Chinese Diaspora around Southeast Asian region has established themselves as self-regulating entities. It was done without the sponsorship and protection of the Chinese state. One of the persisting features of the Chinese Diaspora is their intense social mobility and constant transformation. The Chinese Diaspora made the breakthrough from the concentration in trade to prominent positions in finance and manufacturing of East and Southeast Asia since the seventies. The Chinese in Malaysia occupy a very sensitive position because of their dominant economic position. It is estimated that there are about 24 million ethnic Chinese

¹¹ Myron Weiner, "Labour migration as Inspient Diaspora", in Gabriel Sheffer, ed., *Modern Diaspora In International Politics*, London, Croom Helm, 1986, p. 47

¹² Vidhan Pathak, "Indian Diaspora in South Africa", *African Quarterly*, Vol. 43, no. 1, 2003, pp. 72-77

¹³ Gabriel Sheffer, "A New Field of Study: Modern Diasporas in International Politics". in Gabriel Sheffer ed., *Modern Diaspora in International Politics*, London, Croom Helm, 1986, p. 1

communities spread throughout Southeast Asia, of which a major chunk is located in Malaysia.

The 1911 revolution can be regarded as marking the waning of the conventional “sojourner option” for the Chinese Diaspora. The strategy of working and trading abroad but maintaining a close political, social and cultural relationship with *hsiang* was to prove difficult to sustain for three reasons. First, it was irreconcilable with the emerging nationalisms of the former colonial world, particularly in South East Asia. Secondly, as with all overseas communities, second or third generations became culturally localised and began to drop away old habits associated with the past. Thirdly, after the Chinese Revolution in 1949, the ideological rift between the People’s Republic and the Diaspora was often too great to be bridged and the practical arrangements for continuing an oscillating system of migration became increasingly troublesome.¹⁴

The Malaysian society has historically been constituted by Diasporic communities. As it is well known that the influx of the bulk of Chinese and Indian immigrants dates back to the nineteenth century but even among ethnic Malaysians the category ‘Malay’ (of mixed Mongoloid and Polynesian racial origins) comprises groups whose ancestors came from Indo-China and Yunnan some 3,500 years ago. The Chinese have helped shape the history of development in the Malay Peninsula for more than 600 years.

Most Chinese Malaysians trace their cultural roots to different parts of South China, speaking different dialects and following cultural practices unique to their places of origin. There are at least nine major Ethno-linguistic and provincial groups namely Hakkien, Hakka, Cantonese, Teochew, Hainanese, Hockchew, Hwongsai, Henghua and Hockchia among the Chinese in Malaysia surviving in a multi-ethnic society. The Chinese, unlike the Malays are not united in religion. Most practices in Chinese religion are blend of religious elements from Confucianism, Taoism, Buddhism and even indigenous animistic rituals such as the appeasement of tree and land spirits (*datok*), many have converted to Christianity particularly the evangelical forms while a

¹⁴Liong Sik Ling, *The Malaysian Chinese: Towards Vision 2020*. Kuala Lumpur: Pelanduk Publications, 1995, p. 45

few have become Muslims, a conversion that used to be referred to as 'entering Malay' (masuk melayu).¹⁵

There are numerous Chinese cultural associations and several Chinese based political parties, Malaysian Chinese Association (MCA), Democratic Action Party (DAP) and GERAKAN Party further dividing the community. Malaysian Chinese identity seems to be centered on certain cultural practices such as the Lion dance and the celebration of Chinese New Year and other festivals such as the Mooncake festival. Common political interests and cultural lobbying such as the defence of Chinese educational institutions and ethnic centered business networking of Chinese also serve to unite Malaysian Chinese.

Around late sixties the Chinese occupied a superior position in administrative, managerial, professional and technical positions in the country's government services. Even in the departments like Labour, Income Tax and Immigration, Chinese and Indians were over represented. Even in the subordinate levels of white collar employment in clerical grades, a preponderant percentage of employees were Chinese and Indians with some secondary education in English, a privilege which very few Malays enjoyed. In terms of the ownership of the national wealth Chinese are ahead of Malays and Indians and still playing a major force in Malaysian economy.

The story of Malaya's decolonization provides a good example of the impasse. With the end of the Second World War, the pace of decolonization rapidly increased, but the sponsored migration of trade and auxiliary diasporas by the former colonial powers created an a priori problem – who exactly was to constitute the nation? In the attempt to articulate a Malayan identity, the non-Malays – Indians and Chinese – were scapegoated as alien minorities. They were different in appearance and religion, they appeared not to want to take part in the process of nation-building and, perhaps most tellingly, they occupied positions in the economy that the nationalist elites or their clients craved.

¹⁵ Gungwu Wang, *Community and Nation: Essays on Southeast Asia and the Chinese*, Heinemann, Singapore, 1981, pp. 34-35

The Malays forced through a form of citizenship that insisted that a *bhumiputra* (“prince of the soil”) had to speak Malay, practise Islam and follow Malay custom. The Chinese demanded impartiality and an acceptance of cultural and religious pluralism. For a while, the powerful political personalities of the time, Lee Kuan Yew and Tunku Abdul Rahman, patched together some political compromises and managed to form a federated Malaysia. The federation lasted for only two years (1963-5) until, under the impact of Sino-Malay riots Singapore withdrew to become an independent state. For the first and only occasion a section of the Chinese Diaspora constituted itself not as an ethnic minority, but as a majority in its own state. Singapore is best conceived of as a “city-state”, the basic business of which is anchored around the import-export trade and providing financial services to the global economy. In this sense, Singapore remains true to the trading origins of the Chinese Diaspora first invited there by Raffles. It is to the global economy what Venice was to the early modern world, not perhaps in its overall dominance, but rather in its function as the political embodiment of a successful trade Diaspora.

Malaysia, a former British colony is a modern multi-ethnic, multi-cultural and multi - religious nation made up of ‘citizens’ of diverse ethnic groups and cultures, speaking different languages and living within a territory with fixed boundaries, which they regard as their native land. Malaysia’s population now stands at 23,274,677 according to July 2000 census. Accordingly, Muslim Malays comprised 65.1%, Chinese 26.0% and Indians 7.7% of the total population.¹⁶ In a way Malaysia is “Asia in microcosm” as it contains the three most important races and religion of Asia. One of the distinctive features of the Malaysian social system is the close link between Islam and Malaysian culture and politics.

Today, a Malaysian is a citizen of the federation, although they may be ethnically a Malay, a Chinese, an Indian, an Indonesian, a European or a member of some other ethnic group. A Malay, on the other hand is constitutionally defined as a person belonging to indigenous group which constitutes more than half of the Malaysian

¹⁶ Department of Statistics, Malaysia, *General Report of the Population Census (2000)*, Kuala Lumpur. National Printing Press, 2002

population. A Malay is distinguished by use of the Malay language and generally by practice of the Islamic faith.

The Malaysian ethnic groups are legally classified and their positions are constitutionally defined and protected accordingly. The Malay, together with the Dayaks of Sarawak, the Kadazans of Sabah and other smaller indigenous groups of Sarawak and Sabah form the *Bhumiputra* (Sons of the soil).¹⁷ The Aborigines of the Malayan peninsula are *Orang asli* (original people). The Chinese and the Indians constitute another category.

In recent years ethnic confrontation and conflict has tended to manifest itself vigorously and has often overshadowed class contradictions as a dominant cause of political crises and turmoil all over the world, whether in the developing societies or the developed societies of the West. In the poorer countries of the world, sometimes one has the suspicion that ethnic confrontation and conflict is deliberately maintained, if not provoked, by political rulers as it keeps the masses of people excessively pre-occupied and obsessed with ethnic contradictions and helps keep their attention away from the failure of social and economic policies.

Low per capita incomes, rates of literacy and levels of urbanization and the general lack of adequate means of communication make these countries an ideal setting where fears and prejudices thrive and are easily exploited by irresponsible and opportunistic politicians and political organizations. Ethnic solidarity and exclusiveness are more easily established and sustained and directed towards ethnic confrontation and conflict. Problems like social, political and economic – and the failure of governments and leaders to solve them are readily presented in ethnic terms and blame is often put on ethnic adversaries. The political rulers, mostly from the upper and middle classes and primarily representing their interests, find it easier to maintain their support among the masses on the basis of primordial loyalties; they are fearful that the growth of modern secular politics would inevitably make their leadership position untenable and do severe damage to their own and their class's privileged position.

¹⁷ Guan Hock Lee, "Malay Dominance and Opposition Politics in Malaysia", *Southeast Asian Affairs 2001*, Institute of Southeast Asian Studies, 2002, p. 64

Malaysia is among the more unfortunate and tragic cases. In 1969, following the general elections, the country witnessed vicious communal riots which cost several thousand lives. More important, it did irreparable damage to inter-ethnic relations and intensified Malay fear of the non-Malays to a degree where it became necessary for their political rulers to give up the pretense of their commitment to democracy and representative government and amend the country's laws and the constitution to ensure the continuation of Malay political paramountcy in perpetuity.

Ethnic relations have been so severely damaged by the communal explosion that in all likelihood they may never again be the same as before the riots; bulk of the goodwill and understanding among the various ethnic groups created during the period Tunku Abdul Rahman, the first Prime Minister of the country, dominated the political scene seems to have disappeared. The country's Malay political rulers have given clear indication through their action and attitudes that they do not any more subscribe to the view that in a multi-ethnic society like Malaysia one can successfully build a united new nation based on mutual trust, understanding and goodwill. In their view, the country has to be dominated by one or the other ethnic group and in the circumstances the *bhumiputra*, deny themselves this role if they can acquire it whether by constitutional or extra-constitutional means.

The two outstanding features of the Malaysian situation are: one, Malaysia is essentially, what may be called, a bi-racial society; and two, one of the two main ethnic groups in the country is indigenous and the other immigrant. These have determined in a significant manner the nature of politics and ethnic relationships.¹⁸

The Malays and the Chinese together account for over 80 per cent of the population.¹⁹ And what is more important is that the difference between the size of the two groups is not large. They constitute the two 'majority' communities of the bi-racial society of Malaysia; one could hardly designate the Malays as the majority and the Chinese as the

¹⁸ Stuart Hall, "New Ethnicities". *Race, Culture and Difference*, Sage Publications, London, 1992, pp. 7-8

¹⁹ R. Chander, *General Report of the Population Census of Malaysia 1970*. Department of Statistics, Kuala Lumpur, 1977, p. vi

minority. Unfortunately, the Malays and their leaders insist on asserting themselves as the “majority” and this, therefore, constitutes one of the fundamental causes of ethnic conflict in Malaysia.

This population situation makes Malaysia significantly different from the general run of multi-racial societies. The latter are of two kinds firstly where there is one dominant majority constituting a large part of the population of the country and one or more small minority groups and secondly where the country’s population consists of a number of minority groups, none of them constituting an absolute majority or near-majority.

In the first type, the relationship that prevails is that of majority-minority or that of ethnic subordination; the ruling majority is dominant and generally has little difficulty in coping with ethnic contradictions and conflict through the use of deterrent and threat systems. However, in societies which consist of more than two or three ethnic groups and where none of them forms a majority or near-majority of the population a state of ethnic co-existence is often to be found; a greater measure of ethnic harmony and the prevalence of an attitude of ‘live and let live’ can be expected. It is significant that in such multi-racial societies relations among the various ethnic groups, on the whole, tend to remain fluid and are not easily frozen into a state of permanent hostility and conflict.

The situation in Malaysia, however, is radically different. Malaysia is a bi-racial society²⁰ and ethnic relations, as a consequence, are not fluid; they have, by and large, remained frozen in a state of general hostility, distrust and fear. The Chinese and the Malays are very different peoples: their religions, food habits, languages and attitudes towards life are very dissimilar. The religion of the Malays, Islam, sets a strong barrier to inter-marriage among the various ethnic groups. Non-Malay men and women desiring to marry Malays first have to accept conversion to the Islamic faith.

²⁰ Cynthia H. Enloe, *Multi-Ethnic Politics: The Case of Malaysia*, Centre for South and Southeast Asia Studies, Berkeley, California, University of California, August 1970

A lot of the cultural and social life of the various ethnic groups, excluding the English-educated among them, since the days of British rule has been organized around individual ethnic groups; they rarely meet, except in a superficial way, in a common socio-cultural setting. The British made no special efforts to bring the various groups together, in fact, their policies had the effect of keeping them apart and not develop any substantial mutual understanding and appreciation. The Malays, by and large, have refused to consider the Chinese as citizens of equal worth. They view them as essentially their exploiters and the main cause of their own poverty and lack of economic power. Until recently the Malays rarely pointed the finger at foreign Western capital which has for long played a large exploitative role in Malaysian economic life. The Chinese being more numerous and visible and committed to securing an equitable share of political power and status for themselves (westerners being foreigners have never sought a formal political role).

The Malays are firmly committed to the view that as they are the only indigenous people the country belongs to them. Malaysia is *Tanah Melayu*²¹ (Land of the Malays) and its national language, culture, religion and overall image must reflect this fundamental fact. And the Malays, as the *bhumiputra*, must rule the country. But the Chinese are numerous enough not easily to accept this view and are inclined to press claims for an equal political status and voice for themselves. Moreover, many Chinese believe that they had contributed more than their share in the development of the country during the period of British rule and, therefore, they deserve a certain consideration. Either ethnic group does not take any consolation from its own advantages, which each firmly believes are its natural right. The Chinese firmly believe that their wealth and Malay poverty are the natural consequences of Chinese industry, thrift, and adaptability to modern ways, and of Malay indolence, thriftlessness, and conservatism. The Malays believe that they ought to control the country's political life because they are the sons of the soil; that Malaya is their country, and that the Chinese

²¹ The official designation of the government of the country in the Malay Language is *Persekutuan Tanah Melayu* (Government of the Land of the Malays).

were brought in as a result of foreign rule, with which they collaborated to their own advantage and to the disadvantage of the Malays²²

The Malays are largely a rural people while the Chinese are substantially over-represented in the urban centres. Most Malays are *padi* farmers and fishermen and naturally, therefore, have a smaller share of economic power and urban economic activity. The Chinese are significantly concentrated in the port cities of Penang and Malacca and other urban areas in the rich west coast States of Johore, Perak, Selangor and Negri Sembilan.

The disparity has remained in existence since the time of independence and has naturally caused great concern and fears among the Malays of their country being taken over by the non-Malays, especially the Chinese. Since independence the Malays have lived under the over-powering fear of becoming what one of them called the dispossessed “back numbers” in their own country. During the period that the aristocratic Tunku Abdul Rahman ruled the country this concern was largely reflected in the desire of the Malay political rulers to maintain and strengthen Malay control over the government and administration of the country. Not much effort was made to secure for the Malays an increased participation in the economic life of the nation, especially in the fields of trade and commerce. A sort of *quid pro quo* arrangement was operated which allowed the indigenous Malays political paramountcy and assured the Chinese substantially unfettered opportunities to pursue trade, commerce and industry. The levels of political articulation and participation among both the Malays and the Chinese still being rather low this arrangement allowed ethnic peace and harmony, at least on the surface.

However, all this began changing drastically from 1963 with the formation of the larger federation of Malaysia, including Singapore, Sabah and Sarawak. The political expression and involvement of masses, be it Malay or Non-Malay, increased

²² T.H. Silcock, “Communal and Party Structure,” in Silcock and Fisk (editors), *The Political Economy of Independent Malaya*, University of California Press, 1963, p. 5

significantly during 1963-69.²³ Political and ethnic issues came to be debated and discussed widely and openly. Suppressed feelings and frustrations came to the surface with a new vehemence and vigour on both sides of the ethnic divide. The changed situation reflected itself in the rough campaign and the excitable results of the 1969 general elections. The tragic culmination was the bloody communal explosion which occurred immediately following the announcement of the election results. The old bases of politics and ethnic relationships organized around the time of independence in 1957, which had been under severe strain all along since late 1963, now came to be seen widely, both by the Malays and the non-Malays, as non-viable and unacceptable.²⁴

The Malays and their leaders began to look for ways and means to entrench their community's paramountcy with regard to politics, government and administration in a manner that it could never again be questioned and threatened by the non-Malays through political action. Moreover, they began to show strong disillusionment and dissatisfaction with the idea that Malay political paramountcy by itself was adequate to protect the Malays and maintain Malaysia as a Malay country. On the side of the non-Malays, there was widespread frustration and stunned sadness that much of the progress, however limited in nature, made since the time of independence with regard to their political status, role and voice was being negated. Even their special economic role and power could no more be taken for granted; policies were being initiated to curb it.

The Malays, in virtual control of the government and the key instruments of power, were able to prompt and over the last few years have been laying the foundation of complete Malay rule. The non-Malays have lost much of the political leverage that they had possessed during the pre-1969 period.²⁵

²³ R. K. Vasil, *The Malaysian General Election of 1969*, Singapore, Oxford University Press, 1992, pp.22-23

²⁴ *Ibid.*, p.17

²⁵ Gordon P. Means, *Malaysian Politics: The Second Generation*, Singapore, Oxford University Press, 1991, p. 54

The New Economic Policy was brought into force in 1970 for introducing measures for Affirmative Action as a consequence to the 1969 racial riots in Kuala Lumpur. To offset the imbalance between the minority Chinese (controlling the economy) and the majority Malays (farmers and fisherman) the policy was introduced with quotas and reservations for Malays in jobs, educational institutions, share holdings in companies, housing acquisition of commercial property and many more privileges. The ethnic composition of the country shifted greatly in favour of the Bhumiputra (indigenous) communities. Most Malays believe that this common culture should have Malay culture as its nucleus which was not fair for Chinese and Indians.

In Malaysia, constitutionally all communities are equal but some are more equal than others. Multiculturalism describes the co-existence of many cultures in a society without any one culture dominating the region but as practised in Malaya initially and in Malaysia subsequently never gave 'equal status' and 'equal worth of citizens' because citizenship was exclusively or inclusively related to Malays only and not to other ethnic communities.²⁶

Constitutionally, Malaysia holds a remarkable position. Although in form of a Federation like the United States or Australia, it breaks many of the "rules" which are generally believed to constitute the essence of Federalism. The two states, Sarawak and Sabah, have different powers from the rest, so had Singapore, when it was a member state of Malaysia.

The Affirmative Action made a clear cut division between Malays and non-Malays because it was introduced to the politically dominant group (i.e. Malays) to raise its economic status as against that of an economically more advanced minority (i.e. Chinese). Even the Constitution provided Malay language to be the National language (official language) which meant English, Chinese and Tamil would be relegated to an inferior position. Non Malays need to acquire work permits. Bahasa Malaysia as medium of instruction in primary schools and colleges also shows discrimination towards other languages. And thus the Chinese and Indian ethnic minorities are the

²⁶ Gurpreet Mahajan. *The Multicultural Path: Issue of Diversity and Discrimination in Democracy*, Sage, New Delhi, 2002. p.6.

towards other languages. And thus the Chinese and Indian ethnic minorities are the ones who feel victimized by such policies and thus resulting in tensions between Malays and non-Malays. Though Chinese are playing major role in economy and politically representing itself in coalition government, yet they are being discriminated as minority by the ethnic Malays.

Chapter II

Malaysian policies towards Chinese Diaspora since 1969

May 13 Incident is a term for the Sino-Malay race riots in Kuala Lumpur (then part of the state of Selangor), Malaysia, which began on May 13, 1969. The riots led to a declaration of a state of national emergency and suspension of Parliament by the Malaysian government, while the National Operations Council (NOC or MAGERAN) was established to temporarily govern the country between 1969 and 1971.

During the long five-week election campaign leading up to the 1969 federal and state elections, it became apparent that the Alliance leaders were not in touch with the considerable sense of frustration and antagonism which had built up inexorably over the course of the past few years among non-Malays over such controversial issues as Malay special rights, the privileged position the Malays had in regard to employment, the four-to-one preponderance Malays enjoyed in the senior ranks of the civil service, and the barely concealed efforts that were being made to counter Chinese hegemony in commerce and industry. It has been said that “The Chinese and Indians resident in Kuala Lumpur had after fifteen years of Alliance rule developed an acute persecution complex.”¹ Interracial friction seemed almost inevitable as a result of the racial insults which were bandied about indiscriminately and irresponsibly both by the opposition parties and the Alliance.

According to one observer, “The unwritten law regarding communal issues was violated by both the Alliance and Opposition parties when they indulged in open public and heated debate over such subjects.”² Malay and Chinese emotions were rubbed raw and came dangerously close to break point. Although the campaign went off without incident, there was a distinct feeling of tension as polling day (10 May) approached.³

¹ Goh Cheng Teik, *The May 13th Incident and Democracy in Malaysia*, Oxford University Press, Kuala Lumpur, 1971, p.24

² Lau Teik Soon, ‘Malaysia: The May 13 Incident’ *Australia’s Neighbours*, July-Aug, 1969; quoted by N.J. Funston, *Malay Politics in Malaysia. A Study of UMNO and PAS*, Heinemann Educational Books (Asia) Ltd., Kuala Lumpur, 1980, p.28

³ *The May 13 Tragedy, A Report*, The National Operations Council, Kuala Lumpur, 1969, p.21; Tunku Abdul Rahman Putra Al-Haj, *May 13 Before and After*, Utusan Melayu Press Ltd., Kuala Lumpur, 1969, p.17

The Alliance leadership did not have any new formula for fighting the elections and countering the threat posed by the opposition parties consisting, in particular, of the Pan Malaysian Islamic Party (PMIP), the Democratic Action Party (DAP) the Gerakan Rakyat Malaysia (Gerakan), and the People's Progressive Party (PPP). The Alliance election manifesto read very much like a government report, and while it was a solid, reasoned document, it did not have any idea about it. It gave a summary of what the Alliance had achieved during its years in power, with sections devoted to the 'economic approach', 'defence and security', 'foreign affairs', and the 'racial nemesis'.

In regard to Sino-Malay relations the most interesting section was the last named. "Historical circumstances have combined to keep the races apart", it said, "and have somewhat segregated them economically." The rural people are predominantly Malays, who are living at subsistence level and "because we have given them a deserving priority in our attentions, we have been accused by our adversaries of practicing racial discrimination". It confirmed that the position of the 'have-nots' (the Malays) would have to be leveled up to the economic status of the 'have-nots' (the Malays) would have to be leveled up to the economic status of the 'haves' (The Chinese) although it added that this policy did not aim at depriving anyone of opportunities for advancement. It claimed that there was not a single opposition party which had shown itself capable of serving the need of Malaysia's multiracial society, and the alternative to Alliance rule would be "an irreversible process of disintegration with all the consequential carnage too hideous for anyone to envisage."⁴

The Alliance places considerable emphasis on maintain Malay 'special rights' during the election campaign, on 9 May, the Tunku elucidated once against the division of power between the Malays and the Chinese. "The Malays have gained for themselves political power," he said. "The Chinese and Indians have won for themselves economic power. The blending of the two with complete goodwill and understanding has brought about peace and harmony, coupled with prosperity to the country".⁵

⁴ R.K. Vasil, *The Malaysian General Elections of 1969*, Oxford University Press, Singapore. 1972, pp.56-9

⁵ *The Straits Times*, 9 May 1969

It promised that if it came to power it would establish an Islamic state in Malaysia, and amend the constitution to give it a more Malay rather than Malaysian slant. Its stand was crystallized in its slogan: bangsa (race), ugama (religion) and tanah Melayu (land of the Malays). The focal point of its power was Kelantan, but it had a not inconsiderable following in the Malay states of Trengganu, Perlis, Kedah as well as in north Penang, where the Malays formed a majority. It accused UMNO of being pro-Chinese and selling out the country and the Malays to the Chinese.⁶

UMNO countered this by alleging that the PMIP had links with the outlawed Malayan Communist Party (MCP) in south Thailand, which was a subtle thrust, as it will be remembered that the MCP was predominantly Chinese in its make-up. It pointed out that the PMIP had done nothing about the economic development of Kelantan although it had been in control of the state government there since 1959. UMNO offered tremendous sums of developmental aid to Kelantan (which were termed 'daylight political bribery' by the PMIP President) if the vote in the state election should swing in its favour.⁷ Two further charges were made against the PMIP in order to discredit it in Malay eyes. Firstly, it was alleged that it had some sort of electoral understanding with a DAP, theoretically a non communal party, but which was regarded in Malay eyes as a Chinese party, with links extending south to the PAP in Singapore. Secondly, Tunku claimed that it was receiving funds from the PAP in Singapore through the DAP.

The DAP was seen as posing the biggest threat to the MCA. Despite claims to be non communal, it was controlled by Chinese, and it attacked the MCA for surrendering Chinese rights to UMNO in the Alliance. Its platform was based on its 'Setapak Declaration of Principles', which was proclaimed by the General Executive Committee, together with members of branch committees, at Setapak near Kuala Lumpur on 29 July 1967. In brief, it was opposed to racial hegemony and supported the PAP's 'Malaysian Malaysia' concept. It saw Malaysia evolving as a multiracial, multilingual

⁶ Rahman, op.cit. .p.28

⁷R.S.Milne and Diane K. Mauzy, *Politics and Government in Malaysia*, Federal Publications, Singapore,1978,p.143;

and multi religious society.⁸ Its election manifesto was ‘towards a Malaysian Malaysia’. It was attacked by the Alliance as being an anti-Malay communal party opposed to Malay ‘special rights’ and as a cover organization for the PAP, the branches of which had been de-registered in Peninsular Malaysia after Singapore’s departure from Malaysia.⁹

The LPM had a chequered history. It had been founded in the early 1950s, when its leaders were English-educated professional men, who were intellectual socialists, but they had left the party after it was infiltrated in the late 1950s by a large number of Chinese-educated Chinese. The latter were Chinese chauvinists from the ‘non Malay’ states of Johore, Malacca, Selangor and Penang, who were virulently anti-Malay and strongly in favour of Penang, who were virulently anti-Malay and strongly in favour of Chinese education and Chinese culture. The LPM was alleged by the government to have communist connections and to be an MCP front organization.

While accepting the status and policy of Malay as the national language as provided for in the constitution, it was in favour of the ‘legitimate use of all languages’, and pressed for the support of the National and Merdeka Universities where Malay, Chinese and Tamil could be studied up to university level, and advocated the retention of Chinese and Tamil secondary education. It advocated an integrated Malaysian society with a common outlook and destiny.¹⁰

The sphere of influence of the People’s Progressive Party (PPP) was Perak, where it had established itself as the champion of Chinese, rights, under the leadership of two Ceylonese-Tamil lawyer brothers, one of whom died before the 1969 elections., its election slogan was ‘Malaysia for the Malaysian’. During the first federal elections of 1955, it had supported Malay special rights and the Alliance’s position on the language and education issues. However, after independence, it has made a complete volte face by reshaping its policy to oppose Malay special rights, and had declared itself to be in

⁸ Vasil, *op.cit* .p.28.

⁹ *Who Lives if Malaysian Dies?* ,Democratic Action Party, Petaling Jaya,Selangor,Malaysia,1969,pp.iv-vi.20-1.

¹⁰ Vasil, *op.cit* ., pp.29-30

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favour of multilingualism and official recognition of the Chinese and Tamil languages. It had an even more pronounced pro-Chinese image than DAP, and most of its supporters were Chinese, in spite of its president being a non Chinese.¹¹

Amidst tensions among the Malay and Chinese population, the general election was held on 10 May 1969. Election day itself passed without any incident and the result shows the Alliance had gained a majority in Parliament at the national level, albeit a reduced one, and in Selangor it had gained the majority by cooperating with the sole independent candidate. The Opposition had tied with the Alliance for control of the Selangor state legislature, a large setback in the polls for the Alliance.

The results were received with dismay by the Alliance. Although at parliamentary level, the Alliance won sixty six seats, and as ten of its candidates had been returned unopposed in Sabah, it was certain of a majority in the 144 strong Dewan Rakhyat, the outcome of the elections in East Malaysia, which were staggered and not held at the same time as those in Peninsular Malaysia, would decide whether it would still retain a two-third majority in parliament, without which it would be powerless to amend the constitution unless it could enlist the support of some members of the opposition.¹²

On the evening of May 13, a group of UMNO supporters assembled outside the house of the Selangor Menteri Besar with the intention of staging a counter demonstration on behalf of UMNO, and immediately after this procession got under way disturbances involving Malays and Chinese broke out.

Very soon after that, rioting occurred in several parts of Kuala Lumpur and it was clear that the government had a very serious emergency on its hands. Malays and Chinese indulged in an orgy of killing, looting and burning. The police did their best to control the situation in an even-handed way, but as the rioting continued to get out of hand, the army had to be called in, and police and army reinforcements were summoned from outside. The situation by then had become increasingly uncontrollable, and a curfew was declared on 13 May.

¹¹ Goh, *op.cit.* .p.47.

¹² *Ibid.*: Milne and Mauzy, *op.cit.*, p.150

On May 14, intermittent shooting occurred in different parts of the town, and roving gangs of Malays and Chinese, several hundred strong, fought savagely with each other using any weapons they could lay their hands on.

Meanwhile, Tun Tan Siew Sin, (son of Tan Cheng Lock), MCA President, had announced on 13th May that as the MCA had lost the confidence of the Chinese electorate, it would withdraw from the government although it would remain in the Alliance in order to give it a majority. This announcement was made before the outbreak of the riots but it came as a shock, as for the first time since the formation of Malaysia, the Chinese Community would not be alongside UMNO and MIC in the Alliance government. Nevertheless, three MCA members joined the 'Emergency' Cabinet on May 20.¹³ As the official National Operations Council report on the tragedy says, "Sino-Malay distrust runs like a threat through the nation's recent history",¹⁴ and since the elected Alliance government had assumed power fifteen years previously, while there had been isolated incidents of Sino-Malay clashes such as those in May 1959 on Pangkor Island; in July 1964 in the Bukit Mertajam district; in July and September 1964 in Singapore; in early 1965 in Kuala Lumpur; and in November 1967 and April 1969 in Penang,¹⁵ there had been nothing on the terrifying scale of the 13 May riots, which are a watershed in contemporary Malaysian history.

Officially, 196 people were killed between May 13 and July 31 as a result of the riots, although journalists and other observers have stated much higher figures. Other reports at the time say over 2,000 were killed by rioters and police and Malaysian Army rangers mainly in Kuala Lumpur. Many of the dead were buried in the Kuala Lumpur General Hospital grounds in unmarked graves quickly by soldiers of Malaysian Engineers. The government cited the riots as the main cause of its more aggressive affirmative action policies, such as the New Economic Policy (NEP), after 1969.

¹³ Goh, *op.cit.* .p.47.

¹⁴ Rahman. *op.cit.*.p.45.

¹⁵ *Ibid.*, pp.46-62.

Between May 1961 and September 1963 (when Malaysia came into existence), there was a series of consultations and negotiations,¹⁶ but when all was said and done, the real issue at stake was whether the Chinese and Malays could get on well together. It was apparent that the Malays still felt apprehensive of those Chinese “who think and talk of everything Chinese and do not give any indication that they are Malayan in outlook”.¹⁷ Tunku Abdul Rahman had also touched on the same point in his after-lunch speech referred to above when he had said that the tendency of the Chinese in Singapore was to try and make Singapore a ‘little China’ while in Malaya ‘the Government is characteristically Malayan and bases its policy on a Malayan way of life and Malayan standards.’¹⁸

On its formation in 1963, Malaysia, a federation incorporating Malaya (Peninsular Malaysia), Singapore, North Borneo (Sabah) and Sarawak, suffered from a sharp division of wealth between the Chinese, who were perceived to control a large portion of the Malaysian economy, and the Malays, who were perceived to be more poor and rural. This was the common perception even though the British left all of their conglomerates (mostly plantation sectors) into the hands of the ruling Malays. These already successful companies started by the former colonial masters were the economy of this new born nation which were still going strong.

There were reservations in North Borneo and Sarawak, too, about Malaysia, the real reason being a genuine fear among the non-Muslim elements, who formed the majority of the population, that Malaysia would mean the imposition on them of Malay as the national language and Islam as the state religion, with Malay ‘overlords’ from Kuala Lumpur in place of British administrators.

In fact, this fear was unwarranted as, when the Malayan government amended the constitution by passing the Malaysia Act (1963), it allowed for both English and Malay to be used as official languages in North Borneo and Sarawak for a period of ten years,

¹⁶ *The May 13 Tragedy, op.cit.*, p.28

¹⁷ *Vasil, op.cit.*, p.17,63-5

¹⁸ Syed Hussein Alatas, *The Sociology of Corruption*. Donald Moore Press Ltd., Singapore, 1968

and even 1973 was not definitely set as a 'cut-off' date for the use of English. Moreover, Islam was not made the state religion of these two territories.¹⁹

The 1964 Race Riots in Singapore contributed to the expulsion of that state from Malaysia on 9 August 1965, and racial tension continued to simmer, with many Malays dissatisfied by their newly independent government's perceived willingness to placate the Chinese at their expense. Under the new Malaysian constitution, Singapore, too, was treated differently by being allowed to retain control of its education, labour and other matters. Singapore citizenship was accepted as being the equivalent of Federation of Malaya citizenship.

The new state of Malaysia incorporating the territories of Malaya, Singapore, Sarawak, and North Borneo (thereafter to be known as Sabah, its original Malay name), came into being on 16th September 1963. The Sultan of Brunei was initially disposed to join Malaysia but he subsequently changed his mind, most likely because he was not satisfied that the financial arrangements would be in Brunei's favour, especially as Brunei is an oil-rich state, and possibly, too, because his status vis-à-vis the Malay rulers of Peninsular Malaysia was not acceptable. Singapore withdrew from Malaysia in mid 1965. It had originally been intended by Tunku Abdul Rahman that the birth of the new state would date from 31 August 1963 but its inception was delayed until the following month by objections from Indonesia and the Philippines.²⁰

Malaysia from the beginning was a plural society, but there was no sign of integration among the various races living in it. In its place, as far as the Malays and Chinese were concerned, there was a rather precarious agreement or understanding between the UMNO and MCA top leaders that Malay special rights should not be questioned and the political predominance of the Malays should not be challenged provided that the Chinese were allowed to pursue unimpeded their traditional commercial and industrial activities.

¹⁹ Vasil, *op.cit.*, pp.63-5.

²⁰ K.J.Ratnam and R.S.Milne, "The 1969 Parliamentary Election in West Malaysia", *Pacific Affairs*, Vol.XLIII, No.2., Summer 1970, pp.215-6; Vasil, *op.cit.*, p.65; Milne and Mauzy, *op.cit.*, p.149

There was a certain ambivalence and inexactness about the latter part of the 'pact', as it was, at the same time, accepted that that Malays should use their political predominance to improve their economic position to redress the economic balance between the two communities so that they could play a more significant part in the economic life of the country. It seemed inevitable that there would be some intrusion on what the Chinese regarded as their preserve even though the reshaping of the economic balance, and the adjusting of the scales, was to be done without depriving anyone of what they already had.

Politics in Malaysia at this time were mainly Malay-based, with an emphasis on special privileges for the Malays — other indigenous Malaysians, grouped together collectively with the Malays under the title of "bhumiputra" would not be granted a similar standing until after the riots. There had been a recent outburst of Malay passion for *ketuanan Melayu* — a Malay term for Malay supremacy or Malay dominance — after the National Language Act of 1967, which in the opinion of some Malays, had not gone far enough in the act of enshrining Malay as the national language. Heated arguments about the nature of Malay privileges, with the mostly Chinese opposition mounting a "Malaysian Malaysia" campaign had contributed to the separation of Singapore on 9 August 1965, and inflamed passions on both sides. The causes of the rioting can be analysed to have the same root as the 1964 riots in Singapore, the event rooted from sentiments before the 1969 general election.

The campaigning was bitterly fought among various political parties prior to polling day on 10 May 1969, and party leaders stoked racial and religious sentiments in order to win support. The Pan Malaysian Islamic Party (PAS) accused the United Malays National Organisation (UMNO) of selling the rights of the Malays to the Chinese, while the Democratic Action Party (DAP) accused Malaysian Chinese Association (MCA) of giving in to UMNO. The DAP promoted the concept of a "Malaysian Malaysia", which would deprive the Malays of their special rights under the Constitution of Malaysia. Both the DAP and Singapore's People's Progressive Party (PAP) objected to Malay as the national language and proposed multi-lingualism instead. Senior Alliance politicians, including Prime Minister Tunku Abdul Rahman,

accused Singapore-based People's Action Party of involvement in the campaign, as it had done during the 1964 general election campaign (at the time when Singapore was part of the Malaysian federation between 1963 and 1965).

After the results thousands of Chinese marched through Kuala Lumpur and parading through predominantly Malay areas which hurled insults that led to the incident. The largely Chinese opposition Democratic Action Party and Gerakan gained in the elections, and secured a police permit for a victory parade through a fixed route in Kuala Lumpur. However, the rowdy procession deviated from its route and headed through the Malay district of Kampung Baru, jeering at the inhabitants. Some demonstrators carried brooms, later alleged to symbolize the sweeping out of the Malays from Kuala Lumpur, while others chanted slogans about the "sinking" of the Alliance boat — the coalition's logo. The Gerakan party issued an apology on May 13 for their rally goer's behavior.

In addition, Malay leaders who were angry about the election results used the press to attack their opponents, contributing to raising public anger and tension among the Malay and Chinese communities. On 13 May, members of UMNO Youth gathered in Kuala Lumpur, at the residence of Selangor *Menteri Besar* Dato' Harun Haji Idris in Jalan Raja Muda, and demanded that they too should hold a victory celebration. While, UMNO announced a counter-procession, which would start from the Harun bin Idri's residence. Shortly before the UMNO procession began, the gathering crowd was reportedly informed that Malays on their way to the procession had been attacked by Chinese in Setapak, several miles to the north. Meanwhile, in the Kuala Lumpur area, a Malay army officer was murdered by Chinese hooligans as he and his spouse were coming out from a movie theater in the predominantly Chinese area of Bukit Bintang. The angry Malay protestors swiftly wreaked revenge by killing two passing Chinese motorcyclists, and the riot began.

The riot ignited the capital Kuala Lumpur and the surrounding area of Selangor — Many people in Kuala Lumpur were caught in the racial violence—dozens were injured and some killed. houses and cars were burnt and wrecked, but except for minor disturbances in Malacca, Perak, Penang and Singapore, where the populations of

Chinese people were similarly larger, the rest of the country remained calm. Although violence did not occur in the rural areas, *Time* found that ethnic conflict had manifested itself in subtler forms, with Chinese businessmen refusing to make loans available for Malay farmers, or to transport agricultural produce from Malay farmers and fishermen. Incidents of violence continued to occur in the weeks after May 13, with the targets now not only being Malay or Chinese, but also Indian. It is argued that this showed that "the struggle has become more clearly than ever the Malay extremists' fight for total hegemony. The government ordered an immediate curfew throughout the state of Selangor. Over 300 Chinese families were moved to refugee centres at the Merdeka Stadium and Tiong Nam Settlement.

The NOC implemented security measures to restore law and order in the country, including the establishment of an unarmed Vigilante Corps, a territorial army, and police force battalions. The restoration of order in the country was gradually achieved. Curfews continued in most parts of the country, but were gradually scaled back. Peace was restored in the affected areas within two months. In February 1971 parliamentary rule was re-established.

In a report from the NOC, the riots was attributed in part to both the Malayan Communist Party and secret societies:

“The eruption of violence on May 13 was the result of an interplay of forces... These include a generation gap and differences in interpretation of the constitutional structure by the different races in the country...; the incitement, intemperate statements and provocative behaviours of certain racialist party members and supporters during the recent General Election; the part played by the Malayan Communist Party (MCP) and secret societies in inciting racial feelings and suspicion; and the anxious, and later desperate, mood of the Malays with a background of Sino-Malay distrust, and recently, just after the General Elections, as a result of racial insults and threat to their future survival in their own country”

— Extract from *The May 13 Tragedy*, a report by the National Operations Council, October 1969.

Immediately following the riot, conspiracy theories about the origin of the riots began swirling. Many Chinese blamed the government, claiming it had intentionally planned the attacks beforehand. To bolster their claims, they cited the fact that the potentially dangerous UMNO rally was allowed to go on, even though the city was on edge after two days of opposition rallies. Although UMNO leaders said none of the armed men bused in to the rally belonged to UMNO, the Chinese countered this by arguing that the violence had not spread from Harun Idri's home, but had risen simultaneously in several different areas. The armed Malays were later taken away in army lorries, but according to witnesses, appeared to be "happily jumping into the lorries as the names of various villages were called out by army personnel". Despite the imposition of a curfew, the Malay soldiers who were allowed to remain on the streets reportedly burned several more Chinese homes. The government denied it was associated with these soldiers and said their actions were not condoned.

Immediately after the riot, the government assumed emergency powers and suspended Parliament, which would only reconvene again in 1971. It also suspended the press and established a National Operations Council. The NOC's report on the riots stated, "*The Malays who already felt excluded in the country's economic life, now began to feel a threat to their place in the public services,*" and implied this was a cause of the violence.²¹

Western observers such as *Time* attributed the racial enmities to a political and economic system which primarily benefited the upper classes:

“The Chinese and Indians resented Malay-backed plans favoring the majority, including one to make Malay the official school and government language. The

²¹ Jeff Ooi (2007-05-14). "Surviving 38 years of the May 13 bloodshed". http://www.jeffooi.com/2007/05/surviving_the_may_13_bloodshed.php. Retrieved on 2007-05-14.

poorer, more rural Malays became jealous of Chinese and Indian prosperity. Perhaps the Alliance's greatest failing was that it served to benefit primarily those at the top. ... For a Chinese or Indian who was not well-off, or for a Malay who was not well-connected, there was little largesse in the system. Even for those who were favored, hard feelings persisted. One towkay recently told a Malay official: "If it weren't for the Chinese, you Malays would be sitting on the floor without tables and chairs." the official replied "If I knew I could get every damned Chinaman out of the country, I would willingly go back to sitting on the floor."²²

The riot led to the expulsion of Malay nationalist Mahathir Mohammad from UMNO and propelled him to write his seminal work *The Malay Dilemma*, in which he posited a solution to Malaysia's racial tensions based on aiding the Malays economically through an affirmative action programme.

Tunku Abdul Rahman resigned as Prime Minister in the ensuing UMNO power struggle, the new perceived 'Malay-ultra' dominated government swiftly moved to placate Malays with the Malaysian New Economic Policy (NEP), enshrining affirmative action policies for the *bhumiputra* (Malays and other indigenous Malaysians). Many of Malaysia's draconian press laws, originally targeting racial incitement, also date from this period. The Constitution (Amendment) Act 1971 named Articles 152, 153, and 181, and also Part III of the Constitution as specially protected, permitting Parliament to pass legislation that would limit dissent with regard to these provisions pertaining to the social contract. (The social contract is essentially a *quid pro quo* agreement between the Malay and non-Malay citizens of Malaysia; in return for granting the non-Malays citizenship at independence, symbols of Malay authority such as the Malay monarchy became national symbols, and the Malays were granted special economic privileges.) With this new power, Parliament then amended the Sedition Act accordingly. The new restrictions also applied to Members of Parliament, overruling

²² "Race War in Malaysia". *Time*. 1969-05-23. <http://www.time.com/time/magazine/article/0,9171,900859,00.html>

Parliamentary immunity; at the same time, Article 159, which governs Constitutional amendments, was amended to entrench the "sensitive" Constitutional provisions; in addition to the consent of Parliament, any changes to the "sensitive" portions of the Constitution would now have to pass the Conference of Rulers, a body comprising the monarchs of the Malay states. At the same time, the Internal Security Act, which permits detention without trial, was also amended to stress "inter communal harmony".²³

Despite the opposition of the DAP and PPP, the Alliance government passed the amendments, having maintained the necessary two-thirds Parliamentary majority. In Britain, the laws were condemned, with *The Times* of London stating they would "preserve as immutable the feudal system dominating Malay society" by "giving this archaic body of petty constitutional monarchs incredible blocking power"; the move was cast as hypocritical, given that Deputy Prime Minister Tun Abdul Razak had spoken of "the full realisation that important matters must no longer be swept under the carpet..."²⁴ The *Rukunegara*, the de facto Malaysian pledge of allegiance, was another reaction to the riot. The pledge was introduced on August 31, 1970 as a way to foster unity among Malaysians.

The National Operations Council report on the racial disturbances published on 9th October 1969, which represents the official view, while alluding to the role of the Malayan Communist party and Chinese secret societies, made play of several other factors. These included differences in the interpretation of the constitution by Malays and non-Malays, and the resentment of 'certain immigrant races'²⁵ against constitutional provisions relating to Malay special rights and the status accorded to the Malay language, especially under sections 152 and 153 of the constitution. Section 152 provided for the Malay language to be the national language, when meant, of course, that English, Chinese and Tamil would all be relegated to an inferior position. Article

²³ Goh, *op.cit.*, p.13; Stuart Drummond and David Hawkins, 'The Malaysian Elections of 1969: Analysis of the Campaign and the Results', *Asian Survey*, Vol.10, No.4 (April 1970), pp.331-3

²⁴ Goh, *op.cit.*, pp.12-13.

²⁵ *The Straits Times*, 11 May 1969.

153 covered the responsibility of the Yang di-Pertuan Agong to safeguard the special position of the Malays and the legitimate interests of other communities.

The NOC Report also adverted to the stirring up of racial feelings during the election campaign, presumably by both the Alliance and the opposition parties, and the racial insults and threats which were expressed during the DAP and Gerakan 'victory parades' in Kuala Lumpur.²⁶

Although this did not find a place in the NOC Report, there was, too, a reluctance on the part of the younger generation of Chinese to accept the 'bargain' which had been entered into within UMNO by the 'old guard' of the MCA, and Chinese resentment at what they perceived to be the 'Malaysia for the Malay's policy' pursued by the Alliance government.

On the Malay side, there was a deep-rooted sense of frustration at being left behind in the modernization process which was taking place in their own country, and a fear that they would be smothered by non-Malays, both numerically and economically. They were determined not to give up their rights and heritage as defined under the constitution lest they should be 'reduced to the status of Red Indians striving to live in the wastelands of America',²⁷ and probably, unconsciously, there was a reaffirmation of their exclusive sense of community now that Islam, under the constitution, had been granted official recognition as the state religion.

In 1970, the government acknowledged that the riots were caused by 'ethnic polarization and animosity', which is another way of saying that the Malays and Chinese did not get on well together, and by continuing Malay grievances at being at a disadvantage economically compared with the Chinese.²⁸

In the aftermath of the riots, there had been virtually a breakdown of social and economic contact between the Chinese and Malays. In June, few Chinese and Indians

²⁶ Rahman, *op.cit.*, p.64

²⁷ Vasil, *op.cit.*, p.37; Milne and Mauzy, *op.cit.*, p.164

²⁸ Goh, *op.cit.*, p.21; Rahman, *op.cit.*, pp.75-8; *The May 13 Tragedy*, *op.cit.*, p.32

were willing to patronize Malay shops, stalls or hawkers. Non-Malays refused to ride in taxis driven Malays, buy batik cloth or even earth durians, which were regarded as 'Malay' fruit. There was still 'bad blood' between the two races. In the background, the more vocal Malays were struggling to assume control of UMNO so that they could prevent UMNO from making concessions. 'There is no denying the fact that there is a struggle for power going on inside UMNO', the Tunku commented, 'as between those who built the Party and helped in our independence and the new elements, the "Ultras".²⁹

On 12 June, 1969, it was officially announced that all non-citizens were required to obtain work permits even if they were permanent residents of the country, and aliens would be granted work permits only if there were not sufficient qualified bhumiputras to fill the jobs.³⁰ In November 1969, all citizens (i.e., non-Malays) issued citizenship certificates under section 30 of the constitution, that is, on the grounds that one of their parents was a citizen or domiciled in the country at the time of their birth, were required to submit their citizenship papers to the authorities for checking to make sure that they were not obtained under false pretences. Only 95,540 such certificates were cleared by March 1971, and 1,81,160 non-Malays had their citizenship revoked or were left holding invalid citizenship certificates.³¹

On 30 July 1969 the Minister of Education announced a plan to introduce Bahasa Malaysia in stages, starting from Primary One in 1970, as the main medium of instruction in Peninsular Malaysia schools. English was to be taught only as a second language. On this time-scale, by 1982 all secondary education, including Form Six would be in the medium of Bahasa Malaysia, and beyond that, starting in 1983, Bahasa Malaysia would be the medium of instruction in first year university classes, and would be introduced progressively year by year until all university classes would

²⁹ Goh, *op.cit.*, pp.16-17.

³⁰ Rahman, *op.cit.*, p.76.

³¹ *The Straits Times*, 17 May 1969.

use Bahasa Malaysia as the medium of instruction, except for teaching foreign languages.³²

The reason behind this was that Malay was regarded as the means to create national unity. While it was conceded that English was widely spoken in Malaysia, it was considered to be 'elitist', and national dignity dictated that an autochthonous language should be given pride of place. Chinese and Tamil were, in this sense, not thought of as being indigenous languages, and their continued use was regarded as only tending to encourage polarization of the various communities.³³

On 18th June 1969, Tunku Abdul Rahman received what he described as a 'scurrilous' letter³⁴ from Dr. Mahathir bin Mohamad, and UMNO candidate who was defeated in the federal elections, and a member of UMNO's supreme council, accusing the Tunku of being pro-Chinese, and demanding his resignation as prime minister. This letter was leaked to the press to that it received the widest possible publicity. University of Malaya students demonstrated on the university campus calling for the Tunku's resignation on the grounds that he was not taking a strong enough line with the Chinese over such matters as education and language, and that he had failed to improve the economic position of the Malays.³⁵ There was a spate of vicious letters which were just as much anti-Tunku as they were anti-Chinese.

Dr. Mahathir Mohamad, a medical practitioner with a private practice in Kedah, was the most prominent of a group of relatively young UMNO intellectuals who believed that not enough was being done for Malays. Another name mentioned in this connection was Musa Hitam (later Datuk), who had recently been appointed as an Assistant Minister to Tun Abdul Razak.

³² Emery, Fred (June 6, 1969). "The nightmare that lingers on in Malaysia", p. 11.

³³ Another look at incident on May 13". The Star. 2007-05-14. <http://www.thestar.com.my/news/story.asp?file=/2007/5/14/nation/17718816&sec=nation>

³⁴ Khoo, Boo Teik (1995). *Paradoxes of Mahathirism*, pp. 104–106. Oxford University Press. ISBN 967-65-3094-8

³⁵ Mline and Mauzy, *op.cit.*, p.81

The Young Turks' worked closely with persons such as Tan Sri Jaafar Albar and Tan Sri Syed Nasir, who were considered by many to belong to the 'ultras' camp.³⁶ Both the 'Young Turks' and the 'ultras' were reported to be anti-Tunku Abdul Rahman and his supporters, and as Malay nationalists they had a reputation for being uncompromising towards non-Malays.

It was clear that some UMNO members wanted to impose one party rule and exclude the Chinese completely from the government. It was just as well for the Chinese that all these pressures were resisted. Dr. Mahathir was expelled from UMNO for breach of party discipline. 'The ultras believe in the wild and fantastic theory of absolute dominion by one race over the other communities regardless of the Constitution', Tun (Dr.) Ismail said over Television Malaysia soon 2 August 1969. The moderates under the leadership of the Tunku firmly hold the view that in the Malaysian multiracial society, such a theory is not a harmless pipe dram but an extremely dangerous fantasy. Polarization has taken place in Malaysian politics and the extreme racialists among the ruling party are making a desperate bid to topple the present leadership. "I must warn the extremists and others as well, that if the anti Tunku campaigns or activities are carried out in such a manner ... as to cause undue fear and alarm among members of any community.... I will not hesitate to exercise my powers under the law against those responsible..."³⁷

Then the Tunku lambasted the 'ultras' and extremists in no uncertain fashion. 'Firstly I am a Malay,' he said, "and naturally I am their leader. But I have to see to the interests of the non Malays too. We just cannot throw them into the sea."³⁸

The turning point came when the General Officer Commanding, Peninsular Malaysia, took an oath on 2 August 1969 on behalf of his officers and men to pledge loyalty to and support for the Tunku and his government.³⁹

³⁶ Vasil, *op.cit.*, pp.12-13

³⁷ Tunku Abdul Rahman Putra Al-Haj, *May 13 Before and After*, Utusan Melayu Press Ltd., Kuala Lumpur, 1969, pp.8-14, 22-8.

³⁸ Felix V. Gagliano, *Communal Violence in Malaysia 1969: the Political Aftermath*, Ohio University Centre for International Studies, 1970, p.23; The Straits Times, 21 June 1969.

This may well have saved the day both for the Tunku and his supporters (as well as the Chinese), because at that time, when parliament was suspended and a state of emergency had been declared, in the final analysis power rested with the military and whoever controlled the military, controlled the country.

The Tunku survived as a multiracial symbol, and a positive step was made to patch up the differences between the three main races making up Malaysia, by the establishment of three new institutions. In July 1969, National Goodwill Councils came into existence all over Malaysia with various local committees. The president was the Tunku who started a six-week, nation-wide tour by visiting Penang, where the state government was in the hands of Gerakan, with Dr Lim Chong EU as Chief Minister. Malays, Chinese and Indians could talk to each other again and a start was made to restore an inter communal dialogue.⁴⁰

In January 1970, the Department of National Unity and the National Consultative Council came into being; they were more formal and had official links with the NOC.⁴¹ The National Consultative Council was foreshadowed in the National Operations Council's Report wherein it was stated that "it is intended after the publication of this Report to invite representatives of various groups in the country – political, religious, economic and others – to serve on a Consultative Council, where issues affecting our national unity will be discussed fully and frankly..."⁴²

Its task was to determine 'permanent solutions to our racial problems to ensure that the May 13 tragedy does not recur'.⁴³ It met periodically over the next eighteen months.

In some ways, the National Consultative Council was the alter ego of parliament, which was waiting in the wings, and it was by no means certain that when parliament was

³⁹ *The Straits Times*, 19 May 1969.

⁴⁰ *ibid.*, 14 June 1969; 2 July 1969: *The May 13 Tragedy, A Report*, The National Operations Council, Kuala Lumpur, 1969, pp. 25-6.

⁴¹ *ibid.*, p. ix.

⁴² *ibid.*

⁴³ Letter by 'Kampong Malay' in the correspondence column of *The Straits Times*, 7 July 1969.

reconvened the NCC would necessarily disappear. It was a multiracial body consisting of 65 members representing federal and state governments, political parties (with the exception of DAP and Party Rakyat), and functional groups, who were encouraged to speak frankly on matters of national importance such as racial issues and national unity.

The NOC Report had already pointed out the way Sino-Malay friction could be met. 'Citizens of this country,' it said, "especially those who became citizens by virtue of the provisions that started with the Federation of Malaya Agreement, 1948, leading to the Merdeka Constitution, 1957, should understand the significance of the entrenched provisions of the Constitution. Malaysians, despite their ethnic origins, should appreciate the potential and distinctiveness of their country. The guidelines will be provided by the newly-formed Department of National Unity and the National Operations Council."⁴⁴

The intention to prepare guidelines in the shape of a national ideology was announced by Tan Sri Ghazali in mid-July 1969. The drafting was done by the Department of National Unity headed by Ghazali, and the final draft was submitted to the National Consultative Council for approval.⁴⁵

On 31 August 1970, the thirteenth anniversary of Merdeka, the Yang di-Pertuan Agong formally promulgated the statement of nation ideology which was called the Rukunegara. While 'Rukun' certainly has Islamic undertones about it, and may be translated as 'fundamental doctrine, commandment, or essential part of a religion',⁴⁶ it is indeed very appropriate in the context of interracial relations, as it means, to, 'quiet and peaceful', 'like the ideal relationship of friendship', 'without quarrel or strife', and 'united in purpose while mutually helping each other'.⁴⁷ Negara means nation.

⁴⁴ R.S. Milne and Diane K. Mauzy, *Politics and Government in Malaysia*, Federal Publications, Singapore, 1978, p.85.

⁴⁵ Rahman, *op.cit.*, p.136

⁴⁶ Milne and Mauzy, *op.cit.*, p.189

⁴⁷ Milne and Mauzy, *op.cit.* p.88; *Second Malaysian Plan 1971-1975*, Government Press, Kuala Lumpur, 1971, p. 245

After as the Malaysian government intends to use the Rukunegara as the basic model for its strategy to bring about national unity, and the principles enunciated in it are meant to serve as a bond to bind together the various strands of Malaysia's multiracial society, it may be of interest to reproduce it here:

'Our Nation, MALAYASIA, is dedicated –

To achieving a great unity for all her peoples;

To maintaining a democratic way of life;

To create a just society in which the wealth of the nation shall be equitably distributed;

To ensuring a liberal approach to her rich and diverse cultural traditions;

To building a progressive society which shall be orientated to modern science and technology.

We, her people, pledge our united efforts to attain these ends guided by these principles-

Belief in God (Kepercayaan Kepada Tuhan)

Loyalty to King and Country (Kesetiaan Kepada Raja dan Negara)

Upholding the Constitution (Keluhuran Perlembagaan)

Rule of Law (Kedaulatan Undang-undang)

Good Behaviour and Morality (Kesopanan dan Kesesilaan).

The following commentary elucidating the meaning of these five principles accompanied the declaration:

1. Islam is the official religion of the Federation. Other religions and beliefs may be practiced in peace and harmony and there shall be no discrimination against any citizen on the ground of religion.

2. The loyalty that is expected of every citizen is that he must be faithful and bear true allegiance to His Majesty the Yang-di-Pertuan Agong...
3. It is the duty of a citizen to respect and appreciate the letter, the spirit and the historical background of the Constitution. This historical background led to such provisions as those regarding the position of... The Rulers, the position of Islam as the official religion, the position of Malayas and other Natives, the legitimate interests of other communities, and conferment of citizenship. It is the sacred duty of a citizen to defend and uphold the Constitution.
4. Justice is founded upon the rule of law. Every citizen is equal before the law. Fundamental liberties are guaranteed to all citizens. These include liberty of the person, equal protection of the law, freedom of religion, rights of property and protection against banishment. The Constitution confers on a citizen the right of free speech, assembly and association and this right may be enjoyed freely subject only to limitations imposed by law.
5. Individuals and groups shall conduct their affairs in such a manner as not to violate any of the accepted canon of behavior which is arrogant or offensive to the sensitivities of any group. No citizen should question the loyalty of another citizen on the ground that he belongs to a particular community.⁴⁸

In the circumstances, non-Malays could take heart that the Rukunegara steered a middle path through the tangled skein of Sino-Malay relations. A clear hint was given in it to Malay 'ultras' and racial extremists that they were not going to have things entirely their own way, and that parliamentary democracy was to continue and a totalitarian form of government was not envisaged. The Chinese were reassured that there would be no threat to their culture (ensuring a liberal approach to her (Malaysia's) rich and diverse cultural traditions), and the direction in which education would be pointed was indicated (a progressive society which shall be oriented to modern science and technology).

⁴⁸ Gordon P. Means, *Malaysian Politics*, Hodder and Stoughton, London, 1976 (2nd edn.) ,p.408

The third principle, 'upholding the Constitution', made it clear that the Chinese would have to accept Malay as the national language and the sole official language, as well as accept the 'special position' of the bhumiputras and the legitimate interests of other communities. However, the fifth principle was in favour of the Chinese – "no citizen should question the loyalty of another citizen on the ground that he belongs to a particular community". The Rukunegara was supported by all legal political parties, and its principles became widely known and were often referred to and quoted.

At the time of the promulgation of the Rukunegara, Tunku Abdul Rahman had announced that he intended to retire from the premiership which he had held since independence, and on 22 September 1970 he formally submitted his resignation. Tun Razak appointed Tun (Dr.) Ismail as Deputy Prime Minister and Datuk Hussein Onn, who was his brother-in-law, left his private law practice at Tun Razak's request to serve the nation as Minister of Education. The MCA abandoned its decision not to participate in the government, and Tun Tan Siew Sin returned as Minister of Finance.⁴⁹

Once again the Alliance party was at the helm, made up as before of three communal parties, UMNO, the MCA and the MIC, although it was now geared toward a new strategy to meet the interrelated problems of the economic deprivation of the Malays and the hostility and ill-felling which was keeping the Malays and Chinese apart.

The ban on party politics was withdrawn but only after the NOC, with the full support of the National Consultative Council, amended the Sedition Act to make it an offence to question publicly the powers and privileges of the Yang di-Pertuan Agong or the Malay rulers, the citizenship law, the use of Malay as the sole national and official language, the 'special position' and rights of the bhumiputras, and the states of Islam as the state religion.⁵⁰

Tun Abdul Razak opined that the only way to avoid a recurrence of the trouble was to restructure the whole economy so as to eradicate poverty for all Malaysians,

⁴⁹ Means, *op.cit.* pp. 401-2.

⁵⁰ Shaw, *op.cit.*, pp.220-1.

irrespective of race, and to correct racial economic imbalance by increasing the participation of bhumiputras in the economic life of the country.⁵¹

Tun Razak made it quite clear that the return to parliamentary government was contingent upon parliament passing the constitution (Amendment) Bill which was designed to confirm the NOC decree amending the Sedition Act which made it an offence to discuss publicly 'sensitive racial issues', and not only that, but the remove parliamentary privilege in regard to the discussion of these topics both at federal and state levels.

The Constitution (Amendment) Bill also granted additional power to the Yang di-Pertuan Agong to direct post-secondary institutions to reserve certain proportions of places for Malays in selected courses of study where the numbers of Malays were disproportionately small, such as medicine, engineering and science.

In a sense, the new economic policy announced by Tun Abdul Razak at the opening of Parliament was not entirely new. It will be recollected that General templer, soon after his arrival as High Commissioner of the Federation of Malaya in February 1952, had made reference to the necessity for the Malays "to play a full part in the economic life of the country". However, for the most part, in the first Malaysia Plan 1966 – 70, the adjusting of the economic balance between the Malay and Chinese communities was thought of in terms of developing the rural areas of the country, where most of the Malays were found, as opposed to the urban areas, which were predominantly Chinese settlements and schemes for land settlements benefitting the Malays were there upon devised by the government or quasi government organizations such as FELDA, RIDA and MARA.

Nevertheless, it was reasoned that the efforts of these bodies were inadequate, and that too little was being done for the Malays otherwise the Malays would not have been still laboring under a sense of economic deprivation which led to the 13 May 1969 riots,⁵²

⁵¹ Milne and Mauzy, *op.cit.*,pp.97-8;Means.*op.cit.*,p.406

⁵² *Mid-Term Review of the Second Malaysian Plan 1971-1975*,Government Press, Kuala Lumpur 1973,p.141.

and it was with this in mind that a new economic development plan, the Second Malaysia Plan 1971-1975 (SMP) was drawn up, and published on 25 June 1971, with further details and statistics being provided in the Mid-Term Review of the Second Malaysia Plan 1971-1975, published on 20 November 1973. It was followed in 1976 by the Third Malaysia Plan 1976-1980.

The 'bargain' which had been entered into by the MCA and UMNO prior to independence in 1957 aimed at creating a balance which would be adhered to by both Chinese and Malays. This had been shattered during the 13 May 1969 riots. There are many barriers which have persisted since the Chinese first started to immigrate to Malaya in large numbers in the second half of the nineteenth century. For instance, they do not share a common history, heritage or culture, and even their language, dress, food, daily habits, religious beliefs and economic pursuits are different.

By 1971, it appeared that there were three options open to the Chinese in a Malayan-Malaysia. They could be assimilated, depending on whether they agreed to turn themselves into Malays, or they could be integrated into Malaysian society to form a suku (literally 'a quarter' or 'a group'), that is, Chinese Malaysian and not a Malaysian Chinese suku, which would nevertheless be part of the racial mosaic making up Malaysia, in the same way that Malaysia includes the separate ethnic groups of Sabah and Sarawak, such as, the Melanaus and the Ibans. Land Dayaks, Dusuns, Muruts and Bejaus. Or they could remain separate and outside the mainstream of Malaysian life, in which case further friction could be expected which would inevitably lead to further outbreaks of racial violence and perhaps rend the country asunder.

It appeared unlikely that the Chinese would accept the first option, bearing in mind their intense pride in their culture. Even in Thailand where the Chinese and Thais come from the same stock, and there are no religious barriers between the two races, assimilation is by no means complete. In any case, in Malaysia, Islam would present an insuperable obstacle, since there can be no compromise over this, and it constitutes the main reason why Malaysia with its multiracial society, has not become the melting pot of Asia. The third option is unthinkable, and even the most chauvinistic Chinese

realizes that it would not be possible for the Chinese to remain as a separate enclave in a Malay oriented Malaysia.

Integration would therefore seem to offer the best solution,⁵³ and it would be quite acceptable in the context of the Rukunegara where, as has been noted earlier, reference has been made to Malaysia's rich and diverse cultural traditions'. Also, the NEP, if it is accepted to mean what it says, makes it quite clear that the government 'will spare no efforts to promote national unity and develop a just and progressive Malaysian society in a rapidly expanding economy so that no one will experience any loss of feel any sense of deprivation of his rights, privileges, income, job or opportunity.'⁵⁴

Meanwhile, while the frequent verbal battles between the two main component parties of the ruling political alliance, namely, UMNO and MCA, must indeed give rise to widespread anxiety, there is no doubt that the government's language and education and policies provide the key to the problem. Although they were initially firmly resisted by the Chinese, if they come to be accepted, they will eventually result in producing Chinese Malaysians⁵⁵ educated through the medium of Bahasa Malaysia (the national language) and having a Malaysian outlook, even though this may take some years to achieve and the way ahead may be tortuous.

In summing up, one may say that the violence which shook Kuala Lumpur was triggered off by the results of the general elections at federal and state levels which saw the Alliance Party, especially the MCA component of it, reeling under body blows from the opposition, but the underlying cause is much deeper and undoubtedly must be looked for in the social, political and economic differences which had grown up between the Chinese and Malays.

⁵³ Basil J. Moore, *Restructuring Wealth Ownership*, University Sains Malaysia, Pulau Pinang, 1975, pp.11-25.

⁵⁴ *Malaysia Year Book 1973-74*, The Malay Mail, Kuala Lumpur, 1974, p.178.

⁵⁵ Milne and Mauzy, *op.cit.*, p.371; Tjoa Hock Guan, 'Chinese Malaysians and Malaysian Politics, in *Southeast Asian Affairs 1978*, Institute of Southeast Asian Studies / Heinemann Educational Books (Asia) Ltd., Singapore, 1978, p.189.

Chapter III

The New Economic Policy under Mahathir Mohammad

The “New Economic Policy” (NEP), formulated and announced soon after the events of 13th May 1969, had several political aspects. The government’s subsequent implementation in 1971 of the twenty-year NEP to address the root causes of interethnic tensions, traumatized Peninsular Malaysia’s Chinese community. It was political disturbances which had stimulated a rethinking of economic policy. Also, the NEP’s main characteristics were an expansion of government direction of the economy in order to increase and reallocate certain values and goods, an eminently political process. Its ultimate goal was also attainment of national unity but NEP’s, preferential treatment of Malays and its apparent assault on Chinese economic, educational, and cultural interests, led many Chinese to question whether they had a viable future in the country. The policy succeeded in its highly ambitious twin goals of social restructuring across racial lines and poverty reduction mainly within the Malay community. More fundamentally, when the policy drew to a close in 1991, racial tensions in Malaysia had been dramatically ameliorated.

Quite remarkably, the structural changes in Malaysia’s political economy produced by the NEP were not accompanied by political or economic instability. During the NEP’s life span, the country’s average annual growth rate was 6.7 per cent.¹ Malaysia emerged as one of the most successful economies in Southeast Asia by the late 1980s. The expanding economic pie clearly made it easier for Chinese to accept preferential treatment of Malays, including Malay domination of Malaysian politics and the bureaucracy. At the same time, it enabled an expanding Chinese middle class to participate as active partners in Malaysia’s extraordinary economic advance.

It is argued that while the NEP was conceived by the United Malays National Organization (UMNO) and imposed on the Chinese, the UMNO leadership was, however, pragmatic enough to liberalize the NEP in its latter stages, in the face of widespread Chinese alienation and falling foreign investments during the recession of the mid-1980s. Unable to fund costly NEP programs due to shortfalls in public revenues, the Malay political leadership proved more receptive to Chinese calls for a

¹ Government Of Malaysia. *The Second Outline Perspective Plan, 1991–2000*. Kuala Lumpur. National Printing Department. 1991b, p. 21

rethinking of the NEP. With deregulation and privatization as new NEP priority after 1986, domestic Chinese and foreign investments rebounded, thus revitalizing the Malaysian economy. The NEP's successor policy, the NDP, with its commitment to growth- and income-raising policies, emphasis on deregulation, and greater accommodation of Chinese educational and cultural aspirations, drew widespread endorsement from the Chinese community. At the same time, Prime Minister Mahathir Mohammad's articulation of his vision to achieve fully industrialized nation status for Malaysia by the year 2020 gave much hope to the Chinese community. They were persuaded that so long as safeguarding Malaysia's global competitiveness remained a key objective of the UMNO leadership and the NEP spawned bhumiputra (sons of the soil, i.e., Malay) business elite, the exclusionist and chauvinistic forces of Malay economic nationalism that inspired the NEP in 1971 would be held at bay.

Formulating the NEP: The Chinese Input

Since the NEP was conceived to advance Malay economic well-being and narrow the income gap between Malays and Chinese, it was hardly surprising that the UMNO leadership kept Chinese input in its formulation to a minimum. Small though it was, the Chinese bureaucratic and political input was nevertheless critical to safeguarding Chinese interests throughout the NEP's life span. Chinese bureaucratic inputs were orchestrated by Tan Sri Dato' Thong Yaw Hong, Director-General of the Economic Planning Unit in the Prime Minister's Department. Politically, MCA president Tun Tan Siew Sin, in his position as Finance Minister (a post which he had held since 1959), continued to use the power of his office to protect Chinese business interests. It was not until after his retirement in April 1974 that the NEP was fully institutionalized with the promulgation of the Industrial Coordination Act (ICA), which required non-Malay businesses to comply with equity-restructuring objectives.

The NEP's Rationale regarding Economic Development and Nation Building

Following the May 1969 racial rioting, the National Operations Council (NOC) led by Tun Abdul Razak Hussein addressed the political and economic problems that lay at the root of the tragedy. The solutions were presented to the Malaysian people when parliamentary rule was restored in February 1971. Constitutional amendments were passed to restrict “communal politicking” which allegedly had produced racial polarization in the mid-1960s. UMNO control over the political system was strengthened and all major opposition parties, except the DAP, joined an enlarged government coalition, the Barisan Nasional (BN or National Front) to work toward the restoration of racial harmony.

The economic reforms focused on restricting the scope of laissez-faire capitalism and allowing greater state intervention to advance Malay welfare. The NEP was conceived as the centerpiece of UMNO's economic reforms. Its twin objectives—reduction of poverty irrespective of race, and restructuring of Malaysian society to eliminate identification of race with economic function—were contained in the Second Malaysia Plan and formally presented to Parliament in July 1971.

The NEP's rationale regarding economic development and nation building reflected two contending ideological strands within the UMNO: a hard-line strand which approached economic development from the perspective of exclusivist Malay economic nationalism, and a liberal, accommodationist strand that emphasized nation building based on fair play and cooperation of Malays and non-Malays. UMNO hard-liners, “Young Turks” and “ultras” such as Malaysia and Syed Nasir Syed Ismail, strongly supported demands made by the first two Bhumiputra Economic Congresses (held in 1965 and 1968) which called for intensive state interventionist actions to correct the economic imbalance between Malays and non-Malays. They faulted the liberal, accommodationist leadership of Tunku Abdul Rahman, for allowing MCA leaders to hold the cabinet portfolios of finance, trade, and industry, and for allowing the Chinese to do business without restriction. Not only did MCA president and Finance Minister Tan Siew Sin fend off Malay economic nationalist pressures in the urban sector, but he also successfully won a major battle in the agricultural sector when he prevailed upon

the Tunku Abdul Rahman to sack his Agriculture Minister Abdul Aziz Ishak for attempting to replace Chinese-owned rice-milling enterprises with state-owned cooperatives.²

By 1970, income and sectoral imbalances between Malays and non-Malays had become disproportionately high. Malays formed the majority of the poor, accounting for 74 per cent of all poor households in Peninsular Malaysia.³ The Malay population was predominately rural (63.4 per cent compared to the Chinese proportion of 26.1 per cent), while Chinese formed the majority of the urban population (58.7 per cent compared to the Malay proportion of 27.4 per cent).⁴ The Malay monthly mean household income was \$178.7, compared to the Chinese income of \$387.4, and per capita Malay income per month was \$34, compared to the Chinese income of \$68.

The poverty incidence among Malay households was 65 per cent, compared to 26 per cent for Chinese households.⁵ Finally, the Malay share of corporate equity was a mere 2.4 per cent, compared to the Chinese share of 34.4 per cent. However, significant though Malay-Chinese economic imbalances were, it was foreign, particularly British, interests that dominated the Malaysian economy, owning 63.3 per cent of corporate equity.⁶

Under the NEP, state-interventionist policies would be implemented to raise Malay income through poverty reduction policies in the rural sector, through expansion of employment opportunities in the urban sector, and through raising Malay share of corporate wealth from 2.4 per cent to 30 per cent by 1990. The Chinese share would be allowed to grow to 40 per cent and the foreign share would be reduced to 30 per cent.⁷

² Pek Koon Heng, *Chinese Politics in Malaysia: A History of the Malaysian Chinese Association*, Singapore: Oxford University Press, 1988, pp. 258-59

³ Government of Malaysia, *op. cit.*, 1991b, p. 32

⁴ Government of Malaysia, *Mid-Term Review of the Second Malaysia Plan, 1971-1975*, Kuala Lumpur, Government Press, 1973, p. 25

⁵ Government of Malaysia, *Second Malaysia Plan, 1971-1975*, Kuala Lumpur, Government Press, 1971, p. 5

⁶ Government of Malaysia, *Third Malaysia Plan, 1976-1980*, Kuala Lumpur, Government Press, 1976, p. 186

⁷ *Ibid.*, p. 184

These goals clearly represented a victory for the forces of Malay economic nationalism. The government would no longer allow the unrestricted play of free market forces, and MCA influence on Economic Policy would be stopped.

However, the NEP also contained elements which reflected the more liberal viewpoints of top-ranking British-educated UMNO leaders such as Tun Razak and Tan Sri Ghazali Shafie. Having imbibed liberal democratic principles during their tertiary education in Britain, these men were committed to principles of fair play and justice as a framework for governance in multiethnic Malaysia. Former Prime Minister Tunku Abdul Rahman, the strongest adherent of this liberal cause, had opted for a gradualistic Malay special rights policy during the 1960s. He consistently emphasized that he would not condone a special rights policy of “robbing Peter to pay Paul,” one that allowed Malays to benefit at the cost of the Chinese.⁸ Although Tun Razak was obviously more sympathetic to the concerns of Malay economic nationalists, he was also a leader guided by liberal instincts who tempered the exclusionist demands of Malay economic nationalists. It was Tun Razak who specifically inserted the phrase, “the government will ensure that no particular group or community will feel any sense of deprivation or loss,” into the official declaration of the NEP.⁹

The NEP was drawn up by two divisions attached to the Prime Minister’s Department, the Economic Planning Unit (EPU) and the Department of National Unity (DNU). As the EPU was headed by a Chinese, Tan Sri Thong Yaw Hong, and staffed by several senior Chinese economists, the DNU was created by Tun Razak to draw up the first draft of the new policy under the direction of Tan Sri Ghazali Shafie and Dr. Agoes Salim. The DNU was committed to policies that emphasized the correction of structural imbalance in income, employment, and ownership between Malays and non-Malays. In contrast, the EPU, an institution set up in 1961 to formulate and review economic policies, had always stressed economic growth over other priorities.¹⁰

⁸ Abdul Rahman, *Looking Back*. Kuala Lumpur, Pustaka Antara, 1977, p. 243

⁹ *Malaysian Business*, October 16, 1986, p. 15

¹⁰ Just Faaland, J. R. Parkinson, and Rais Saniman, *Growth and Ethnic Inequality: Malaysia's New Economic Policy*, Kuala Lumpur, Dewan Bahasa dan Pustaka, 1990, pp. 28-37.

After the DNU produced the first draft of the NEP, non-Malay participation was allowed. The Chinese input came from the EPU and the National Consultative Council (NCC), a multiracial forum comprised of sixty-five members representing federal and state governments, political parties, and functional groups. It had no formal powers and its function was to act as a surrogate parliament during the period of NOC rule to secure ratification and consent for NOC policies.¹¹ It was not Chinese representatives in the NCC but senior Chinese bureaucrats in the EPU who were able to make changes to the original NEP document.

According to Thong, the DNU document contained “extreme interventionist measures” which would have severely undermined Chinese business interests. As head of the EPU, he introduced major revisions to safeguard non-Malay interests, including the critically important sentence: “It [the government] will spare no efforts to promote national unity and develop a just and progressive Malaysian society in a rapidly expanding economy so that no one will experience any loss or feel any sense of deprivation of his rights, privileges, income, job or opportunity”.¹² The principles expressed by that sentence—the UMNO’s commitment to national unity, to growth, and to fair play—provided legitimate ammunition for Chinese political and business leaders to present their case against perceived injustices arising from the NEP, as discussed later on. Thong also introduced a critical second revision which extended the scope of poverty eradication to benefit all ethnic groups, and not primarily Malays.

After the sobering lesson of the race riots, the Chinese political and business leadership had little choice but to accept the NEP. While the Chinese were understandably worried about the negative impact of the NEP, they also believed that the NEP would not overly damage their interests. This assumption stemmed from two factors, the assurance that restructuring would take place within a context of economic growth, and the belief that the UMNO leadership would not apply extremist solutions to the problem of social and economic restructuring. Although UMNO leaders regarded the closing of the Malay-

¹¹ Gordon P. Means, *Malaysian Politics: The Second Generation*, Singapore. Oxford University Press, 1991, p. 10.

¹² Government of Malaysia, *Second Malaysia Plan, 1971–1975*, Kuala Lumpur, Government Press, 1971, pp. v-vi

Chinese income gap as the sine qua non for national unity, their very concern about the need for national unity worked to the advantage of the Chinese since it could not be achieved in the face of widespread Chinese alienation and discontent.

Initially Chinese feared that the NEP would be divisive were calmed by assurances from UMNO leaders. For instance, speaking in support of the Second Malaysia Plan on August 2, 1971, Ghazali Shafie stated, "It is wrong, and indeed mischievous, for anyone to read into the Plan that it is intended only for Malays at the expense of non-Malays".¹³ More importantly, the country's constitution and the Rukunegara, the nation's new national ideology promulgated in August 1970, guaranteed protection of non-Malay interests. The Rukunegara was devised by the NOC to serve as a post-1969 framework "for creating a basic consensus on communal issues by establishing principles that could be invoked to restrain the more extreme demands of ethnic chauvinists".¹⁴ The inclusive and accommodationist outlook of the Rukunegara's chief architect, Ghazali Shafie, was clearly reflected in the following objectives: to achieve greater national unity; to maintain a democratic way of life; to create a just society in which the wealth of the nation would be equitably shared; to ensure a liberal approach to the country's rich and diverse cultural traditions; and to build a progressive society oriented to modern science and technology.¹⁵ During the NEP period, the safeguards contained in the Second Malaysia Plan and the Rukunegara provided a legitimate framework for Chinese leaders to protest against the NEP.

Of all the official policies and public institutions which magnify the *bhumiputra / non-bhumiputra* dichotomy, the most dramatic is the New Economic Policy. Besides the consequences of the implementation of NEP on the living standards of Malaysian masses in general, it exacerbates the problem of communal polarization of Malaysian society.

¹³ *The Star*, October 4th, 1986

¹⁴ Gordon P. Means. *Malaysian Politics: The Second Generation*, Singapore, Oxford University Press, 1991, p. 12.

¹⁵ *Ibid.*, pp.12-13

The NEP, which was presented as *fait accompli* after the May 13 riots of 1969, had a two-pronged objective:

1. The restructuring of society to correct the economic imbalance of wealth-holding which led to the identification of race with economic function; and
2. The eradication of poverty.

With the benefit of hindsight and the evidence after its 16 years of implementation, we can convulsively say that while the second prong is salutary in theory, the government has tended to equate poverty with “Malay Poverty”. On the other hand, from the first instance, the basic premise of the first prong is incorrect and could only divisive and communalist effects, and indeed has had that effect.

If the government were sincerely concerned about promoting national unity through its economic policy, it would not have communalized the issue of poverty and wealth-holding. National economic reconstruction and wealth redistribution could have been effected through the identification of specific sectors and classes through an integrated approach steering well away from communalism. In such a preferable approach, even if the vast majority in a poor sector were mainly from the Malay community, the policy would at least be justifiable and acceptable to all communities. Equally deserving poor sectors in the non-Malay communities would also not be bypassed or neglected. Most importantly, such a preferable economic policy would be a positive and nationally integrative factor.

The reality of NEP these 16 years is typified by the statements made by UMNO leaders as recently as the UMNO general assembly in 1986. For example, on 29 August 1986 UMNO Youth President Encik Anwar Ibrahim said, “We would like to remind [critics of the NEP] that efforts to eradicate poverty among rural Malays should be continued because they are relatively far poorer than the urban population.”¹⁶

Such an attitude toward the question of poverty is obfuscatory. Consequently, the problems of poverty and abject conditions in the New Villages and estates are not

¹⁶ *The Star*, August 30th, 1986.

treated with the equal attention they deserve, but are put aside because of the misleading average figures for the respective communities, At the same UMNO general assembly, Encik, “We do not deny the need to develop New Villages but what we would like these villages are backward and neglected.” Poverty of any kind in any sector cannot be justified and should not be communalized. It is also clear that NEP statistics on the incidence of poverty are highly misleading. They only tend to obscure the true picture.

First of all, wealth cannot be measured simply by considering cash income alone. Other factors which are part of livelihood must be considered, e.g. land ownership, government scholarships, services, utilities and subsidies. Moreover, measurement of household income which does not take into account household size and comparisons of proportion of economically active household members, would also tend to give a lop-sided view. For example, the heavily over-crowded New Villages have a bigger household size than the national average and a smaller percentage of Chinese remain in secondary schools compared with Malay children. A 1983 study on Chinese New Villages has shown that the average household density was twice that of the national average in Peninsula Malaysia, according to the Deputy Minister for National and Rural Development.¹⁷ Thus, unless all poverty sectors irrespective of race are identified and positive measures employed to uplift their livelihood, the unemployed squatters, estate workers, factory worker, hawkers, artisans and others will be condemned to an unfortunate fate by the argument that “the rural Malay poor are in a worse plight”. This should not be a pretext for ignoring the non-Malay poor.

Regarding the eradication of rural poverty in the Malay community itself, the NEP’s methods are also questionable. The agronomists and economists have time and again stressed that the main cause of poverty and backwardness lies in the unequal access of peasants to farm inputs, especially land, credit and other factors of production. Corrective actions can only tackle problem at the root of the institutional and structural inequalities.

¹⁷ Ozay Mehmet, *Development in Malaysia: Poverty, Wealth, and Trusteeship*, London, Croom Helm, 1986, pp. 23-24.

With the benefit of hindsight, when we see the second idea of the NEP, it is clear that its main theoretical assumption based on “racial imbalance” is seriously mistaken. A national policy of economic reconstruction should never be premised on “race” since every ethnic community has its rich elite class and its poor majority. As expected, the “corrective” measures of the 1970’s and 80’s have mainly benefited the class of well-placed bhumiputras. More alarmingly, the NEP has served to institutionalise and legitimize widespread racial discrimination not only in the government services but in all aspects of public life. This has produced the most disastrous effect on ethnic relations.

In the public sector, according to the 1980 Census, more than 80 per cent of all government executive officers were Malay; Malays hold 75 per cent of the publicly-funded tertiary education places; 96 percent of settler in Felda schemes are Malay.¹⁸ Furthermore, it has been admitted by top government leaders that communal polarisation in the civil service is widespread because of the discriminatory policies toward non-Malays pertaining to recruitment and promotion opportunities. Another feature of this discrimination is seen in the fact that there is not a single non-Malay Vice-Chancellor in any of the Universities in the country.

Regarding corporate assets, the official figures show that in 1985, Bhumiputra individuals and trust agencies owned 17.8 per cent of the total equity capital, while other Malaysians owned 56.7 per cent and foreign residents accounted for 25.5 per cent.¹⁹ However, it is widely held by observers that the wealth restructuring policy objective of 30-30-40 by 1990 is very much on target.²⁰ The bhumipura share of 17.8 per cent is almost certainly understated owing to such definitional problems as the inclusion of nominee companies in the form of “other Malaysians”. It is well known that many of such nominee companies (formed to hide the identity of the owner or beneficiary) are formed by the bhumiputra elite.

¹⁸ Feer, September 25th, 1986.

¹⁹ Government of Malaysia. *Fifth Malaysia Plan, 1986–1990*, Kuala Lumpur, National Printing Department, 1990, p.116.

²⁰ Feer, op.cit., 1986.

Through the NEP, much of the wealth has been created through mobilizing nation savings or even forced savings, as in the cases of Amanah Saham Nasional (ASN), Felda, the employee's Provident Fund (EFP) and the Social Security Organisation (SOCSO). The flouting of public accountability has been partly affected through the separation of control of funds by NEP "trustees" from nominal ownership by *bhumiputras*. Bhumiputra elites who have benefited from NEP trusteeships are small, powerful and influential groups, organized as cartels, who gain through collusion, transaction costs and other forms of non-competitive bargains. They are in the best position of access to vital information about contracts, investment opportunities, capital gains, etc. these elites can be found in the military, religious, aristocratic, bureaucratic and political spheres with overlapping membership. But along with the bhumiputra elite who profit from the NEP equity restructuring are also multinational interests as well as local non-Malay elites. Multinational and other foreign interests have profited enormously from the government's privatization and other projects in telecommunications, construction and others. It is therefore not surprising that these have not openly criticized the Malaysian government's overtly discriminatory policies since they do not want to endanger their interests in this country.

The collusion of business interests of the top UMNO, MCA (and MIC) leaders was best demonstrated in the United Malayan Banking Corporation-Multipurpose Holding Berhad affair a few years ago. The controversy was, in the end, settled amicably by the top leaders of the UMNO and MCA in a way which maximized the corporate interests of the elites involved but after a lot of communalist dirt about "Malay" versus "Chinese" interests had been kicked up in the process.

The facility of loans merely provides the privileged class of *bhumiputras* additional means to make more money, an objective not exactly envisaged by proponents of the ASN. Commercial banks and finance companies have given out M\$1.063 billion in loans to investors to buy ASN shares since the scheme began.²¹

²¹ James V. Jesudason, *Ethnicity and the Economy: The State, Chinese Business, and Multinationals in Malaysia*. Singapore: Oxford University Press, 1989, p.67.

Aside from the issue of which class of *bhumipurtas* actually gains from schemes like ASN and others, is the more vital question of racial discrimination that this involves. ASN, which is ultimately secured by all Malaysian taxpayers, should be open to investment by all Malaysians regardless of “race” *in principle*. This is apart from the practical problem of whether the unrealistic percentage-return on ASN investment itself is tenable in the long term. Otherwise, along with the other racially discriminatory stipulations in relation to loans, end-financing, etc., Such policies transgress international standards against racial discrimination. *Bhumiputras*, to cite other examples, are offered houses and loans that are at least five per cent lower than for *non-Bhumiputras*.

Along with the other effects of the NEP as well as the various scandals involving vast amounts of public monies these sixteen years, the policy only contributes to cynicism among all Malaysians who are concerned for social justice and wealth redistribution, besides creating deep dissatisfaction in the non- *Bhumiputras* communities.

Under the NEP, the government has set up at least 40 public enterprises and about 900 off-budget agencies. Nearly all of these are managed by *Bhumiputras*. It is scandalous that public or national enterprises have been also communalized. These government agencies participate directly in various monopolistic economic activities which have eclipsed many private enterprises. Due to mismanagement and the lack of public accountability, many of these agencies have suffered huge losses or else collapsed. This has not only created widespread resentment in the private sector, but also among all Malaysians who are alarmed at the flouting of public accountability.

As long as there is no public accountability in the midst of such squandering of public funds, the implementation of the NEP can only lead to worsening communal relations since it is carried out in the name of “*Bhumiputra* interests”. It goes without saying that public accountability is an indispensable precondition for National Unity.

Apart from these broad negative effects, the NEP’s implementation has directly aggrieved non-Malays to the detriment of ethnic relations. For example, in the case of the issue of MAS shares to the public in 1985, public-listed companies were required to

reserve not only 30 per cent of the total new shares but also allocate 30 per cent of the remaining shares for *Bhumiputras*. This aroused great resentment among *non-Bhumiputras*.

The NEP is simultaneously leading to widening intra-ethnic inequality.²² While such a trend is carried out in the name of “*Bhumiputra* interest”, in the midst of economic recession and rising unemployment, it only aggravates communal polarization

The government’s attitude toward the medium and small-scale industries - 90 per cent of which are run by non-Malays is a further instance of the adverse effect of the NEP on ethnic relations. When economists have persistently urged the government to give positive support to these industries since they provide the real basis for the industrial fibre of the country, the government has instead chosen to ignore this advice.

The attitude of government toward the private sector is bewildering. When in October 1986, the government decided to liberalize the terms for investment for foreign investors (allowing 100 per cent equity ownership for certain categories), it did not see fit to apply the same rules, if not better terms, for local investors.

When we see the general scheme of things under the NEP, recently elaborated by the various Structure Plans, we see an irrational policy that encourages greater rural-urban migration as a way to “modernise” *Bhumiputras* or to increase the proportion of Malay urban population. This is contrary to all contemporary progressive ideas on population decentralization. A rational population policy and development strategy should surely be to encourage urban-rural migration with incentives and encouragement given to urban non-Malays, such as licenses and land titles. However, the statistics on the ethnic composition in the various land settlement schemes speak for themselves: over 90 per cent of these settlers are *Bhumiputras*.

When the NEP was promulgated in the Second Malaysia Plan it pledged to ensure that “no particular group experiences any loss or feels any sense of deprivation”. It is clear

²² Yukio Ikemoto. “Income Distribution in Malaysia, 1957-80” , *The Developing Economies*, 1985

from the experience of the past 16 years that the NEP has led to the widespread disaffection not only among non-Malays, but also among Malays.

The effect of the NEP on ethnic relations shows that the “restructuring of society” prong has tended to benefit a small class of well-placed *Bhumiputra* elite while the structural problems of poverty among Malaysians remains unsolved. A further divisive factor is contributed by the tendency of the government to define poverty as only pertaining to Malay poverty.

Malaysian ethnic relations have been adversely affected by various policies in the sphere of education. These policies are broadly derived from the implementation of the government’s National Education Policy as well as its New Economic Policy. At the same time, many directives that have caused needless friction, the product of bureaucratic excess, are not even government policy. All the neglect and discrimination suffered by Chinese and Tamil schools are the result of an official attitude which pays scant regard to the constitutional provision for cultural democracy. The various controversies in recent years (such as the ‘3M’, ‘integrated schools’ and ‘circulars’ issues) have generated much resentment in the non-Malay communities. These have produced the opposite effect to the supposed intent of producing a united nation.

Perhaps the best evidence against the oft-touted presumption that the vernacular schools are a cause of communal polarization is the serious situation of polarization in government secondary schools and universities in which the main medium of instruction is Bhasha Malaysia. In this sector of education, the divisive factors are directly derived from the implementation of the New Economic Policy.

The ethnic relations have been adversely affected by an education policy which does not provide adequately for the rights and opportunities for mother-tongue education. At the same time, it is an education policy that does not provide fully for the poorer classes of Malaysians.

The official attitude towards the non-Malay language streams has been reflected in numerous unjust directives through the years which have been highlighted by the corresponding acrimonious controversies. These controversies were the ‘3M’ issue, the

integrated schools issue, as well as that over the ‘circular’ issued by the Wilayah Persekutuan Education Department. The ‘3M’ controversy was sparked off by the official “oversight” when teaching and reference materials for national type (or Sekolah Rendah Jenis Kebangsaan – SRJK) schools were provided only in Bahasa Malaysia. They were all, strictly speaking, deviations from the official policy.

There is also great dissatisfaction in the non-Malay sectors over the disproportionate number of new schools built in the different language streams. Thus many school buildings and facilities in non-Malay schools are in desperate need of state assistance. Besides the shortage of loaned textbooks in SRJK schools, there is estimated to be a shortage of 3,987 teachers in Chinese SRJK schools.²³ The allocation of funds to SRJK schools leaves much to be desired. Figures on the breakdown of financial allocation to different language streams are particularly difficult to obtain. However, in 1983, based on the public statement by Dr. Tan Tiong Hong, the then Deputy Education Minister, there was a rare opportunity to make a comparison. He divulged the figures for the primary schools fund allocations.²⁴ From this, the comparison with the Education Ministry figures for 1983 showed that the percentage allocation for Chinese primary schools only amounted to 3.4%. There is the additional complaint that the attitude of teachers, especially those trained in Bahasa Malaysia, is seriously wanting. Most of these specific complaints can be found listed in the various memoranda submitted by the Chinese and Tamil communities throughout the years.

The attitude of the government towards People’s Own Language (POL) and the Independent Chinese Secondary Schools is also an indication of its illiberal policy towards the non-Malay languages and education stream. POL is conducted in an *ad hoc* manner without coordination and seriousness on the part of the Ministry of Education. A more liberal policy towards the non-Malay streams will not only lead to a better climate of ethnic relations but will ensure the best utilization of our country’s human resources. The contributions by Taiwan-trained graduates especially in a field of

²³ Liong Sik Ling, *The Malaysian Chinese: Towards Vision 2020*, Kuala Lumpur, Pelanduk Publications, 1995, pp. 47-48

²⁴ *Ibid*, p.67

innovative agricultural production is a case in point. The government should therefore give graduates from foreign universities a fair deal by recognizing their degrees if they meet the accepted standards.

Although the government justifies its education policy based on the 1961 Education Act, it is our contention that any such policy should justly be based on the 1957 Education Ordinance, which is more reflective of the constitutional provisions on these questions. The 1957 Education Ordinance says, “The national education policy of the Federation is to establish a national system of education acceptable to the people as a whole which will satisfy their needs and promote their cultural, social, economic and political development as a nation, with the intention of making Malay the national language of the country whilst preserving and sustaining the growth of the language and culture of peoples other than Malays in the country”.

This is more in keeping with Article 152 of the Federal Constitution which states that while the national language is declared to be the Malay language, there is the provision that, “...no person shall be prohibited or prevented from using (otherwise than for official purposes) or from teaching or learning any other language.” Tunku Abdul Rahman, the first Prime Minister, has also said that, “It was on the basis of this Article that the Chinese and the Indians cooperated with the Malays to fight for the Independence of this country. The Malays would not have been able to gain Independence from the British without the support of the Chinese and the Indians. Hence the Malays should appreciate their cooperation.”²⁵ Article 8 of the Constitution affirms that all persons are equal before the law.

It has also been widely observed that in the light of the homogenization policies and ethnic discrimination of the government in the last few years, this has resulted in the cultural revitalization efforts in the non-Malay communities. However, it is wise to draw a distinction between “cultural pride” and “cultural chauvinism”. The former should not be seen as negative but rather a positive form of self-respect or self-esteem for one’s ethnic or cultural heritage.

²⁵Government of Malaysia. “The Malaysian Unity Plan: Strategies and Programmes to Meet the Challenges of the 21st Century.” Kuala Lumpur, 1989, p. ix-x

Professor Wolfgang Franke has written incisively about the particular contribution of Chinese Malaysian culture dispelling the false imputation that Chinese Malaysians are developing a “Chinese” culture that is a task for mainland China, “There are enough potentialities among the...Chinese in Malaysia to develop a distinct Malaysian-Chinese branch of modern Chinese culture. In the modern world where all currents of different national civilizations join each other, the Chinese cultural heritage will prove one of the most valuable assets not only of the new Malaysian nation, but of mankind as a whole. Malaysia...is in the fortunate position of playing a unique key role as a mediator between the great civilizations: Chinese, European, Indian and Islamic.”²⁶ Another divisive factor in education is the result of the implementation of the NEP in student enrollment in the various educational institutions, awarding of scholarships and the like. It is difficult to secure statistics on the award of government scholarships but it is widely felt by the non-Malays that very few are available to them. This has given rise to widespread frustration and resentment among the non-Malays.

The Constitutional Framework

In plural societies the Constitution, the supreme law of the land, is of more than usual importance as it provides the broad framework for the development of mutual relations among the various communities. It also indicates whether the dominant political group believes in the eventual economic and political integration of the various ethnic groups into a united new nation or that it is committed to the involuntary assimilation or absorption of the immigrant peoples and seeks to establish the paramountcy of the indigenous community through constitutional and political means. In this it is either used as a means to nation-building or is exploited as an instrument of ethnic oppression.

²⁶ Nat. J. Colletta, *The Cultural Pluralism in Malaysia: Policy, Military, Mass Media, Education, Religion and Social Class*, The Center For South East Asian Studies, Northern Illinois University, 1977

As was the case in most former colonies, the Constitution of independent Malaya and later of Malaysia did not make a break with constitutional development during the British period; continuity was maintained.

Special Position of the Malays

With regard to the special position of the Malays the Constitutional Commission found itself in an awkward position. On the one side, it had been asked in its terms of reference that it must safeguard the special position of the Malays and the legitimate interests of the other communities, on the other it was required to provide for a common nationality for the whole of the Federation and a constitution that guaranteed a democratic form of government. In the circumstances, the basis on which it made up its mind was well expressed in its report, "In considering these requirements it seemed to us that a common nationality was the basis upon which a unified Malayan nation was to be created and that under a democratic form of Government it was inherent that all the citizens of Malaya, irrespective of race, creed or culture, should enjoy certain fundamental rights including equality before the law. We found it difficult, therefore, to reconcile the terms of reference if the protection of the special position of the Malays signified the granting of special privileges, permanently, to one community only and not to the others. The difficulty of giving one community a permanent advantage over the others was realized by the Alliance Party, representatives of which, led by the Chief Minister, submitted that "*in an independent Malaya all nationals should be accorded equal rights, privileges and opportunities and there must not be discrimination on grounds of race and creed ...*" The same view was expressed by their Highnesses in their memorandum, in which they said that they "look forward to a time not too remote when it will become possible to eliminate communalism as a force in the political and economic life of the country".²⁷

²⁷ *Report of the Federation of Malaya Constitutional Commission 1957*, p. 71, noted that the present Malay leadership has completely rejected that fundamental principle.

The Commission listed the four areas with regard to which the Malays had enjoyed a special position in the past, based on the original treaties between their Rulers and the British and reaffirmed from time to time. These were:

1. Reservations of land and the system of reserving land for the Malays in the States.
2. Quotas for admission to the public services.
3. Quotas in respect of the issuing of permits or licenses for the operation of certain businesses,
4. Preferential treatment in the grant of certain classes of scholarships, bursaries and other forms of aid for educational purposes.

The Commission emphasized that they had found little opposition to the continuation of the arrangement, but there was strong hostility among certain people to any increase in the existing preferences and to their being continued for “any prolonged period”. The Commission asserted, “We are of the opinion that in present circumstances it is necessary to continue these preferences. *The Malays would be at a serious and unfair disadvantage compared with other communities if they were suddenly withdrawn.* But, with the integration of the various communities into a common nationality which we trust will gradually come about, the need for these preferences will gradually disappear. Our recommendations are made on the footing that *Malays should be assured that the present position will continue for a substantial period, but that in due course the present preferences should be reduced and should ultimately cease so that there should then be no discrimination between races or communities.*”²⁸

With regard to land it recommended that, subject to two qualifications, no more land should be designated Malay reservations and that the States should reduce Malay reservations but at a time considered appropriate by them. The two qualifications were: first, that if any land reserved for the Malays ceased to be reserved, an equivalent area

²⁸ *Ibid.*, p. 72

could be reserved provided that it was not already occupied by a non-Malay; and second, that if any undeveloped land was opened up, part of it could be reserved for Malays provided an equivalent area was made available to non-Malays.

As for the other aspects of the special position, the Commission recommended that no new quotas or other preferences should be created. With regard to the existing ones it asserted that the Malays “ought to have a substantial period during which the continuance of the existing quotas is made obligatory”.²⁹ It further suggested that if in any year there were not enough Malay applicants with the necessary qualifications to fill vacancies, the number of appointments should not be reduced and other qualified applicants should be appointed to fill the their quota of vacancies. It also recommended that after fifteen years there should be a review was that the Government of the time should prepare and present a report to the Parliament which in turn would decide either to retain or to reduce any quotas or preferences or to discontinue them entirely.

It is important that the sole basis on which the Constitutional Commission had accorded the Malays a special position was the fact that they had lagged behind the non-Malays in certain spheres and it was necessary to enable them to catch up. The Commission made no suggestion anywhere, implied or explicit, that the special position of the Malays was due to them as the *bhumiputra*, the sons of the soil. The obvious intent was that it was only to be a transitional arrangement.

This was, however, one aspect of the draft constitution recommended by the Constitutional Commission where drastic changes were made by the Working Party. With regard to the reservation of quotas for admission to the public services, issuing of permits or licenses to operate certain businesses, and the grant of scholarships, bursaries and other forms of aid for educational purposes, the recommendation of the Constitutional Commission that the matter be left in the hands of the government of the day was rejected.

Further, the Constitution said nothing with regard to the question of unfilled quotas, a matter on which the Constitutional Commission had made an explicit recommendation.

²⁹ *Ibid.*, p. 73

This matter, however, was discussed by the Alliance Ad Hoc Political Committee in May 1957, where Dr. Ismail, then Minister of Internal Affairs, had given the assurance that the current practice of allocating unfilled quotas for posts and scholarships to non-Malays would be continued.³⁰

The Commission's crucial recommendation that the entire matter of the special position of the Malays be reviewed after fifteen years was not accepted. The Malay fear was that, if, as recommended by the Commission, the matter was left in the hands of the Parliament to decide at the end of fifteen years there was no guarantee that the Parliament at the time, which as non-Malays were to have equal voting rights might have a majority of non-Malays members, would not decide to revoke the special position of the Malays without the consent of the Malays. The issue had created considerable controversy in the country. The non-Malay view was that fifteen years was a reasonable time limit. It was in these circumstances that a compromise solution was found by the Alliance. It was presented to a meeting of the Central Working Committee of the Malayan Chinese Association on 4 May 1957, "That the White Paper which the Government proposes to issue will include a note that it will be in the interests of all concerned that the Yang di-Pertuan Agong should review the provisions of this article (relating to the Special Position of the Malays, Article 157 in Draft Constitution recommended by the Constitutional Commission) from time to time."³¹

It was widely maintained in Malaysia that when the MCA and the MIC insisted on a fifteen year limit on Malay special position, they were told by UMNO leaders that a fifteen year limit was not necessary, because for all they knew the Malays might be able to catch up with the non-Malays within the next few years and these provisions then would become unnecessary. And, therefore, the best course was to leave it to the Yang di-Pertuan Agong who would review the situation from time to time and determine if they were still necessary. It is important to note that it is on this basis alone

³⁰ *Minutes of Central Working Committee meeting of the Malayan Chinese Association, May 4th, 1957*

³¹ *Ibid.*, p. 19 The White Paper issued by the Government. *Constitutional Proposals for the Federation of Malaya, 1957*

that the provisions relating to the special position of the Malays were accepted by the MCA and the MIC.

It is significant that Tunku Abdul Rahman, then Prime Minister and the foremost leader of the Malays, in his speech introducing the draft constitution in the Federal Legislative Council in July 1957 did not even once refer to the Malays as the *bumiputra*, the sons of the soil, and as such entitled to a special position.³² He had asserted, “When discussing the special position of the Malays and the legitimate interests of other communities, we must never forget that our main object is to unite our people. We should do all we can to remove communal barriers and help build a united and patriotic Malayan people.”³³

It is obvious that the basis on which the Malays were given a special position was that they had lagged behind the other communities in the past and unless this was rectified it would be difficult to set up a united new nation on a firm foundation. This disability had to be removed to allow the Malays a fuller participation in the social, economic and political life of the country. Thus the special position in its very nature was only a transitional arrangement and it was for this reason alone that it was decided that “the Yang di-Pertuan Agong should review the provisions of this article from time to time”.

Despite the dissatisfaction among non-Malays that their communal organizations had been less successful in protecting their interests than the UMNO had been in safeguarding the Malay interests, the constitution represented, by and large, a reasonable compromise. Moreover, it was framed in a manner that the numerous groups within the country had all been accorded the widest possible opportunity to express their views and make representations.

At the same time, the NEP in the education sector has not ensured greater social democracy in such a manner that can benefit the poorer *bumiputras* either. Apart from these injustices, the gross racial disparity reflected in the entire education service hierarchy is unlikely to promote good ethnic relations. For example, out of the nearly

³² Federation of Malaya, *Legislative Council Debates*, July 10th 1957

³³ *Ibid.*

30 posts in the Ministry of Education, from Minister's post right down to the Secretary of Sports Council, just three posts are filled by non-Malays. This pattern is repeated in almost every state and district education department in the country. Even the disproportionate number of Malay headmasters in relation to other ethnic groups raises questions of equitability. Perhaps another example of unfairness is seen in the fact that there is not a single non-Malay Vice Chancellor in any of the local Universities. Communal polarization in the civil service caused by obstacles to promotion opportunities of non-Malays is too well-known.

The preconditions for promoting unity among our diverse ethnic groups are civil equality, cultural and social democracy. Democracy in all social spheres is the only basis for National Unity. To ensure cultural democracy, no restriction should be imposed upon the medium of instruction used by schools any language should be permissible as the medium of instruction if the people or community concerned so desires. The government should be responsible for the maintenance and development of all primary and secondary schools whose media of instruction are the mother languages of the citizens of Malaysia. Schools using any other languages should be allowed to be established though not necessarily maintained by the state.

To ensure greater social democracy and unity, emphasis in awarding scholarships and student places should be based on socio-economic status. And since primary education is a prerequisite for every person to be equipped with the basic skills to cope with the literate world, more expenditure must be spent on providing quality primary education. In multi-ethnic society, education should serve as a key institution to promote mutual understanding and cooperation among the various communities instead of being of source of acrimony and polarization.

The implementation of cultural policy since the 1970's has confirmed the worst fears of the non-Malay communities that the government is indeed basing its cultural policies on those three principles. At the beginning of the 1980's, a Minister even decreed that the lion dance of the Chinese Malaysians could not qualify as "national culture" while an equivalent "tiger dance" might well do. It soon became clear that this was not just

his quaint idiosyncratic view, because lion dances were then required to have police permits for their performance.

Some non-Malay cultural performances have been refused police permits for unspecified reasons. Such proscriptions have created much unhappiness among non-Malays and this has only aggravated ethnic relations. The National Culture Policy has been implemented beyond official institutions. In some cases, such as when law enforcement officers tore down shop signs because of the use of Chinese characters, there were ugly scenes which caused unnecessary strains on ethnic relations.

The NCP considers only Malay literature as national literature and does not provide strong and material support to Malaysian literature of other languages. For a start, awards for literature are unlikely to be given to works written in Tamil or Chinese since the judges cannot read these languages. Such a policy thus denies the equal status to the literary works of other Malaysian languages and seriously undermines the principles of democracy and cultural equality. Even the NCP pertaining to religion shows a discrimination against Malaysian religions other than Islam. This is evident not only in religious instruction in schools but also in the official media and the provision of places for worship of the various religions.³⁴

Far from creating dissension, a multi-lingual, multi-religious and multi-cultural policy is the absolute necessity for the promotion of National Unity in Malaysia. There is hardly a country in the world where a 'National Culture' is imposed by a small group of people on the rest of the multi-ethnic society. At the most fundamental level, the *bhumiputra/nonbhumiputra* division of Malaysian society is the source of many injustices which directly contribute to sour ethnic relations. This dichotomy has not only given rise to racial discrimination which has caused frustration, resentment and alienation among the non-*bumiputras*, but has also tended to encourage *bumiputra* chauvinism. In opposing the *bumiputra/non-bumiputra* division and calling for the abandonment of the New Economic Policy, to replace it there must be a national effort to confront the problem of poverty and backwardness of Malaysians in all the various

³⁴ Malaysian Buddhist Youth Association, "*The Joint Memorandum on National Culture*", submitted by the major Chinese organization in Malaysia, 1987

communities. It would be equally hypocritical and a double-standard if the non-Malay community leaders did not pay equal attention to the question of social democracy and the problems of the peasantry, squatters, artisans, small industrialists, hawkers, workers and the like.

A new truly national economic policy is essential to regain the confidence and united effort of all Malaysians regardless of ethnicity. Such an effort requires, among other things, the close integration of the agricultural and the industrial sectors, especially the medium and small scale industries. National unity will be possible only if the interests of the vast majority of the Malaysian masses of all faces are safe-guarded and their living standards advanced.

Chapter IV

The Response of Chinese Diaspora

The Chinese community in Peninsular Malaysia, comprising 35.8 per cent of the population in 1970¹ was, and still remains, a predominantly urban population. About one quarter of Chinese households, the majority of which lived in the New Villages created during the early 1950s, had incomes below the government-designated poverty line.²

In 1970, Chinese economic activities were concentrated in the construction sector (52.8 per cent of fixed assets), followed by transport (43.3 per cent of fixed assets) and commerce (30.4 per cent of fixed assets). However, a relatively small number of foreign multinational companies dominated the manufacturing, mining, and agricultural sectors. In terms of fixed assets in the corporate industrial sector the Chinese share of the total value of fixed assets was only 26.2 per cent compared to the 57.2 per cent share of foreign ownership, but Malays and Indians accounted for only 1 per cent. The Chinese share of non corporate fixed assets exceeded 92 percent, but the value of assets accounted for by the non corporate sector was small, making up only 12.6 per cent of the total of fixed assets. Chinese ownership of total acreage in the corporate agricultural sector (mainly rubber and oil palm) was 25.9 per cent, compared to the foreign share of 70.8 per cent.³

An analysis prepared by the MCA gave a more detailed breakdown of the Chinese role in the urban sector for the year 1970. In the construction industry, for projects valued at \$100,000 or more, Chinese firms accounted for 88.5 per cent of fixed assets, and 84.7 per cent of the value of construction output. In addition, they employed 89.6 per cent of the workforce. In the commercial sector, Chinese firms accounted for 66 per cent of total turnover in wholesale and 81 per cent of retail trade, and employed 62 percent and 76 percent of the wholesale and retail workforce respectively. In the manufacturing sector, Chinese firms accounted for 32.5 per cent of total fixed assets, compared to 51 per cent and 0.9 per cent owned by foreign and Malay firms respectively. Chinese firms

¹ Heng Pek Koon, *Chinese Politics in Malaysia: A History of the Malaysian Chinese Association*, Kuala Lumpur, Oxford University Press, 1988, p.24.

² *Ibid.* ,p.5.

³ *Ibid.* ,p.11.

absorbed 57 per cent of all full-time paid labor, while foreign firms took in 33 per cent of the total. Chinese workers made up 61.3 per cent of the full-time labor, while Malays accounted for 28.7 per cent of the total.⁴

When the NEP was first conceived, the Chinese were most concerned over the erosion of their economic position. However, it soon became clear that the new policy affected more than just their economic interests. The NEP's impact on the Chinese community and Chinese responses to it can be divided into four phases. In the first period, from 1971 to 1975, the impact on Chinese business was relatively light. In the second phase, from 1976 to 1985, Chinese economic, educational, and cultural interests were widely affected and Chinese dissatisfaction was widespread. In the third phase, from 1985 to 1986, the government took steps to liberalize some of its more stringent regulations. In the fourth and final phase, from 1987 to 1991, Chinese political and business leaders played an active role in the formulation of the NEP's replacement policy the NDP.

A. The First Phase, 1971–75: Early Years of the NEP

The NEP's impact was relatively light in the first few years primarily because the policy was not fully institutionalized until after the enactment of the Industrial Co-ordination Act in 1975, a delay which can be attributed largely to the role of MCA president and Finance Minister Tan Siew Sin. According to Just Faaland, the Harvard-based economist who helped formulate the DNU document, the Second Malaysia Plan's weakness was its failure to set specific numerical targets to reduce economic imbalances.⁵ This oversight was rectified in 1973 when the Outline Perspective Plan (OPP) established an equity ownership ratio of 30:40:30 for Malay, non-Malay, and foreign interests respectively.⁶ However, an effective restructuring mechanism was not enacted until the passage of the ICA in 1975. This legislation, viewed unanimously by

⁴ Sip Hon Lew. "Contribution of the Chinese in the Private Sector of the West Malaysian Economy." Paper presented at the Malaysian Chinese Association Economic Congress, March 3rd 1974.

⁵ Just Faaland, J. R. Parkinson, and Rais Saniman. , *Growth and Ethnic Inequality: Malaysia's New Economic Policy*. Kuala Lumpur, Dewan Bahasa dan Pustaka, 1990, pp.75-76

⁶ Koon, *op.cit.*, p.85

Chinese business interests as the most draconian of all NEP measures, originally required non-Malay manufacturing firms with more than \$100,000 in share holders funds and employing more than twenty-five workers to divest at least 30 per cent of their equity to Malay interests. They were also required to incorporate into their workforce a number of Malay employees to reflect the Malay proportion in the country's population, at least 50 per cent.⁷ The ICA was passed only after Tun Tan Siew Sin resigned as Finance Minister. Although Tan Siew Sin publicly backed the NEP, he had strong misgivings about it. As Finance Minister enjoying the support of Prime Minister Tun Razak, Tan Siew Sin was able to delay the passage of the ICA until ill health led to his resignation from office.

The MCA leader's success in moderating the impact of the NEP between 1971 and 1974 was facilitated by the presence of strategically placed senior Chinese bureaucrats in the EPU and Finance Ministry. Thong Yaw Hong, who penned critical safeguards for non-Malay interests in the Second Malaysia Plan, remained as EPU Director-General several years into the NEP. Another top-ranking Chinese bureaucrat during that period was Tan Sri Chong Hon Nyan, who became the Secretary-General of the Treasury in 1972. Chong later became MCA Secretary-General and Minister of Transport during the Tun Hussein Onn administration.

B. The Second Phase, 1976–85: The Anxious Years

Implementation of the ICA after 1976 brought difficult times for the Chinese community. Despite reassurances of UMNO leaders like Tun Razak and Ghazali Shafie that the NEP was not an anti-Chinese policy, it was clearly impossible to implement the NEP without adversely affecting Chinese interests. The equity-restructuring provision of the ICA enabled the UMNO to implement the NEP's second "prong"—that of correcting income and employment imbalances between Malays and non-Malays—more vigorously than its first "prong" of poverty eradication. NEP policies to enhance

⁷James V. Jesudason, *Ethnicity and the Economy: The State, Chinese Business, and Multinationals in Malaysia*. Singapore: Oxford University Press, 1989, pp.135-37

Malay income, employment, and ownership of equity in all economic sectors not only undermined Chinese economic interests, but also sharply eroded their educational and cultural position.

A New Educational Policy was implemented in 1971 to make Malay the main medium of instruction in all state-run educational institutions, from primary schools to universities. A National Cultural Policy to promote Islamic values and Malay culture was also instituted. At the same time, Chinese political participation became increasingly marginalized as the UMNO leadership consolidated its control over the political process.

Chinese political leaders, both in government and in the opposition, initially expressed only a cautious endorsement of the NEP. They were particularly concerned that it would not be implemented in the spirit of “give and take.” For instance, when the MCA endorsed the NEP at its annual general assembly in 1972, the party also passed resolutions calling for the NEP’s proper implementation, safeguards for the principle of free enterprise, and minimal state intervention in the private sector.⁸ When opposition leader Lim Kit Siang spoke in support of the NEP during the parliamentary debate on the Second Malaysia Plan in July 1971, he stressed that the NEP’s restructuring goals should not be targeted primarily at the Chinese since “real wealth of the country was not in the hands of the Chinese”.⁹ The DAP leader also emphasized that the NEP goal of poverty reduction should also benefit the Chinese New Village population, as well as the large numbers of impoverished Indian rubber estate workers.¹⁰

Chinese political, business, and educational leaders were all united in complaining that implementation of the NEP had far exceeded its original intent and scope. The DAP, which had captured the largest block of Chinese votes in the 1969 General Election by championing the concept of “Malaysian Malaysia” and racial equality¹¹, was the NEP’s

⁸ Liong Sik Ling, *The Malaysian Chinese: Towards Vision 2020*. Kuala Lumpur, Pelanduk Publications, 1995, pp.21-22

⁹ Kit Siang Lim, *Time Bombs in Malaysia*. 2nd ed. Kuala Lumpur, Democratic Action Party, 1978, p.55

¹⁰ *Ibid*, pp.78-88

¹¹ R. K..Vasil, *The Malaysian General Election of 1969*, Singapore, Oxford University Press, 1972, p.23

most vociferous critic. The DAP accused it of creating new injustices and inequalities that undermined rather than promoted national unity. Among other points, he charged the NEP of: failing to improve the welfare of the rural and urban poor, both Malay and non-Malay; heightening racial polarization by its large-scale discrimination against non-Malays; increasing class polarization by “breeding a parasitic Malay rich exploiting the Malay poor,” spawning corruption and “money politics” in the UMNO; hindering economic efficiency and encouraging bureaucratic waste; lowering standards of education, particularly at the tertiary level; and neglecting the rights of workers and other less-privileged groups in the country.

While the DAP was the most vocal critic of the NEP, it was the MCA and the Gerakan Rakyat Malaysia (Malaysian People’s Movement, referred to as Gerakan) that had the political influence to persuade the UMNO leadership to modify the policy in the late 1980s. The MCA, with an extensive nationwide organization including 2,700 branches and 640,000 members in 1995¹², played a far more significant role in mobilizing and representing Chinese opinion against the NEP than the Gerakan, which to this day, remains a regional party based in Penang and Perak.

Having accepted the NEP rationale that economic advancement of Malays was a precondition for political stability, the MCA found itself on the horns of a dilemma. It had to demonstrate good faith in supporting a policy which harmed Chinese interests. At the same time, it had to compete with the Gerakan and the DAP for the Chinese vote by effectively addressing Chinese grievances resulting from the NEP. MCA presidents after Tan Siew Sin—Tan Sri Lee San Choon (1974–83), acting president Dr. Neo Yee Pan (1983–85), Tan Koon Swan (1985), and Datuk Dr. Ling Liong Sik (1985–present) focused on the strategy of questioning the constitutionality of the NEP by raising the issue of “deviation,” i.e., that the NEP’s implementation had unconstitutionally impinged on the legitimate rights of non-Malays as guaranteed in the nation’s constitution. The constitutional safeguard protecting non-Malay interests with regard to the exercise of Malay special rights, Article 153(1), had been added at the insistence of MCA leaders, particularly Tan Siew Sin, during the time of the independence

¹² Ling, *op.cit.* .p.11

negotiations between the UMNO and MCA leaders.¹³ The article reads, “Nothing in this Article shall empower Parliament to restrict business, or trade solely for the purpose of reservations for Malays.”

The MCA organized numerous seminars on the NEP to receive Chinese public feedback. These included: a “Chinese Mental Revolution” seminar in 1972, a forum on “Chinese Economic and Education Rights” in 1973, an Economic Congress in 1974, a Third Malaysia Plan forum in 1976, a seminar on “The Chinese Dilemma and National Unity” in 1978, a conference to evaluate the position of the Chinese community in 1979, a seminar on the “Challenges of the 1980s” in 1980, a conference entitled “Towards a New Economic Era” in 1983, and a seminar on “Development Strategy for New Villages” in 1986. In 1988, the party produced a report on “Deviations in Implementation of the New Economic Policy” which formed the basis of its “Malaysian Unity Plan,” released in October 1989, the MCA blueprint of a policy to replace the NEP.

1. The MCA-led Chinese corporatization movement

The MCA Economic Congress of 1974, held a year after the UMNO First Economic Congress (Bhumiputra Economic Seminar), laid the foundations for a communally based corporatization strategy to meet the challenge posed by the NEP to Chinese business interests.

The MCA leadership felt that Chinese enterprises were too small and undercapitalized to compete effectively with large state enterprises such as the State Economic Development Corporations (SEDCs), Pemas (Perbadanan Nasional Berhad or National Trading Corporation, established in November 1969), and Permodalan Nasional Berhad (PNB or National Equity Corporation, established in 1978), which were aggressively acquiring assets on behalf of Malays. In the early 1970s, 77 per cent of Chinese firms in the manufacturing sector were small family-owned sole proprietorships or partnerships.

¹³ Koon, *op.cit.* , pp.235-36

Fixed assets of Chinese manufacturing businesses averaged \$148,000 per firm, compared to an average of \$1.26 million for foreign firms.¹⁴

Speaking at the 1974 Congress, MCA leader Lew Sip Hon proposed that small family-owned Chinese firms be consolidated into large corporations which would be listed on the Kuala Lumpur Stock Exchange (KLSE). He also pointed out that bigger Chinese firms, unlike small family-owned units that relied solely on family members to conduct business, would be able to absorb many more Malay employees, thus contributing to the restructuring target of Malay employment in the urban sector. Lew's recommendations were also echoed by Neo Yee Pan, who became acting president in 1983. Neo urged Chinese businessmen to "break away from their traditional family business practices and collectively effect the formation of big corporations" in order to withstand competition from businesses operated by a "vast government machinery".¹⁵ At the same time, Neo argued that Chinese entrepreneurs had to adopt the "right attitude in business in the context of the New Economic Policy" by forging more "Sino-Malay corporations as one way to ensure that Malaysians would achieve their long term goal of owning 70% of the total share capital assets." In the event, it was the latter strategy, based on forging Chinese-Malay joint ventures, that accounted for the successful performance of the post-1969 generation of Chinese entrepreneurs, or Sino-capitalists. The MCA, however, neglected this strategy, choosing instead to focus on promoting communally based corporatization, a policy that ended in failure.¹⁶

In 1975, MCA president Lee San Choon launched Multi-Purpose Holdings Berhad (MPHB) to raise capital for investments from the Chinese community. By the early 1980s, MPHB, under the management of Tan Koon Swan, had grown to become the largest Chinese-owned business listed on the KLSE, operating a diverse spread of activities in real estate, plantations, trading, finance, manufacture, shipping, and gambling. MPHB remained under MCA control, with 40 per cent of its equity held by

¹⁴ Lew, *op.cit.*, p.56

¹⁵ Yee Pan Neo, "The Role of Chinese Business in the Context of Our National Objectives." Paper presented at the Malaysian Chinese Association Economic Congress, Kuala Lumpur, March 3rd 1974

¹⁶ Koon, *op.cit.*, p.78

the MCA Youth Cooperative Society (Koperatif Serbaguna Malaysia, or KSM). With the exception of a few leading Malaysian Sino-capitalists like plantation magnate Tan Sri Lee Loy Seng, who served as a company director, MPH B failed conspicuously to attract the support of Chinese business leaders.

For the MPH B mixing politics with business was the wrong formula for economic success. UMNO opposition to Chinese political efforts at pooling Chinese economic resources on a communal basis to compete with NEP business institutions had prevented MPH B from successfully acquiring crucial assets, as exemplified by the company's failed attempts to take over United Malayan Banking Berhad (UMBC), at the time the country's third largest bank. At the same time, the fortunes of MPH B were unfortunately tied to the vicissitudes of MCA politics, and MPH B's top management became seriously demoralized when managing director Tan Koon Swan engaged in a bitter and protracted struggle with Neo Yee Pan for the top position in the MCA. Finally, while Tan was responsible for the company's early rapid success, he was equally responsible for its demise. Under Tan, MPH B grew and diversified too quickly, relying heavily on bank loans to finance asset acquisitions. Tan was also believed to have had feathered his own nest at the expense of MPH B, channeling some \$23 million of MPH B funds in an attempt to save a Singapore-listed company he owned, Pan-Electric.¹⁷ Tan's questionable business practices finally landed him on the wrong side of the law in Singapore. He was indicted and jailed for criminal breach of trust in December 1985, ironically only a few weeks after he defeated Neo to become MCA president. When Ling Liong Sik succeeded Tan as president, he sold off the MCA's shares in MPH B to Kamunting Corporation, a family business controlled by Datuk Lim Ah Tam and his son Lim Thian Kiat.

During the late 1970s and early 1980s, the MCA also incorporated several investment holding companies controlled by the party at the state level. The most prominent of these were Matang Holdings (Johore), Aik Hua Holdings (Selangor), Panwa Holdings (Pahang), and Peak Hua Holdings (Perak). The MCA corporatization initiative also led

¹⁷ Edmund T. Gomez, *Political Business: Corporate Involvement of Malaysian Political Parties*. Townsville, Australia, James Cook University of North Queensland, 1994, p.209

to the formation of several holding companies owned by Chinese dialect associations. These included Ka Yin Holdings (controlled by the Hakka Federation of Ka Yin Associations), Hok Lian Holdings (owned by the Hokkien Association), and Grand Ocean Development Berhad (owned by the Hainanese Keng Chew Association in Selangor). The most important Chinese business association, the Associated Chinese Chambers of Commerce and Industry of Malaysia (ACCCIM), incorporated its own holding company, UNICO. These holding companies have failed to emerge as active corporate players in Malaysia thus underlining once more the ineffectiveness of the MCA's "communally based pooled resources" policy to advance Chinese business interests.

2. Chinese private sector responses: Sino-Malay joint ventures

The NEP objective of dramatically raising levels of Malay employment and equity ownership in private sector urban industries struck at the very heart of Chinese business interests. After failing to get a liberalization of ICA provisions in 1977, Malaysian Sino-capitalists concentrated on developing strategic linkages with Malay political patrons and business partners.

In late 1976, the two leading Chinese business lobby groups, the ACCCIM and the Federation of Malaysian Manufacturers (FMM), which is mostly comprised of Chinese manufacturers but also includes some Malay and foreign representation, pressed for a repeal of the ICA. Lacking the support of foreign MNCs represented in the Malaysian International Chamber of Commerce and Industry (MICCI), the ACCCIM abandoned that objective to press for a liberalization of the ICA to exempt more non-Malay businesses from its equity-restructuring requirements.¹⁸ Supported by the MICCI on this issue, the ACCCIM and FMM succeeded in obtaining an amendment of the ICA in 1977.

¹⁸ Jesudason, *op.cit.*, pp. 136-42

However, the changes made—excluding firms with less than \$250,000 in share-holders funds and fewer than twenty-five workers from the need to apply for a manufacturing license, and freeing firms with less than \$500,000 in fixed investments from the equity condition—still fell far short of Chinese expectations.¹⁹

By the late 1970s, Chinese businesses faced severe Malay competition in sectors where they have traditionally been strong: construction, transportation, and distribution. In the retail trade sector, for example, the establishment of new Malay firms increased at a faster rate than Chinese ones, growing from 3,311 to 32,800 between 1971 and 1981, compared to the Chinese increase from 18,957 to 55,417.²⁰ Licenses in printing, petrol service stations, air and shipping transportation, logging, saw-milling, mining, rubber dealing, timber export, and vehicle import were either solely or predominantly reserved for Malays.²¹ Government contracts for construction projects were likewise heavily slanted in favor of Malay companies. At the same time, there was widespread perception that Malay government officials responsible for approving business permits and licenses were growing increasingly inflexible and uncooperative in their dealings with the Chinese business community.

Unable to apply institutional pressure on the UMNO, either through their political parties or business interest groups, Chinese entrepreneurs were left to their own devices to cope with the NEP. Malaysian Sino-capitalists saw little to gain by supporting the MCA-led corporatization movement, both because the MCA had become a marginalized political force and because the new holding companies had little intrinsic appeal. They chose instead to bypass the MCA and forge direct ties with influential patrons from the Malay power center. By inviting UMNO leaders, senior bureaucrats, top military brass, and members of royal families to participate in their businesses as minority shareholders, Sino-capitalists were able to surmount bureaucratic obstacles presented by the NEP. Well-connected Malay patrons serving as company directors

¹⁹ Associated Chinese Chambers of Commerce and Industry of Malaysia (ACCCIM), .Report of the Chinese Economic Conference Organising Committee Based on Papers Submitted by the Working Committees and Constituent Chambers, Kuala Lumpur, 1978.

²⁰ Koon, *op.cit.* ,p.114

²¹ Jesudason, *op.cit.* ,p.132

opened doors to licenses, permits, contracts, and other business opportunities regulated by the state.

As seen above, the MCA had recommended the establishment of joint ventures as a means for Chinese businesses to deal with the NEP. The ACCCIM gave the same advice, several years before the MCA. As early as December 1969, it proposed setting up a unit trust funded by member donations to finance Sino-Malay joint ventures.²² Little transpired from either the MCA or ACCCIM proposal mainly because the efficacy of such a strategy obviously depended on successful cultivation of personal ties between individual Chinese entrepreneurs and their partners.

The Chinese entrepreneurs who did well under the NEP were those who had quickly and shrewdly discerned that the ICA's equity-restricting requirement could in fact be used to their advantage. The NEP had made available a vast new pool of Malay capital which Chinese entrepreneurs could tap when forming joint ventures. Four major sources of Malay capital were: (1) state agencies such as Pernas, PNB, and Peremba Berhad, the investment arm of the Urban Development Authority (UDA); (2) UMNO-controlled corporations, such as the Fleet Group, incorporated in 1977; (3) institutional funds such as Lembaga Urusan Tabung Haji (LUTH or Islamic Pilgrims Management and Funds Board) and Lembaga Tabung Angkatan Tentara (Armed Forces Funds Board); and (4) private sector capital held by the new class of Malay millionaires such as Tun Daim Zainuddin, Tan Sri Azman Hashim, Tan Sri Wan Azmi Wan Hamzah, and Tan Sri Rashid Hussein, as well as royal entrepreneurs such as Tunku Imran ibni Tuanku Ja'afar of Negri Sembilan.

By adapting to the NEP and turning the ICA's restructuring requirement into an asset, innovative Chinese entrepreneurs successfully expanded their fortunes or built new ones. Chinese tycoons representing the first group of "old money"—businesses that were established before the NEP but grew even bigger during the NEP—included Tan Sri Robert Kuok Hock Nien (Perlis Plantations, Federal Flour Mills, and Shangri-La Hotels Malaysia), Tan Sri Lim Goh Tong (Genting), Quek Leng Chan (Hong Leong

²² Jesudason, *op.cit.* ,p.130

Industries and Hume Industries Malaysia), and Tan Sri Loh Boon Siew (Oriental Berhad). Prominent members of the second group, “Chinese new money”—businesses that emerged during the NEP—included Tan Sri William Cheng Heng Jem (Amalgamated Steel Mills), Datuk Loy Hean Heong (MBF Holdings), Tan Sri Khoo Kay Peng (MUI), Tan Sri Vincent Tan Chee Yioun (Berjaya), Lim Thian Kiat (Kamunting), Tan Sri Yeoh Tiong Lay (YTL Corporation), Dick Chan Teik Huat (Metroplex), and Tan Sri Teh Hong Piow (Public Bank).

As compared to the “old money” entrepreneurs, the relationship of the new Chinese tycoons with UMNO leaders was generally more intimate and complex. Apart from being more dependent on Malay political patronage, the investments of these tycoons were more closely integrated with Malay capital, an interdependent and complementary relationship which in turn has advanced the wealth of both Chinese and Malay partners. At the same time, the heavier dependence of these Chinese tycoons on Malay patrons meant that their fates were likewise more vulnerable to the fluctuating fortunes of their political and business patrons. For example, when Tengku Razaleigh Hamzah failed in his challenge to displace Malaysia as UMNO president in April 1986, his departure from UMNO politics led to a decline in the fortunes of Razaleigh ally, Khoo Kay Peng.

A third identifiable Chinese business group was the “declining money” group businesses which were built during the prewar period but declined during the NEP period. The majority of businesses in this group were found in the tin and rubber industries. They included some of the country’s oldest and most illustrious family firms, built by men such as Low Yat, Loke Yew, Cheong Yoke Choy, H. S. Lee, Tan Chay Yan, and Lau Pak Khuan. Unlike the NEP Chinese millionaires, the heirs who inherited prewar wealth either chose not to or failed to adapt effectively to the new political and business environment of the NEP. Deterred by the requirement to dilute their capital and management base with Malay inputs, many chose to forsake corporate growth in order to retain complete control and ownership of their businesses.

The ICA requirement to set aside a 30 per cent equity share for Malay shareholders in businesses with more than \$250,000 in shareholder’s funds likewise prompted many smaller Chinese entrepreneurs to remain small. They preferred to incorporate many

separate small companies to escape the strictures of the NEP than consolidate their businesses into a large operation which would come under the purview of the ICA. In 1985, the ICA was amended to exempt companies with \$1 million in shareholders' funds and fifty full-time workers from having to apply for manufacturing licenses from the Ministry of Trade and Industry.²³ By 1990, the exemption level was raised to \$2.5 million in share holders funds and seventy-five full-time workers.²⁴ This wind fall enabled many Chinese entrepreneurs who wanted full control over their businesses to transform their enterprises into medium-sized companies.

It can be argued that Chinese fears regarding an erosion of business control in enterprises that include Malay capital and management have largely been unfounded to date. Sino-Malay joint ventures, at first disparagingly referred to as "Ali-Baba" enterprises, were usually arrangements where the minority Malay shareholders, "Ali," received generous fees for securing business deals in which access to high-ranking political and bureaucratic power-holders played a crucial role, while the Chinese partners, the "Baba," retained control over the enterprise, made policy decisions, and took charge of day-to-day business operations. While such arrangements between Chinese entrepreneurs and Malay "rentier capitalists" persist, they have become less common as more Malays gain experience and confidence in running businesses. In the last phase of the NEP, increasing numbers of Sino-Malay joint ventures were set up with Malay partners who play active and meaningful roles in the businesses.

The impact of the NEP fell unevenly on different social classes within the Chinese community. Chinese entrepreneurs made progress as a group, although larger companies did better than smaller ones. The biggest winners were the big conglomerates owned by "new money" Sino-capitalists. Smaller businesses came under greater competitive pressures and suffered from lower profits. In the wholesale and retail trade, for example, the number of Malay-owned firms increased by ten times and their turnover by almost forty times during the period 1971-81; by contrast, Chinese-owned firms managed to increase their numbers by less than three times and their

²³ Koon, *op.cit.*, p.215

²⁴ Neo, *op.cit.*, p.25

turnover by only five times.²⁵ But Chinese small businesses were protected from state and Malay encroachments to some extent, “because they belonged to the tight nexus between Chinese customers, retailers, and wholesalers”.²⁶ The Chinese urban and rural working class fared worst under the NEP. The Chinese New Village population, which by 1989 had reached 1.8 million, making up one-third of the rural population, derived minimal benefit from poverty eradication policies.²⁷ Overcrowding, inadequate infrastructure, and poor sanitation were acute problems. Land resettlement programs and agricultural subsidies administered by the Federal Land Development Authority (FELDA) and the Federal Land Consolidation and Rehabilitation Authority (FELCRA) were targeted primarily at Malay rice farmers and rubber and oil palm smallholders.

As a result of the NEP’s uneven impact, among the Chinese income disparities have widened. However, despite fears to the contrary, the economic position of the community as a whole did not erode. While the mean monthly Malay household income rose from \$172 to \$931 during the NEP period, the figures for Chinese households rose from \$394 to \$1,582.²⁸ According to Faaland, Parkinson, and Saniman, the average income inequality gap between Malays and non-Malays stood at a ratio of four to seven in 1990 (indicative of non-Malays having a standard of living 75 per cent higher than Malays), about the same as it was in 1970.

Despite the fact that, economically the Chinese advanced overall during the NEP, there was widespread antipathy toward the policy, particularly in the mid 1980s when the country suffered from recessionary conditions. Chinese frustration arose from the wide spectrum of the NEP’s scope, which affected noneconomic interests, and from its implementation by Malay bureaucrats perceived by the community to be high-handed and unsympathetic. One of the most alienating aspects of the NEP pertained to the issue of education: “No single question looms as large or is as worrying in the minds of the

²⁵ Koon. *op.cit.*, pp. 114-15

²⁶ Jesudason. *op.cit.*, p.169

²⁷ Neo. *op.cit.*, p.24

²⁸ *Ibid.*, p.45

Malaysian Chinese as education".²⁹ Chinese education at the primary school level is state-supported.

Under the NEP, Chinese National-Type Primary Schools (which use Mandarin as the main medium of instruction, but which also teach in Malay and English) received disproportionately smaller state funding than state schools teaching in Malay. For example, in 1984 these Chinese schools, which accounted for 27.3 per cent of total primary school enrollment, received only 3.4 per cent of the total allocation provided to primary schools.³⁰ Consequently, these schools suffered from shortages of teachers and textbooks, overcrowding, and poor facilities. The plight of these schools remains a source of great concern for Chinese parents, an overwhelming majority of whom send their children to such schools. For example, in 1988, 85 per cent of the total Chinese primary school student population was enrolled at these schools.³¹

At the level of tertiary education, Chinese grievances centered on sharply decreasing access to local universities and technical colleges. For example, between 1970 and 1980 Chinese enrollment in three universities (University Malaya, University Kebangsaan Malaysia, and University Sains Malaysia) dropped from 48.9 per cent of total enrollment to 26.5 per cent, whereas the Malay share rose from 40.2 per cent to 66.2 per cent during the same period.³²

While several MARA (Majlis Amanah Rakyat or Council of Trust for the Indigenous People) Junior Colleges had been established to educate an almost entirely bhumiputra student body, the Chinese were granted permission to establish only one higher institution of higher learning, Tunku Abdul Rahman (TAR) College, which was established through the political intercession of MCA presidents Tan Siew Sin and Lee San Choon. Efforts by the DAP and the two leading Chinese educational interest groups, the United Chinese School Committees Association of Malaysia (UCSCAM)

²⁹ Ling, *op.cit.*, p.59

³⁰ *Ibid*, p.69

³¹ *Ibid*, p.99

³² *Ibid*, p.68

and the United Chinese School Teachers Association (UCSTA)—known collectively as the Dong Jiao Zong—failed to gain UMNO permission to establish an independent college, Merdeka University, where Chinese would be used as a medium of instruction.³³ The disbursement of government scholarships for overseas studies likewise overwhelmingly favored Malay applicants. For example, of the successful candidates for such scholarships between 1980 and 1984, 96.1 per cent were bhumiputra and 3.9 percent were non-bhumiputra.³⁴

Strongly grounded in the Confucian tradition that bestowed the highest societal recognition to educational attainment, the majority of Chinese parents in Malaysia were deeply frustrated at the lack of access to higher education for their children. As an immigrant community, Malaysian Chinese placed the highest premium on educational attainment as a vehicle for upward social mobility. Lacking adequate financial and institutional backing from the state, the Chinese devised their own solutions to overcome the educational obstacles presented by the NEP. Middle class families financed their children's education in schools and universities overseas, mostly in the United States, Britain, Canada, Australia, and New Zealand. A much smaller group of students, mostly graduates from private Chinese secondary schools, studied in Taiwan and Japan. Lower-income families saved by living more frugally or borrowed to pay for their brightest children to be educated at the MCA run TAR College or foreign colleges.

The Chinese community took advantage of “twinning programs,” in which Chinese entrepreneurs teamed up with educators to establish colleges affiliated to universities mainly in the United States, Britain, and Australia. Students enrolled in these programs studied at the local colleges for the first two years before proceeding to the twinned universities to finish their studies. By dramatically cutting the cost of an overseas education, the twinning program enabled more Chinese students from lower-income families to study abroad, thus becoming more competitive in the job market in

³³ Kia Soong Kua, *The Chinese Schools of Malaysia: A Protean Saga*, Kuala Lumpur, United Chinese School Committees Association of Malaysia, 1985, pp.158-80.

³⁴ Liong Sik Ling, Kok Wee Kiat, Michael Yeoh Oon Kheng, Lim Lin Lean, David Chua, and Chua Ji Meng, *The Future of Malaysian Chinese*, Kuala Lumpur, Malaysian Chinese Association, 1988, p. 73.

Malaysia. The success of this program is evident in the establishment of several private colleges to meet a rapidly rising enrollment.

In 1980, 27 per cent of the total student population studying at the tertiary level was enrolled in various twinning programs. In 1985, for every student enrolled in state run universities (predominantly Malay), there was another enrolled in local private colleges (almost all Chinese) or abroad (about equal numbers of Malays and Chinese).³⁵ The student enrollment in private colleges more than doubled between 1986 and 1990, increasing from about 15,000 to 35,600. (In 1990, 14 per cent were registered for degree courses, 46 per cent for diploma courses, and 40 per cent for certificate courses, mainly in the fields of accountancy, commerce, law, engineering, electronics, computer science, and business management.)³⁶

The earliest and most successful of the twinning programs was Kolej Damansara Utama, set up by the See Hoy Chan Group, controlled by the Teo family whose corporate vehicle on the KLSE is Paramount Corporation. Other colleges funded by Chinese entrepreneurs include Sunway College (operated by Datuk Jeffrey Cheah's Sungei Way Holdings) and the Higher Education Learning Programme (HELP, established by Tan Sri Wen Tien Kuang's Selangor Properties). For Chinese entrepreneurs, this line of business was doubly rewarding; not only did it reap healthy profits, but it also provided an essential service to the community.

Two other major areas of Chinese grievance stemmed from the heavy bias against Chinese in public sector employment and land resettlement schemes. Chinese leaders pointed out that the sectoral restructuring of the NEP flowed only one way. State policies moved Malays into the urban economic sector and tertiary education, sectors where they were underrepresented, but failed to move Chinese into sectors where they were underrepresented.

³⁵Malaysian Chinese Association (MCA), *The Malaysian Challenges in the 1990's: Strategies for Growth and Development*, Kuala Lumpur, Pelanduk Publications, 1990, pp. 63-77.

³⁶ Fujio Hara, "Malaysia's New Economic Policy and the Chinese Business Community." *Developing Economies* 24, 1991, no. 4, pp. 166-67.

The NEP had provided scant relief to Chinese New Village households, two-thirds of which (1 million people) were still living below the government designated poverty line in 1983.³⁷ The MCA leadership claimed that the NEP “systematically denied fair access to land” to the non-Malay rural poor. For example, Malay settlers made up 96 per cent of the total number of farmers and smallholders who benefited from land settlement and consolidation schemes. Large numbers of the Chinese rural poor had little choice but to remain as illegal squatters in the countryside.³⁸ In a report examining the problems faced by the Chinese New Village population, the MCA stated that the New Villages had been left outside the mainstream of the country’s economic and social development since their creation in the early 1950s. The report listed the handicaps faced by New Village residents such as lack of access to land and viable employment opportunities, and state neglect of education and other social facilities.³⁹

In public service employment, the Chinese likewise derived few benefits from the NEP. The Malaysian government is the country’s largest employer. For example, in 1985, public sector employment accounted for about 15 per cent of total employment. Between 1970 and 1985, three quarters of new public service jobs went to Malays. Among bureaucrats holding the most senior government jobs, 80 per cent were Malays and 6.3 per cent were Chinese.⁴⁰ The heavy preponderance of Malay bureaucrats in all branches of the civil service, including the police and armed forces, drew a sharp ethnic line between those who governed and those who were governed. Malay civil servants who implemented NEP policies often appeared partisan and insensitive to Chinese concerns, thus exacerbating racial polarization during the NEP period.

An additional aspect of the NEP which widely alienated the Chinese was the National Cultural Policy, first conceived at a National Cultural Congress convened by Malay academics and politicians in 1971. The meeting recommended that the government should foster a Malaysian national culture based on indigenous (bhumiputra) culture,

³⁷ Ling, *op.cit.*, p. 93

³⁸ Malaysian Chinese Association (MCA), Report of the MCA National Task Force on Deviations in Implementation of the New Economic Policy (NEP), Kuala Lumpur, 1988, p. 21.

³⁹ Ling et al. , *op.cit.*, pp. 92-93

⁴⁰ *Ibid*, p. 129

Islamic concepts, and “suitable elements from other cultures”.⁴¹ However, when the policy was implemented, it ignored non-Malay cultural traditions and propagated only Malay and Islamic elements. The Ministry of Youth and Culture, the custodian of the policy, implemented a number of measures deemed highly hostile to Chinese cultural interests.

The Chinese lion dance, decreed an unsuitable component of Malaysian national culture, was banned from public performances without official authorization. Unprecedented restrictions were applied to the usage of Chinese characters on Chinese business and public premises. Pressures on Chinese to conform with Islamic dietary norms increased as Malay officials sought to ban the sale and preparation of pork in markets and restaurants patronized by Malays.⁴²

A final major negative impact of the NEP on Chinese interests was the erosion of Chinese electoral representation in the country’s executive and legislative institutions. The consolidation of UMNO power over the political process after 1969 took many forms. Constitutional amendments introduced in 1971 made it difficult, if not impossible, for Chinese parties to question the concept of Malay special rights that undergirded the NEP’s ideological construct. The MCA was marginalized from the political center when the UMNO took away the finance, trade, and industry cabinet portfolios from the party after Tan Siew Sin left the cabinet. Most significantly, electoral constituencies were redrawn, resulting in under representation of the Chinese vote. As the MCA put it: The past two decades have seen the erosion of the one man one vote principle through gerrymandering which has produced a lop-sided weightage in favour of rural constituencies which are predominantly Malay against urban constituencies which are predominantly non-Malay The under-representation of urban voters is so serious that in some areas one rural vote is equal to more than three

⁴¹ Kua, *op.cit.*, pp. 88-89

⁴² Kua, *op.cit.*, p. 89

urban votes, whilst a ratio of 1:2 in favour of rural voters is common in many state and parliamentary constituencies.⁴³

In 1969, the number of Malay majority seats broadly reflected the number of Malays in the total population, 58 per cent of seats compared to 55 per cent of total population. By 1986, the Malay weightage bias had become disproportionately large: 70 per cent of seats compared to 56.5 per cent of population. In contrast, the Chinese, who formed 32.8 per cent of the population in 1986 formed a majority of voters in only 20 per cent of parliamentary constituencies.⁴⁴

Although the NEP had not significantly eroded the Chinese economic position (with the exception of the New Village population), widespread discontent and frustration toward the policy prevailed within the community. When the country's economy sunk into a recession in the mid-1980s, Chinese alienation grew stronger, resulting in unprecedentedly high levels of Chinese out-migration and capital flight.

C. The Third Phase, 1985–86: Recasting and Liberalization

In early 1986, in a radio interview in Australia, Prime Minister Mahathir Mohammad signaled his intention to liberalize the NEP. His announcement was followed by a number of measures which made the NEP more accommodative of non Malay and foreign interests: further liberalization of the ICA and the implementation of the Industrial Master plan in late 1986, the establishment of the National Economic Consultative Council (NECC) in December 1988, and the announcement of the Privatization Master plan and Vision 2020 in February 1991. Finally, in June of 1991, Mahathir unveiled the National Development Policy (NDP), which was to replace the NEP.

⁴³Malaysian Chinese Association (MCA), Report of the MCA National Task Force on Deviations in Implementation of the New Economic Policy (NEP), Kuala Lumpur, 1988, pp. 101-2.

⁴⁴ Ling et.al., *op.cit.*, pp. 27-28

The recasting of the NEP after 1986 was, in effect, a retreat from state-interventionism to a greater acceptance of policies shaped by market forces. The change in direction was the result of the following closely related factors: (1) structural changes in the Malaysian economy which made the country more vulnerable to recessionary pressures emanating from the global economy; (2) falling foreign and local private sector investments; (3) declining public revenues; (4) perceived racial polarization; and (5) sustained Chinese political pressure for reforming the NEP.

In the process of redressing economic imbalances between Malays and Chinese, the NEP wrought fundamental structural changes in the Malaysian economy. To generate the economic surplus to finance NEP policies, the government gave top priority to the promotion of the manufacturing sector, emphasizing export-oriented industrialization over import-substitution industrialization. Foreign investments and technology were actively sought, and Malaysia successfully attracted large numbers of foreign MNC's, especially American and Japanese companies.

For UMNO leadership, foreign investors brought several benefits. They contributed capital and technology for joint ventures with Malay-controlled state enterprises; they provided mass employment for the new urban Malay workforce; and they made Malays less dependent on private sector Chinese capital. The NEP's inherent anti-Chinese bias and the desire of the Malay economic nationalists to constrain Chinese capital, this last consideration was by no means unimportant.⁴⁵ Stimulated by foreign investments, the manufacturing sector expanded rapidly, rising from a 13.9 per cent share of GDP in 1970 to 19.1 per cent in 1985. At the same time, the share of agricultural sector to GDP declined from 29 per cent to 20.3 per cent during the same period.⁴⁶ The value of exports of manufactures grew by 14.3 per cent per annum, overtaking the value of agricultural export after 1982 and mineral exports after 1984 to become the largest contributor to export earnings. The increase in manufacturing export revenues came

⁴⁵ Jesudason, *op.cit.*, pp. 167-68

⁴⁶ Government of Malaysia, *Fifth Malaysia Plan, 1986-1990*, Kuala Lumpur, National Printing Department, 1986, p. 11.

mainly from electrical machinery, home appliances, computer devices, textiles, clothing, and footwear.⁴⁷

The emphasis on export-oriented industrialization both widened and deepened the linkages between the Malaysian economy and the global economy, but the resulting integration made the country more vulnerable to recessionary pressures from the international economy. Thus, when economic growth slowed down in the United States and Europe in 1984, demand for Malaysian manufactured exports and primary commodities weakened. In 1985, Malaysia experienced an unprecedented negative GDP growth rate of 1 per cent.⁴⁸

Integration of the Malaysian economy into the global economy also compelled Malaysia to remain competitive in the external market place if it wanted to sustain strong economic growth. The recession of 1985–86, which resulted in a sharp decline in foreign investments and public revenues, forced the UMNO leadership to rethink the NEP. At the same time, the economic inefficiency of numerous state owned enterprises, already a cause of concern in a more buoyant economy became critical.

Heavy public sector expenditure had been pivotal in sustaining the rapid growth of the economy from 1975 to 1985. Public investments constituted about 40 per cent of total investments in the early 1970s, increasing to 50 per cent in 1982. By 1985, it had grown to 55 per cent, thus exceeding the proportion of private investments in the economy. The exploitation of Malaysia's oil resources by Petronas (Petroliam Nasional Berhad or National Petroleum Corporation, established in 1974) had made possible large increases in government revenues. With a 50 per cent reduction in the price of oil and weak demand for manufactured exports, public revenues dropped sharply. In 1987 public spending was cut back to about \$7.9 billion, 40 per cent below the 1984 peak of \$12.6 billion. The shortfall in public revenues could not be made up by private funds since both foreign and local private investments had dropped during the recession.

⁴⁷ *Ibid*, p. 13

⁴⁸ Government of Malaysia. *Mid-Term Review of the Fifth Malaysia Plan, 1986–1990*. Kuala Lumpur, National Printing Department, 1989, p. 13.

Gross private capital formation, averaging \$11.8 billion per annum during the 1981–85 period, contracted to \$9.8 billion in 1986.⁴⁹

Faced with the country's worst economic crisis since independence, the UMNO leadership could no longer afford the luxury of subsidizing losses incurred by NEP-mandated state enterprises. Nearly all of Malaysia's thirteen State Economic Development Corporations (SEDCs) had suffered losses in the mid-1970s. In 1984, the SEDCs' aggregate losses (\$346.8 million) from 125 subsidiary firms exceeded the aggregate profits from 103 subsidiary firms.⁵⁰

Due to the lack of public accountability of Malay bureaucrats, and the inexperience of the otherwise politically well-connected managers appointed to run these enterprises, a number of large-scale financial scandals occurred. The most serious of these were the Bank Rakyat scandal in the mid-1970s, which involved fraud and embezzlement of more than \$100 million, and the Bank Bhumiputra Finance debacle which lost \$1.2 billion in bad loans made to a Hong Kong property company. The recession also threatened the viability of Mahathir's heavy industrialization projects, notably the joint venture established in 1980 between the Heavy Industry Corporation of Malaysia (HICOM) and the Mitsubishi group to manufacture a "Made in Malaysia" car.

Given its inability to finance NEP projects from public revenues and foreign investments, Malaysia's UMNO leadership was forced to reconsider the role of local Chinese private sector capital and to regard Chinese private sector capital and entrepreneurial talent in a more positive light. In the mid-1980s, however, Chinese discontent with the NEP had become extremely widespread. Chinese political leaders, both in government and the opposition, as well as business and education leaders stepped up their criticisms of the NEP.

A contracting economy inevitably exacerbated racial tensions. Malays began to fear that the NEP targets would not be met while Chinese grew even more pessimistic about

⁴⁹Malaysian Chinese Association, (MCA), *The Malaysian Challenges in the 1990's: Strategies for Growth and Development*, Kuala Lumpur, Pelanduk Publications, 1990, pp. 27-28

⁵⁰ Jesudason, *op.cit.*, p. 100

their future prospects in the country. During the 1985–87 recession, Chinese capital flight and out-migration increased significantly, caused as much by hard-nosed economic calculations as by sociopolitical alienation arising from the NEP.⁵¹ Malaysian Chinese money moved out primarily to seek higher profit margins from more lucrative overseas enterprises, but Chinese capital flight and the “brain drain” were also caused by the impact of the NEP.

An MCA report captured the deep pessimism of the Chinese community during this period:

“The Malaysian Chinese and other non-Malays are fearful that the era ahead will see for them and their children even more diminished opportunities . . . The feelings of deprivation and loss being felt by the Malaysian Chinese and other non-Malays have been accentuated by a deep sense of political disaffection as a result of what they see as political emasculation . . . It appears that the restructuring of Malaysian society and the building up of a Malaysian nation are to be through the sacrifices borne solely by the non-Malays, even at the cost of their cultural identities . . . The spirit of the non-Malay communities is low, its mood dark . . . the inevitable result could well be that the inter- action between the Malay and non-Malay communities will be further limited, giving rise to a siege mentality, with racial conflicts as the outcome and national unity as the casualty”.⁵²

The above report reflected the findings of an MCA task force to monitor and study “deviations” in the implementation of the NEP. The task force was guided by the MCA’s think tank, the Institute of Strategic Analysis and Policy Research (INSAP), comprised of academics, economists, business leaders, management consultants, and lawyers. In 1989, INSAP released a Malaysian Unity Plan (MUP) containing the MCA’s proposals for a new policy to replace the NEP. The MUP recommended that the new policy should, first and foremost, be based on interethnic consensus, and be

⁵¹Heng Pek Koon, “The Chinese Business Elite of Malaysia.” In *Southeast Asian Capitalists*, ed. R. McVey. Ithaca, New York, Cornell University Press, 1992, pp. 131-32.

⁵² Malaysian Chinese Association, (MCA), *Report of the MCA National Task Force on Deviations in Implementation of the New Economic Policy (NEP)*, Kuala Lumpur, 1988, pp. 3-4

guided by the objective of overcoming the “racial divisiveness and acrimony stirred up by deviations and shortcomings of the past.” The government was advised to minimize its role in the economy, for state interventionism had created “structural and institutional bottlenecks that have stifled economic efficiency and growth.” The MUP also highlighted the need for greater deregulation in Malaysia if Malaysia were to remain competitive in an increasingly interconnected world: “The rapid changes taking place in the global economy require the government to allocate its resources efficiently and to reward productivity and excellence if the country is to remain competitive. In the post-1990 period, policies of state intervention and restructuring have to be replaced by new policies that reward risk, hard work and enterprise, irrespective of race”.⁵³ According to the MUP, by late 1989 the degree of bumiputra share equity ownership sought by the NEP had been attained. What was needed, the MUP argued, was a fairer distribution of resources and opportunities in areas where Chinese were underrepresented: in education, in civil service employment, in land settlement, in cultural and religious expression, and in political representation. In order to “ensure that no deviation takes place contrary to the intent and spirit of the policy,” the MCA called for a system of checks and balances which would be enforced by a multiracial watchdog commission and a Race Relations Act.⁵⁴

The MUP’s recommendations for growth strategies included the following: rationalization and privatization of the public sector; development of human resources through greater state funding of educational institutions, especially for non-Malays; upgrading and deepening of the industrialization process; development of science and technology, particularly in new “sunrise” industries such as genetic engineering, biotechnology, and information technology; expansion of the services sector in areas such as risk management, financial and commodities trading, reinsurance, research and consultancy, and telecommunications and information services; promotion of small-

⁵³ Malaysian Chinese Association. (MCA), “The Malaysian Unity Plan: Strategies and Programmes to Meet the Challenges of the 21st Century.”, Kuala Lumpur, 1989, p. 1

⁵⁴ *Ibid*, p. 9

and medium-scale enterprises; and development of the New Village economy through infrastructure development and greater access to land.⁵⁵

The Chinese political pressure for reforming the NEP from within the BN government came also from the leadership of the Gerakan. As early as 1984, the party urged that a more liberal national economic policy replace the NEP upon its expiration in 1990.

The party claimed that the bhumiputra equity target had been reached,

“Our own rough estimate shows corporate share ownership by bhumiputras far exceeds the 30 per cent target in plantation agriculture (45 per cent) and mining (50 per cent), while it is more than double the target in the banking and finance sector”.⁵⁶ The Gerakan president Dr. Lim Keng Yaik also criticized the NEP for its “top-down planning” and rigid bureaucratic control, its failure to address the issue of urban poverty, and its neglect of the welfare of Chinese New Village residents and the Indian plantation labor force. Like the MCA, the Gerakan believed that the NEP had “not brought the people and the country any closer to the broader goal of national unity,” but had in fact intensified ethnic polarization “with Malaysians becoming even more mindful of their own ethnic background because of the distinct division made between Bhumiputras and non-Bhumiputras”.⁵⁷

The political climate of increasing racial polarization in the mid-1980s was further complicated by a struggle for leadership within the UMNO. Mahathir had faced a serious challenge to his leadership from Tengku Razaleigh, which he only narrowly managed to survive. His rule became increasingly authoritarian as he maneuvered to neutralize his opponents and consolidate his position. In the midst of his problems, the Ministry of Education decided to install non-Mandarin-speaking Chinese administrators as principals of Chinese primary schools. This move incurred the collective wrath of the MCA, Gerakan, DAP, the Dong Jiao Zong, and the Chinese guilds and associations,

⁵⁵Malaysian Chinese Association (MCA). “The Malaysian Unity Plan: Strategies and Programmes to Meet the Challenges of the 21st Century.”, Kuala Lumpur, 1989, p. 11-26

⁵⁶ *Malaysian Business*, October 16, 1986

⁵⁷ *New Straits Times*, August 27, 1984

which, in a rare display of common cause, sponsored a “Chinese Unity” mass meeting on October 11, 1986 to protest the decision. The UMNO Youth, in turn, decided to counter with a “Malay Unity” rally. In late October, Mahathir acted swiftly to diffuse the dangerously high level of racial tension by launching “Operasi Lalang,” under which 119 people were arrested. Those detained under the Internal Security Act included not only “racial instigators” from the MCA, DAP, Dong Jiao Zong, and UMNO, but also political opponents and critics of Mahathir from other political parties, environmental groups, and citizens’ action groups. Mahathir explained to Parliament that the arrests were necessary to forestall a recurrence of the racial rioting of May 1969.⁵⁸ Although Mahathir’s justification might well have been an expedient for temporarily locking up his opponents, it nonetheless confirmed the widely held perception that Sino-Malay relations and national unity were becoming frayed in the mid-1980s.

After reconsolidating his hold over the UMNO, Mahathir dealt with the tasks of repairing interethnic relations and restoring investors’ confidence. His immediate priority was to stop the precipitous decline in foreign investments, which fell from a 30 per cent share of total investment in manufacturing in 1980 to 22.7 per cent in 1984 and 17.8 per cent in 1985.⁵⁹ The recession had made foreign investors more critical of the ICA and more reluctant to invest in Malaysia.

At the same time, the investment climate in East and Southeast Asia had become very competitive. Cheaper labor costs in countries like China, Thailand, and Indonesia diverted foreign funds from Malaysia. By liberalizing the NEP and deregulating the economy, Mahathir could achieve two objectives simultaneously: woo back foreign investors and restore Chinese political and economic confidence in their government.

New guidelines announced in June 1985, allowed foreigners to retain up to 80 per cent of equity ownership in firms exporting 80 per cent or more of production, but they did not spur the desired inflow of foreign capital. In December 1985, the government

⁵⁸ Boo Teik Khoo, *Paradoxes of Mahathirism: An Intellectual Biography of Mahathir Mohamed*, Kuala Lumpur, Oxford University Press, 1995, p. 285

⁵⁹ Jesudason, *op.cit.*, p. 186

relaxed the ICA to stimulate local Chinese investments in manufacturing. The new amendment gave firms automatic approval if shareholders' funds were below \$2.5 million and 30 per cent of equity had been reserved for Malays.

The equity requirement was waived for firms with shareholders' funds of less than \$1.5 million. In September 1986, Mahathir finally decided to let foreign firms retain 100 per cent equity ownership if they exported 50 per cent or more of their production or sold at least 50 per cent of their product in the country's free trade zones. Foreign firms producing for the domestic market were also exempt from the ICA if they employed at least 350 full-time workers reflecting the racial composition of the population. This last round of liberalization succeeded in renewing foreign investors' interest in Malaysia. In the first six months of 1987, the proportion of foreign paid-up capital in the manufacturing sector rose from 28 per cent to 47.2 per cent.⁶⁰ During 1988–90, GDP growth rate averaged 9.1 per cent per annum, the highest recorded since independence.⁶¹

D. The Final Phase, 1987–91: Replacement by the New Development Policy

In December 1988, Mahathir announced the establishment of the National Economic Consultative Council (NECC), a 150-member multiracial and widely representative body, to work out a consensus on recommendations for an economic policy to replace the NEP after 1990. The inspiration for the NECC has been attributed to MCA president Dr. Ling Liong Sik.⁶² The MCA "wish list" included a request for Mahathir to form a multiracial committee comprised of representatives from all BN member parties to draw up a new policy, as well as quick action to make good on the UMNO leadership's long-standing promise to increase non-Malay access to state-funded

⁶⁰ Jesudason, *op. cit.*, pp. 188-89

⁶¹ Government of Malaysia, *Sixth Malaysia Plan, 1991–1995*, Kuala Lumpur, National Printing Department, 1991a, p. 8.

⁶² Diane K. Mauzy, "The Tentative and Quiet Death of the NECC in Malaysia." Paper prepared for the 20th Annual Conference of the Canadian Council on Southeast Asian Studies (CCSEAS), York University, Downsview, Ontario, 1991, October 18-20, p. 29.

tertiary education. Fortunately for Ling, Mahathir was a lot more accommodating of Chinese interests in 1988 than when he first became prime minister in 1981. By the late 1980s, Mahathir had become a convert to the virtues of free enterprise⁶³, an outlook which close confidante and former Finance Minister Tun Daim Zainuddin encouraged. Ling Liong Sik believed that a post-NEP policy based on interethnic consultation was essential for restoring Chinese confidence in the BN government. In early October 1988, Ling announced his decision to take an extended unpaid leave from his cabinet duties. He implied that his leave would be indefinite should the prime minister fail to resolve the long-standing issues presented by the MCA. According to Ling, the UMNO leadership had promised in 1986 to redress major Chinese grievances by increasing non-Malay representation in tertiary education, public sector employment, and land settlement schemes. For Ling, the review of the NEP had “become an increasingly frustrating and painful process” because the UMNO had not fulfilled any of its pledges to the MCA. Before departing to begin his leave, Ling stated that all the BN component parties should “sit down and agree on a common database on vital aspects such as the ethnic share of corporate sector, educational opportunities, land ownership, participation in land development schemes, and public and private sector employment”.⁶⁴ The timing of Ling’s departure was precipitated by the UMNO’s exclusion of the MCA from discussions convened by the party to examine the NEP’s replacement policy.⁶⁵ Determined to push for a Chinese voice this time around, Ling succeeded in achieving his objective by staging, in effect, a de facto boycott of the cabinet.

THE PROSPECTS FOR CHINESE DIASPORA UNDER THE NEW DEVELOPMENT POLICY

Although the NDP unequivocally upholds the principle of Malay special rights, unlike the NEP it eschews numerical targets and emphasizes growth- and income raising

⁶³ Khoo, *op.cit.* pp. 34-35

⁶⁴ The *Star*, October 2, 1988

⁶⁵ *Far Eastern Economic Review*, December 15, 1988

policies over income distribution programs. The NDP is also more strongly committed to human resource development and will offer greater education opportunities to non-Malays than was the case with the NEP. This is evident in significantly larger government disbursements for Chinese education interests outlined in the Sixth Malaysia Plan. For example, TAR College will benefit from a tenfold increase in government funding (a total of \$20 million) under the Sixth Malaysia Plan (compared to the Fifth Malaysia Plan), and the allocation for Chinese primary schools will be doubled to \$40 million.⁶⁶ However, the Chinese realize, at the same time, that greater attention will still be paid to the upgrading of Malay professional and entrepreneurial manpower.

Finally, the NDP exposes a strong commitment to national unity, which it calls “the ultimate goal of socioeconomic development, because a united society is fundamental to the promotion of social and political stability and sustained development”.⁶⁷ While most non-Malays realize that the attainment of national unity within an UMNO-dominated state will not ultimately translate into political and social equality between Malays and non-Malays, they are quietly optimistic that their prospects under the NDP will be bright indeed. They draw hope from Mahathir’s “Bangsa Malaysia” (Malaysian nation) concept, first enunciated when he unveiled his policy to attain fully industrialized nation status for Malaysia by 2020, the Vision 2020 plan. The Malaysian prime minister declared that he wanted to see “a nation at peace with itself, territorially and ethnically integrated, living in harmony and full and fair partnership, made up of one “Bangsa Malaysia”.⁶⁸ The Chinese political observers were particularly struck by the unprecedented usage of the term, for Malay leaders had previously employed the word *bangsa* within a chauvinistic Malay nationalist context to denote the Malay race or Malay nation (“Bangsa Melayu”). By including non-Malays within the *bangsa* concept, Mahathir appeared to be breaking from the exclusivist conventions of Malay political and economic nationalism.

⁶⁶ Ling, op.cit.,pp. 38-39

⁶⁷Government of Malaysia. *The Second Outline Perspective Plan, 1991-2000*, Kuala Lumpur. National Printing Department , 1991b, p. 3

⁶⁸ *New Straits Times*, March 2, 1991

Reacting to Mahathir's announcement, MCA president Ling stated, "The National Development Plan (NDP) aims to create a single Malaysia race to be known as Bangsa Malaysia . . . It is envisaged that ultimately, the nation will be made up of one single race: Bangsa Malaysia".⁶⁹ While Ling translated "bangsa" to mean race, which was not what Mahathir had in mind given the lack of biological assimilation between Malays and non-Malays, his interpretation of Mahathir's statement serves to highlight the MCA's belief, one also shared by the Gerakan, that Mahathir will accept a greater political, economic, and cultural role played by non-Malays in the post-NEP period.

But most of all, the Chinese in Malaysia are optimistic that the UMNO leadership will remain committed to sustaining Malaysia's competitiveness in the global marketplace. As long as export-oriented and growth-oriented policies remain in place, the effectiveness of the potential of Chinese capital resources, dynamic entrepreneurial skills, and the extensive internal and external business networks of Malaysian Sino-capitalists will be maximized by the Malaysian state, enabling the Chinese community in the country to reap ever greater rewards in the years ahead.

⁶⁹ Ling, *op.cit.*, p.37

Chapter V

Conclusion

The political system of Malaysia has suffered from a critical internal contradiction. The fundamental problems of politics in Malaysia during the pre-1969 period were mainly that during the Tunku Abdul Rahman era, 1955-1969, from the time of the euphoria of independence to the cruel reality of the bloody racial riots, while the demands and expectations of the non-Malay communities in general showed a movement towards moderation, the demands of the Malays on the whole assumed increasing extremism. In the immediate pre-independence period, the non-Malays showed an intense concern for the preservation of their languages and educational institutions. They demanded that their languages be accorded recognition as official languages and that schools belonging to their communities (which were the foremost centres of Chinese and Indian nationalisms) be left untouched. However, the Alliance government considered it necessary to establish “a national system of education”. And with this objective in mind, it set up a high level Education Committee in September 1955 under the chairmanship of Tun Abdul Razak, then Minister of Education.

On the basis of the report of the committee, legislation including the following main points was enacted in 1957 were that the Malay and English would be compulsory subjects in all primary and secondary schools. The Instruction in Chinese and Tamil languages would be made available in all primary schools maintained in whole or in part from public funds when the parents of fifteen children from any school requested it. The Schools teaching through the medium of Chinese and Tamil would remain in existence and the special examinations for them (in the vernacular languages) would continue to be conducted and recognized by the government. A common syllabus and timetable for all schools would be enforced. All schools conforming to the government education policy (incorporating a common syllabus and time table and standard qualifications for teachers) would be eligible for government grants-in-aid.

The Chinese response to these eminently reasonable recommendations at the time was extremely hostile. The legislation had not only precipitated strikes by students in many Chinese schools but there were serious riots in several cities over the whole country. The Chinese concern was then centred around the compulsory teaching of Malay and

English and the common syllabus and time table. They were then insistent on the complete autonomy of Chinese education and language.

However, during the post-independence period, from 1957 to 1965 (the year Singapore was separated from Malaysia), the non-Malays and their political organizations showed full regard for the reality and the compulsions of the multi-racial society. Except for a small and uninfluential extremist fringe among them, they all endorsed the government's education policy contained in the 1957 legislation and fully supported the constitution of the country including the special position of the Malays. These included not only the MCA and the MIC, the non-Malay parties in the Alliance, but also the parties in opposition, such as the Labour Party and the United Democratic Party. It was only the People's Progressive Party which remained committed to its demand of recognition of Chinese and Tamil as official languages in the post-independence period. But significantly, the PPP too then did not explicitly reject the special position of the Malays and in general it approved of the constitution of the country.

This must be taken into consideration that non-Malays and their political organizations after independence on the whole displayed a definitely defensive attitude. In retrospect, they possibly had come to realize that they had not done badly in the transition to independence; large numbers of them had not only secured citizenship through quite liberal citizenship requirements but what is more important the constitution, the Malay special position notwithstanding, had set up a polity which at least in theory was based on the principle of equality of political status for all, irrespective of racial origin. Their interest and preoccupation essentially was to ensure that the constitution was not tampered with to make it strongly pro-Malay.

The non-Malay swing towards extremism in 1959 was largely a response to the increasing extremism among the Malays and their success in using their pre-eminent position in the Alliance and their control over government to excessively promote Malay interests. A strong sense of frustration began to emerge among the non-Malays that the Malays and their leaders in the government were not genuinely committed to an integrated multiracial nation but that they were primarily interested in maintaining Malaya as a Malay-Muslim nation. They began to feel that unless they made efforts to

protect their position the gains they had made at the time of independence could be nullified.

Until the time of independence, the leadership of the MCA was in the hands of the *towkay* group, men with big business interests. And this leadership was then generally acceptable to the rank and file of the Chinese community. But independence brought about a significant change: the subservient role and status of the MCA within the Alliance, forming the basis on which it had worked together with the UMNO, was no more acceptable to many of the members and supporters of the MCA. In the new situation of independence, when they were citizens of equal worth, they sought partnership as the basis of their party's relationship with the UMNO rather than a status of subservience of the immediate pre-independence period. The old guard was completely removed. The new leaders gained power on the basis of their commitment to an equal status and rights for all the people of Malaya, a principle that was firmly entrenched in the constitution of the country.

This change in the leadership of the MCA was seen by the UMNO as a development of critical significance. It viewed it as a unilateral change in the political status quo engineering by the Chinese. It seriously unnerved the leadership of the UMNO. They believed that they had negotiated in good faith with the leadership of the Chinese in the MCA at the time of independence and had come to an amicable agreement, which had formed the basis of the constitution and had given the Chinese citizenship and a political status.

The Chinese community by removing that leadership of the MCA questioned the very agreement of 1957, if the leadership that had negotiated the deal was not at all acceptable to the Chinese where was the guarantee that they would abide by the deal of 1957. Besides this the UMNO saw the change in leadership of the MCA as the beginning of an attempt by the Chinese to make a bid for political power and a rejection of the *quid pro quo* arrangement organized at the time of independence that had given the Malays political paramountcy and had ensured for the non-Malays free play in the spheres of trade, commerce and industry. As a result, the UMNO reacted strongly.

This naturally created an intense concern among the Chinese who began to doubt the UMNO's commitment to a multi-racial Malaya. They felt that the Malays were unwilling to accept non-Malays as citizens of equal worth. Many of them left the MCA and joined opposition parties, such as the Labour Party and the PPP. The displaced leadership of the MCA eventually formed a new party in 1962, the United Democratic Party. Under pressure from the new entrants, the major organization of the non-Malays, the Labour Party, began moving in a pronouncedly pro-Chinese direction. The crisis had generated such anxiety and anger among the Chinese that all non-Malay parties in order to enhance their appeal among the Chinese assumed an increasingly pro-Chinese posture and orientation. In the 1959 general elections, the MCA lost heavily and the Labour Party and the PPP were able to make substantial gains on the basis of the new-found Chinese support. The MCA claim as the sole representative organization of the Chinese community began to be seriously threatened.

This further intensified Malay fears of the non-Malays and the UMNO assumed an extreme and unrelenting pro-Malay posture. It took immediate action to protect Malay interests. In February 1960, the government appointed a committee headed by the then Minister of Education, Abdul Rahman bin Talib, to review the implementation of the educational policy introduced by the *Report of the Education Committee, 1956* and to make recommendations with regard to its future working. In its recommendations the Committee went far beyond its terms of reference and recommended drastic changes in the educational system, the Secondary schools receiving partial assistance from the Government which failed to make arrangements to conform fully with all the statutory requirements as from the beginning of 1962 or earlier "should be regarded as independent schools ineligible for any assistance from Government funds as from the beginning of 1962". Secondly All the "official, national, public examinations" – the Lower Certificate of Education and the Federation of Malaya Certificate of Education Examinations – should be held only in the nation's two official languages, Malay and English. The Ministry of Education should cease to recognize examinations in Chinese, i.e. the Junior Middle III Examination, the Chinese Secondary Schools Promotion Examination and the Chinese Secondary School Leaving Certificate, with effect from 1961.

The effect of this was that all those secondary schools run by the Chinese community, both the partially-assisted and independent, where the medium of instruction was Chinese had to accept of necessity one of the two official languages as the medium of instruction, for the recommendations were to make it virtually impossible for students from these schools to sit in virtually impossible for students from these schools to sit in the public examinations recognized and conducted by the government. And if these schools conducted their own examinations they would not have the recognition of the government and therefore would make it very difficult for students taking them to secure suitable employment or pursue higher studies.

In effect, the recommendations made schooling through languages other than Malay and English of little use. And therefore, this was seen by many in the Chinese community as dealing a death blow to Chinese language and education. It is important that the Razak Report of 1956 had clearly acknowledged that schools using Chinese or Tamil as the medium of instruction and examination were not *per se* an obstacle to creating “a Malayan outlook” and that so long as they abided by the conditions considered necessary by it for integration (compulsory teaching of Malay and English, a common syllabus and time table and standard qualifications for teachers) they had a legitimate place in the country’s educational system and as such were eligible for government financial support.

All this naturally created an intense disenchantment among the non-Malay communities. They strongly believed that the Malays were determined to use their substantial control over politics, administration and government to establish a *Malay* Malaysia that was completely contrary to the principle of a multi-racial nation enshrined in the constitution of the country in 1956-57 and then again in 1963 when the larger federation was inaugurated. They now began to challenge the special position of the Malays and vehemently revived the claim that Chinese and Tamil languages should be recognized as official languages of the country. This change was fully reflected in the position taken by the Democratic Action Party and the PPP in the years following the separation of Singapore in 1965, especially during the election campaign of 1969.

Both the parties were able to make very substantial gains in the elections; the DAP, in fact emerged out of the elections as the largest opposition party.

In the circumstances, the various ethnic groups in the country moved headlong on an inevitable collision course.

Within days of the 1969 general elections, the terrible communal explosion took place. And since then extremism among Malays has been rampant with a very greatly increased vigour. The emphasis on Malay unity and solidarity assumed added importance during the post-independence period. The result was that very few Malays dared to cross the ethnic line and join non-communal political organizations. And those few who did show the necessary courage of their conviction soon found themselves completely alienated from the rank and file of the Malay community.

In fact, they were to be treated as outcasts of the community and in the process they became politically ineffective. With the known lack of assertive individualism among the Malays and their emphasis on viewing good and proper life as being possible only as integral members of the community it was too much to expect many to rebel from their own community in the cause of non-communalism. The crucial consequence was that non-communal political parties formed during the pre-independence period found it extremely difficult to maintain their non-communal character and during the mid-fifties they all assumed the image of essentially non-Malay parties, parties with an almost entirely non-Malay leadership and rank and file. And once the process began, the parties got caught in a vicious circle: the lack of support from the Malays began turning them into essentially non-Malay parties and that made them even more unattractive to the Malays who anyway were not too keen to join non-communal parties, parties which were not specifically committed to protect and promote the interests of their community.

Over the years, these leaders mostly succumbed to the pressure and those few who resisted were forced out. If Malay support, however, had been forthcoming in a significant manner they could have successfully promoted the view that exclusive commitment to non-Malay interests would cost the parties their Malay membership and

support. But this was not the situation and therefore all non-communal political parties, over the years during the pre-1969 period, assumed the character of communal organizations of the non-Malays in varying degrees.

The Malay leadership failed in two critical areas and this badly affected the viability of non-communal politics and multiracialism in the country. Firstly, the leadership of the UMNO, despite the fact that their organization led the inter-communal coalition of the Alliance, failed to impress on the Malays during the post-independence period that their traditional view of Malaya as a Malay-Muslim country.

And in the new circumstance of the electoral reality of the post-independence period when a significantly large part of the electorate was non-Malay, a party exclusively dependent on Malay support suffered from an inherent disadvantage. Moreover, it was not only incapable of establishing a *Malay* Malaysia but in attempting to do so would inevitably precipitate communal disharmony and collision. They emphasized that the virtue of the UMNO approach was that through the inter-communal Alliance that it led and substantially controlled, the UMNO not only could successfully establish a *Malay* Malaysia but that in doing so it would not necessarily precipitate communal confrontation as it would tend to establish it with the concurrence and support of the two chief communal organizations of the non-Malays, the MCA and the MIC, which were linked to it in the Alliance. The important point is that the UMNO leadership did not tell the Malays explicitly that the concept of a *Malay* Malaysia that they espoused was wrong and impractical; on the contrary, they told them that they should look towards the UMNO for its realization rather than the PMIP. It was an extremely delicate and difficult task especially when it is taken into account that the UMNO had to compete for Malay support against the extremist PMIP which was openly committed to a *Malay* Malaysia and was always waiting for the opportunity to pounce on the UMNO if it ever relaxed in its pro-Malay orientation and commitment. However, given a genuinely dedicated leadership the Malay *raayat* could have been moved in the direction slowly. Tunku Abdul Rahman, with his special charisma and his acknowledged position as *Bapak* Malaysia, was certainly in a position at least to attempt it.

Secondly, the UMNO leadership did not attempt to improve in a significant way the economic lot of the Malay *raayat*. They had not only handicapped themselves by the terms of the *quid pro quo* arrangement which gave the Malays political paramountcy and the non-Malays free play in the spheres of trade, commerce and industry but they lacked the urge to attempt it as they had little confidence in the ability of their own community. For long it was widely believed that the people of the Malay race lacked the capacity for hard work and that material rewards were not adequate to attract them to do so. They were easily satisfied and they lacked enterprise. Their culture and tradition reinforced this as it viewed good life as that which had an unhurried pace and that allowed the time and the conditions to fully enjoy the good things of life – family, friends and neighbours and good food and the nature around. The UMNO leadership, especially Tunku Abdul Rahman (a Prince from the traditional, lush and blissful setting of Kedah), took this too seriously and believed that even if the Malays were to be helped along to participate in trade, commerce and industry, they would not be able to survive against the enterprise and the capacity for hard work of the non-Malays. They saw Malay survival chiefly as superannuants living off government support and charity or as public servants in the employ of the state. This had the tragic effect of maintaining the Malay lack of confidence in themselves and naturally exaggerated and intensified their fears of their fellow country-people, the non-Malays.

The 1969 general elections and their aftermath, however, drastically changed all this. A complete reappraisal of the position of the Malays and their objectives was made. Politics had to be organized on entirely new bases. The key symbol of the pre-1969 style of politics, Tunku Abdul Rahman, was eased out of the Prime Ministership and the Presidentship of the UMNO and the Alliance. In the new circumstances of the post-1969 era the *quid pro quo* arrangement of the past was discarded and the pretence that the Alliance was a genuinely multiracial coalition geared to the creation of an integrated new nation through “the politics of accommodation” was given up once and for all. Even Malay political paramountcy was viewed as completely inadequate and definite steps were taken to secure an increasing concentration of power in the hands of the Malays inevitably leading to Malay rule. Politics and government, in consequence,

have largely been completely reorganized and are now being operated on the basis of the following fundamentals,

It has been unequivocally established that Malaysia is a country of the indigenous Malays. Its Malay-Muslim character is sacrosanct and must be accepted by all without question. The non-Malay peoples who intend to continue to live in the country must accept this and any questioning of this on their part would be considered a sign of disloyalty to Malaysia. The multi-racial character of the country is not to be taken to mean that a special status is to be conferred on the languages and cultures of the non-Malay peoples. The country's language and culture are those of the indigenous Malays. Malaysian culture is to be equated with Malay culture and is not to be viewed as a composite of the cultures of the various ethnic components of the Malaysian population. Non-Malays are to be permitted to continue to practice and use their own languages, religions and cultural ways so long as they do not conflict with the same of the Malays.

The special position of the Malays, which was written into the country's constitution of 1957 as a temporary measure, and the status of their Rulers have now been entrenched into the constitutional-political framework in such a way that they could never again be challenged and threatened by the non-Malay communities through the ballot-box or through other legal political action. Any questioning of these by the non-Malays would not only constitute an unlawful act but also would be viewed as an indication of their disloyalty to Malaysia.

Malay unity has been established on a much more solid footing than during the pre-1969 era. At first, the UMNO and the Parti Islam, the two main political parties representing the Malays, worked together and provided the basis for Malay political power and rule. Later, following the withdrawal of the Parti Islam from the *Barisan Nasional* the situation in this respect has not significantly changed as this issue resulted in a split in the ranks of the former and a decision by a large section within it with a much greater electoral support to remain loyal to the *Barisan Nasional*. Thus, Malay political power is no more to be dependent on the *quid pro quo* arrangement with the non-Malay communities and their communal organizations, especially the MCA;

electoral support of the non-Malay communities is no more necessary to maintain the Malay ruling class in power as during the pre-1969 era.

Malay political power is no more to be the end in itself as it was during the pre-1969 era. It is now being used to give the Malays a reasonable share of economic and commercial power so as to ensure unity and solidarity among them and maintain their loyalty and support for the present Malay leadership. Rapid and substantial economic growth has to be achieved and maintained to ensure communal peace and harmony as only a rapidly expanding cake can be used to offset the non-Malay fears that the increasing Malay participation in trade, commerce and industry would necessarily be at their cost.

Though the government has been facing serious difficulties in the achievement of this objective, it is clearly the first major positive attempt on the part of the Malay leadership to view the problems of the multi-racial society of Malaysia on a long-term basis and seek a lasting solution of a fundamental problem. The wide disparities between the Malays and the Chinese in respect of standards of living and economic and commercial power have been responsible in a substantial manner for the suspicion, distrust and fear of the Chinese among the Malays. So long as these disparities remain ethnic relationships could not be built on a foundation of goodwill, give and take, and mutual respect and understanding.

During the pre-1969 era, not much was done to rectify this situation as the Malay leadership under Tunku Abdul Rahman was more attracted to political power and was unsure of Malay's ability and fitness to assume such responsibilities. Furthermore, they were afraid of disturbing the *quid pro quo* arrangement with the Chinese big business leadership and in view of the special pro-Western orientation of Tunku Abdul Rahman they were unwilling to impose any curbs and limitations on the role of foreign capital. However, fortunately the experience of the 1969 general elections began to change this orientation of the Malay leadership; this was one of the more positive features of the elections and their result. The significant losses in Malay support suffered by the ruling party, the UMNO, in almost all over the country led to a reappraisal of the bases of the party's mass support and a fresh evaluation of things that influenced and moved the

Malay *raayat*. It was as a result of this that a new emphasis was placed on giving the Malays urgently a reasonable share of the wealth of the country and economic and commercial power. Once this critical redistribution of wealth and economic and commercial power is achieved, hopefully a more solid and lasting foundation of a genuinely multi-racial society would have been laid.

The Alliance has given place to *Barisan Nasional* in which the Malay core is provided by the Malay communal organizations, the UMNO and the associated Malay organizations. The Front is not based on a “permanent” relationship between the UMNO, representing the Malays, the MCA and the MIC, representing the Chinese and the Indians respectively, as was the case with the Alliance. Non-Malay support for the Front is no more indispensable, it is no more required to maintain the organization in power and to enable its leadership to contain and curb extremism within its leadership to contain and curb extremism within its Malay base. The Post-1969 changes in the delimitation of electoral constituencies have given further weightage to Malay vote thus enabling it to return a majority of members to the Malaysian Parliament, non-Malay voters by themselves can neither vote a government in nor vote one out of power.

The nature of the composition of the Front, in contrast with that of the Alliance, allows for the non-Malay vote and support to be organized and delivered by a set of competing political organizations of the Non-Malays. No single party is entrusted with the special responsibility of mobilizing the Chinese or the Indian vote for the Front as was the case under the Alliance arrangement of the pre-1969 era. No organizations of the non-Malays are treated as “permanent” members of the Front; they can remain in the Front so long as they wish to and so long as they are useful to the collectivity. Non-Malay organizations cannot take their membership of the Front for granted.

The country is inevitably moving in the direction of a Malay Malaysia. The non-Malay peoples and their political organizations have lost much of the leverage that they had possessed in the past. They have little bargaining power left to them in view of their lack of control or influence over the key instruments of power, such as the military and police forces and the bureaucracy, and the fact that the government and its Malay leaders are no more dependent on non-Malay. The implementation of ethnic

preferential programmes and policies, however would lead towards the development of ethnic enclaves in the education system as well.

This is clear that in the making of the Malaysian nation-state, the interests of both ethnicity and religion would continue to compete for the attention of the multi-ethnic population in which the role of the Prime Minister would be crucial. It would be idealistic to hope that ethnocentricity is going to wither away in the near future even if economic parity is assured.

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