POLITICS OF AFFIRMATIVE ACTION IN MALAYSIA AND THE STATUS OF MALAYS, 2003-2013

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DECLARATION

I declare that the dissertation entitled "**Affirmative Action in Malaysia and the Status of Malays, 2003-2013**" submitted by me in partial fulfillment of the requirements for award of the degree of **Master of Philosophy** of Jawaharlal Nehru University is my own work. The dissertation has not been submitted for any other degree of this University or any other university.

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CERTIFICATE

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

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Dedicated

to

my loving Maa…..

ACKNOWLEDGEMENT

CONTENTS

LIST OF ABBREVIATION

B40	Bottom 40
BCIC	Bumiputera Commercial and Industrial Council
BN	Barisan Nasional
DAP	Democratic Action Party
ETP	Economic Transformation Plan
FMS	Federated Malaya States
FP	Federation Party
GDP	Gross Domestic Product
GTP	Government Transformation Plan
IKIM	Malaysia Institute of Islamic Understanding
KPI	Key Performance Indicators
MCA	Malayan Chinese Association
MIC	Malayan Indian Congress
NDP	New Development Policy
NEAC	National Economic Action Council
NEM	New Economic Model
NEP	New Economic Policy
NFPE	Non Financial Public Enterprises
NVP	New Vision Policy
OPP1	First Outline Perspective Plan
OPP2	Second Outline Perspective Plan
OPP3	Third Outline Perspective Plan
PAP	Peoples' Action Party
PAS	Islamic Party of Malaysia
SMS	Short Message System
T20	Top 20
TERAJU	Government Bumiputera Agenda Steering Unit
UMNO	United Malays National Organisation
UMS	Unfederated Malay States
UNDP	United Nations Development Programme

PREFACE

This dissertation titled "Politics of Affirmative Action in Malaysia and the Status of Malays, 2003-2013" provides an analysis of the impact of Malaysia's affirmative action policies on the Malays and other indigenous people. It also deals with the various issues and problems surrounding these policies. The dissertation has been divided into five chapters:

Chapter I: Introduction and Theoretical Background

The introductory chapter will provide a general background of the proposed field of research. It will also define affirmative action at the theoretical level.

Chapter II: Evolution of *Bumiputera* Policy in Malaysia

The second chapter will trace the historical evolution of the affirmative action in the context of Malaysia. The British colonial rulers adopted preferential treatment on racial lines for the first time. At the time of independence, this ethnic based policy was to carry forward the opinion of nationalist leaders of Malaysia to advance the interests of the indigenous people.

Chapter III: *Bumiputera* Policies since Independence till Mahathir Era

This chapter will deal with various affirmative action policies adopted by different governments since independence. The introduction of the New Economic Policy (NEP) in 1971 against the backdrop of the 1969 racial riots was first of such series of steps taken to advance the socio-political and socio-economic role and status of the Malay community.

Chapter IV: Politics of Affirmative Action

Fourth chapter will analyze the impact of such policies on the Malaysian society in general, and the Malay people in particular. It will take into account the latest political events of Malaysia highlighting major issues and trends relating to *Bumiputera* policies.

The prospects and challenges for reforming the existing pattern of reservations will also be examined here in detail.

Chapter V: Conclusion

The final chapter will be based on finding of research hypothesis and analyze the role of affirmative action in determining the politics of Malaysia and the status of the Malays.

CHAPTER I

INTRODUCTION

"We must aspire by the year 2020 to reach a stage where no one can say that a particular ethnic group is inherently economically backward and another is economically inherently advanced. Such a situation is what we must work for efficiently, effectively, with fairness and with dedication" (Mahathir Bin Mohamad 1991).

1.1 GEOGRAPHICAL LOCATION AND THE PEOPLE

Being one of the most multiethnic and multi-religious countries in the region of Southeast Asia, (Brown 2005: 4), the Federation of Malaysia was formed in 1963. "It comprises of the long peninsular landmass that separates the Indian Ocean from the South China Sea, together with the northern quarter of Borneo but excluding the small state of Brunei. Peninsular Malaysia, covering 131,794 square kilometers, is made up of eleven states, and the two Borneo territories Sabah and Sarawak together cover around 198,000 square kilometers" (Andaya and Andaya 1982: 1). "In the former Malaya, now known as West Malaysia, the politically dominant ethnic group is the indigenous Malays, who form a slight majority of the population. The remainder of the West Malaysian population is mostly ethnically Chinese, with a smaller Indian minority. The Borneo states, now known as East Malaysia, comprise more diverse indigenous ethnic groups, including some Malays (particularly in Sarawak) and a smaller population of Chinese and Indians" (Brown 2005: 4).

The society comprises of three major ethnic communities: Malays, Chinese and Indians. The total population of the country is around 30.4 million, where Malays form the majority with a population of 19.8 million approximately. Virtually, all the Malays are Muslims, while the vast majority of the Chinese are either atheists or practice other religions such as Buddhism, Taoism, Christianity, etc. (Zang 2005: 92). Islam is the religion of the Federation but the Constitution also guarantees the freedom to practice any other religion that is in harmony. A majority of people who form the Malaysian society are descendants of immigrants who came from Indonesia, China and India. These people

have settled down in Malaysia for generations now.

1.2 BRITISH COLONIALISM; POLITICAL DIMENSION

The British colonization of Malaysia occurred in stages, mostly in the nineteenth century. The British, who had already colonized India, extended their empire outward into Southeast Asia adding Burma (Myanmar) and Malaya to their territories. British first made their presence in the Federated Malay States (FMS) of the Peninsula and later into the Straits Settlements (Ganesan 2005: 137).

It was in the late eighteenth century that the British started to acquire the states of Malaya from the Sultans under the Protectorate System. Penang was the first state to fall under the British in 1786. By 1824 and with the signing of Anglo-Dutch Treaty, British monopoly over Malaya was established. In the late eighteenth century, tin and rubber plantations formed the backbone of the economy of Malaya state. Since the Malays were not very much interested in working as wage labourers, the British encouraged the immigrant labourers from China and India to work in these two industries respectively. At the same time, British accorded special status and privilege to the Malay Sultans identifying them as traditional "sons of the soil".

Another was the British policy of non-interference in any matter that concerned Malay religion and custom. The division of indigenous and non-indigenous people was exacerbated by the rise of nationalist and independence movements in British Malaya. In order to promote a sense of homogeneity among the indigenous people of Malaya, nationalism was used, which in turn further excluded the immigrant population (Siddique and Suryadinata 1981).

1.3 ETHNICITY AND ISLAM IN MALAYSIA

Over the last few decades, ethnic conflicts have increased in number and intensity all over the world. It is more evident in the newly independent countries of Asia and Africa, where nation building is still in process. Some scholars have argued that these conflicts and confrontations are deliberately maintained and provoked from time to time by the ruling class of these countries so as to divert the attention of the masses from the real

issues that are more important to the population. In case of Malaysia, the increasing ethnic tensions between the indigenous people and the immigrants have been chiefly associated with the Bumiputera policies that have resulted in marginalization of the latter, and have put them in disadvantaged position.

Ethnicity has always been an important issue in Malaysia. The three major ethnic groups are the Malays, Chinese and Indians. During colonial rule, the British adopted policies that made each major ethnic groups of Malaya identified with a different occupation or sector of economy. The indigenous Malays were chiefly engaged in the rural economy; the ethnic Chinese were either businessman or traders or else served as labourers in tin mining, and the ethnic Indians were mostly recruited to work in rubber estates. This racial division was to continue post independence in the form of *Bumiputera* policies (Vasil 1980).

Islam is the core of Malaysian society. Islam is the official religion of the State. The Constitution of Malaysia declares that Islam is the religion of the Federation.[1] Sultans are the head of the Muslim religion in each of the states. The Constitution guarantees the "special position" of the Malays. It defines Malay as a "person who professes the religion of Islam, habitually speaks the Malay language, conforms to Malay custom."[2]

There are several political parties that claim to represent the Muslims in Malaysia. One such prominent party is the Islamic Party of Malaysia (PAS). Its chief objectives include the erection of a juridical Islamic state and the accompanying implementation of *Syariah* (Islamic Law), of which the *hudud* (Penal Code) is an indispensable component (Hamid 2015: 207). "The struggle to define and control Malay-Islamic identity has been fiercely and occasionally violently contested between the two Malay based political parties, the UMNO and the PAS, both of which view Malay Muslims as their natural constituency. In general terms, while UMNO has propounded the benefits of a fully developed state, informed by a moderate, revitalized and pragmatic Islam, PAS has cultivated a programme based on the history of an imagined classicist *ummat* (Islamic community)

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[1]This is provided in Article 3 clause 1 of the Constitution of Malaysia. The Article also provides its people the right to practice any other religion in peace and harmony.
[2] Article 160 Clause 2 of the Constitution of Malaysia.

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and defined in terms of the enduring framework of *fiqh* (Islamic jurispudence). PAS thus ostensibly transcends issues relating to Malay ethnicity and specificity, to appeal to an imagined Islamic universalism with its ultimate objective to establish an Islamic state" (Belle 2008: 463-464).

1.4 AFFIRMATIVE ACTION IN MALAYSIA: A BRIEF INTRODUCTION

While the Constitution of Malaysia provides equal citizenship to all the people, *Bumiputera*[3] are provided special treatment under Article 153. The fear of Chinese domination was another factor leading to the formulation of certain kind of preferential treatment to the Malays. For instance, Article 153 provides special position to the Malays and the indigenous people of Sabah and Sarawak; it also empowers the Yang di-Pertuan Agong (Head of the State of Malaysia) to make reservations for these people in the public service, business permits or licenses, educational institutions and scholarships. The first phase of reservation policies for the *Bumiputera* came into being in 1971 with the adoption of New Economic Policy (NEP).

The Constitution of Malaysia is divided into fifteen Parts, thirteen Schedules, two Chapters and one hundred and eighty three Articles. Article 8 provides that "all persons are equal before the law and entitled to the equal protection of the law". However, clause five mentions, "This Article does not invalidate or prohibit any provision for the protection, well-being or advancement of the aboriginal peoples of the Malay Peninsula (including the reservation of land) or the reservation to aborigines of a reasonable proportion of suitable positions in the public service" (Constitution of Malaysia 2010).

Article 10 clause four which came into being in 1971 in the backdrop of the racial riots, provides that "Parliament may pass law prohibiting the questioning of any matter, right, status, position, privilege, sovereignty or prerogative established or protected by the provisions of Part III, Article 152, 153 or 181 otherwise than in relation to the implementation thereof as may be specified in such law"(Constitution of Malaysia 2010).

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[3]Bumiputera refers to the "sons of the soil" in Malaysia. It denotes Malays and other indigenous people as distinct from Chinese and Indians. Bumiputera includes the Malays, the peoples of Sabah and Sarawak and the *Orang Asli* among several other groups.

Article 89 provides that "Any land in a State which is not for the time being a Malay reservation in accordance with the existing law and has not been developed or cultivated may be declared as a Malay reservation in accordance with that law, provided that: (a) where any land in a State is declared a Malay reservation under this Clause, an equal area of land in that State which has not been developed or cultivated shall be made available for general alienation; and (b) the total area of land in a State for the time being declared as a Malay reservation under this Clause shall not at any time exceed the total area of land in that State which has been made available for general alienation in pursuance of paragraph (a)" (Constitution of Malaysia 2010).

Moreover, the 1971 Constitutional amendments introduced in the backdrop of the May 1969 racial riots, reinforced the impression of a Ruler-Malay community linkage, in that any change to the privileges accorded to Malays and the people of Sabah and Sarawak now required "the consent of the Conference of Rulers as well as the required two-third's parliamentary majority" (Harding 2007: 121). The amendment established the absolute power of the Conference of Rulers in maintaining the privileges of the Malays. "The Constitution and other laws also have provisions that seek to punish those who are found to be exceeding their right of expression by expressing controversial views on issues such as the special rights of the Bumiputera, Islam as national religion, the rights of immigrant races (especially Chinese and Indians) to citizenship, the position of the King, and the status of the Malay language as the national language and a host of other issues that could potentially be sensitive in the context of the fragile race relations in the country" (Sani 2015: 86).

Furthermore, another amendment introduced in the same year to the Article 10 legally prohibited public debate or discussion on matters such as the sovereignty of the rulers, Malay special privileges, the status of Malay as the national language, and civil rights. The government argued that the amendment was necessary to maintain peace and harmony in the Malaysian society, as these issues were sensitive in nature. By changing the Constitution in this manner, the Malaysian government succeeded in legally forestalling any expression of criticism, dissatisfaction, and opposition with regard to the Malay privileges (Horii 1991: 283).

Since independence, affirmative action or *Bumiputera* policies have always formed a major part in policy making for all the governments. It was during the premiership of Tunku Abdul Rahman that the issue of ethnicity became central to Malaysian politics. Multi-cultural practices and policies were again revived in the Malaysian society when Dr. Mahathir Mohamad, the Prime Minister from 1981 to 2003, assumed power. During Mahathir's tenure, the Bumiputera policies were combined with "Competitive Islamisation", a political strategy Mohamad deliberately cultivated to counter the fundamentalist Parti Islam Se-Malaysia that demanded sharia law (Economic and Political Weekly 2008). He adopted a vision of a modern, highly developed, egalitarian and multi-cultural *Bangsa Malaysia.* On the one hand, heavy industrialization and privatization were embarked upon to achieve his goals of Vision 2020; on the other hand, the NEP was continued. By the 1990s, affirmative action policies had benefitted a large chunk of the Malay population with increased economic equality and shareholdings against the Chinese. Their share in higher education also increased considerably.

After Dr. Mahathir resigned from his Premiership in October 2003, Tun Abdullah Badawi came to power. He began his leadership with the motto "Excellence, Glory and Distinction." His commitment was to produce very high administrative honest, efficient, Islamic and sensitive to the plight of the rural population and territories (Tun Abdullah 2015). Badawi set two sets of objectives: economic re-structuring, and the reform of Malaysia's political culture. He initiated a series of prudent domestic economic policies and fostered a sound macro-economic environment coupled with an increased openness to international capital. He also tried to diversify the economy by focusing on the agriculture and its products, a long neglected sector in Malaysian economy. On the political front, Badawi's goal was to promote greater Malay competitiveness and hence, he wanted to introduce a system of meritocracy for the Malays rather than being dependent upon state patronage. However, the step was not welcomed by most of the Malay society.

"Islam Hadhari" or "Civilizational Islam" was the cornerstone of his concept of political culture. It includes calls for greater religious tolerance, lessened Sharia laws in governance, mastery of scientific knowledge, and individual piety as opposed to

communal standards. The goal was to empower Muslims to "engage difference and embrace modernity. He also pushed for greater ethnic tolerance and integration. He was the first Muslim leader to address the World Council of Churches, emotionally and effectively sending a signal to non-Malays" (Welsh 2005: 156). The ten principles of Islam Hadhari include a principle protecting the rights of minority groups and women (Martinez 2005: 198).

The current Prime Minister, Najib Razak who assumed office in 2009, propounded the slogan of "1 Malaysia, People First. Performance Now." Najib told UMNO's General Assembly to be "champions of the rakyat" and toned down the rhetoric of Ketuanan Melayu (Malay supremacy). He announced several measures to liberalise NEP rules. A new government scholarship was announced purely on merit basis. However the affirmative action policies and Malay privileges continued in spite of 1Malaysia (Chin 2010: 166).

The economic policies and reforms undertaken by Najib could be called as representing both 'continuity and change' from the Mahathir era. The Economic Transformation Program (ETP) of 2010 is similar to the Mahathir's plan of infrastructure-driven economy for Malaysia. The ETP identifies specific areas for urgent private sector involvement via entry-point projects (EPPs). The departure from Mahathir' s approach can be seen in Najib's pro-active diplomatic engagements to transform and elevate the Malaysian economy. The New Economic Model (NEM) launched in 2010 "represents the Najib administration's policy commitment to transform Malaysia's economy in the long term and guarantee its sustainability in an increasingly competitive external environment. Making affirmative action- as promoted in the New Economic Policy (NEP)- more market-friendly and meritocratic, rather than ethnic based" (Khalid 2011: 440).

As compared to his predecessors, Najib Razak is much more vocal in advocating to establish a Malaysian society based on the principles of merit and need rather than on communal ethnic considerations. However, shrinking Malay support base of UMNO; political pressure from the conservative quarters of UMNO leadership; pressure from right-wing quarters are the major constraints within which Najib's domestic policies are

likely to be shaped (O' Shannassy 2013). However, Najib is also balancing the conservatives within the UMNO who are upset by his liberal approach to *Bumiputera* policies. In September 2013, he "announced a 10 billion-ringgit ($3 billion) trust to support education and home ownership, while government-linked companies were urged to give more contracts to ethnic Malays on merit" (Koswanage 2014). Recently while announcing the positive achievements on the 2014 Bumiputera KPIs (Key Performance Indicators) by the ministries and the launching of the Industry Advisory Council to boost the capacity and capability of entrepreneurs, "Najib asked his departments to work with all ministries towards ensuring that a large number of houses under the People's Housing Project be sold to *Bumiputeras*. The Prime Minister also urged the Bumiputera entrepreneurs to develop their own capital, knowledge capital, skill capital and social capital" (The Malaysian Insider 2015).

As far as the impact of the affirmative action policies is concerned, they have greatly helped diminish the economic inequality between the Malays and the non-Malays. Also, greater Malay participation can be seen in the economy and higher education system of Malaysia; their enrollments in universities have really gone up substantially since the introduction of the New Economic Policy in 1971. However, all these have had negative fallouts also for the multi-ethnic Malaysian society. The existing preferential treatment is one of the factors that have led to migration of a sizeable population of (both Malay and the non-Malay Malaysian) skilled workers since the 1970s to countries such as the United States, Canada, Australia, New Zealand and Singapore. The brain drain population is conservatively estimated at around 1 million. "The intensity of the brain drain is mitigated by the fact that a substantial share of the skilled diaspora acquired their education overseas- lowering fiscal costs for Malaysia but also making it less likely for them to return as they have spent their formative years abroad" (Malaysia Economic Monitor 2011: 136). The government's launching of the "Brain Gain" programme twice, in 1995 and again in 2001 to bring back these skilled Malaysians has not been able to attract them, and the policy is said to have failed in the context of continuation of such discriminatory policies. This is an obstacle to the Malaysian vision of becoming a developed nation by 2020.

Preferential treatment is creating a culture of dependence for the Malays; compromising the competition and efficiency in the market. The 1997 Asian financial crisis exposed the vulnerability of the Malay capitalist community, as many of them had to seek help from the government. Many Malaysians including Mahathir Mohamad have supported this theory of culture of dependence.

Bumiputera policies have also created economic inequality within the Malay community. Not all Malays have benefitted equally from the Bumiputera; urban Malays benefit more from these policies than those residing in the rural areas. Of late, a demand has been raised within the Malay community itself to include income as a criterion to avail policy benefits under affirmative action measures. Outside the Malay community, the other intended beneficiaries of the Bumiputera policies such as the people of Sabah and Sarawak have not benefitted much. Particular is the case of the indigenous *Orang Asli[4]* community whose economic condition has actually deteriorated over the years. "In Malaysia's case, addressing inequality between ethnic groups arguably contributed to political stability that supported growth in the 1970s and 1980s. In-spite of this progress, measures of income inequality in Malaysia is high relative to advanced economies, and Malaysians perceive inequality as a problem" (World Bank Report 2014).

1.5 REVIEW OF LITERATURE

Although a large number of researches have been conducted on politics of affirmative action in Malaysia, still there exist gaps in the current policies leading to differential impact on the Malaysian society. It is thus necessary to point them out, to prove that my work is different from those writings. I have discussed them in three sub-headings namely,

 (i) Theoretical Approach

(ii) *Bumiputera* Policies since Independence

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[4]*Orang Asli* refers to the indigenous people Malaysia who are not Malay Muslims. They are believed to have settled in Malaya Peninsula some 5000 years back.

(iii) Post-Mahathir *Bumiputera* Initiatives

1.6 THEORETICAL APPROACH

Affirmative action policies are government mandated policies and measures framed to benefit the poor and marginalized section or group of people in a country. These policies are generally extended to marginalized group or community the necessary atmosphere to improve their conditions. For instance, in South Africa, "though affirmative action has succeeded in empowering a growing black middle class, the challenge is how to address the growing poverty and how some elites of African National Congress use affirmative action as a tool of political leverage. The Fiji situation has similar characteristics to those of Malaysia and South Africa in that affirmative action in the three countries is based on ethnicity, the designated group consists of the demographic majority and affirmative action policies are devised and implemented by the elites of the designated group. Interestingly, both Fiji and South Africa borrowed their affirmative action template from Malaysia and in some cases simply replicated some of the problems of corruption and patronage of the Malaysian affirmative action model" (Horwitz: 2009).

At the same time, the politics of ethnicity in Malaysia is "complex, not just because class interests are expressed through ethnic forms, but also because they are so expressed in two distinct but intertwined ways. They are articulated as the ethno-class consciousness of racially clustered class fractions, and also as the ethnic ideologies of the dominant class, which seeks to unify the class-divided Malays by asserting and institutionalizing Malay-Chinese rivalry. Thus, the shifting balances between contending classes and class fractions are worked out, in the culturally plural context of Malaysia, in the ideological language of ethnicity" (Brown 1994: 257). One of the top priorities of the governments in Malaysia has been to maintain this balance.

Another significant theory is the Human Capability Approach. The Indian economist and philosopher Amartya Sen first articulated this approach in the 1980s. The United Nations Development Programme employed the approach in the context of human development. Here 'poverty' is understood as deprivation in the capability to live a good life, and 'development' is understood as capability expansion. "The capability approach is a

general approach, focusing on information on individual advantages, judged in terms of opportunity rather than a specific 'design' for how a society should be organized. It is a freedom-based approach. It focuses on human life, and not just on some detached objects of convenience, such as incomes or commodities that a person may possess, which are often taken, especially in economic analysis, to be the main criteria of human success" (Sen 2009: 232).

"Sen's capability approach proposes that social arrangements should be primarily evaluated according to the extent of freedom people have to promote or achieve functioning they value. Sen's primary use of the notion of capability is to indicate a space within which comparisons of quality of life or standard of living are most fruitfully made. Instead of asking about people's satisfactions, or how much in the way of resources they are able to command, the question asked is about what they are actually able to do or to be. Sen has also insisted that it is in the space of capabilities that questions about social equality and inequality are best raised" (Nussbaum 2000:12).

Sen argues that the "space of capabilities provides the most fruitful and ethically satisfactory way of looking at equality as a political goal. Equality of resources falls short because it fails to take account of the fact that individuals need differing levels of resources if they are to come up to the same level of capability to function. They also have differing abilities to convert resources into actual functioning. For instance, in a nation where women are traditionally discouraged from pursuing education it will usually take more resources to produce female literacy than male literacy. Or, to cite Sen's famous example, a person in a wheelchair will require more resources connected with mobility than will the person with ''normal'' mobility, if the two are to attain a similar level of ability to get around" (Nussbaum 2003: 35).

The capability approach to justice assumes significance in the context of Malaysia since the lower rung Malays and other indigenous people still remain at the periphery. They hardly have the resources to garner the benefits of affirmative action. Some scholars have also argued that it is the privileged class within the Malays who are benefitting from the various affirmative action policies. The uneven implementation of these policies has aggravated the gap between the "haves" and "have-nots" within the Malay community

(Pillay 1974:). Sen's capability approach focuses on people and their capabilities (the end-results), rather than goods and resources (the inputs). The Capability Approach demands that while designing polices, the focus should be on enhancing capabilities of people; it also involves removing hurdles from their lives so that they have more freedom to 'live the life they value'.

It all started when the British colonial rulers took started encouraging the Chinese and Indian laborers to migrate to Malaysia to work in tin manufacturing and rubber plantation respectively. This was a deliberate move by the colonial rulers to keep the Malaysians out of the economy. At the time of independence, the Malaysian Constitution makers successfully bargained the demands and interests of various ethnic communities and incorporated them into the Constitution. The Malay community's demand for Malay dominance was balanced by providing citizenship to the ethnic Chinese and Indians born in Malaysia or who would meet certain laid down procedure for the grant of citizenship. Thus, all the major ethnic communities- Malays, Chinese and Indians were taken into confidence while framing the Constitution for the Malaysian state.

However, once the British left, Malay fears of the economically dominating Chinese began to intensify. The ethnic Chinese were not only numerically quite large (consisting of more than one third of the entire population of Malaysia) but they were also dominating the economy. Most of the Chinese lived in urban centers while the Malays hardly participated in the modern vagaries of the economy but earned their livelihood in rural Malaysia. The government soon set itself on a path to assuage Malay misgivings and concerns rather than building the nation, which eventually established a Malay Malaysia and not a Malaysian Malaysia, where everybody could have equal rights and equal access to opportunities (1980: 9).

Many scholars belief that the indigenous peoples' share in the national economies is not in commensurate with both their proportion in the population and status as original inhabitants. Therefore, the government must step in to redress this perceived economic imbalance so as to increase the share and participation of these people (Siddique and Suryadinata 1981). This rationale forms the basis of race-based positive discrimination in

countries such as Malaysia, Fiji and South Africa.

1.6 (a) *BUMIPUTERA* POLICIES SINCE INDEPENDENCE

Soon after independence, the major challenges faced by the Malaysian leaders were poverty reduction, nation building and carrying forward the British legacy of multiculturalism. The first decade after independence saw little effort from the political leadership to introduce any special provisions for the indigenous population. However, the 1969 elections formed a watershed in the political history of Malaysia when for the first time the UMNO coalition lost its traditional seats and could not even form a two-third majority in the Parliament. This was followed by the May 1969 racial riots in which several people were killed. It was in this backdrop that Tun Razak, the then Prime Minister, introduced a series of economic measures popularly known as New Economic Policy (NEP) to 'reduce poverty and restructure the economy'. Mahathir bin Mohamad argued for preferential treatment for Malays on the ground that under the British colonial regime, the Malays became economically backward and educationally behind than the non-Malays. The Malay representation in the Malaysian Civil Service was not proportionate to their population. The Chinese population majorly dominated the business in Malaysia. An inequality prevailed in the progress and development of the communities because of the fact that at the time of independence, the Malays were mainly rural and the non-Malays resided in urban cities (Mohamad 1970).

There are other scholars who view that affirmative action has contributed to the increase in ethnic tensions. The continuance of the "special position" of the Malays in the post-independence period has been a source of inter-ethnic dissension. The British had adopted preferential policies in recruitment to elite administrative service. Also, the implementation of the *Bumiputera* policies has not been even. (Pillay1974). Except scholarships and employment quotas that have also benefitted the poorer segment of the Malaysian society, "special position" has in the main worked to the advantage of a special class of Malays.

"In addition to the public employment reservations already mandated by the Constitution, the government of Malaysia legislated Malay quotas for the issuance of trading or

business licenses and permits and ownership of equity; it provides special assistance such as credit, training, and business sites to Malay businessmen; it undertakes responsibility to acquire shares in private corporations on behalf of Bumiputera*"* (UNDP Human Development Report 2004).

Donald L. Horowitz termed the initial negotiations within the different ethnic leadership of Malaysian community as "quiet negotiations among a few decision makers at the top of the system. A handful of Malay and Chinese leaders successfully negotiated such thorny matters as the citizenship issue for the Chinese, preferences for Malays as the indigenous people in government employment and scholarships, and the official status of Malay, English, and other languages. However, once these negotiations had produced a constitution, the participants became committed to the document and to the way it had been negotiated" (Horowitz 1989: 253). The social contract of the UMNO-MCA-MIC formulated in 1955 and its extension in 1963; and Malay dominance are two central issues around which the Malaysian nation building and national leadership have evolved (Kheng 2002). The UMNO leadership's role is central in founding the modern ethnically based political arrangement in Malaysia. This was cemented by both the demise of Onn bin Jaafars' vision of a multiracial governing party and by UMNO's (United Malays National Organization) consolidation of legitimacy through a communally based framework for governance. Jaafar was the founder of UMNO (Kukreja 2002: 23).

The Malaysian experience shows a contrast with that of countries like South Korea or Taiwan. In case of South Korea or Taiwan, decades of authoritarian rule were followed by dramatic moments of democratization by the 1990s; rapid economic growth and industrialization were the catalysts. However, in Malaysia growth and industrialization formed the background for increasing authoritarianism, which was witnessed during the latter half of Mahathir era (Teik 1997: 72).

The Chinese are increasingly getting concerned over the *Bumiputera* policies and are demanding economic and political equality. Suqui Demands is one such case in point where the Chinese made a seventeen-point Election Demands. "Significant was the Chinese emphasis for equality of economic, education, cultural, and political rights and

its recommendation to abolish the *bumiputera/*non-*bumiputera* dichotomization" (Lee 2002).

1.6 (b) POST-MAHATHIR BUMIPUTERA INITIATIVES

The issue of ethnicity was brought to the forefront of Malaysian politics when Tunku Abdul Rahman, the first Prime Minister of Malaysia, made a distinction between *bumiputera* and non-*bumiputera*. However, Tunku later on started working for the promotion of a multi-ethnic society rather than Malay ethno- nationalism (Kheng 2005). Cooperation among different ethnic groups is necessary for ethnic harmony in Malaysia. Malaysia no longer has resource or time for continuing denial that serious inter-ethnic political cooperation is a prerequisite for inter-ethnic unity national integration. Compromises are temporary arrangements, and not permanent structures. There exists a tension between the needs of Malaysia's domestic politics on the one hand and that of international economics on the other (Beng 2005: 66).

However, the implementation of ethnic preferential programmes and policies, has led to the development of ethnic enclaves in the education system. Also, with the onslaught of globalization the resurgence of ethnic and religious sensibilities negatively impacted the ethnic integration in the education system (Guan 2005: 224).

Tenth Plan of Malaysia (2010) outlines "new strategies and instruments to be developed towards establishing effective and sustainable Bumiputera economic participation, The new approach will need to be market friendly, merit based, transparent and needs based. Special attention will be given towards Bumiputera in Sabah and Sarawak, as well as the *Orang Asli*in Peninsular Malaysia". Of late, there has been an attempt by Najib Razak, the current Prime Minister of Malaysia "to balance the old politics of communalism and patronage with a new political landscape on greater socio-political and economic inclusivity". Najib's concept of *1 Malaysia* is focused on ethnic harmony, national unity, and efficient government. Urgent and radical economic, social, and governmental transformation is the need of the hour.

Ratuva explains, "Affirmative action has a vital role to play in leveling the playing field,

addressing inequality and transforming society to achieve equality and social justice. However, the practice of affirmative action is much more complex and is often tied up with the political, ideological and economic interests of powerful groups making and implementing policies. This sometimes undermines the fundamental moral imperatives of affirmative action as it becomes subjected to the self- serving interests of powerful elites who control state institutions and resources" (Ratuva 2014: 140).

Unlike in India, the affirmative action in Malaysia is not linked to the social status of the Malays. Under such circumstances, when the beneficiaries are chosen only on the basis of ethnicity, it becomes easier to reform the scheme. The need of the hour is to bring in the economic dimension of the Malays so that those who are at the periphery can also uplift their condition and contribute as human resource to the development of the country. The issue of inclusivity is central to the development of Malaysia. Unless this is done, the Malaysian Vision 2020 seems to be a distant reality.

1.7 RATIONAL AND SCOPE OF THE REASEARCH

The coming in of the 20th century brought with itself such historic events as decolonization and formation of new states in Asia and other parts of the world. Many of these newly independent nations witnessed large-scale civil wars and ethnic conflicts in the process of nation building. To deal with the issue of multi-ethnicity within a nation, many countries adopted affirmative action policies for the minority groups to protect and safeguard their interests. It is in this context that the case of Malaysia assumes significance. It is among those few countries in the world where affirmative action (*Bumiputera*) policies are framed to safeguard and advance the interests and status of the politically majority group, in this case, the Malays. However, while doing so, such policies have marginalized the other two ethnic communities in Malaysia: Chinese and Indians. Both of them feel being discriminated against the majority Malays population. The study would seek to explain and analyze the pros and cons of *Bumiputera* policies on the Malaysian society both in the short and the long run.

1.8 RESEARCH METHODOLOGY

The research will be conducted through quantitative approach. For this purpose, both primary and secondary sources will be employed. For the theoretical work, it will be using the vast amount of secondary literature in the form of books, journal articles, online articles, newspaper reports and others. The primary sources would mainly include different Malaysian ministries/departments' statements, government policy statements, political speeches, interview reports, historical biographies and government policy papers. To answer the questions raised above, effort will be made to validate my hypothesis.

1.9 RESEARCH QUESTIONS

Against this backdrop, in an endeavour to answer few research questions, the proposed study attempts:

1. To examine the reasons behind the adoption of affirmative action for the Malays and other indigenous people of Malaysia while framing the Constitution.
2. To analyze the affirmative action policies or measures taken by the political leadership.
3. To critically examine how far have such policies work for the betterment of the Malay people.
4. To examine the impact of these policies on the ethnic Chinese and Indians.
5. To analyze the different dimensions of such policies in the context of globalizing world and liberalizing economies.

1.10 HYPOTHESES

Few hypotheses for the proposed research work include the following:

1. Economic inequality is increasing within the Malay community as a result of the affirmative action policy making.
2. Reforming the existing criteria of affirmative action policies is essential for an inclusive and developed Malaysian nation.

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CHAPTER II

EVOLUTION OF *BUMIPUTERA* POLICY IN MALAYSIA

2.1 MALAYA: A BRIEF HISTORY

The history of Malaya goes back for nearly two thousand years. In the early Christian era it was an outpost of the Hindu civilization of India; in the twelfth and thirteenth centuries it was brought within Islam. In early sixteenth century, Portuguese conquered Malacca. They ruled the country for a century till 1611, when the Dutch captured Malacca. The Dutch Empire was at its prime during the seventeenth and eighteenth centuries cultivating the idea that the whole Eastern Archipelago was under their sphere of influence. This period witnessed imperialistic conflicts between the Dutch and the British for natural resources and territorial expansion. However, the British Empire was of no match to the might of the Dutch in the seventeenth century; the former did not even have a significant port facility in the Far East (Gullick 1963: 26).

For such an opportunity the British had to wait till the last decades of the 18th century when the Dutch Empire began to weaken. This was also the time "when the resurgence of the Thais took place when in 1872, Chakri (later known as Rama I), a dynamic general in the Thai army took to the throne establishing a new dynasty at Ayuthia. This revitalized the traditional Siam-Burma rivalry in which the Malays had always been required to contribute their quota of men and weapons. However, the new ruler of Siam besides asking for greater material assistance, commanded the rulers of Kedah, Patani, Kelantan and Trengganu to make personal obeisance before the Siamese King" (Andaya and Andaya 1982: 106-108). When the ruler of Patani refused to do so, the Siamese razed Patani; all the men, children and the old women were trampled to death by elephants. Under such circumstances of fear of attacks from Siam or Burma, Sultan Abdullah of Kedah (who was also controlling Penang) gave Penang on lease to the East India Company in 1786 in return of the British promise of protection against any foreign invasion. "The British occupation of Penang was subsequently confirmed in a treaty with

Kedah in 1791" (Andaya and Andaya 1982: 106-108). Penang was the first control the British extended in the Straits Settlements. Penang had both strategic and economic importance for the British Empire. The British Empire had started laying its foothold in the Far East region as an insurance against hostile intrusion on the main sea route to the East, or on the Bay of Bengal. In the words of Nicholas Tarling:

"The strategic importance of Penang derived both from its position in relation to the Bay of Bengal, which in the Seven Years War and the American War had been exposed to hostile French Naval operations from the south-east during the north-east monsoon; and from its position at the entrance of the Straits of Malacca, through which passed the important trade in Indian opium that largely financed the purchase of tea in China" (Tarling 1957: 9).

The British had also realized the vast economic possibilities provided by the Malay states; and since political stability is a prerequisite for investments, it was seen wise to intervene in Penang. For example, in the negotiations leading to the Sumatra Treaty of 1871, it was the Straits trade that was given prime consideration (Kim 1966: 91). Soon Java (1811) and Singapore (1819) were ceded to the British. Finally, the Anglo-Dutch Treaty of 1824 established British monopoly over the whole Malay Peninsula.

When the British took over Malaya, the latter was virtually a primitive jungle land with no accumulated capital of its own. The Malays were fond of living subsistence life through agriculture and fishing activities, and were thus called "Nature's gentlemen" (Li 1955: 84). However, the British had come for trade and economic activities. The vast natural resources of Malaya, particularly tin and rubber, assumed great economic significance for the colonial rulers. They now started looking for cheap laborers to work in tin mining and rubber plantations, the two centers around which the economic history of Malaya has evolved. When the British tried to persuade the Malays for the purpose, they refused to do so. The Malays though hard-working enough on their rice fields and in their orchards, were disinclined to the routine drudgery of mines or plantations (Purcell 1945: 36); instead they preferred living with subsistence economy that provided enough for their livelihood (Sandhu 1962: 46). Moreover, the Malays were quite happy with the vast natural endowment they had and did not want to work as laborers due to the tropical

climate. This naturally led the British rulers to turn to the world's two largest labor reservoirs, China and India. Favorable immigration policies were framed to encourage Chinese and Indian migration to work in tin mining and rubber estates respectively.

2.2 CHINESE AND INDIANS AS IMMIGRANTS

The Chinese were the pioneer miners and export agriculturalists in the Malay States. Chinese immigration to the tin rich states of Perak, Selangor and Negri Sembilan started in the 1820s, well before the British administration could lay their foot over these states. Periodic famines and other natural calamities in southern China also contributed to large-scale emigration to Malaya. However, with a long tradition of worker solidarity and society organizations such as secret society feuds, the Chinese were politically volatile and commercially tightly organized having greater bargaining power. In such a scenario, the British started looking for much cheaper and more docile labor (Stenson 1980: 15).

The migration of Indians to Malay first began as domestic servants and as agricultural laborers soon after the takeover of the state of Penang by the British Empire in 1786. The Industrial Revolution and the development of large-scale production in Britain further heightened the demand for cheap labor to work in rubber plantations especially after the rubber boom in 1905.

2.3 BRITISH-MALAY RELATIONS

The British formed a whole set of treaties and agreements with the Malay Rulers which provided that "each Malay Ruler would accept a British officer whose advice must be asked and acted upon on all questions other than those relating to Malay Religion and Custom. This had formed the basis of the Protectorate System. The British recognized that the Malay states belonged exclusively to the Malays. The Malays enjoyed political paramountcy in relation to the non-Malay immigrants who were basically Chinese or Indians" (Vasil 1980: 12). Special privilege and status was accorded to the Malay Sultans. This differential treatment meted out to people belonging to different ethnicity and race was to sow the seeds of preferential government policies and programs in independent Malaysia in favour of one community to the detriment of the others. The

British protected the Malays from the superior enterprise and industry of the immigrants that was tending to disposes them. This protection in due course of time took the form of land reservations and preference for Malays in government employment (Purcell 1945: 37). The British policy of reserving land for Malays continued even after the independence.

2.4 JAPANESE OCCUPATION OF MALAYA

It was during the Second World War that the Japanese attacked Malaya in 1941 and occupied it till 1945. The Japanese policies towards the Malays and the Chinese further widened the racial divide. Though the Japanese reduced the status and special privilege enjoyed by the Sultans during British rule, but as a whole the Malays were generally treated as Japanese collaborators and were inducted as administrators and government officials of high rank for the governance of the country. Most of the ethnic Chinese on the other hand, were directly or indirectly fighting the communist guerrilla warfare against the Japanese in Malaya. Under such a scenario, the Japanese meted out the most severe kind of punishment to the Chinese, taking them into lorries to rural areas only to be gunned down mercilessly by the military. Mass killings of Chinese at the hands of the Japanese took place during this period (Kheng 1983: 40-48).

2.5 MALAY STRUGGLE FOR INDEPENDENCE

Before the Second World War, the Malays largely remained disorganized politically. But the War brought the Malays the awakening that was required to unite the country as one whole. The occasion was the British Plan of Malayan Union, which the Malays considered as amounting to a complete annexation of their country and endangering their cultural and national identity (Vasil 1980: 63). The Plan called for the abolition of special position of the Malays; it also proposed equal citizenship for non-Malays. "It entailed no Malay bias. It was to be a multiracial, unitary state, built over the heads of the Malay Sultans who would now lose their ceremonial supremacy as well as the real power of administration which the Residential System had long ago effectively curtailed" (Milner 1987: 774) Consequently, in the first week of March 1946, a Pan-Malaysian Malay Congress was conveyed at Kuala Lumpur that saw participation of forty-one Malay

organizations from all across the country. Thus, United Malays National Organization (UMNO) was formed with Dato Onn bin Jaafar as its President. The sole aim was to unite all the Malays to revoke the Malayan Union Plan. Within a span of two years of its formation, the UMNO was successful in forcing the British to quit its Malayan Union Plan.

For the next few years, Dato Onn embarked on a plan to convert the communal UMNO character to a non-communal national organization where all other ethnic communities i.e. the ethnic Chinese and Indians, could become the members of the organization with the same rights and privileges that the Malays enjoyed. Dato also believed that a single nationality was a pre-requisite to achieve self-government and independence. However, though his plan met with widespread and strong opposition from the Malays, he was able to pull it through because of his statute and popularity within the UMNO.

However, things were to take a new turn when in August 1951; Dato Onn resigned from the UMNO Presidency on the issue of forming a new multi-racial political organization called the Independence of Malaya Party (IMP). Tunku Abdul Rahman was elected as the new President of UMNO. Immediately after assuming the office, Tunku started making extreme statements like "Malaya is for Malays and it should not be governed by a mixture of races" (The Strait Times, 1 July 1952). Very soon the UMNO became a communal organization meant just for the Malays and the protection of their culture and national identity.

Post-War period also witnessed the emergence of new organizations "to safeguard the interests and demands of the non-Malays. The Malayan Indian Congress (MIC) was formed in August 1946 at Kuala Lumpur with the objectives of attaining among others, positive inter-racial harmony and cooperation, general prosperity and stability of the country, and a fair share for the Indian community in the future of the country" (Roff 1965: 42). Similarly, in 1949, the Malayan Chinese Association (MCA) came into being with the fundamental objectives of promoting and maintaining inter-racial harmony and to work to secure justice to the Chinese community in Malaya.

Though different ethnic communities created these organizations, their goal was same: to achieve inter-racial harmony in Malaya. This distrust and hatred towards one another ethnic community has been attributed to the British policy of differential treatment and segregation of ethnic groups along race-economic function. Under the British rule, Malaya was maintained as *Tanah Melayu* (Land of the Malaya) and the indigenous Malays were associated with the government, politics and administration of the country, and the immigrant non-Malay community was to have complete freedom in trade and commercial activities (Vasil 1980: 60). There existed a balance between the Malays and the non-Malays. The Malays, who were politically dominant, did not bother much with the Chinese having an upper hand in the economic and trade related activities. Similarly, the Chinese were quite happy with their dominant economic status in Malaya. However, this separation of politics from economic activity had a short span of life till the Chinese were to taste the power and get involved into the political sphere in Malaysia formally, which was hitherto been a domain of the Malays only. The MCA formed an alliance with the UMNO in the Kuala Lumpur elections of 1952, and this alliance was to shape the politics of Malaysia in future. Joint candidates were fielded. With the winning of six seats by MCA, Chinese leadership acquired confidence in their own organization and their ability to attract Chinese support. Subsequently the alliance was formed at the national level when MIC joined it in 1954.

Another factor that contributed to the racial tension between Chinese and Malays was the Sino-Japanese rivalry. The Sino-Japanese War in China started before the Japanese invaded Malaya. Even before the invasion, anti Japanese activities among the Chinese community had already begun in this country. So, when the Japanese arrived, the hostility continued. Essentially, therefore, the anti-Japanese movement of the Chinese in Malaya was the projection of the politics of China into this country. "The Japanese hostile acts against the Chinese and their apparently more favorable treatment of the Malays helped to make the Chinese community feel its separate identity more acutely. This did not only have an adverse effect in the development of Malayan and later Malaysian nationalism, but it was also the beginning of racial tension between the Malays and the Chinese"

(Zainal, 1970: 97). Also, the government policy toward the squatters during the Emergency period (1948-1960) had important implications for inter-ethnic relations.

Once the Malayan Union Plan was revoked under the intense pressure from the UMNO, the British soon started the process to form the Federation of Malaya. It proposed restoration of nominal sovereignty to the Sultans, at the same time providing for a more centralized and simplified administration than in the past. It retained from the Union Plan, however, a provision for creating a Malaysian citizenship for all the domiciled communities in two ways: by operation of law on the basis of birth, and by application to the High Commissioner fulfilling certain laid down requirements and procedures (Adloff 1947: 112). The Federation Agreement of 1948 thus called for "a common form of citizenship to be extended to all those who regard the said Federation or any part of it as their real home and the object of their loyalty" (The Federation of Malaya Agreement 1948: 2). With the beginning of the Communist insurrection in 1948 that was to last till 1960, the citizenship provision was further liberalized in view of two practical reasons. One, it was becoming imperative to accord the non-Malays a Malayan identity essential for making progress towards independence. Second was to counter the guerrilla warfare that had the support and participation of the Chinese (Vasil 1980: 26).

In 1956, the British appointed an independent Commission to draft a Constitution for Malaya. The Commission (Reid Commission) took into consideration the demands and the interests of the Alliance that represented almost all the major ethnic communities. The Commission recommended for the continuation of those special position and rights that Malays had been enjoying during the British rule. These were: a) reservations of land for Malays, b) quotas for admission to the public services, c) quotas in respect of the issuing of permits or licenses, and d) preferential treatment while grant scholarship and aid for education. However, the Commission preferred the continuation of special Malay privileges through ordinary administrative law, and not constitutional law. It also recommended a time limit of fifteen years, after which the Parliament, on the basis of a Status Report submitted by the government, was to decide whether "to retain or to reduce any quotas or to discontinue them entirely". Furthermore, it also advised against

providing any new quotas or preferences to the Malays, except for what they had been given by the British (The Reid Commission Report 1957). The Commission made these recommendations because the Malay community lagged behind the non-Malays in the spheres of economic activities and education, and hence it was necessary that Malays got certain special privileges in an independent Malaya so as to compete with other communities. The Commission also recommended allowing of Chinese, Tamil and English to function as official languages for ten years; there was no special provision for Islam; the Rulers were reduced to a ceremonial role; and the creation of new Malay Reservations was restricted (Harper 1999: 352). However, the UMNO vehemently opposed the recommendations of the Reid Commission. Eventually, UMNO successfully obtained constitutional provisions for special privileges for the Malays, and also dropped the review clause.

2.6 MALAYSIA SINCE INDEPENDENCE

Constitutionally mandated affirmative action policies were formulated to uplift the condition of the Malays, as against the ethnic Chinese and Indians who were economically well off than the Malays. At that time, the Chinese dominated most of the economic activities, while the Malays worked in the agricultural sector in rural areas. Even population wise, Malays were not in majority; they consisted of 49 percent population, while the Chinese and Indians were 38 percent and 11 percent of the population respectively. Hence, population-wise, Malays did not form even a majority. "In 1957, the year Malaysia became independent, while the Malays made up 62.1 percent of agricultural workers; they comprised only 4.3 percent of architects, 7.3 percent of engineers, and 6.8 percent of accountants" (Brown 1994: 218).

Article 153 of the Constitution of Malaysia provides that "It shall be the responsibility of the Yang di-Pertuan Agong to safeguard the special position of the Malays and natives of any of the States of Sabah and Sarawak and the legitimate interests of other communities in accordance with the provisions of this Article" (Constitution of Malaysia 2010). The Yang di-Pertuan Agong is the Head of the State of Malaysia; and he is empowered to make reservations for these people in the public service, educational institutions,

scholarships, and business permits or licenses However, the final Constitution did not include the time limit recommendation as prescribed by the Constitutional Commission. Instead, it was left to the Yang di-Pertuan Agong to review the special privileges of the Malays from time to time. It was believed that "in the long run these provisions would operate not to separate the people into classes but to hasten the process of national unity. Once national unit is achieved, the special rights will die a natural death" (Federation of Malaya, Legislative Council debates, 10 July 1957). Thus the arrangement was meant to be transitional in nature. Article 89 reserves certain land for the Malays and empower the State to declare any government land as belonging to the Malays with the consent of the proprietor. The Article also seeks to protect the land belonging to the Malays, as these could not be acquired at any cost by the non-Malays.

But once the country got independence and the British role, as the protector of the Malay rights was no more in existence, the increasing Malay fear and suspicion of the Chinese community overshadowed the idea of a united nation. Also, the spirit of UMNO-MCA Alliance was short lived. Consequently, the successive government started looking at the Constitution as an instrument for the welfare of the Malay community only. Tunku Abdul Rahman, the Prime Minister of Malaya after assuming his office, did not take him much time to announce in public his ethno-centric views on Malaya; that Malaya is for Malays and only Malays must govern the country.

Meanwhile the British had been persuading Tunku Abdul Rahman to merge Singapore as another state of Malaya. There was great suspicion and fear along with strong protest from the Malays and the UMNO leaders regarding Singapore's entry. This opposition was primarily due to three reasons. One, Singapore might again dominate the Malaya as it had done before the Second World War when it was the administrative capital of Malaya. Two, with the memories of the Communist insurrection still fresh in the minds of the Malays; they did not want to include Singapore, as it was a center of left-wing turbulence. Finally, Singapore might regain its preeminence as the acknowledged business capital of Malaya (Gullick 1963: 155).

Finally in 1963, Singapore was merged to form the Federation of Malaysia. However, the arrangement was short-lived. Within a span of just two years from 1963 to 1965, the Singapore rulers in general and Lee Kuan Yew in particular, through the People's Action Party (PAP) intensified the already communal environment of Malaya so much so that for the first time since Malaya got its independence, serious communal riots took place in Singapore and Penang (Bukit Meratjam) during July 1964 in which dozens of people were killed and hundreds injured (Vasil 1980: 158).

Meanwhile, the PAP activities had two-side impact on the Malaya society as a whole. One, it sharply intensified Malay fears of the non-Malays and increased the threat perception. It also undermined the leadership of Tunku Abdul Rahman, and his approach to the problems preferring compromise to confrontation. Soon the Malays started looking for Tunku's replacement, someone who could take bold decisions as and when required with an iron hand. Secondly, the PAP successfully instilled confidence in the minds of the non-Malays that they also have leadership quality and organizational skills to put forward their demands and interests more aggressively in front of the Alliance. Most of the Chinese were by this time already fed up with the way MCA handled their concerns. MCA was making substantial concessions with regard to the vital interests of the Chinese for the sake of maintaining an alliance relationship with the UMNO at least as long as the latter ruled. Most of the Chinese were thus drifting away from the MCA to look for another platform that could seriously seek to alleviate their problems and issues (*ibid*).

This search finally culminated in 1964 with the formation of the Democratic Action Party (DAP). The organization was dedicated just to the interests of the Chinese. DAP, as a party was very homogenous and united with clear-cut policy and program for the non-Malays. It also championed the idea of Malaysian Malaysia. Adopting a vigorous approach to communal issues, it drew most of the Chinese towards itself.

The 1969 general elections in Malaysia became a watershed in the history of Malaysian politics. For the first time since independence, a direct challenge to the UMNO Alliance came into being when the three non-Malay parties in the opposition namely, the

Democratic Action Party (DAP), the People's Progressive Party (PPP) and the Gerakan Rakyat Malaysia (Malaysian People's Movement) formed an electoral arrangement to fight against the Alliance. In the State elections, the Alliance secured only 162 seats out of a total of 206, whereas the opposition three parties secured a total of 69 seats. Even worse was its performance in the State elections in Selangor, Perak and Penang where the Alliance was deprived of its majority in the State legislature. The electoral gains of the non-Malay opposition posed a threat to Malay political dominance and aroused a level of outrage and fear not experienced ever before. Moreover, "the Malays had become increasingly impatient with the lack of progress in Malay economic welfare and the slow pace of implementation of Malay as the national language" (Liew 2003: 92). The Malays and the non-Malays took this unexpected election result very differently. While the Malays got angry and frustrated as they view it as a direct challenge to the political dominance of the Malays, the ethnic Chinese and Indians were in ecstasy, wanted to celebrate the occasion. The DAP and the Gerakan took out a "victory march" where they allegedly shouted slogans to provoke the Malays. What followed thereafter were worst racial riots in the history of Malaysia. Thousands of people died, and lot many injured. Declaring a State of Emergency, the Prime Minister suspended the Parliament for two years. Tun Razak became the Director of Operations of the newly established National Operations Council. Soon Razak embarked upon a re-structuring of the society with the aim of achieving social cohesion. The poor economic conditions of the Malay community (even though they were political majority), was advanced as a factor leading to the riots. The government in order to advance the economic status of the Malays took a series of affirmative action policies. The New Economic Policy (NEP) was introduced in 1971; and seen as fundamental to the nation-building process (Hing 2005); enshrining affirmative action policies for the Bumiputera (Malays and other indigenous Malaysians) "The NEP was designed to ensure that the distribution of the workforce in each economic sector should reflect the ethnic composition of the population. The avowed objective was to eradicate poverty among all Malaysians and to restructure Malaysian society so that identification of race with economic function and geographical location is reduced and eventually eliminated, both objectives being realized through rapid expansion of the economy over time" (Nesiah 1997: 203).

Meanwhile, the Constitution was amended in 1971 to reinforce the impression of a Ruler-Malay community linkage, in that any change to Malay (and natives of Sabah and Sarawak) privileges now required "the consent of the Conference of Rulers as well as the required two-third's parliamentary majority" as (Harding 2007: 121). This effectively has meant that without the consent and will of the Malays, any attempt to amend special privilege of the Malays would only meet with failure on the part of the non-Malays.

2.7 MALAYSIA AND FIJI: A COMPARISON

An interesting comparison can be drawn between Malaysia and Fiji. The latter adopted several of the schemes and provisions directly from the Malaysian experience. Both the countries had gone through similar kinds of colonial experiences under the British rule. First, in both countries, the British had established an *indirect rule* wherein they provided special political status to the indigenous Malays and Fijians by providing them appointment through nomination, rather than elected legislative representation. Second, both the indigenous communities, the Malays and the Fijians remained outside the vagaries of modern economy system introduced by the British. They were more concentrated in the rural affairs of the economy. This system locked indigenous Fijians into an unproductive subsistence mode, and kept them outside the ambit of the mainstream commercial sector. The result was economic stagnation of the Fijians. Eventually, the socio-economic situation of indigenous Fijians became such a serious concern for the colonial state that it consequently commissioned two reports: the Spate Report (1959) and the Burn Report (1963), both of which recommended concerted attempts to accommodate indigenous Fijians in the mainstream economy (Ratuva 2010: 172). Third, in both the colonies the British imported cheap labors from countries such as India to work in the then emerging rubber and sugar plantations respectively. This contributed in the long run in changing the demography of these countries. Finally, the socio-economic division of labor along ethnic lines was very evident in both the countries. For instance, "Indo- Fijians worked as manual laborers in the cane farms located on land owned by indigenous Fijian tribal groups, Europeans controlled capital and political power, while indigenous Fijians were locked in a semi-subsistence life in the

villages under a rigid communal system. In Malaysia, the Malays were mostly engaged in agriculture; the ethnic Chinese were the traders and the businessmen while ethnic Indians worked as laborers. Antagonistic perception was reinforced by the British colonial policy of divide and rule" (Ratuva 2010: 173).

Fiji became a colony of British in 1874 after signing the Treaty of Cession with Great Britain to *"secure the promotion of civilization and Christianity and of increasing trade and industry within the Fijian islands"* (The Deed of Cession of Fiji to Great Britain). Soon the British introduced the modern economy recruiting Indian as indentured laborers. Soon after the abolition of slavery, the colonial rulers invented the Indentured System to practice in many erstwhile colonies such as Fiji, British Guiana, Dutch Guiana, Trinidad, Jamaica, Natal, Mauritius. While in Malaysia British had hired the services of Indians and Chinese as laborers to work in the rubber estates and tin mining, in case of Fiji the British took Indians as indentured labor to work in sugar estates. The British East India Company started recruiting villagers in large numbers from Northern India and the Madras Presidency to work on the sugar plantations in the tropical colonies. Slaves earlier did the same work. It was a five years' indenture during which a laborer was bound down to the estate manager in such a way that he could be criminally prosecuted if he left the estate i.e., in effect he was a bonded labor (Andrews 1937: 17-19). The indentured system not only caused great pain and humiliation for the Indian laborers of that time but also left a deep psychological impact on the generations of Indians who were to be born in Fiji. "The indenture system caused great pain and suffering to subsequent generations of Indo-Fijians. It has had a strong psychological impact on the lives of successive generations of our people who have inherited the stigma of shame" (Prasad 2004: 11).

"The symbiotic relationship between political right and special preferences for indigenous Fijians has been an integral component of indigenous development during the colonial and post-colonial periods. A central plank of this was the piecemeal and half-hearted attempt to introduce indigenous Fijians to a cash economy within a highly controlled communal system. The indigenous Fijian community had to go through a

process of guided evolution and incremental development under the so-called Native Policy" (Lasaqa 1984). "This policy created a patronage structure that saw indigenous chiefs being used as comprador agents of the British colonial state to maintain political and social hegemony over indigenous Fijians within the rubric of a highly rigid communal system. One of the consequences was that indigenous Fijians were locked into a semi-subsistence village economy under rigid native legislation with little prospect of progress, while other ethnic groups were free to pursue independent commercial ventures. This directly contributed to their relatively retarded economic progress" (Ratuva 2014: 141).

In 1965, the British organized a Constitutional Conference in London to provide a framework for the Constitution of independent Fiji. However, no agreement was reached because of strongly opposed views among the representatives from Fiji with regard to the system of representation. Most of the major issues such as independent Fiji's status in the Commonwealth and adoption of a common name for all the people of Fiji were settled through long discussions and debates between the predominantly Federation Party (FP) and the Alliance Party (AP), dominated by the Fijians and the Europeans.

In all, there are three fundamental features of constitution making in Fiji. First, the Constitution was made under conditions in which the Indians, represented in the main by the Federation Party did not enjoy an equal position with the other parties to the dispute and had little bargaining power, Secondly, the Constitution that was framed establishes minority rule. Finally, the "key provisions of the Constitution laying down the basis and mode of representation in the Parliament are only of an interim nature" (Vasil 1972: 19), though the process of making any amendment to these provisions is not possible without the support and will of the Fijians.

Though Fiji secured its independence in 1970, the transition to a democratic parliamentary set-up had been in process for sometime. In the 1963 elections, universal adult suffrage was introduced for the first time. Both Indo-Fijians and Fijians women participated for the first time. Restrictions like owing property and income qualifications

were removed (Meller and Antony 1968: 3-4). However, democracy in Fiji has since independence been marred by several of the military coups that took place in the last three decades. The first coup took place in May 1987 when Colonel Rabuka deposed the Coalition Government of Prime Minister Dr. Timoci Bavadra. This was followed by a second coup the same year.

The affirmative action programmes in Fiji "go back to the Colonial rule in Fiji. The colonial government's policy on land and education was designed to provide special protection for the indigenous Fijian community. This conservative view of affirmative action and protection of indigenous Fijians culture and tradition was enshrined in the 1970 constitution and later more specifically in the 1990 constitution. In fact the 1990 constitution institutionalized state racism in the name of affirmative action and protection for indigenous Fijians. The 1990 constitution programs and policies were undertaken which actually discriminated against the economically disadvantaged groups from other ethnic minorities" (Reddy and Prasad 2002: 3). It was an imposed Constitution on the people of Fiji by the military. It rejected multiracialism in favor of Fijian of dominance. In a House of 70 seats, 37 seats were reserved for Fijians. Moreover, there were no cross-voting seats. The Constitution contained several provisions to safeguard the interests of Fijians. These were mainly related to any bill that "affects Fijian land, customs or customary rights" (Constitution of Fiji 1990: 78). The affirmative action program institutionalizes the practice of ethnic discrimination, confirming Fijian economic inferiority and frustrating Indian economic efforts. The creation of dual economic citizenship caused larger problem under which the effort and industry of one section was seemingly made to pay for the underachievement of another group (Premdas 1991: 555). "The 1990 constitution was explicitly racist. Its assumptions were the further reinforcement of the separate markers of indigenous Fijians, by resurrection of elements of its customary laws and judicial tribunals, and its hegemony over other communities in the manner of Jewish hegemony over Arabs in Israel or the whites over the others in apartheid South Africa" (Cottrell and Ghai 2004: 34). Freedom of expression was made subservient to the reputation and values of the Fijian people, in particular the Great Council of Chiefs. "The post 1987 coup affirmative action plan had a number of strategic

prongs. Amongst these were: control of state institutions by indigenous Fijians and use of the bureaucracy and political machinery to drive the affirmative action program; channeling state resources towards indigenous Fijians; increasing the number of indigenous Fijians in business; increasing the number of indigenous Fijians in the civil service; and creating and growing an indigenous Fijian middle class to balance the established Indo-Fijian middle class" (Ratuva 2010: 173).

The Fijians took more than a decade to evolve a Constitution in 1997 that had political freedom and human rights at its center and social harmony and social justice at its circumference. Though the Constitution was seriously flawed in many respects, it nonetheless provided a source of hope for the citizens of Fiji at a time when the elected government had suffered two coups back to back (Nandan 2000: 6). "Most importantly, the new constitution reinforced internal divisions among Fijians. Once Indo-Fijians were sidelined, there was little to maintain the political unity of Fijians. The passing of power to commoners undermined the chiefly class, which had sedulously cultivated both the ideology of traditionalism and a sort of unity under eastern hegemony. Given the resultant multiplicity of par- ties among Fijians, no one party could form a government without the support of an Indian party. Needing that support, Rabuka agreed to a speedy review of the constitution, in accordance with a provision for a review at the end of seven years" (Ghai and Cottrell 2007: 653).

The Reeves Commission of 1996 opted for "the Alternative Voting system for both the House of Representatives and the Senate, rejecting the first-past-the-post system (as undemocratic) and the proportional system (as encouraging voting by ethnicity). The aim was to facilitate racial integration. It recommended a seventy seat Lower House made up of 45 seats elected from open constituencies (with no constitutional restriction of race for voters or candidates) and 25 from reserved seats allocated as follows: Fijians (including Pacific Islanders) 12, Indo-Fijians 10, General Voters two and Rotumans one" (Lal 1997: 41). This voting system provided good incentive to the parties to look beyond vote bank politics on ethnic lines. "As the winning candidate must secure at least 50 percent of the votes plus one, which few candidates or parties would be able to muster from their own

community, each party would have an incentive to enter into arrangements with another party to trade their second-place preferences. In due course, this type of cooperation would lead to multiethnic or non-ethnic parties, and facilitate national unity and a broader national agenda" (Ghai and Cottrell 2007: 655).

The new Constitution of 1997 provided the Parliament "to make provision for programs designed to achieve for all groups or categories of persons who are disadvantaged effective equality of access to: (a) education and training; (b) land and housing; and (c) participation in commerce and in all levels and branches of service of the State" (Constitution of Fiji 1990). The 1997 Fiji Poverty Report stated:

"Income differences within each of the major ethnic groups are more significant than between ethnic groups. While overall, Fijian households have the lowest incomes and others have the highest, the lower-income Indo-Fijian households are worse off than lower-income Fijian households. Low-income others in rural areas are the worst off of all. There is more Indo- Fijian households in the very poorest section of society, numbering just over half all-poor households. They have an average income 14 per cent lower than Fijian households. In the highest bracket, the average income of Indo–Fijian households is 42 per cent higher than high- income Fijian households. Fijians predominate in the middle-income groups. Fijians in urban areas are relatively the best off. Poverty is in all communities, not just particular ethnic groups or sections of the society" (Fiji Poverty Report 1997: 12).

It can be argued that in Malaysia and Fiji, the Indian leadership could not successfully bargain for a good deal for the Indians living in these countries. While in case of Malaysia, as a consequence of the British policy of treating the Malays as the *bumiputera* and the rest as aliens coming to Malaysia in search of employment and livelihood, the non-Malays generally were not sure of them and were on the defensive. And even though the concessions made by their political organizations were not exactly the compromise that they had hoped for and they were quite angry with them, there was little that they were prepared to do or could do about it. They did make some noise and there were even some riots and demonstrations, but they accepted the constitution and its basis as a matter of expediency. Similarly, in Fiji the dominant feeling among the Indian leadership was

that the first task before them was to see that British rule was ended; so long as the British were there they had little hope of securing a reasonable deal. They believed that once the British were gone they would be able to negotiate with the Fijians on an equal basis and secure a just solution of the problems (Vasil 1972: 21). "In both these countries, affirmative action programs on racial lines have been justified on the economic ground i.e., the indigenous Malays and Fijians lag far behind other ethnic groups in all facets of the nation's economic life. The coups of 1987 and the putsch of 2000 derived their rationale from such arguments. Institutionalized racism in Fiji is leading to some leaders and politicians to justify the graft, corruption and mismanagement so prevalent in its society" (Gounder and Prasad 2006).

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CHAPTER III

BUMIPUTERA POLICIES SINCE INDEPENDENCE

The main political parties in Malaysia are the United Malays National Organization (UMNO), the Malayan Chinese Association (MCA), the Malayan Indian Congress (MIC) and the Islamic Party of Malaysia (PAS). Since independence, the tripartite Alliance of UMNO-MCA-MIC was ruling the government. In each of the elections that followed the independence, they secured majority votes to continue their political dominance. However, things took a different turn in the 1969 elections. The election formed a watershed in the history of Malaysian politics. In the State elections, it could only secure 162 seats out of a total of 282. Similarly, in the parliamentary elections, it got 66 seats out of a total of 104. The UMNO's coalition share in the vote also declined dramatically. Soon riots broke out between Malays and ethnic Chinese in Kuala Lumpur during a victory procession march. In no time, the riots spread to other parts of the country leading to the death of hundreds of people and injuring thousands. The government soon swung into action declaring a state of emergency and suspending all parliamentary activities for two years. The National Operations Council was formed to centralize the power. Within a span of two years, the government introduced a series of affirmative action policies known as NEP to "eradicate poverty and restructure the society" (Vasil 1980).

The roots of the 1969 racial riots lay mainly in the racial division of work in Malaysia, whereby the Chinese predominantly controlled the economy and trade related activities, while the Malays dominated political sphere. This helped in developing a feeling within the Malay community that the Malay Peninsula belonged only to the Malays.[5] For the members and supporters of UMNO, political reality matched their expectations at least until May 1969 elections. Before this election, UMNO's grip on federal power was sure and firm, with the help of its coalition partners, MIC and MCA (Teik 1971: 9-10).

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[5]Dr. Mahathir bin Mohamad advocated this view in his book *The Malay Dilemma*, 1970.

3.1 THE ADVENT OF NEW ECONOMIC POLICY/ FIRST OUTLINE PERSPECTIVE (1971-1990):

The New Economic Policy (NEP) had two stated goals: "to eradicate poverty by raising income levels and increasing employment opportunities for all Malaysians, irrespective of race and to accelerate the process of restructuring the Malaysian society to correct economic imbalance, so as to reduce and eventually eliminate the identification of race with economic function" (Second Malaysia Plan 1971: 1). This was a twenty-year program. Affirmative action was seen as an effective tool to address the problem of great economic disparity that existed among the different races in Malaysia. It gives preferences to the Malays or the Bumiputera, in university admissions and in civil-service jobs, and its ultimate stated goal was "the emergence of a full-fledged Malay entrepreneurial community within one generation" (Second Malaysia Plan 1971). Basically, the NEP was "an extension of past economic policy, where Malay special rights remained the cornerstone" (Osman-Rani 1990:2).

In a 1973 speech, Tun Razak envisioned Malaysia in twenty years following completion of NEP as a 'stable society with a middle class like Switzerland, the Netherlands, or Japan'. "Although there was no concrete policy statement in NEP regarding the creation of middle classes, and the term was used rather ambiguously by UMNO leaders at the time, it can still be said that policy designers and makers of the time intended to give the Malay community the intermediary existence in future Malaysian society made up of new and old middle classes; in other words, to foster a white-collar stratum of Malays and turn them into a stabilizing force in Malaysian society" (Torii 2003: 224).

The NEP assumed that the primary sources of conflict are essentially inter-ethnic economic disparities. It also stipulated "inter-ethnic conflict would be reduced in the context of a rapidly expanding economy. Although rural life was to be modernized under the NEP, the emphasis would be shifted to a Malay commercial and industrial community in all categories and at all levels of operation of urban activities, so that Malays and other *bumiputera* would become full partners in all aspects of the economic life of the nation" (Osman-Rani 1990: 213). Such stipulations meant that the economic cake had to be enlarged so that redistribution can take place without having to deprive any community.

The first prong of the NEP aimed at "progressively improving the economic condition and quality of life of the poor of all races by directly increasing their access to land, physical capital, training and other public facilities, thus permits them to share more equitably in the benefits of economic growth. The aim is that the incidence of absolute poverty should be substantially reduced by 1990 from the implementation of policies and programmes directly geared towards the needs of the poor. Through the second prong, the Government sought to achieve a fairer distribution among the races of the opportunity to participate in the widening range of economic activity that is already underway" (Third Malaysia Plan 1976). Efforts would be intensified to increase employment and the productivity of those in low-income occupations, to increase movements of the people from the traditional to the modern sector of the economy and to expand the physical and social infrastructure of the country. In agriculture, the main focus would be to provide smallholders with economic-sized holdings in new land schemes. A coordinated effort would be made to expand the industrial and commercial sectors to provide greater employment opportunities for urban workers, as well as to enable a rapid pace of absorption of workers from other low productivity sectors (Mid-Term Review of the Second Malaysia Plan, 1973). The structure of employment under NEP, in all the sectors of the Malaysian economy was intended to reflect the racial composition of the whole Malaysian society. The rural Malays were expected to shift to the modern vagaries of the economy as well as the non-professional Malaysians were to take positions as professionals.

Through the second prong of the NEP, the Government aimed at "providing such assistance as may be necessary to all racial groups in the country to find employment, secure participation and acquire ownership and control in the various sectors of the economy" (Third Malaysia Plan 1976). To this end, it was necessary that "the Malays and other indigenous people be freed from their dependence on subsistence agriculture and be given opportunities to participate proportionately in the modern rural and urban sectors of the economy at all levels. Conversely, as the Malays and the other indigenous people show progress in their involvement in the modern sector, the other Malaysians should be encouraged to play a greater role in modern agriculture so that the identification of the Malays and other indigenous people with agricultural pursuit is eliminated. The basic

objective is the creation of a socio-economic environment in which a united nation would evolve out of the daily interactions of the Malaysians of all races in all sectors of the economy across the geographical regions of the Country" (Third Malaysia Plan 1976). "The restructuring was to be achieved mainly through reducing existing imbalances in income, employment and the ownership and management of productive assets in the economy. The major elements in the strategy to achieve economic balance include modernization of economic activities in the rural areas, measures to bring about a balanced employment pattern in line with the multi-racial composition of the population, education and training, urbanization and the creation of a Malay commercial and industrial community" (Mid-Term Review of the Second Malaysia Plan 1973).

To achieve the objectives of the NEP, "the state intervened in various ways in the economic life of the nation. The state acted as a protector and a trustee of the *rakyat*, the rationale for this being akin to that of the 'infant industry argument'; and using 'special rights', as enshrined in the Constitution. Malays and other *bumiputera* will be granted subsidies, favourable treatment under licensing and franchising, quotas in jobs and university places, as well as loans and grants to enter industry and trade to purchase equity shares. However, the most significant form of state intervention in the implementation of the NEP is the direct participation of the state itself in commercial and industrial undertakings. This was done through wholly owned enterprises and joint ventures with the private sector. It was thought necessary for the state to set up individual companies and undertake projects in order to make them commercially viable, to open up new growth centres by expanding activities in areas where private firms are more reluctant to participate, and to help create a *bumiputera* commercial and industrial community. The role of the state in this regard includes the construction of business premises, direct investment in productive commercial and industrial enterprises to be controlled and managed by *bumiputera*, and the promotion of in service training programmes and other activities covering financial and technical assistance. Perhaps the most striking is the acquisition of shares in profitable companies and the eventual transfer of them to *bumiputera* individuals. This emphasis was most vigorously pursued in the modern sectors with large foreign ownership" (Osman-Rani 1990: 215).

When Dr. Mahathir bin Mohamad came to power in 1981, his administration continued to "maintain the framework of NEP; however, due to policy adjustments made by Mahathir himself and the ensuing economic recession that struck the country for about eighteen months from the second half of 1984, important changes occurred in both the emphasis of economic policy and policy implementation, which in turn altered the substance of the middle classes. As fiscal deficits at both the federal and state government levels grew increasingly serious, due mainly to the poor performance of non-financial public enterprises (NFPEs), Mahathir realized that the distribution policy to Malays through various subsidies backed by income from petroleum had reached its limits, and he turned to a development-oriented policy, especially industrialization. Consequently, the role of government involvement in the economy was made more selective and limited as emphasis was shifted to heavy industrialization. Mahathir's intent was to promote heavy industrialization with the aim of improving industrial technology and realizing the Bumiputera Commercial and Industrial Community program at the same time. In other words, Mahathir broadened the original aim of NEP, which was to raise the economic and social position of Malays, to include a plan to put professional Malays (i.e., Malay enterprises in a narrow sense) in actual charge of Malaysian economic development" (Torii 2003: 228).

The *Mid-Term Review of the Fourth Malaysia Plan, 1981-1985*, released in March 1984, "while pursuing the strategic goal of restructuring Malaysian society through sustained economic growth, emphasized the need to carry out a readjustment of the strategy in consideration of Malaysia's economic environment and in order to overcome the government's fiscal difficulties. The re-adjustment measures centered on cuts in government subsidies, a shift to private- sector-led economic growth facilitated by privatization policy, and an upgrading of local industries in the context of outward-looking industrialization. Mahathir proposed 'Look East' and the idea of 'Malaysia Incorporated', based on the idea of government-business collaboration as a way to attain his objectives" (Torii 1997: 233).

3.2 EVALUATION OF NEW ECONOMIC POLICY

Series of initiatives undertaken by NEP did really help to reduce poverty and uplift the conditions of the Malays. Poverty was reduced to a significant level. Improvement in the "pattern of income distribution reflected the significant progress made by Bumiputera in increasing their employment and economic participation in the modern sectors of the economy. The emergence of an increasingly well-educated labour force and a new business-oriented Bumiputera group and their growing participation in modern economic activities, have enabled Bumiputera's share of income in the higher brackets of the income distribution to improve" (Sixth Malaysia Plan 1991). The overall mean household income grew by 2.7 percent per annum during the period. The bottom 40 percent of households of all ethnic communities improved their income share from 12.8 percent to 14.5 percent in the Peninsula, 12.8 percent to 13.6 percent in Sabah and 12 percent to 14.4 percent in Sarawak. However, the condition of certain groups within the Bumiputera community, such as *Orang Asli* and the peoples in Sabah and Sarawak has detoriorated.

3.3 NATIONAL DEVELOPMENT POLICY/ SECOND OUTLINE PERSPECTIVE PLAN (1991-2000):

As soon as the NEP ended in 1990, another policy scheme called *Vision 2020* was launched by the then Prime Minister Dr. Mahathir bin Mohamad. It emphasized redistribution, concentrating rather on industrial development. It envisioned Malaysia "becoming one of the fully developed nations of the world by maintaining a real growth rate of seven per cent over the thirty years until 2020. To realize this growth, Mahathir set up new political and social goals to create *a Malaysian Nation* or *Malaysian Nationality* (*Bangsa Malaysia*), and to promote cooperation and integration among ethnic groups. The real aim of this new goal was to enable the government to mobilize the potential human resource of the non-Malay communities, which were not mobilized during the NEP period, to achieve economic growth" (Torii 2003: 230).

While continuing to eradicate (absolute) poverty and restructure society, the NDP aimed at achieving growth with equity, with a fair and just distribution of the benefits of growth

among all sections of the society. The NDP is also seen as initiating the progress of Malaysia to the status of a fully developed nation by the year 2020 (Shari 2003: 256). Reflecting the changes brought in by the NEP in equity ownership share of *bumiputeras*, the NDP followed a "new approach to the enhancement of the economic position of Malays in society. In terms of equity ownership restructuring goals, the NDP did not have any numerical targets for achievement within its term. While there will be no specific quantitative targets set to be achieved during the Second Outline Perspective Plan, 1991-2000, the target of a least 30 per cent bumiputera participation will continue to guide the strategy for the restructuring of the corporate sector" (Torri 1997: 235).

The objective of NDP is to attain "*balanced development* in order to create a more united and just society. NDP that emphasized growth with equity will enable all Malaysians to participate in the mainstream of economic activities, thereby ensuring political stability and national unity. Building upon the ongoing thrust of NEP in eradicating poverty and restructuring economy, NDP encompassed certain critical aspects such as,

> *Striking an optimum balance between the goals of economic growth and equity,*

> *Ensuring a balance development of the major sectors of the economy so as to increase their mutual complementarities to optimize growth,*

> *Reducing and ultimately eliminating the social and economic inequalities and imbalances in the country to promote a fair and more equitable sharing of the benefits of economic growth by all Malaysians,*
> *Promoting and strengthening national integration by reducing the wide disparities in economic development between states and between urban and rural areas in the country,*

> *Promoting human resource development, and*

Developing a progressive society in which all citizens enjoy greater welfare" (Sixth Malaysia Plan 1991).

Under Mahathir, the Malaysian state experienced its most radical ideological readjustment since independence. "Although the Muslim-Malay- centric nature of the UMNO government in many ways remains prominent, the latter's promotion of *Bangsa Malaysia* (the Malaysian nation) since the late 1980s marked a fundamental departure from the political and ideological manipulation of ethnicity which were a hallmark of post independence Malaysian politics. The UMNO-dominant Malaysian leaders' ideological framework was long characterized by "exclusivist" *Bumiputeraism*- the Muslim-Malay-centric ideology. This aimed above all to safeguard the Muslim Malays' political and cultural supremacy against the non-Muslims. The hegemonic position of the Muslim Malays was constitutionally guaranteed at independence, and further strengthened and officially institutionalized in the aftermath of the May 1969 racial riots. Most notable was the introduction of the New Economic Policy (NEP), which promised to secure and uplift the Muslim Malays' economic status as opposed to the non-Malays. On constitutional grounds, Islam was instituted as the official religion in 1957; it played a key role in ensuring that the Muslim Malays kept the country as their own. Under this structure, ethnic-based political parties mobilized ethno-centric nationalism, and the non-Muslims - the economically powerful Chinese in particular - continued to be perceived as a potential threat to the Muslim Malay's hegemonic position. The hostile ethnic relations who ensued thwarted the birth of Malaysian nationalism. From the late 1980s on, however, the UMNO leadership's ideological and political outlook shifted from the Malay-centric *Bumiputeraism* to a more multi-ethnic and global approach. This was paralleled by the government's zealous commitment to "Islamisation," both on the domestic and international fronts. Although a number of observers questioned the genuineness of its religious cause or else played it down as a politically motivated act against Islamic critics, especially PAS, the Islamic character of the Mahathir government became especially pronounced in the early 1990s. Given the full patronage of the government, an Islamic think-tank, the IKIM (*Institut Kefahaman Islam Malaysia* or Malaysian Institute of Islamic Understanding) was established in 1992, and, together with

other national Islamic agencies, spearheaded various programs to propagate more "progressive" Islamic views congruent with the UMNO's version of "modern" Islam. Further, the UMNO government launched an unprecedented degree of restructuring, both in scale and in scope, of Islamic institutions. The government tackled the key areas of: *Shari'ah* (Islamic) courts and the judicial establishment, mosques, religious schools and *zakat* (Islamic title) collection, as well as religious officialdom in general and *ulama*(Islamic scholars) in particular.' In contrast to the Indonesian case, the Malaysian state not only played a leading role in the course of Islamisation in society, but also began advertising itself as a model Islamic nation-state" (Hamayotsu 2002: 357-358).

3.4 EVALUATION OF NATIONAL DEVELOPMENT POLICY

There were mixed results with regard to the attainment of the distribution objectives. In terms of poverty eradication and restructuring of employment, the nation achieved significant progress during the Second Outline Perspective Plan (OPP2) period. There were also some improvements in the development of the Bumiputera Commercial and Industrial Council (BCIC). "The incidence of poverty among Malaysians was reduced from 16.5 percent in 1990 to 7.5 percent in 1999. The number of poor households decreased by about 39 per cent to 351,100 in 1999. The incidence of poverty in rural and urban areas almost declined to half their levels in 1990. The incidence of hardcore poverty among Malaysians decreased from 3.9 percent in 1990 to 1.4 percent in 1999. Secondly, mean monthly gross household income for Malaysians doubled to RM 2,472 in 1999. The mean income of the bottom 40 percent of households grew at 11.7 percent per annum, lower than the rate registered by the top 20 percent and middle 40 percent of households income categories. In 1999, the top 20 percent of households held 50.5 per cent of income compared with 14.0 percent held by the households in the bottom 40 percent. However, the corporate equity ownership held by Bumiputera declined below the 1990 level. Bumiputera ownership of share capital in the corporate sector decreased from 19.3 percent in 1990 to 19.1 percent in 1999. At the end of this period, Bumiputera controlled a total of 19.6 per cent of companies registered with the Registrar of Companies. The proportion of Bumiputera companies in all sectors of the economy remained low, ranging from 8.7 to 32.6 per cent, mainly concentrated in agriculture,

construction and transportation. The promotion of foreign investment to stimulate growth and accelerate recovery resulted in the foreign ownership of share capital in the corporate sector increased markedly from 25.4 per cent to 32.7 per cent during the same period. Foreign ownership was the highest in sectors such as manufacturing, utilities as well as wholesale and retail trade" (Malaysia Third Outline Perspective Plan 2001: 49-51).

3.5 NATIONAL VISION POLICY/ THIRD OUTLINE PERSPECTIVE PLAN (2001-2010):

The National Vision Policy (NVP) incorporates the "critical thrusts of the previous development policies, namely the New Economic Policy and the National Development Policy with the overriding objective of national unity. Eradicating poverty irrespective of race, restructuring of society and balanced development will remain as key strategies. The NVP is also guided by the strategic challenges of Vision 2020, which laid out the directions for Malaysia to become a fully developed nation by 2020. In essence, the Policy represents the consolidation of all past development efforts and is aimed at establishing a united, progressive and prosperous *Bangsa Malaysia* that lives in harmony and engages in full and fair partnership. To address the challenges faced by the nation in its quest to become a fully developed nation in its own mould, emphasis will also be given to the building of a resilient, competitive nation and an equitable society to ensure unity and social stability. In order to realize these objectives, the NVP will encompass the following critical thrusts:

building a resilient nation by fostering unity, inculcating the spirit of patriotism, nurturing political maturity, cultivating a more tolerant and caring society with positive values, and raising the quality of life as well as increasing economic resilience;

promoting an equitable society by eradicating poverty and reducing imbalances among and within ethnic groups as well as regions;

sustaining high economic growth by strengthening the sources of growth, the financial and corporate institutions as well as macroeconomic management;

enhancing competitiveness to meet the challenges of globalization and liberalization;

developing a knowledge-based economy as a strategic move to raise the value added of all economic sectors and optimizing the brain power of the nation;

strengthening human resource development to produce a competent, productive and knowledgeable workforce; and

pursuing environmentally sustainable development to reinforce long-term growth" (Eleventh Malaysia Plan 2016).

Mahathir was instrumental in securing the Malay position, especially by fostering Islamic values in his administration and Malaysia as a whole and portraying Malaysia as an Islamic state, which was partly a reaction to calls for an Islamic state by PAS. The co-option of the then ABIM leader Anwar Ibrahim into the UMNO leadership in 1982 further spurred on the Islamisation push with the creation of Islamic institutions such as the Islamic International University, several government backed think tanks and the implementation of ever more Islamicized laws (Hoffstaedter 2009).

The Third Outline Perspective Plan (OPP3), 2001-2010 constitutes the second decade of development under Malaysia's Vision 2020. The NVP 2020, with national unity as its overriding objective, is aimed at establishing a progressive and prosperous *Bangsa Malaysia* (Malaysian population) that lives in harmony and engages in full and fair partnership. The OPP3 document concludes that, "The principal thrusts for the OPP3 period will be the creation of wealth and promotion of new sources of growth in the manufacturing, services and agriculture sectors" (Third Outline Perspective Plan 2001). However, "critics argue that the national vision set forth in the NVP is not based on the accumulated national wisdom, culture and values or on the needs of the people; rather, it

is rooted in the tunnel vision of Western capitalist development ideology, which regards human beings as essentially economic creatures" (Socialwatch.org).

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CHAPTER IV

POLITICS OF AFFIRMATIVE ACTION

Affirmative Action also known as Positive Discrimination consists of certain preferential policies and programmes undertaken by the government of various states for the advancement and welfare of certain group(s) of people in the country, who are disadvantaged or marginalized socially, economically or politically, or a combination of any of these spheres. "While affirmative action policies vary substantially across countries in terms of the beneficiary groups, nevertheless, in nearly all countries the beneficiaries are groups, which are economically and socially disadvantaged and politically subordinate. Affirmative action is a policy of favoring qualified women and minority candidates over qualified men or non-minority candidates with the immediate goals of outreach, remedying discrimination, or achieving diversity, and the ultimate goals of attaining a color-blind (racially just) and a gender-free (sexually) just society" (Sterba 2004: 659). It is a "formal effort to provide increased employment and educational opportunities for underrepresented and disadvantaged groups at a level sufficient to overcome past patterns of discrimination and present structural inequalities" (Acharya 2008). The aim is largely to address structural inequalities existing among different groups in societies.

Malaysia's affirmative action policy "differs from those of other countries in one crucial respect; it is the politically dominated majority group, which introduces preferential policies to raise its economic status as against that of an economically more advanced minorities. Here, the groups i.e., the Malays that receive the benefits of affirmative action are the same ones that have the power to legislate them. Conversely, it is the Chinese and Indian ethnic minorities, the most advanced economic groups, who have felt most victimized by the affirmative action policies" (Guan 2005: 211). Similar is the case in South Africa and Fiji where the beneficiaries are the politically dominant group namely, the Blacks and the Fijians respectively.

4.1 THE ERA OF ABDULLAH BADAWI

When Dr. Mahathir resigned from his Premiership in 2003, the pressing challenge facing the Malaysian economy was the rapidly changing global economic environment. The National Economic Action Council (NEAC) of Malaysia suggested three key strategic priorities: first, to continue to improve the efficiency and effectiveness of the government implementation machinery; second priority was to identify new sources of growth in order to diversify Malaysia's reliance on the manufacturing sector, and finally to focus on long term structural factors that are needed to migrate from a production-based economy to a knowledge-based economy (Mohamed and Kennedy 2002: 9). TunAbduallahBadawi assumed power with the motto "Excellence, Glory and Distinction." His commitment was to produce very high administrative honest, efficient, Islamic and sensitive to the plight of the rural population and territories (Tun Abdullah 2015). Badawi set two sets of objectives: economic re-structuring, and the reform of Malaysia's political culture. *Islam Hadhari*or *Civilizational Islam* was the cornerstone of his concept of political culture. Badawi introduced the concept for the first time in September 2004 while delivering his speech at the United Malays National Organization's 55th General Assembly in Kuala Lumpur.

Very soon, Badawi took several measures to initiate a process of de-Mahathirization. He changed his leadership team and emphasis; abandoned Mahathir's projects; attempted political liberalization; loosened the symbiotic relationship between government and party especially the UMNO; shifted the trajectory of Malaysia's political economy; and highlighted progressive Islam (Islam Hadhari) as core of his administration (Hamid and Ismail 2012: 924).

4.1 (a) *ISLAM HADHARI* AND BADAWI

"*Islam Hadhari* is an approach that emphasizes development, consistent with the tenets of Islam and focused on enhancing the quality of life. It aims to achieve this via the mastery of knowledge and the development of the individual and the nation; the implementation of a dynamic economic, trading and financial system; an integrated and balanced development that creates a knowledgeable and pious people who hold to noble

values and are honest, trustworthy, and prepared to take on global challenges. *Islam Hadhari* is not a new religion. It is not a new teaching nor is it a new *mazhab*. It is an effort to bring the *ummah*(worldwide community comprising all adherents of the Muslim faith) back to the basics of Islam, back to the fundamentals as prescribed in the Qur'an and the *hadith*, which form the foundations for an Islamic Civilization. If *Islam Hadhari* is interpreted sincerely and understood clearly, it would not cause Muslims to deviate from the true path" (Badawi 2006).

Overall, it was an "approach that aimed on achieving a balanced state of life in both physical and spiritual arenas, intended to evoke the Malaysian mind, especially the Malay Muslims, to enhance their spiritual and material strength in a holistic form via the acquisition of knowledge. The actual aim of this new governance was to found a knowledge-based society in the future. In accordance with *Islam Hadhari*, the reigning party (UMNO) was to ensure that Muslims meet the challenges without deviating from their faith, while the door of *ijtihad*(independent reasoning based on the reference texts) would remain open so that interpretations are suited to the developmental needs of the prevailing time and conditions" (Ahmad and Rahman 2006: 305).

Islam Hadhari could be a "paradigm of how Malaysian Muslims should see Islam in the context of a multi-racial Malaysia facing a changing world. Considering the sensitivity of the non-Muslim community towards the increasing Islamisation of Malaysia, Badawi seemed to want to assure them by emphasizing his vision for Malaysian Muslims to focus more on Islamic values as well as personal and economic development rather than on the notion of an Islamic state" (Hassan 2004: 1).

Islam has gained greater prominence in Malaysian public life especially from the beginning of the introduction of the NEP under Tun Abdul Razak in 1970, following the ethnic unrest of May 1969. The 1970 proclamation of the new ideology *Rukun Negara* (the Pillars of the State): Belief in God, Loyalty to King and Country, Sanctity of the Constitution, Rule of Law, and Good Behavior and Morality- was a "progressive" move, but later was not seen by the ruling elite led by UMNO as a sufficient vision in improving the economic, social, and political underdevelopment of Malays in particular and non-

Malaysians in general. *Islam Hadhari* represents a symbolic vision that the Federal Government leaders were proud of and aspired to, although the translation of this vision into actual policies and regulations was multi-faceted and became subject to public debate. The Federal Government's sponsored think thank institutions and networks, such as *Institut Kesepahaman Islam Malaysia* (the Institute of Thought of Islam, Malaysia)*, Jabatan Kemajuan Islam Malaysia* (the Office of Islamic Progress, Malaysia)*, Yayasan Dakwah Islamiyah Malaysia* (the Foundation of Islamic Propagation, Malaysia), and *Institut Islam Hadhari* (the Institute of *Islam Hadhari*) provided information, news, and articles promoting *Islam Hadhari* as a government and public agenda, but the level of understanding and acceptability of the concept by the wider Malay and non-Muslim population remains considered low (Ali 2011: 8-9).

Global politics certainly shaped the interpretation of *Islam Hadhari*. *Islam Hadhari* is a response to general global misperceptions about Islam and terrorism in the West. Badawi often stressed that *Islam Hadhari* is a response to what they see as the global misperceptions about Islam and terrorism in the West. For Badawi and his supporters, the perception of the "clash of civilizations" and the association of Islam with terrorism, strengthened the need for an Islam that is civilized, peaceful, and tolerant (*ibid*: 25). "In the midst of Western misperceptions of Islam following the attacks on the World Trade Center, New York, and the Pentagon on September 11, 2001, Islam Hadhari served as a useful counterpoint to President George W. Bush's Global War on Terror. Yet close to a year had passed before Abdullah eventually outlined his 10 principles of *Islam Hadhari*, on the occasion of the 55th UMNO General Assembly held in 2004. Of the ten precepts, five are generic, and have been explicitly practiced by past UMNO-BN regimes. These are: faith and piety in Allah; freedom and independence of the people; a vigorous mastery of knowledge; a good quality of life; and strong defense capabilities. The remaining five can be regarded as a fair reflection of Abdullah's leadership aspirations: a just and trustworthy government; balanced and comprehensive economic development; protection of the rights of minority groups and women; cultural and moral integrity; and safeguarding of natural resources and the environment" (Hamid and Ismail 2014: 162).

The case of *Islam Hadhari* in contemporary Malaysia reveals a recurrent practice of

Muslims constructing what is permanent and what is changing, what is religious and what is not religious, what is authentic and what is modern, and what is Western and what is Islamic. In this practice, both UMNO and PAS leaders and intellectuals offer their normative visions, sometimes contradictory sometimes in agreement but without recognition. If William Graham sees traditionalism in Islam because of the constant referencing to the Qur'an and the Way of Muhammad, one then can see progressivism within Islam because of the constant contextualization of the "that tradition" within "local" traditions and global modernity. Despite their political stands, Muslims continue to look back to the basic and to the past, an outcome of which is to be applied "here and now." This act of looking back and forth may be seen as a paradox, but it can also be analyzed as a creative effort at striking a balance and as a mechanism of resolving perceived contradictions. Learning from the construction and contestation of *Islam Hadhari* by UMNO and PAS leaders and scholars, one can also interpret this act of "looking back, looking at present, and looking forward" as a process of gaining as much as power they can obtain (Ali 2011: 27).

Hamid and Ismail argued, "as far as the ruling elites' foregrounding of Islam in the public sphere was concerned, 2006 was a watershed year. As the UMNO General Assembly of 2006 approached, two separate events stimulated the rise of ethno-religious sentiments among Islamist conservatives. The first was the publication of a report by the Islamic Consumer Association of Malaysia (PPIM: Persatuan Pengguna Islam Malaysia) regarding a biscuit product that allegedly bore a cross. PPIM was adamant that the manufacturer should be called on to remove this Christian symbol. The second was the Muslim siege of a church allegedly planning to baptize Muslim children with the collusion of national yachtsman Azhar Mansor, who was also rumoured to have renounced Islam" (Hamid and Ismail 2014: 166).

Though *Islam Hadhari* remained at the core of the Badawi administration, it suffered a gradual decline and ultimately met with a fatal blow when Badawi lost the 2009 elections to Najib Razak. There were several reasons for the failure of *Islam Hadhari*. Hamid and Ismail argues that "*Islam Hadhari's* failure was inevitable, given its disappointing disconnect between theory and practice, between what was portrayed as lofty

civilizational ideals and poor implementation by religious officials who had neither a knowledge-driven appreciation of it nor concern for its future. Its lack of success was significantly due to the rise of Islamist conservatives, who deliberately interpreted *Islam Hadhari* as a political instrument to impose Islamization from above in a manner not conducive to living in a spirit of peaceful coexistence in a multi-ethnic society. While on the one hand it promoted an Islam that cherishes the values of inclusivity, moderation and inter-religious tolerance, on the other hand *Islam Hadhari* unfortunately triggered defensive responses from Islamist conservatives. This ad hoc conservative alliance comprised religious leaders associated with the United Malays National Organization, state religious functionaries; scholars affiliated to the opposition Islamic Party of Malaysia and Islamist non- governmental organizations. The rise of this Islamist conservatism aggravated ethno- religious relations during Abdullah Ahmad Badawi's premiership, leading to the setbacks experienced by his government in the general elections of 2008. In short, even before Abdullah's tenure as prime minister had reached its expiry date, *Islam Hadhari* was already a spent force. His leading of the BN and UMNO to disastrous election results in 2008 tarnished his reputation forever, practically putting an end to *Islam Hadhari"* (Hamid and Ismail 2014: 171).

Moreover, it is argued that, "belying the regime's profession of a form of progressive Islam known as *Islam Hadhari*, Malaysia under Badawi's Premiership witnessed an abrupt escalation of inter-religious tension, which not only threatens to disrupt communal harmony and nation building, but also poses a security risk" (Hamid 2010: 154). The origins of such instability could arguably be located to political Islamism within the regime, in particular to its home-nurtured Islamic bureaucracy, which has become Islamist. Rightly or wrongly, *Islam Hadhari* has become identified with wanton abuse of powers against not only non-Muslims but also Muslims suspected of subscribing to unorthodox beliefs. The government failed to pay attention to non-Muslims' concerns at continually being left in the dark as to the theoretical understanding and practical aspects of *Islam Hadhari*, with explosive repercussions. Malaysian Hindus, for example, became embroiled in high-profile legal disputes with the various states' Islamic authorities arising from break-ups of their families from forcible conversions and dispossessions of bodies of deceased loved ones deemed to have secretly embraced Islam during their lifetime"

(Hamid 2009).

Moreover, it was during the regime of Badawi that Malay chauvinism attained newer heights within the UMNO, with Badawi at times himself using "racial identity to buttress his position within the party by rejuvenating the racially implemented affirmative action policy of the New Economic Policy and by further extending the notion of *Islam Hadhari* (*Civilization Islam* or Moderate Islam) to the domestic political arena without providing clear explanations what its political implications were for the non- Malay (and non-Muslim) communities. These issues to a great extent alienated the non-Malay communities" (Sani 2011: 55).

The March 2008 elections in Malaysia were very significant. The ruling coalition could not secure two-third majority in the Parliament and five state assemblies. As a result, Badawi resigned from his Premiership (Singh 2009). "Abdullah Badawi's losses during the general elections were attributed to a general electoral fatigue with continued and excessive racial quota-based politics, political corruption, and an economic slowdown exacerbated by the ongoing economic crisis" (Singh 2010: 175). Both the Indian and Chinese voters were disenchanted with their representatives in the Barisan Nasional. Rampant corruption and abuse of power further angered the voters. The year 2007 also saw a spate of scandals implicating senior officials in the government, police, and judiciary. In September, Anwar released a short clip featuring the illegal fixing of appointments in the judiciary. This gravely discredited the BN during the March 2008 elections (Singh 2009).

4.2 NAJIB RAZAK AND THE LIBERALISATION OF NEP

One of the main challenges listed in the Malaysia's Vision 2020 is of "ensuring an economically just society. This would a society in which there is a fair and equitable distribution of the wealth of the nation, in which there is full partnership in economic progress. Such a society cannot be in place so long as there is the identification of race with economic function, and the identification of economic backwardness with race" (Mohamad 1991). He announced that the NEP would be liberalized to give way to market-based affirmative actions. Najib also announced a new category of scholarships

under the Public Services Department scheme purely based on merit, regardless of race.[6] **"**Acknowledging the importance for any government to have the trust and confidence of the people, Najib Razak urged the government to be truthful to the people. Therefore, Najib introduced the eight values of '1Malaysia'; a culture of excellence, perseverance, humility, acceptance, loyalty, meritocracy, education, and integrity. With the spirit of '1Malaysia,' Najib also introduced Key Performance Indicators (KPI) for his ministers" (Sani 2009: 116).

In his maiden speech as Prime Minister, Najib announced the need for new approaches for new times. Najib introduced a "slew of reform measures embodied in the ideological notion of One Malaysia encouraging greater acceptance of ethnic and religious differences within society and aiming to restore equity, peace, and prosperity through meritocracy, while not doing away with pro-Malay affirmative action policies. The need for reform had become even more acute following the World Bank economic report in November, which emphasized the need to improve skills, competition, and the investment climate in the country. The same year Najib announced that foreign investors would no longer have to incorporate 30 percent Malay equity for twenty-seven sub-sectors, including health, social services, tourism, transport, business, and computer-related services" (Singh 2010). "In his President's speech to the 61st UMNO General Assembly in late October 2010, Najib argued that racial polemics, including the questioning of Malay rights, were academic, given existing constitutional guarantees. Malays, he indicated, should not be consumed by insecurity or overly obsessed with rights. Instead, he said that the Malays of the 21st century must show greater agency. Rather than relying on some misplaced notion of an inherent "right to succeed," Najib urged Malays to empower themselves by taking advantage of their existing rights, stressing that regardless of whether they liked it or not they had to face the reality of the times if they were to achieve success" (O'Shannassy 2011: 183).

Najib explicitly recognized the need for his government to engage with the new political environment if the BN wished to re-legitimize its authority and recoup its 2008 electoral

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[6]The proposed scholarship was to be awarded in ten subjects initially. Najib also said that the scheme was a part of his 1Malaysia concept.

loses. This realization was epitomized in his concept of *1Malaysia,* which, with its focus on ethnic harmony, national unity, and efficient government, was clearly designed to blunt the popular appeal of the PR by coopting the latter's central campaign pledges. Najib launched the Government Transformation Program (GTP) and the New Economic Model (NEM). Both programs began with a frank assessment of Malaysia's current situation. They acknowledged the efficacy of race-based redistributive economic policies in eradicating poverty and restructuring economic participation and wealth ownership. But program officials also questioned the continued relevance of such policies (O'Shannassy 2011: 175-178). "The old growth model, driven by government rather than private entrepreneurship and characterized by rent seeking, patronage, and often-opaque government procurement, had increased the cost of doing business in Malaysia. This, in turn, had spurred pervasive corruption, falling foreign and domestic investment, insufficient levels of human capital, and an ever- increasing brain drain, as well as discontent within the Malay community as a consequence of widening income inequality. To change the way business was done in Malaysia, the NEM advanced a number of initiatives that pointed to a more-inclusive, merit-based system where transparency, accountability, and integrity would be part of normal business practice. The NEM proposed implementing a needs-based system, irrespective of one's ethnicity. By targeting assistance to the poorest 40 percent of households, the BN government could claim popular legitimacy, without its UMNO member alienating its core constituency; 77.2 percent of this 40 percent of households are *Bumiputera"* (O'Shannassy 2011: 177-178).

The newly created Carve-Out and Complete Policy under the Government's Bumiputera Agenda Steering Unit (TERAJU) are aimed at increasing the participation of Bumiputera companies in the government's mega projects and government-linked companies. The initiative is based on the "six principles of the Bumiputera Economic Transformation plan; market-friendly, needs-based, merit-based, transparent, competitive, pro-growth and sustainable development" (TERAJU). TERAJU established in 2011 "created some RM46.5 billion worth of business opportunities, financing and human capital development for bumiputeras in the year 2014" (The Star Online 2014). "Under the 'Carve Out & Compete' policy, at least 40 to 50 per cent of contract values, vendors or

business opportunities in any big projects would be given Bumiputera companies" (The Malay Mail Online 2016).

In November 2015, Najib announced that the Bumiputera contractors must undergo transformation to improve competitiveness. He proposed four strategies four this transformation: "increasing their knowledge through quality of human resource and strengthen the development of abilities of small and medium-scale enterprises as well as bumiputera contractors; increase in productivity through increased usage of technology and modern construction methods, and not depend so much on foreign labour; proper application of modern technology and encouraging sustainable practices; and increase in global practices so that this sector can provide returns for Malaysian exports" (NajibRazak 2015).

Najib also announced that the target is "to reach the level of national wealth for the Bumiputera. The Bumiputera and the Malays together constitute more than 60 percent but they claim only 30 percent. Once this parity is achieved, perhaps at that time, the Malays will be very confident, and no longer need any special policies to help them. Maybe at that time, the affirmative policies could be dissolved or reviewed to be more open" (The Malay Mail Online 2016). Najib also said that the government did not fix a time-line to achieve this target

In his first year of the Premiership itself, Najib criticized the affirmative policies as rent seeking and patronage. In one of his speech, Najib said Malaysia's affirmative action program "had become a brake on economic growth. He said public spending on poverty should be needs based, rather than ethnically oriented, and took aim at income gaps between ethnic groups" (The Christian Science Monitor 2010). However, with passing time and increasing opposition from the UMNO leaders against any dilution to Bumiputera policies seem to force Najib to moderate on the issue. Like all his predecessors, Najib also seems to have Malay interests as topping his priority lists (New Straits Times Online 2016).

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CHAPTER V
CONCLUSION

The introduction of affirmative action policies in independent Malaysia was necessitated by the fact that on the eve of independence, most Malays lagged behind in the modern economy system, and remained working in the rural areas. Having realized this, the founding fathers of the Constitution of Malaysia put several constitutional safeguards for the Malays. The most significant of all these is Article 153 that provides special treatment to the Bumiputeras. The Head of the State is empowered to adopt special provisions or steps to benefit the Bumiputeras in education, scholarships, training, permit or license etc.

It was not until early 1970s that the affirmative action policies in the form of New Economic Policy (NEP) were introduced in Malaysia. Many scholars believe that the trigger was the 1969 deadly racial riots that witnessed huge causalities. The government soon came into action and introduced NEP to uplift the conditions of the Malays. When NEP ended in 1990, the policies were carried forward with some modifications with the bringing in of New Development Policy (NDP) for another ten years. In 2001, the National Vision Policy was introduced. It included the critical thrusts of both the NEP and the NDP.

After four decades, significant reduction in the levels of poverty can be seen. At the same time, the household income of the Malays has increased. In 1970, about 50 percent of the population was below the poverty line. "By 2014, only 1.0 percent of households are considered poor, with those considered 'hardcore poor' (households with income below the food poverty line) consisting of only 0.1 percent of all households. The incidence of poverty has also declined significantly across states including all ethnic groups" (World Bank: Malaysia Economic Monitor 2014: 48).

One of the central issues is that since the introduction of NEP, the gap between the rich and the poor has widened leading to the creation of class divisions within the Malaysian society. The peoples of Sabah and Sarawak and the Orang Asli community are the worst affected groups. They have hardly benefitted from these policies. Scholars such as Pillay

argue that the manner of implementation of the "special position" has only aggravated the gap between the "haves" and "have-nots" within the Malay community. Except the scholarships and the employment quotas, the special privilege has mainly worked to benefit a special class of Malays. Milne also points out "critics of the NEP have maintained that, although it was intended to bring benefits particularly to the Malays, these have been restricted to a small special class, coterie or elite". Others such as Barry Wain have argued that these policies are not benefitting the targeted groups who are poor but are accruing to the best connected-Malaysians, basically those having connection with the ruling party. Jomo argues that the non-Malays Bumiputeras and the minorities are frustrated with the dominant ethnic Malay-Chinese discourse and are increasingly asserting their own particular interests. Parallel to this is the increasing regional tension between the peoples of Sabah and Sarawak, and the federal government. Another is the tension between the labour and the capital, which has increased since the modernization and transformation of Malaysian economy and society.

Guan 2005 points out several negative fallouts of the affirmative action policies. One of the central issues is the problem of rising intra-ethnic inequality in Malaysia. These preferential policies have inadequately tried to tackle "rising new phenomenon of intra-ethnic inequality for all ethnic groups, especially in the Malay community. A growing support not only from the non-Malays but also from within the Malay community, has surfaced to modify the criterion of the preferential policy such as including income as another basis. Second is the development of ethnic enclaves in the economy and education system". In most of the government educational institutions, a Malay enclave has developed, while the ethnic Chinese mostly dominates the private education institutions. Thirdly, prolonged affirmative action policies on ethnic lines "might create a culture of dependency for the Malays that would further weaken the economic and educational competitiveness of the Malay community". The failure to attract skilled Malaysian knowledge workers abroad to return back to Malaysia will in the long run hinder the national vision.

Several recent reports such as the Malaysia Economic Monitor 2014, Malaysia Human Development Report 2014, Malaysia Millennium Development Goals 2015, and UNDP

Malaysia Poverty Report 2007 have pointed out the increasing inequality within the Malay community, and have argued that though overall poverty in Malaysia has declined to a significant level, the condition of the natives of Sabah and Sarawak and the Orang Asli community have deteriorated and most of them still remain in poverty.

The World Bank Malaysia Economic Monitor 2014 highlights "high inequality is detrimental to growth because it weakens social and human capital and could induce political and economic instability. Cross-country evidence suggests that inequality may be detrimental to growth through at least two channels: first, by undermining progress in health and education and reducing human capital accumulation; second by leading to political and economic instability with attendant negative effects on investment. Higher income inequality depresses skills development among those with poorer parental education background, both in terms of the quantity of education attained (e.g. years of schooling), and in terms of its quality (i.e. skill proficiency). Higher income inequality also increases socio-political instability, which in turns lowers investment and may lead to a hollowing out of the middle class".

The Report also argues that in spite of the significant progress achieved by the NEP, NDP and NVP in reducing poverty and uplifting the conditions of the Malay entrepreneurs, "measures of income inequality in Malaysia are high relative to advanced economies, and this is a serious problem. While inequality in Malaysia has declined, including in recent years, and is lower than in some other Asian countries, it remains high compared to the high- income economies that Malaysia aspires to emulate. Moreover, according to the Pew Research Center[7] Global Attitudes survey, 77 percent of Malaysians think the gap between rich and poor is a "big problem," a number that has increased from 75 percent in 2013". The New Economic Model 2010 and Malaysia Millennium Development Goals Report 2015 also endorse similar concern:

The New Economic Model 2010 finds that "while overall income disparity improved as

[7]Headquartered in Washington DC, the Pew Research Center is a nonpartisan 'fact tank' that informs the public about issues, attitudes and trends shaping America and the world. Since 2002, the Global Attitudes Project has conducted public opinion surveys in 63 countries on various themes of global importance.

measured by the Gini coefficient[8] (with the overall Gini coefficient improving from 0.459 in 1997 to 0.441 in 2007), the disparity seems to have increased over the past decade for certain groups. The disparity among the urban group remains high with almost no improvement in the last decade. Moreover, the results of household income surveys over the years suggest that income growth has been strong only for the top 20 percent of Malaysian income earners, particularly since 1990. The bottom 40 percent of, households have experienced the slowest growth of average income, earning an average of RM 1,222 in 2008".

The Malaysia Millennium Development Goals Report 2015 points out "the socio-economic disparity that persists between the top 20 percent (T20) and the Bottom 40 (B40). The gap between these two groups is 5.6 in terms of mean household income. In 2014, the top 20 percent had a mean income of RM 14,305 compared to RM 2,537 for the bottom 40 percent. Pockets of poverty are high amongst the *Orang Asli* (34 percent), Bumiputera Sabah (20.2 percent) and Bumiputera Sarawak (7.3 percent) when compared to the national average of 0.6 percent".

Another is the issue of gap in acquiring skills. "Nearly half the managers at Malaysian manufacturing firms surveyed by the World Bank said that the ability of local skilled workers to handle information technology was either poor or very poor" (World Bank Report). Mahathir Mohamad, former Prime Minister who in his time had extended the reach of the NEP, lamented in 2002 "bumiputeras too often treat university places as a matter of right, neglecting their studies. A survey in 2008 found that 71 percent of Malaysians agreed that race-based affirmative action was obsolete and should be replaced with a merit-based policy" (The Economist 2013).

The challenge before the Malaysian leadership is to work out a comprehensive alternative to the race-based affirmative action policies. To address the issue of ethnic discrimination, the issue of inter-ethnic inequalities has to be dealt first. Most of the ruling parties, including Barisan Nasional, "have thrived on communal politics. In a sense

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[8]The Gini coefficient is a measure of inequality of a distribution. It is defined as a ratio with values between 0 and 1: the numerator is the area between the Lorenz curve of the distribution and the uniform distribution line; the denominator is the area under the uniform distribution line.

inter-ethnic cleavages and competition are almost the *raison d'etre*. With pretensions of an inter-ethnic consensus as its basis, powerful vested interests have been able to advance their particular interests with state support and protection. This has in turn contributed to economic malaise" (Sundaram 1989: 39).

The Third Outline Perspective Plan (OPP3) "acknowledged *Orang Asli* and other Bumiputera minorities in Sabah and Sarawak as 'disadvantaged groups'. It also recognized the urgent need to target-specific progammes to address the 'pockets of poverty' existing in these remote regions. The UNDP Malaysia Poverty Report 2007 finds that while the national poverty rate is extremely low by historical standards, there are still substantial spatial and community variations. For instance, large numbers of poor households live in poverty in rural Sabah and Sarawak, as well as in the rural areas of Terengganu, Kelantan, and Kedah. Among the Bumiputera; the indigenous communities in Sabah and Sarawak and the Orang Asli people are the poorest groups with little access to basic amenities".

The Tenth Malaysia Plan targeted "to reduce the incidence of poverty among *Orang Asli* communities from 50.0 percent in 2009 to 25.0 percent in 2015 and among ethnic minorities from 22.8 percent to 12.0 percent in Sabah and 6.4 percent to 3.0 percent in Sarawak during the same period. Another agenda was to create a robust and vibrant Bumiputera Commercial and Industrial Community (BCIC), as well as ownership of equity and other sources of wealth, will continue with a fresh approach, in line with the current global environment and national priorities".

Despite the Malaysian Government taking several measures to uplift the conditions of the Orang Asli, this community of people still remains the poorest population in Malaysia. The Annual Report JHEOA, 2008 points out "although the national poverty rate of Malaysia has declined over the years to 6.5 percent, 50.9 percent of the Orang Asli population still remains below the poverty line. According to official statistics, 35.2 percent i.e., more than one-third of the *Orang Asli* population, is classified as hardcore poor, compared to 1.4 percent nationally. Malaysia's infant mortality rate is at 8.9 out of 1000 live births, yet the Orang Asli infant mortality rate is at a high of 51.7. The average

life expectancy for the Orang Asli is 53 years, while the national average is 73 years".

Gomes points out that in Peninsular Malaysia, "Orang Asli is the earliest population that lives in since about 5,000 years ago. It is believed that most of them coming from China and Tibet which followed the migration routes through mainland of Southeast Asia before foothold in the Peninsular Malaysia and Indonesian archipelago. The ethnic label *Orang Asli*, meaning 'natural people' in Malay, replaced the term 'aborigines' used by the British colonial administration. The term 'Orang Asli' is a collective term introduced by anthropologists and administrators to include several sub-ethnic groups. Though both the Malay Muslims and *Orang Asli* are recognized as indigenous communities in Malaysia, the debate over who are the original inhabitants of the Peninsula has not died down. To solve this, the government has pursued a policy of assimilation to turn *Orang Asli* into Malay Muslims and, in the process, eradicate the category of aboriginal peoples in Malaysia".

The current Prime Minister Najib Razak has hinted on many occasions that the preferential treatment policies should go away if Malaysia wanted to compete in the globalized world and to achieve the Vision 2020. However, the pro-Bumiputera policy believers within the UMNO are infuriated and have resisted this move tooth and nail. In such a scenario, the BN government seems to be in a dilemma. Najib himself has on several occasions announced publicly favoring reform and revision of the NEP policies. But he seems to be struck between the conservatives within the UMNO and those who advocate liberalization of these polices.

Even after more than four decades of introduction of affirmative action polices, not much have improved for the natives of Sabah and Sarawak and the Orang Alsi community. Not only the ethnic Chinese and Indians, but also a large part of the Malays argue against race-based affirmative action policies. They view this as an obstacle towards their vision of a developed nation by 2020. They have argued to introduce instead, a merit-based system irrespective of the race. Similar has been the case in Fiji, as Puamau argues, where there is an "emergence of a new hegemonic voice that believes in the ideal of

social justice, in the notion of an equal and equitable society where affirmative action is allocated according to class rather than the current focus on race. There is a consistent view coming through that not only is affirmative action not reaching the truly disadvantaged Fijians but that all those who are economically disadvantaged should become the target group. While it is true that there is an increase in the number of middle-class Fijians who have benefitted from these programs, there is also the perception that increasingly, it is middle-class children who are benefitting and not those who truly deserve it."

The Vision 2020 document of Malaysia envisages Malaysia as a developed and inclusive nation. In order to achieve this goal, the need of the hour is to urgently address the growing inequality within the Malaysian and other Bumiputera communities. At the same time, to attract the skilled Malaysians settled abroad and to increase the competitiveness and efficiency in the Malaysian market and economy, reform in the criterion of affirmative action policies is needed.

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