

The Malaysian Chinese Dilemma: The Never Ending Policy (NEP)

©2009 James CHIN

Abstract: The controversial New Economic Policy (NEP) in Malaysia has been used to marginalise the Chinese community. This article details the NEP's extensive economic, educational and social benefits to the *bumiputera* (essentially Malay) community on the basis of ethnicity alone, and how this has permanently harmed relations between Malay and non-Malay communities. While officially the NEP was supposedly designed to eradicate poverty and help the indigenous community to catch up to the non-indigenous, in reality the NEP was rooted in the ideology of *Ketuanan Melayu* (Malay political supremacy/hegemony). The article argues that an end to NEP-type policies is not possible even with a change in the *Barisan Nasional* (National Front) regime.

Introduction¹

In May 1969, major racial riots broke out in Kuala Lumpur and other major urban areas in Peninsular Malaysia. The riots turned out to be a watershed in Malaysian politics. The government's reaction was to suspend the constitution and impose emergency rule. When the emergency rule was lifted in 1971, the parliament was reconvened and a series of laws were passed without debate. The amended laws made it illegal to discuss sensitive issues such as the 'special rights' of the Malays and other indigenous population, (officially called *bumiputera* or "sons of the soil"), citizenship rights of the non-Malays, the Malay rulers, and the use of Bahasa Melayu as the official language. The government then set out to restructure the entire Malaysian political system to cement Malay rule. Its policy vehicle was the New Economic Policy (NEP), an affirmative action policy covering every socio-economic layer of Malaysian society. Although the NEP officially ended in 1990, its racially discriminatory policies remain in place in all aspects of Malaysian life. In the preceding years, the NEP had come to symbolize the racial divide between Malays and non-Malays in Malaysia. It has not only frozen racial relations but is seen as a symbol of *Ketuanan Melayu* (Malay political hegemony or supremacy) in Malaysia.

In this article, we will explore the NEP, the justifications used for the racially discriminatory system and the Chinese dilemma that results from them. As long as an NEP type of policy exists, in fact if not in name, the Chinese (and the non-*bumiputera* population) will never be able to attain full citizenship rights and will continue to feel like second class citizens who are disenfranchised from the political system.

The New Economic Policy (NEP)

An official investigation into the 1969 riots, *The May 13 Tragedy: A Report*,² asserted that the economic disparity between Malays and non-Malays (by which it meant Chinese) was the main reason for the riots. According to the report, the Malay population was unhappy that the Chinese dominated the Malaysian economy, especially the private sector, which caused them to feel denied a share in the nation's wealth.

To rectify this, the aptly named New Economic Policy (NEP) was drawn up. The NEP had two main aims: "poverty eradication regardless of race" and "restructuring society to eliminate the identification of race with economic function".³

In theory, if these two aims were met, the reduction in inter-ethnic resentment due to socio-economic disparities would enable national unity to be achieved. At face value,

¹ James Chin is head of the School of Arts and Social Sciences at Monash University's Malaysian campus. His email is: Jameschin1@gmail.com.

² Government of Malaysia, *The May 13 Tragedy: A Report* (Kuala Lumpur : National Operations Council, 1969)

³ Economic Planning Unit, Prime Minister's Department, on-line at: <http://www.epu.gov.my/neweconomicpolicy>, accessed 1 Sept 2009.

few could argue with the aims of the NEP. After all in 1970, the bumiputera (meaning Malay) share of corporate wealth was around 2.4 percent compared to the non-Malay (overwhelmingly Chinese) holding of about 34 percent, with the remainder (over 60 percent) in foreign hands. The professions were also dominated by non-Malays: for example, more than 90 percent of engineering students at the Universiti Malaya (UM) in 1970 were non-Malays.

In reality, at the operational level the NEP became all about quotas and massive government intervention on behalf of the bumiputera community. Quotas were set for all socio-economic activities, with 30 percent the minimum. Thus, for instance, private companies wishing to list on the stock exchange had to set aside 30 percent of initial public offering (IPO) to bumiputera investors and were required to maintain that proportion after listing.⁴ As a result, it happened many times that companies were forced to sell these shares below market value to comply with the mandatory shareholding requirements. This was by no means all. Companies, especially foreign ones, which applied for a new license were required to have bumiputera partners who were “recommended” by the Ministry of International Trade and Industry (MITI). In other cases, MITI would choose bumiputera investors who would be allocated shares in such ventures. Again, many of these shares were sold at below market value. Government-linked companies (GLCs) were also required to give preference to bumiputera businessmen. For example, more than 90 percent of all petrol stations run by PETRONAS, the national oil corporation, were to be operated by bumiputera. Under the Industrial Coordination Act (ICA), large companies were required to have senior bumiputera executives and at least 30 percent of their employees had to be bumiputera.

Where government-generated business was concerned, the story was the same. Government contracts or tenders, known as “Class F” projects, were restricted to bumiputera contractors and businesses. Although other contracts were “open”, it was understood that successful tenders would be those with substantial Bumiputera shareholdings. Approved Permits (AP), or licenses to import cars, were only issued to Bumiputera businessmen. All major government privatisation projects went to Bumiputera interests, as did all government procurement below a certain amount. Malays received preferential treatment in both recruitment and promotion in the public sector and government-linked companies (GLCs). Even banks and other financial institutions were ordered to meet loan targets to be given to bumiputera businessmen.

Outside the quota system, other undertakings aimed to fast-track bumiputera development. A ministry devoted to entrepreneur development was established for them and billions poured into programmes to train bumiputera entrepreneurs, establish franchise schemes, fund start-up loans and rental subsidies, etc. All these programmes were meant to create what was termed a “Bumiputera Commercial and Industrial Community” (BCIC). In every five year Malaysia Plan from 1971 until now, BCIC have featured prominently.

While the rhetoric was “only 30 percent”, officials often took this to mean they could award many, or even all, contracts to bumiputera interests. The results were so-called “Ali-Baba partnerships” where the Malay “Ali”, who owned a company which had won a contract, would immediately sub-contract the real work to a Chinese “baba”. This rent-seeking behaviour was so blatant in the Approved Permits system that it was referred to as a “scam”,⁵ since the AP holder’s involvement often ended when the permit was granted. Malay businessmen who were awarded these import licenses often immediately sold them to Chinese car dealers for up to RM40,000 each.⁶

⁴ In August 2009, this was reduced to 12.5 percent. The reduction was not due to the unhappiness of the non-Malay community, but rather as a ploy to attract more foreign capital into the stock exchange. For many years, foreigners had complained about the 30 percent bumiputera quota.

⁵ “Put APs on the scrap heap”, *The Star*, 2 May 2009.

⁶ As an AP is necessary to import foreign cars into the Malaysian market, all non-Malay car dealers had to “buy” licenses for foreign marques. One estimate puts the value of APs issued at more than a billion ringgit. Thus it was a great windfall for the lucky few Malay businessmen able to secure these licenses. Ibid

Although the NEP officially ended in 1990, as noted above, old attitudes have died hard. The new economic plan after 1990, called the New Development Policy (NDP), contains all the NEP bumiputera quotas. One recent attempt at blatant racial discrimination, which even surpassed the old 30 percent quota, involved Maybank, the largest bank in Malaysia. It issued an internal directive that only bumiputera firms were to be hired for the bank's legal work. After the circular was exposed, however, the bank was forced to back down.⁷ Similarly, the following news report about non-Malay businesses (in this case Indian) trying to get loans from a government-backed bank in Johor Baru is another recent prime example that suggests how far some officials might push the NEP policy, even to the point of including their own "unwritten" policy for 51 percent bumiputera ownership in companies seeking loans:⁸

Other stipulations allegedly set by the bank are that companies must have at least a 51% Bumiputera ownership, provide collateral and have fixed deposits. Malaysian Indian Business Association president P. Sivakumar said he had received at least 130 complaints about the bank's strict conditions from entrepreneurs in Johor, Kuala Lumpur, Perak and Penang....

G. Kalliyand Sundram, 51, who had invested RM1mil in a food processing business in Rawang, Selangor, was shocked when told that his company must have a 51% Bumiputera ownership if he wanted a loan. R. Mageswari, 43, who wanted to apply for a RM50,000 loan to expand her dry food and spices business was shocked when the SME Bank in Tampoi, near here, imposed all sorts of conditions. "I liquidated my business and brought in a Bumiputera partner with a 51% ownership....

The bank is a subsidiary of Bank Pembangunan (M) Bhd. However, an SME Bank spokesman said the bank did not discriminate between Bumiputeras and non-Bumiputeras but said the 51% Bumiputera ownership requirement was an unwritten rule.⁹

The most significant benefit of all is the unit trust scheme established by the government for the sole purpose of allowing bumiputera investors to invest in securities, the Amanah Saham Bumiputera (ASB) scheme. It has been responsible for the biggest transfer of monetary benefit to the Malay community. The price of one ASB unit is fixed at RM1 and a dividend is paid annually. Since it is essentially backed by the government, and basically exists as a vehicle to transfer wealth to the Malay community, ASB has paid its investors a remarkable rate of return, as Table 1 (over page) shows. For the decade 1993–2008 it has, on average, paid at least 6 percent above the market rate. No other financial instruments around the world can give this kind of return without any risk to their capital, and it would not be possible under normal market conditions. The government funded the system by giving Permodalan Nasional Berhad (PNB) (National Equity Corporation), the fund manager of ASB, access to the most profitable GLCs and mandatory bumiputera shares in private companies seeking to list on the Malaysian stock market.¹⁰

The practice of giving Malays and other bumiputera financial benefits has extended to the private sector as well. For instance, it is regarded as "normal" for housing developers to discount prices from 5 to 10 percent for them. In many projects, it is mandatory to set aside 30 percent of units for bumiputera buyers. In Kedah, the state government even tried to impose a 50 percent quota for housing projects in 2008.¹¹ It is not unusual for developers to fail to sell these "bumi lots", as they are commonly called, leaving them in financial straits as a result.

⁷ "Gerakan veep welcomes bank's decision", *Malaysiakini*, 10 May, 2007

⁸ "Loan terms upset traders", *The Star* (Malaysia), 5 September, 2006

⁹ Bank Pembangunan (M) Bhd is owned by the government.

¹⁰ See James V. Jesudasan, *Ethnicity and the Economy: The State, Chinese Business, and Multinationals in Malaysia* (Singapore: Oxford University Press, 1989).

¹¹ "Kedah's 50% bumi housing quota 'being resolved'", *Malaysiakini*, 14 Nov 2008

Table 1. Rate of Return of Fixed Deposit and ASB

Year	FD Rate (One Month)	ASB (annual dividend+Bonus)	Difference
1993	6.4%	13.50%	7.10%
1994	5.1%	13.50%	8.40%
1995	6.5%	13.00%	6.50%
1996	7.2%	13.25%	6.05%
1997	8.8%	11.50%	2.70%
1998	5.8%	10.50%	4.70%
1999	3.2%	12.00%	8.80%
2000	3.4%	11.75%	8.35%
2001	3.2%	10.00%	6.80%
2002	3.2%	9.00%	5.80%
2003	3.0%	9.25%	6.25%
2004	3.0%	9.25%	6.25%
2005	3.0%	9.00%	6.00%
2006	3.1%	8.55%	5.45%
2007	3.1%	9.00%	5.90%
2008	3.1%	8.75%	5.65%

Source: Bank Negara, Permodalan Nasional Berhad (PNB)

All the measures to increase Malay shareholdings worked. As one recent independent study, "Corporate Equity Distribution: Past Trends and Future Policy", showed,¹² by the early 1990s bumiputera interests in the equities market had reached 45 percent. One prominent Malay academic put it, in no uncertain terms, in 1997: "Although at the end of its 20 year time frame (1970-1990), the NEP had not achieved 100% of the stated targets, in relative terms nevertheless, its overall achievements and impact can be described as phenomenal."¹³ Nonetheless, even today the government continues to deny this fact and maintains that bumiputera holdings are actually only around 22 percent. To legitimise any figure above 30 percent would naturally take away one of the main arguments for continuing the pro-bumiputera discrimination. In 2009, Najib Razak, the new Prime Minister, publicly acknowledged what was already widely known about the 30 percent mandatory bumiputera share in equities: of the RM54 billion in shares allocated to bumiputera investors in the Kuala Lumpur Stock Exchange between 1984 and 2005, only RM2 billion worth of shares (or less than 5

¹² "Corporate Equity Distribution: Past Trends and Future Policy" (Kuala Lumpur: Centre for Public Policy Studies, 2006). This report was compiled by Lim Teck Ghee and Edmund Terence Gomez. Dr Lim was Director of CPPS and had been a senior World Bank economist, while Dr Gomez was research coordinator at the United Nations Research Institute for Social Development in Geneva. Dr Lim resigned his post when the top management of CPPS claimed the study was "flawed" following sustained and heavy government attacks on the report. See the open letter "Why par value measurement is flawed", by Lim Teck Ghee and Edmund Terence Gomez in *Malaysiakini*, 29 November, 2006.

¹³ Firdaus Hj. Abdullah, "Affirmative Action Policy in Malaysia: To Restructure Society, to Eradicate Poverty", *Ethnic Studies Report*, vol. XV, no. 2 (July 1997): 190

percent) remained in the hands of bumiputeras. The rest had been sold off for instant profit.¹⁴

Outside financial and business spheres, right from the start of the NEP the government began to push for higher bumiputera participation all areas, again in many cases above the official 30 percent quota. Many Malay officials and politicians simply saw 30 percent as a “minimum” and set about to push for the highest percentage possible. This can be seen clearly in the civil service and in higher education. As one credible report about the Malaysian civil service put it:¹⁵

The present Malaysian civil service is predominantly Malay; the higher the service group, the higher its domination by Malays. All other racial groups, including non-Malay Bumiputeras, are under-represented in varying degrees. Since the inception of the New Economic Policy in 1970, the proportion of Malays in the civil service has grown from 60% to 77%. The Perkhidmatan Tadbir dan Diplomatik (PTD)¹⁶ is 85% Malay, or has six Malays for each non-Malay.... Before the NEP, there was considerable non-Malay application and recruitment into the service. This led to a more racially balanced representation in the civil service in the late 60s. In 1969, the federal civil service was 60.8% Malay, 20.2% Chinese, 17.4% Indian and 1.6% others..... The intake of Malays accelerated with the start of the NEP.

The one-million strong civil services in Malaysia, like most civil services in developing countries, play a crucial role in the socio-economic development of the country. They implement government policies and, as such, their biases are felt immediately by the polity. With the Malaysian civil service dominated by Malays, especially at the top, a strong push to promote Malay interests has resulted, so that anyone coming into contact with government, administrative services and government-related agencies is liable to experience a strong pro-Malay bias in their dealings. It also means that government policies overwhelmingly reflect the concerns and thinking of the Malay community since there are few avenues for non-Malays to put forward their views within the civil service.

Where public universities were concerned, they were instructed that their intake should be roughly based on the population profile, which meant a ratio of 55 percent bumiputera to 45 percent non-bumiputera. In reality, the bumiputera intake was much higher than 55 percent, soaring as high as 75 percent.¹⁷ In 2003, Prime Minister Mahathir announced that the ethnic “quota” in public universities would be scrapped in favour of “meritocracy”. This immediately set off protests from the Malay community, which culminated two years later, in 2004, with the Higher Education Minister declaring: “I will continue to ensure Bumiputera students have over 50 percent places in local universities.”¹⁸ Hence even a policy of “meritocracy” can disguise an unofficial quota and uphold the ethnic quota policy.

On top of this a separate tertiary institution, the Institute Technology MARA (ITM), (later Universiti UiTM), was established for bumiputera students. This institution quickly became the largest university in Malaysia, with fourteen branches throughout the country. It currently has more than 200,000 students. When the Malay chief minister of Selangor suggested that UiTM should admit 10 percent non-bumiputera students, in order to expose Malay students to other ethnic groups, the university management helped the students organise mass demonstrations in opposition. One student banner insisted: *UiTM Hak Bumiputera Selamanya* (UiTM will belong to bumiputeras forever),¹⁹ while the UiTM vice-chancellor opined: “This is somewhat extraordinary. It is weird that

¹⁴ “Najib’s bold political gamble”, *Straits Times*, 1 July 2009

¹⁵ “Towards a more representative and world class Malaysian Civil Service”, a report by the Centre for Public Policy Studies (CPPS), Kuala Lumpur, 2006, p.1

¹⁶ The Administrative and Diplomatic Service (PTD) is the elite of the civil service.

¹⁷ Machi Sato, *Dilemmas of Public University Reform in Malaysia* (Melbourne: Monash Asia Institute, 2007).

¹⁸ “Two ministers on receiving end of MCA Youth fury”, *Malaysiakini*, 9 October, 2004

¹⁹ “UiTM students protest non-Bumi intake”, *Malaysian Insider*, 13 August 2008

a Malay leader should voice out something under Article 153, and I am giving this opinion as a professional ... for the good of the country and not only for Bumiputeras ... Abdul Khalid as a leader should think before making such a statement and not betray his own race."²⁰

To ensure that as many eligible bumiputera students as possible should enter state universities, a separate and less onerous entry system was put in place for them. Most bumiputeras complete a one year matriculation programme which is easier than the two-year *Sijil Tinggi Pelajaran Malaysia* (STPM), the equivalent of British A-levels. Non-bumiputera students were required to undertake the STPM, while the one-year matriculation classes were reserved for bumiputera.²¹

Table 1. Professionals¹ by Ethnic Group, 1970 to 2002

Year	Bumiputera		Chinese		Indian		Others		Total	
	No	%	No	%	No	%	No	%	No	%
1970 ²	225	4.9	2,793	61.0	1,066	23.3	492	10.8	4,576	100
1975 ³	537	6.7	5,131	64.1	1,764	22.1	572	7.1	8,004	100
1979	1,237	11.0	7,154	63.5	2,375	21.1	496	4.4	11,262	100
1980	2,534	14.9	10,812	63.5	2,963	17.4	708	4.2	17,017	100
1983	4,496	18.9	14,933	62.9	3,638	15.3	699	2.9	23,766	100
1984	5,473	21.0	16,154	61.9	3,779	14.5	675	2.6	26,081	100
1985	6,318	22.2	17,407	61.2	3,946	13.9	773	2.7	28,444	100
1988	8,571	25.1	19,985	58.4	4,878	14.3	762	2.2	34,196	100
1990	11,753	29.0	22,641	55.9	5,363	13.2	750	1.9	40,507	100
1992	15,505	31.9	26,154	53.8	6,091	12.5	820	1.7	48,570	100
1995	19,344	33.1	30,636	52.4	7,542	12.9	939	1.6	58,461	100
1997	22,866	32.0	37,278	52.1	9,389	13.1	1,950	2.7	71,843	100
2000	29,376	35.5	42,243	51.1	9,739	11.8	1,286	1.6	82,644	100
2002	35,046	37.2	47,270	50.1	10,593	11.2	1,411	1.5	94,320	100

Notes

1. Professionals are identified as architects, accountants, engineers, dentists, doctors, veterinary surgeons, surveyors and lawyers.

2. 1970 figures exclude surveyors and lawyers.

3. 1975 figures exclude surveyors.

Source: Maznah Mohamad, *Ethnicity and Inequality in Malaysia: A Retrospect and a Rethinking*, Centre for Research on Inequality, Human Security and Ethnicity (CRISE) Working Paper 9 February 2005

Along with the intake of more Malay students into tertiary institutions is the use of race and political affiliation as the primary criteria for the recruitment and promotion of academic staff. In the 2009 UMNO Congress, one delegate asked: "Please make sure the faculty members are all UMNO men, and the same goes for other civil servants".²² By and large, his wish appears to be reality: certainly, the UITM Vice-Chancellor quoted above, who was praised as a model for academia, is a member of UMNO. As a result of these manipulations, within a decade the academic standards of Malaysian universities had dropped across the board. Needless to day, this led directly to a decline in the standard of graduates from public tertiary institutions.²³

The end results of giving bumiputera special advantages in higher education were spectacular in the employment arena, as Maznah Mohamad's 2005 enquiry into

²⁰ "PM slams Khalid over call to open UiTM to non-Bumis", *New Straits Times*, 13 August 2008

²¹ In recent years, a 10% quota for non-Bumiputera students was set in the matriculation programme in order to provide "competition" for Bumiputera students so they would perform better. Even so, this quota has never been met as most Chinese and Indian students did not want to study in an institution that promoted racism.

²² "Change, as Umno understands it", *The Malaysian Insider*, 26 March 2009.

²³ Lim Teck Gee, "Malaysian Universities and the NEP", Centre for Policy Initiatives, 9 October 2009

ethnicity and inequality found (summarised in Table 1 on previous page). The bumiputera share of the professions in 1970 was only 4.9 percent, but by 2002 it was 37.2 percent. The Chinese dropped by one-sixth, while Indians almost vanished, falling from one in ten to fewer than one in fifty. If NEP social engineering afforded far greater social mobility to the bumiputera population across the board, for middle class Indians it was a disaster.

Bumiputera or UMNOputera?

If the NEP in practice was, as we have seen, often little more than a racist system favouring rent-seeking behaviour and crony capitalism, another persistent criticism is equally damning: that it has not benefited the Malay community as a whole. Rather, it has benefited the Malay elite, especially those in the United Malays National Organisation (UMNO), the ruling party. This was especially obvious during the privatisation phase of the Mahatir government in the 1980s and 1990s. After billions flowed to UMNO supporters as a result, critics suggested the entire affirmative action programme was designed to benefit "UMNOputera" rather than Bumiputera.²⁴ Among the UMNO-linked personalities who benefited most from NEP programmes are a group who became known as "Daim's Boys". Daim refers to the former Malaysian Finance Minister Daim Zainuddin who was a key figure during the privatization phase of the Mahathir regime. Many young Malays who worked closely with him were given special access to business opportunities when the most profitable state-owned-enterprises were privatized, all supposedly in order to create a "Bumiputera Commercial and Industrial Community" (BCIC). Such patronage could not guarantee commercial success later, however. One illustrious case concerns the national airline, Malaysia Airlines, which was privatized to one of "Daim's Boys". When it began to make massive losses and was close to insolvency, the government bought it back at the same privatized price.²⁵

That UMNO, the main party in power, wants like all other political parties to reward its supporters is hardly unusual. But because NEP benefits are based on ethnic criteria, those Malays with capital, education and skills naturally tend to benefit more than poor and marginalised Malays. Thus it has been estimated that the top 20 percent of the Malay population benefited proportionally much more than the bottom 80 percent. This is revealed in Malaysia's Gini coefficient. The Gini coefficient, which measure income disparity between richest and the poorest, has been rising in Malaysia. The higher the number, the greater is the disparity. For Bumiputera, the Gini coefficient rose from 0.433 in 1999 to 0.452 by 2004.²⁶ Another clear piece of evidence is that although more than two million Bumiputera invested in ASB unit trusts, the vast majority had invested RM500 or less. A tiny 1.3 percent of all eligible Bumiputera owned 75 percent of all ASB shares.²⁷ In other words, rich and UMNO-connected Malays were the prime beneficiaries of the NEP policies, despite the rhetoric that the NEP was meant to help the entire community "catch up" with the Chinese.

Although officially all Bumiputera are eligible for the NEP benefits, in reality, non-Malay Bumiputera, especially the non-Muslim indigenous groups in Sabah and Sarawak, have not really profited. In fact, the affirmative policy is so clearly identified with the Malay Muslim community that many non-Malay, non-Muslim indigenous communities, such as the Dayaks in Sarawak and the Kadazandusuns in Sabah, have long claimed, with some merit, they are being treated as "third class" Bumiputera with limited access to the NEP economic benefits.

²⁴ Harold A. Crouch, *Government and Society in Malaysia* (Ithaca: Cornell University Press, 1996), p. 214.

²⁵ Tajudin, *Aliran Monthly*, Vol 16, July 2006: 32,

²⁶ Ninth Malaysia Plan (RMK9), p. 333

²⁷ Jomo K. S., *The New Economic Policy and Interethnic Relations in Malaysia* (Identities, Conflict and Cohesion Programme, United Nations Research Institute for Social Development, Paper Number 7.) (September 2004), p. 7

From Historical Injustice to *Ketuanan Melayu* to “Social Contract”

How does the Malay elite justify the NEP and racial discrimination? There are several commonly used justifications.

The most common justification is that NEP policies act to redress past injustices, correct imbalances, promote political stability, and avoid another “May 13th”. This is the official viewpoint and is stated clearly in the NOC report mentioned above. It reaches back to the colonial period, when the British did not encourage Malays to enter the commercial arena, leaving Chinese and Indians with the upper hand at the time of independence. The often cited statistic is that, in 1970, the Malay share of equity stood at 2 percent, while the Chinese held ten-times as much (22.8 percent), with the rest largely in foreign hands. This situation in turn supposedly led to the 1969 race riots. Thus affirmative action policies such as the NEP merely exist to help Malays to “catch up”. Moreover, as the argument goes, it promotes political stability if the majority race, the Malays, are given a stake in the economy. NEP supporters like to point out that part of the reason for the 1998 anti-Chinese riots in Indonesia was the economic dominance of Indonesian Chinese business over pribumi business. By helping Malays to join the middle class and enjoy a significant share in the economy, they would be less jealous of Chinese and thus less likely to initiate another race riot. In fact, it is not uncommon for UMNO leaders to say openly that NEP has prevented another “May 13” and it is the “small price” that the Chinese pay for communal peace.²⁸

Another common justification for NEP policies is that they derive from the constitution and inalienable Malay birthrights. The Malay ‘special’ rights provisions in the Malaysian Constitution forms part of Article 153. It specifically endows the king with wide-ranging economic and social powers to defend Malay (and other bumiputera) interests. As it states in part:²⁹

to safeguard the special position of the Malays and natives of any of the States of Sabah and Sarawak ... to ensure the reservation for Malays and natives of any of the States of Sabah and Sarawak of such proportion as [the king] may deem reasonable of positions in the public service (other than the public service of a State) and of scholarships, exhibitions and other similar educational or training privileges or special facilities given or accorded by the Federal Government and, when any permit or licence for the operation of any trade or business is required by federal law, then, subject to the provisions of that law and this Article, of such permits and licences....

This constitutional provision derives directly from the concept of *Ketuanan Melayu* or Malay hegemony or supremacy. This asserts that Malay people are the *Tuan* (masters) of Malaysia and that the country belongs to them. As the Bumiputera or indigenous, their birthright entitles them to special rights, including any special aid from the government for them alone. The non-Malays, no matter how deep their family roots might go, are thus *pendatang* (recent immigrants) and only guests in Malaysia. A prime example of such thinking is the political group, the Pertubuhan Pribumi Perkasa Malaysia or Perkasa. The following news report nicely summarises what Perkasa is about:³⁰

Malay right-wing group Pertubuhan Pribumi Perkasa today threatened that it would react to the actions of those who chose to question Malay supremacy.

President Datuk Ibrahim Ali said that for the sake of "the country, race and religion, I am willing to be detained under the Internal Security Act" should Malay rights be challenged.

The Malay nationalist politician warned non-Malays to behave, if not then Malays would repay in kind.

²⁸ Mahathir Mohamad, “Whither Malaysia”, speech at Keio University, Japan, 10 Nov 1983.

²⁹ Article 153, Malaysian Federal Constitution.

³⁰ “Perkasa warns non-Malays to behave”, *The Malaysian Insider*, 23 March 2009.

"If they are polite, we will be polite. But if they are not, neither will we. If they are kurang ajar (ill-mannered), we too can be kurang ajar," said the Pasir Mas MP to cheers from the thousand-strong crowd.

Ibrahim as president of Perkasa had last year also called on other races to adapt to the local culture of Malays as they have already been given many rights and freedoms in this country.

Today, he added that those who questioned the issue of the special position of Malays were not acting in the name of justice.

"The truth is that justice has not yet come to Bumiputeras who have spent centuries being oppressed by colonial masters," he said.

The former Umno leader said that in the past, Malays had been reasonable with the colonial masters but that they would not tolerate "our heads being stepped on."

"We will not tolerate Bumiputeras losing face or our honour. Especially Malays and Islam, do not ever try to play around with these," he threatened.

Finally, there is a more sophisticated argument for Malay hegemony which (mis)uses the idea of a "social contract". This term first appeared in a 1986 speech by Abdullah Ahmad, an UMNO Member of Parliament, at an academic seminar in Singapore. He asserted:³¹

"Let us make no mistake—the political system in Malaysia is founded on Malay dominance. That is the premise from which we should start.... [It] was born out of a sacrosanct social contract which preceded national independence. There have been moves to question, to set aside and to violate, this contract that have threatened the stability of the system.... The May 1969 riots arose out of the challenge to the system agreed upon, out of the non fulfilment of the substance of the contract.... The NEP is the programme, after those riots in 1969, to fulfil the promises of the contract in 1957.

There is thus no two ways about it: the NEP must continue to sustain Malay dominance in the political system in line with the contract of 1957. Even after 1990, there must be mechanisms of preservation, protection, and expansion in an evolving system.

The social contract as expounded here by Abdullah is taken to mean a quid pro quo agreement that provides non-Malays with citizenship in return for their recognition of *Ketuanan Melayu* and the special rights of the Malays. Since then, many Malay leaders, including the Prime Minister, have used the supposed "social contract" to stop debate on discrimination against the non-Malay population, arguing that what was "agreed" at the time of independence cannot be changed. One recent study suggests that the whole notion of a social contract being made in 1957, during the time of independence, was simply not true historically.³² The social contract argument is a post-hoc justification used primarily to reinforce the demand for *Ketuanan Melayu*.

More often than not, all three arguments appear together to justify continued racial discrimination. If all three are properly scrutinised, however, they emerge as self-serving at best and racist at worst. The first argument only has merit if it can be shown that it was the Chinese community that denied the Malays any chance to acquire experience in commerce, when in fact it was a consequence of British colonial rule. Even then, the British gave Malays, especially the Malay elite, privileged access to the civil service in order to help the British rule. Asking non-Malays to pay a permanent post-independence price for benefiting from something done earlier by the British, with the assistance of the Malay elite, makes little historical or economic sense. The other way of looking at it is to say that the non-Malays have to pay for the historical actions of the British colonial masters.

³¹ K. Das, *Malay dominance? : The Abdullah rubric* (Kuala Lumpur : K. Das Ink, 1987).

³² Mavis C. Puthuachery, "Malaysia's 'social contract': The invention and historical evolution of an idea", in *Sharing the nation : Faith, difference, power and the state 50 years after Merdeka*, ed. Norani Othman, Mavis C. Puthuachery and Clive S. Kessler (Kuala Lumpur: Strategic Information and Research Development Centre, 2008). p. 26

The same goes for the “social contract” argument: no documents exist to show non-Malay leaders agreed that the non-Malay community would accept reduced social rights indefinitely in return for the right to remain in Malaysia, if only because no leaders could have hoped to deliver on such an agreement. To quote from *The Economist*, it is “absurd and unjust to tell the children of families that have lived in Malaysia for generations that, in effect, they are lucky not to be deported and will have to put up with second-class treatment for the rest of their lives...”³³ As for Ketuanan Melayu, this is little more than a racist myth that ignores the real indigenous people of the Peninsula, the Orang Asli, as well as the considerable historical evidence that shows the Malays themselves migrated to the Malay Peninsula, just as Chinese and Indians did after them.

UMNO general assemblies are regular platforms for the performance of menacing racial postures by Malay politicians. It is quite common for delegates to tell their audience that if the “non-Malays” (meaning Chinese and Indians) do not like the Ketuanan Melayu system, they should leave. Many UMNO delegates are openly racist, and think nothing of it since it is their own “race” they are defending. In one infamous speech at the 2004 UMNO general assembly, a Member of Parliament waved a book about the 1969 riots and warned non-Malays not to question Ketuanan Melayu: “Don’t poke at this nest, for if it were disturbed, these hornets will strike and destroy the country,” he threatened. He added that: “Fifty-eight years ago we had an agreement with the other races, in which we permitted them to ‘menumpang’ [temporarily reside] on this land.... In the Federal Constitution, our rights as a race have been enshrined.... Let no one from the other races ever question the rights of Malays on this land.”³⁴ Another delegate talked of being ready to “bathe in blood” to defend the NEP, while the Education Minister theatrically brandished a traditional Malay dagger (although diminishing the force of his action somewhat by expediently claiming he was not threatening non-Malays).³⁵

The defence of Malay “special rights” goes beyond such spectacles. In the Prime Minister’s department a Biro Tatanegara (Civics Bureau) has been created whose task is to uphold the ideology of Ketuanan Melayu. It organises mandatory “citizenship” seminars for tertiary students and the civil service under the guise of “building a multicultural Malaysian culture”. In reality, these seminars are often used to reinforce Ketuanan Melayu. One “Worried Student” who attended a course in 2008 described the programme. The first speaker suddenly touched on the Malaysian social contract and roundly criticised any discussion of it. And then, sounding like “someone campaigning for a political seat” he launched into a diatribe containing “so many atrocious things” that the student listed them in point form as follows:³⁶

- Explained how the Malays aren’t racist but others are racist towards us.
- Bangsa Malaysia (Malaysia race) does not exist, neither does Malaysian Chinese and Indians, only in the strict Malay, Chinese and Indians. (Interestingly, behind a booklet provided to us, one of the objectives of the programme is to produce a Bangsa Malaysia”. Obviously, he was ignorant).
- Bahasa Malaysia (Malaysian language) does not exist, it is Bahasa Melayu (Malay language).
- Nothing wrong with waving the Keris
- Bumiputera hanya 55% di Malaysia, (Sons of the Soil make up 55% of the population), (they should) give birth to more people!
- The University and Colleges Act was partly made to ensure a Malay Vice-Chancellor in Universities which should be the way.

³³ “Malaysia at 50: Tall buildings, narrow minds”, *The Economist*, 30 Aug 2007.

³⁴ “Tolerance lost in fog of chauvinism”, *New Straits Times*, 3 Oct 2004.

³⁵ “Malaysia at 50”, *The Economist*, 30 Aug 2007

³⁶ The full version of the letter is at: <http://educationmalaysia.blogspot.com/2008/07/btn-brainwashing.html> and <http://www.malaysiawaves.com/2008/07/umnos-latest-psy-war-materials-exposed.html>, accessed 10 Sept 2009. See also “Jewish elements’ infiltrating local campuses”, *Malaysikini*, 12 Sept 2006.

But that isn't even the best part. The best part is he showed a short film on the dangers of Zionism and the illegal occupation of Palestine.... I could only sit and ponder quietly while all this was happening. But the speech was not the saddest part. The saddest part was that the majority of students in the hall were cheering him on.

The racist ideology is further reinforced in all layers of the government since, as previously noted, the civil service is dominated by the Malays. In the private sector, the GLCs hold the commanding heights in the economy and they too are not spared from the Ketuanan Melayu racist ideology. Malay newspapers such as *Utusan Malaysia*, owned indirectly by UMNO, regularly run stories and commentaries on the need to maintain Ketuanan Melayu and to stop the non-Malays from questioning the "special rights".³⁷

Muted Criticism

Given the scenario described above, a logical question to ask is how has it been possible for the Malaysian government to sustain these discriminatory ethnic policies for the past thirty-eight years without any real challenge, let alone widespread uproar, from the non-Malay community, principally the Chinese, who bear the brunt of them? Why has the international community been generally silent on this issue, in comparison to the criticism of Fiji or South Africa which have affirmative action policies based on ethnicity? In fact Black Economic Empowerment (BEE) in post-apartheid South Africa was loosely based on the NEP, as is the Fijian indigenous affirmative action policies.

There are several reasons.

The absence of much internal criticism is due, first, to the dominance of the Barisan Nasional (BN) and UMNO in the political process. Since independence, the BN (and its predecessor, the Alliance) have won every general election. UMNO has led the BN since its inception, and its dominance was cemented by the NEP which allowed UMNO to establish the most extensive patronage network ever among Malaysian political parties. Since UMNO controls all key government posts,³⁸ it decides who gets all government contracts, especially as noted above the multi-million privatization projects authorised by the government in the 1980s and 1990s. UMNO's omnipresence in government has generated widespread "money politics" within the party. Many senior party members "invest" millions to get a senior position in UMNO in order to further their business interests via government contracts and other government-linked business opportunities. In one analyst's blunt assessment "money politics" described "an entrenched system of payments in cash and kind that puts a price on nearly every post in Umno in expectation of contracts and other business opportunities in return."³⁹

Second, the discriminatory programmes were able to run smoothly due to some support from the non-Malay community. The BN contains three important non-Malay parties: the Malaysian Chinese Association (MCA); the Parti Gerakan Rakyat Malaysia (Malaysian People's Movement Party or Gerakan); and the Malaysian Indian Congress (MIC). The first two represent the Chinese, while the last represents the Indian community. Although they have no real political power in the BN coalition, UMNO has always made a point of giving these parties some economic opportunities so they could have some credibility and political legitimacy within the Chinese and Indian communities. Thus some shares or sub-contracts for major government projects are always allocated to nominees of MCA, Gerakan and MIC. MCA, Gerakan and MIC ministers are also permitted control over some small contracts in their respective ministries, although major government contracts are still controlled by UMNO through the Prime Minister's office. A Gerakan nominee was allowed to be Penang's chief minister for nearly four decades, which consequently allowed the party to control many

³⁷ "Utusan Malaysia Boycotted For Spreading Racial Sentiments", *Bernama*, 17 June, 2008

³⁸ UMNO's leader and his deputy automatically become Malaysia's prime minister and deputy.

³⁹ Barry Wain, "Najib's Challenge: Clean up Umno", *Far Eastern Economic Review*, March 2009

Penang state government contracts.⁴⁰ Although the non-Malay BN parties have been able to channel some government contracts to their supporters, these parties suffer from a widespread perception, which is unfortunately true, that these “crumbs” are distributed to keep them loyal to the BN.

One example of how these minor parties can assist in muting criticism of NEP policies can be seen in regard to higher education, one area where the Chinese (and other non-bumiputera) initially paid a very heavy price. The quota system and overzealous push for total Malay domination meant that Chinese were effectively shut out of the state higher education system, while non-Malay academics were sidelined and many resigned. Within a decade, the massively expanded higher education system had become virtually a Malay entity. From the 1970 onwards, no non-Malay vice-chancellor has ever been appointed in any public university.⁴¹ During the same period Chinese Malaysians consistently ranked as one of the largest foreign students groups in countries such as Singapore, Australia, New Zealand, Taiwan, Canada, and the United States. Thousands left for tertiary studies and, very often, stayed on in those countries, creating a brain drain whose net economic effect is impossible to calculate. If there is one single issue that angers all Chinese about the NEP, it is the effective barring of young Chinese from the state universities. As mentioned previously, despite the lifting of the “quota” system for entry to state universities in 2003, an unofficial quota still exists.

The government’s response to the constant complaints of non-Malays over the tertiary education issue was to expand private higher education, but only by issuing university licences to the non-Malay BN political parties. Thus MIC was issued a licence to operate the AMIST University in 2001, MCA was issued a licence to operate Universiti Tunku Abdul Rahman (UTAR) in 2002, and Gerakan established a distant learning university called Wawasan Open University (WOW) in 2005. Basically, these universities were established to serve the non-Malays whom these parties sought to represent politically, and their fees are set below market rates.

Third, the Chinese were already economically dominant when the NEP was introduced. Although the restrictive new rules, such as getting Malay shareholders or using a Malay front to apply for government contracts, were seen as racial discrimination, many Chinese businessmen took the practical view that the “bumi cost” was simply part of the cost of doing business in the new political environment. Before long, many Chinese businessmen began building the “bumi cost” into bids for government jobs, while larger companies simply expanded overseas to escape the shareholding requirements. Furthermore, Chinese economic dominance continued, despite all the hurdles of the NEP. In fact, the Chinese share of the economy actually increased during the NEP period. By 2002, the Chinese share of equity had risen to approximately 40 percent (from 34 percent in 1970). However, this increase must be understood in the context of an expanding economic pie, since economists generally accept that the Chinese share would have been much larger without NEP restrictions.

The Chinese businessmen who bore the brunt of the NEP were the smaller businessmen who faced difficulties in getting new licences, loans and government help to expand their business. Most remained small and were reluctant to take in a Malay partner. Nevertheless, Malaysia’s high growth in the 1980s and 1990s, coupled with the expansion of the economy, mitigated many of their difficulties at the time.

Fourth, there is limited public discussion on this issue because all the mainstream media are tightly controlled by the government and all are owned by interests close to the government. The minister can shut down any newspaper or media outlet at any time, and has done so previously.⁴² Politicians deemed to be a threat to “national security” can be detained under the Internal Security Act (ISA), which allows for

⁴⁰ Gerakan lost the Penang state government in the 2008 general elections.

⁴¹ There are currently 20 public universities in Malaysia, all led by Malays.

⁴² For example in 1987, the minister shut down the leading English and Chinese newspapers at a moment’s notice.

unlimited detention without trial. Key politicians, like Lim Kit Siang from the Chinese-based opposition party, the Democratic Action Party (DAP), who have raised racial discrimination issues related to the NEP, have been detained under the ISA.

Fifth, it is in fact illegal to question the "special rights" of bumiputera. Legislation restricts discussion of the NEP, and the government can crackdown on anyone who does so by charging the critic with sedition. What is unprecedented is that the Sedition Act covers parliamentarians, so even Parliament cannot raise issues relating to "special rights", citizenship, Islam as the official religion, the Malay rulers, and the national language issue. It is only in the past five years that open discussions on racial discrimination and NEP have surfaced in Malaysia, thanks to the penetration of the internet in Malaysian society. Malaysia has one of the highest rates of blogs per capita in the world. The vast majority of political blogs in Malaysia deal with racial discrimination and the NEP. Reflecting the real world, many Malays in cyberspace support the NEP while the majority of non-Malay criticise it heavily.

Finally, international criticism was blunted because NEP policies were never pursued as harshly as the apartheid system in South Africa and thus did not attract much negative publicity internationally. There was no overt physical oppression of the non-Malay population: non-Malays could, by and large, live anywhere they wanted; they had freedom of movement, access to a passport and citizenship; they could set up their own political parties, vote and be appointed ministers (albeit with little real power); they were allowed to practice their language, religion and culture; and perhaps most importantly, they were given a free hand in the economy as long as they fulfilled the Malay shareholding requirements. Although many western countries were uncomfortable with the NEP (not least because their own companies were shut out of government contracts due to its requirements), there was sympathy for its proclaimed goal of trying to achieve a fairer distribution of the economy. Moreover, Malaysia's relatively open economy meant that many commercial opportunities existed outside the government sector. Finally, the fact that a majority of the non-Malay population, especially the Chinese, on the whole looked more prosperous⁴³ despite the discriminatory policies meant the West did not really pursue the issue with the Malaysian government.

The Malaysian Chinese Dilemma

There is very little doubt that the overwhelmingly majority of Malaysian Chinese (and non-Bumiputera) would like the government to get rid of NEP-style policies, although most would be happy to retain the first aim of the NEP, to reduce poverty regardless of race, if it was implemented according to need, as was its original stated intention. Most Chinese view the NEP policy as a sort of apartheid akin to that in former South Africa.⁴⁴ Many lower class Chinese believe that their lives are held back by the blanket ethnic discrimination they face from a government which they see as only really interested in helping the Malay community. Among the Chinese middle class and the well-to-do, the NEP has largely meant a loss of business opportunities and the denial of state tertiary education for their children. Those who can afford it almost always send their children overseas. Among the professional class, many take the attitude that they will stay in Malaysia as long as they can make a reasonable living, while others remain for family reasons. Many professionals have simply taken up residency elsewhere. Researchers estimated that from one-half to one million Malaysian Chinese have left the country

⁴³ One of the favourite rhetorical devices used by the Malaysian government to deflect criticism is to list the richest Malaysians. Invariably Chinese millionaires dominate. But what is not said is that, for the majority, a significant part of their fortune derives from outside Malaysia. Robert Kuok is one example and another Tiong Hiew King, whose wealth mostly comes from Africa and Papua New Guinea.

⁴⁴ The opposition leader in the Johor State Assembly, from the Chinese-based DAP, openly called the NEP policies "apartheid". As expected, he was condemned by the Malay community and the government. See letter by Dr Boo Cheng Hau, "Immorality of de facto apartheid must go", *Malaysiakini*, 20 Mar, 2009

since 1970.⁴⁵ If we assume that this group represented the cream of their community, then the drain of social capital has been tremendous. It is an open secret that the largest component of Singapore's professional class are Malaysian Chinese who have taken up permanent residency or Singapore citizenship. Singapore continues to attract the top Malaysian Chinese talent, as was openly acknowledged in 2006 by independent Singapore's political founder and now Minister Mentor, Lee Kuan Yew, who asserted that Malaysian Chinese were "systematically marginalised" because they were successful and hardworking. Always outspoken, Lee added that Malaysia might even outdo Singapore, if "they would just educate the Chinese and Indians, use them and treat them as their citizens, they can equal us and even do better than us".⁴⁶ These comments provoked a huge outcry in Malaysia, with many Chinese newspapers supporting Lee's remarks while the Malay newspapers and Malaysian government condemned the Minister Mentor. The Malaysian Prime Minister even wrote to him asking for an explanation.⁴⁷

The drop in Malaysia's Chinese population will only worsen in coming years. Projections suggest that by 2035, Chinese will account for only 20 percent of the population, while Malays and other bumiputera will constitute about 72 percent. And Indians make up less than 7 percent of the population.⁴⁸ This can only mean that Malaysian Chinese will be further marginalised politically.

In 2004, a book called "The Chinese Dilemma" was published in Australia.⁴⁹ The author, a Malaysian Chinese, argued that, on the whole, Malaysian Chinese should not complain too much about the racist policies there but rather compare their situation to other Chinese communities in the region and the world. From this perspective the Malaysian Chinese community is actually quite well treated by the government. The book argues that discriminatory policies are a small price to pay for peace, the right to maintain Chinese cultural identity and to enjoy economic security and opportunities. The views of the author are also fairly representative of Malaysian Chinese who support the government, such as the MCA and Gerakan. They have long argued that the political reality is Malay political dominance and, therefore, it is better to work with the system rather than against it.⁵⁰ Even so, the author of the book failed to take his own advice and has migrated to Australia.

Thus for Malaysian-born Chinese, the dilemma facing them is whether to stay and accept an ongoing status as second class citizens (while hoping to change the political system in the future) or make the necessarily sacrifice, like their forefathers, and try to move to a third country like Singapore, Australia or New Zealand where, at the very least, all enjoy equal opportunities and the laws enforce racial equality.

Conclusion and Prospects

In an insightful study on affirmative action policies around the world, American economist Thomas Sowell concluded that no more than 5 percent of Malays "have been estimated to have actually benefited from these affirmative action programs and those people who were initially more fortunate were the most benefited".⁵¹ In other words, the beneficiaries of the NEP have been those Malays with political connections,

⁴⁵ It is almost impossible to calculate the number of non-Malays who have left Malaysia, but it is estimated that slightly fewer than one million non-Malays had left since independence, with the bulk of them presumably leaving after the NEP began. See speech "Million-Malaysian brain-drain – a national disaster" by Lim Kit Siang in Malaysian Parliament, 21 March, 2007

⁴⁶ "Non-bumi rights crop up once again, Malaysians in heated debate over remarks made by MM Lee", *The Straits Times* (Singapore) 30 September 2006; Full Transcript: Tom Plate and Jeffrey Cole interview Lee Kuan Yew, <http://www.asiamedia.ucla.edu/article.asp?parentid=79541>

⁴⁷ Chinese marginalised? Yes, no doubt about it, *Malaysiakini*, 5 Oct, 2006

⁴⁸ Swee-Hock Saw, *The Population of Malaysia* (Singapore: Institute of Southeast Asian Studies) p. 168

⁴⁹ Ye Lin-Sheng, *The Chinese Dilemma* (Sydney: East West Publishing, 2004).

⁵⁰ See James Chin, "Malaysian Chinese Politics in the 21st Century: Fear, Service and Marginalisation", *Asian Journal of Political Science*, vol 9, no 2 (December) 2001: 78-94.

⁵¹ Thomas Sowell, *Affirmative Action around the World: An Empirical Study* (New Haven: Yale University Press, 2004), chapter 3.

capital and skills, the “UMNOputras”. This pattern of a small group benefiting from affirmative policies has equally occurred in places like India and Nigeria where similar affirmative action policies have also been tried.

Two other observations made by Sowell are also true for the Malaysian case. First, as in India, once affirmative action policies were put in place, they expanded more and more widely to cover increasingly more areas. The main reason for this is that UMNO and Malay politicians, like their counterparts in India, want to distribute greater benefits under the NEP in order to win and keep Malay votes and stay in power. Politically, it is easy to expand these economic benefits since UMNO dominates the political system. For UMNO, too, it is a win-win situation: expansion of the affirmative action policies benefits its members more than the general bumiputera community and it costs the party nothing since it is funded by taxpayers’ money.

Second, Sowell observed that affirmative action programmes tend to exacerbate rather than ameliorate tensions among different ethnic groups. This is particularly true in Malaysia, as observers have often noted that many non-Malays feel like “second class” citizens because of the NEP policies, while non-Malay bumiputera equally feel neglected.

A large emerging problem with the affirmative action system in Malaysia is that, in practice, it is increasingly not only based on ethnicity (Malay) but on religion (Islam) as well. Islam is the official religion in Malaysia and a Malay person is constitutionally defined as a Muslim. Thus the debate on racial discrimination in Malaysia almost always includes religious discrimination. The worldwide Islamic resurgence in the 1990s has taken root in Malaysia and many Malays today identify themselves as Muslim Malay, i.e., Muslim first and Malay second. This has led many new Muslim converts to claim that they, too, are bumiputera, in order to access greater socio-economic benefits.

In the short term, it is highly unlikely that the UMNO-dominated government will dismantle all the racial discriminatory NEP policies. They will probably modify some current practices, for instance, recruiting more non-Malay into the civil service, but are unlikely to allow the meritocracy in the promotion process that would make this a genuine reform. There are now too many vested community interests involved in maintaining the system. The major stumbling block will be the Malay elite. Since its members are the major economic and political beneficiaries of the affirmative action policies, they will not give up their privileges easily. UMNO has also expended so much energy in making Ketuanan Melayu and the myth of the “social contract” its racist ideology that to back down on the NEP would be unacceptable to the bulk of its membership. Moreover, many joined UMNO purely for the economic opportunities the party offers, making any serious moves to dismantle the NEP policy near impossible. Indoctrination through the Biro Tata Negara and newspapers like *Utusan Malaysia* also means that a large portion of the Malay population thinks there is nothing wrong with racism towards non-Malays as they are not the “original” people of the land.

Another major stumbling block to reforms is that newer groups who claimed to be Bumiputera will want to retain the racist system that privileges them. One example is the *mamak* or Indian Muslim community in Malaysia. Many *mamak* who classify themselves as Malays, because they are Muslims and claim to practice Malay culture, do so, in part at least, so they can enjoy the benefits of being Bumiputera. Many *mamak* hold senior positions in UMNO and are among the most vocal when it comes to defending the “special rights” of the Malays. The most prominent *mamak* is in fact former Prime Minister Mahathir Mohammad, who has championed Malay rights throughout his political career.⁵² When in power, he presided over the expansion of the affirmative action policies and used them in many of his programmes, such as the

⁵² Mahathir’s father was from India, but he never admitted to being a *mamak* while he was prime minister. Unlike the other Malaysian prime ministers, Dr Mahathir espoused his racial views clearly 11 years prior to coming to power. See Mahathir bin Mohamad, *The Malay Dilemma* (Singapore: Asia Pacific Press, 1970). For Mahathir’s ethnic background, see Barry Wain, *Malaysian Maverick: Mahathir Mohamad in Turbulent Times* (Palgrave Macmillan, forthcoming).

privatisation process that so benefited bumiputera businessmen, and getting UMNO involved in business.⁵³ Many others become “Malay” by virtue of marriage, because in Malaysia one spouse is legally required to convert to Islam if the other spouse is Muslim. This process is often called “masuk Melayu” or becoming Malay. Many of these “new” Malays will invariably also lay claim to the economic benefits of being a bumiputera.

Some optimists think that once UMNO is dislodged from power, a new government will scrap the NEP. This is wishful thinking. The opposition in Malaysia now is at its strongest and led by a charismatic Anwar Ibrahim. Yet even if Anwar takes power, he will not be able to dismantle the NEP privileges. The most he could do is to modify the system to make it more palatable to the non-Malay community. Anwar understands this and has never committed himself to dismantling the NEP. Rather he has promised to reform the NEP by removing most of the racial discriminatory parts. One way the opposition plans to do this is to foster competition among the bumiputera business community and allow non-Malays to compete against bumiputera businesses in areas that are currently reserved exclusively for bumiputera. Although bumiputera would still get priority, there would be no a blanket protection from competition as is the situation now. The theory is that this element of competition will help Malay businessmen learn to be as efficient and competitive as Chinese businesses so that, in the long run, Malay businesses would not require government protection and quotas but would be able to compete on an equal basis. Given this, the best chance of NEP reform is represented by the current opposition taking power federally under Anwar.

In the long run, this discriminatory system will face severe constraints caused by the sheer number of people expecting free economic benefits from the government for simply being classified as bumiputera. Demographic projections suggest that the bumiputera population will be about 72.1 percent by 2035.⁵⁴ In such circumstances, institutions such as PNB, which is the main conduit for transferring government money to the bumiputera population through schemes such as the ASB unit trusts, may well find it impossible to continue paying dividends that are significantly above the real market rate, as happens now. To do so, the government would need to take an even bigger stake in the economy, but this will probably be impossible in an era of economic globalisation with its drive for economic efficiency. Many sectors of the Malaysian economy are currently uncompetitive because government regulations protect them from real competition. As mentioned above, many government contracts are only awarded to Malay companies that do not even have to tender competitively for them, as they use a system called “negotiated tender”.

In summary for the foreseeable future, Malaysian Chinese and the non-Malay community in Malaysia generally will have to put up with an economy and society steeped in official racism. They should not expect an UMNO-led government to dismantle the NEP system or a change in government to bring anything more than slow reforms to it. After thirty-eight years of the NEP, structural racism and racist public policies are seen as “normal” in the Malaysian political context. The dilemma for the Malaysian Chinese will continue to be the same as now: whether to stay or to try to secure residency elsewhere. Hence their dilemma can be summed up in three words—Never Ending Policy (NEP).

⁵³ See Jeff Tan, *Privatization in Malaysia: Regulation, Rent-Seeking and Policy Failure* (London, Routledge, 2007) and Edmund Terence Gomez and K. S. Jomo, *Malaysia's Political Economy: Politics, Patronage and Profits* (Cambridge: Cambridge University Press 1997).

⁵⁴ Saw, *The Population of Malaysia*, p. 168.