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Ethnicity and Inequality in Malaysia: A Retrospect and a Rethinking

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Abstract

This paper examines the role of Malaysia's New Economic Policy (NEP) in contributing to the absence of widespread inter-ethnic violence in the country since 1969. The paper begins by discussing dominant approaches to understanding the impact of the NEP. It argues that these suffer from two interlinked shortcomings. Firstly, they have all given a central role to the state in explaining ethnic relations, although more recent scholarship is starting to build on the innovations of scholars beyond Malaysia to develop more society-focused accounts. Secondly, it is argued that this state-centric approach has failed to address issues of intra-group contestations over issues such as the precise definition of what is required to be classified as Bumiputera, the main group that benefited from the NEP.

While inter-ethnic stability in Malaysia has often been attributed to the NEP, the paper provides an alternative explanation. The paper argues that a series of 'extraneous political factors' account for this stability, including the success of the campaign of Malay 'language nationalism'; the Islamic revivalism of the 1970s and 1980s; the development of a system of political patronage; and the populist policies of Prime Minister Mahathir Mohamad (1981-2003). The paper concludes by identifying newly emergent sources of inequality that are usurping the old Malay-Chinese dichotomy and threatening ethnic stability, including the increasing divide between West and East Malaysia and the new articulation of Malay-Indian tensions.

Ethnicity and Inequality in Malaysia: A Retrospect and a Rethinking[1]

By Maznah Mohamad[2]

1. Introduction

Taking off from Frances Stewart's (2001) definition of Horizontal Inequality as being inequality between culturally-defined groups, this paper reflects on this conception with respect to the Malaysian case. It is well-acknowledged that Malaysia has maintained a relatively long record of political stability, and minimum experiences of ethnic unrest since its independence from colonial rule. But was it the notion of group identity and its correlation with group deprivation alone which had dictated Malaysia's ethnic policies? Do these policies lead to optimum conditions for political stability, ethnic peace and economic growth? Do all cases of ethnic differentiation coincide with economic and social inequality?

I make the point in this paper that the context of what is understood and experienced as group inequality is never fixed but socially-constructed and subject to a process of continuous redefinition. In the beginning it was clear that perceptions of ethnic differences and the disparity gaps which arose in the wake of Malaysian nationhood necessitated a relatively simple political model of consociational alliance or "power sharing". Later, as this model became more entrenched within the system it further sharpened group identity among many more or less distinct cultural collectives. The success of the model accentuated the process of inter-group delineation, which actually ironically involves intensified intra-group competition. The complexity of group formation has thus put a limit to state interventionism and its ability to affect ethnic peace and conflict. In the Malaysian case, inter-group coalition-building was matched by intra-group contestation. Group-based policies have of late become less definite. However, this has not affected ethnic peace adversely. To understand why this is so requires a change in perceptions of how ethnic conflict is prevented. Most studies so far have put too much emphasis on state-centric mechanisms as being responsible for directing social processes. But newer approaches are beginning to show that non-state elements may be even more important as determinants of societal cohesion.

This paper will begin with an overview of Malaysian studies and debates on ethnic inequality and its outcomes. It will then try to deconstruct some of the bases for Malaysia's relatively successful record of managing inequality through processes that lie outside state involvements. A particular focus of this paper is to analyze why an affirmative-action or preferential policy such as Malaysia's New Economic Policy (NEP), nationally implemented from 1971 till 1990,was able to pacify ethnic discontent although its achievements fell short of expectations. The NEP was followed by the New Development Policy (NDP) which was considered to be a corrective to the former. Both policies reflect the dominance of a binarial framework for understanding inequality which involves the conception of "*Bumiputera* versus

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Others", and eschew the recognition of other forms of inequality discourse. Although both policies are meant to provide means of intervention or deregulation in the economic sphere, the implications for the political and social spheres are much more far-reaching. Politically, the approach has clarified Malaysia's model of power-sharing as essentially involving only two critical groups, Malays and Chinese, with the context of their inequality remaining unchanged. Nevertheless, the level of social integration between the two groups has increased as an outcome of the industrialization and urbanization process shaped by Malaysia's version of state capitalism. Although both groups are politically factionalized, there is enough of a critical mass on both sides to converge in sustaining a power-sharing model of governance. The other groups will find it difficult to break this power-base. Other forms of inequality will thus remain unrecognized and untouched by policies. These other forms of group inequalities include regional differences, federal-state power imbalance, marginalization of non-Malay groups of *Bumiputera*[3] as well as the unaddressed plight of the smallest but most politically significant ethnic minority today, the Indians,[4] and the dispossession of a growing class of non-citizen migrant workers. All of these concerns have remained understudied and underemphasized. However, this paper acknowledges that a group-based affirmative action policy has had an effect on quelling group discontent, although the actual occurrence of economic growth and redistribution is more indirectly rather than directly a result of such policies.

2. Summary of Positions and Debates

The many studies of ethnic relations in Malaysia have recurrently centralized the role of the state and elite political actors in the picture. The search for an explanation as to why Malaysia's model of plural management has thus far been successful in avoiding serious ethnic conflict has been an important theme. In sorting through the debates I divide the explanations into five types.

The first explanation reduces Malaysia's stable government to a pact among ethnic political elites. The political elites are said to have successfully negotiated for rights and benefits on behalf of their communities. This is a consociational model in which a "balancing" modality is affected to temper extreme demands. It is assumed that only elites can come together as a multiethnic coalition and possess sufficient bargaining power to stave off conflicts and exact optimum gains for their individual ethnic constituents. The early context of ethnic pluralism in Malaysia is also argued to have been shaped by a "gradualist strategy" and leaders' "ambiguity regarding ultimate goals" (Enloe, 1968; 372). In the initial post-independence period such ambiguity and slowness of reaction did have the effect of dampening conflict while inter-ethnic channels of cooperation were being worked out. There was also the paradox of "…an "Alliance" party, which has the explicit aim of bridging gaps by a structure which is "ethnic" at the grass roots but "supra-ethnic" at the top." (Milne, 1974; 891). A lot of issues were however left unresolved, especially on the eve of the 1969 riots. For example, the demands for the implementation of the National Language Act of 1967

[3] In Malaysia the largest single group of *Bumiputera* are ethnic Malays who predominate in the states of Peninsular (West) Malaysia. In East Malaysia, the state of Sarawak has *Bumiputera* ethnic groups classified as Malay (21.5%), Iban (28.4%), Bidayuh (8.1%), Melanau (5.6%) and other *Bumiputera* (5.8%). In Sabah the distribution is: Malay (6.5%), Dusun/Kadazan (17.8%), Bajau (11.2%), Murut (2.9%) and other *Bumiputera* (13.2%). Malays alone comprise 53.4% of the total Malaysian population.

[4] The Indian party within the National Front coalition is the Malaysian Indian Congress (MIC) which is one of the three original partners of the Alliance party. The Alliance party is now called the National Front and it has expanded to include about 14 other parties.

were left largely unattended. Other issues left unsettled included the on-going policy debate over the setting of a quota for admitting Malays to the university, and the creation of a new private Chinese university. The federal government was even cautious in handling the issue of Islamic education (Enloe, 1968; 377-381). The early Alliance formula of pragmatic and equitable bargaining was thus full of avoidances and unclear policy-direction. The outbreak of the 1969 riot in the capital city came as a rude shock to the leadership. Their dithering stances were not well-received. The riot left a bitter realization on the part of the Chinese community --- that political bargaining was no match for power wielded in the hands of the Malay-controlled military and police forces (Heng, 1996; 511). Far from reinforcing the Alliance formula established in the wake of independence, the 1969 experience actually modified the consociational model by reinforcing the notion of Malay political dominance, or the United Malays National Organization party (UMNO) as "first-among-equals" in the power-sharing pact. This formula is yet to be broken or challenged, not because it is the most workable modality for ethnic peace but because power-sharing between Malay and Chinese political elites has now been extended to include profit-sharing between Malay and Chinese business elites (Heng, 1997; Gomez, 1999).[5] The linchpin for Malaysian ethnic peace still hinges on the resilience of an elite Malay-Chinese bargain, and so far this has held sway after the "readjusted" compact post-1969.

A second form of explanation attributes the persistence of ethnic peace wholly to successive periods of economic growth starting from the 1970s onwards. Such an accumulation of national wealth allowed poverty reduction and income redistribution measures to co-exist with private accumulation (Kamal and Zainal, 1989; Lucas and Verry, 1996). Good economic conditions alone, regardless of politics may reduce inter-group resentment and even help to seal party unity (Jesudason, 1999; 91). This kind of state-directed capitalism cultivates a rentier class out of the economically weaker but politically powerful group. Politically connected Malays use ethnicity to stake a claim to rents derived from economic growth. Enhanced group solidarity is achieved because of a perception that the system will benefit the individual as long as it is supported with group unity. The political cohesiveness of the group is further strengthened to direct state processes for its economic ends. One explanation as to why economic growth can occur in Malaysia despite "voracious rent-seeking" is because there exist parallel enclaves comprising the free-market Foreign Direct Investment (FDI) induced sector on the one hand, and the rent-seeking clientilism attracting speculative capital, the Foreign Portfolio Investment (FPI), on the other (Case, 2003; 4). One ensures economic growth, and the other political stability through the appeasement of group aspirations.

A third explanation tries to move away from a disproportionate focus on unilateral state-centric strategies, and instead credits ethnic peace to an ongoing process of state-society negotiations. Ethnic Chinese for example, have been creative and ingenious in gaining advantage from even a most hostile and constricting political system by using "by-pass" strategies, developing transnational business linkages and social networks among the global Chinese diaspora. The formation of social organizations involving ethnic entrepreneurs, class-based groups, and ethnic communities has seen the people becoming active contributors of nationhood rather being "mere pawns of state control and domination." (Chi, 2003; 67). Such state-

[5] Gomez (1999) does not make the point that Chinese businesses have been dependent on Malay business partners, rather a dependence on state patronage which is largely facilitated by Malay political connections.

society exchanges will force state agents to become responsive to civil society demands (Crouch, 1996). Even if the state is responsive to select ethnic demands at the expense of some other group interests, and offers short-term solutions without commitment to any long-term resolution, this may be all that is needed to maintain stability and prevent ethnic conflict. It is noted that there was also limit to collective "Malay" pride and cohesion and this happened with the outbreak of *Reformasi* in 1999. The outburst of *Reformasi* can be seen to represent the threshold of "mass-level forbearance of material inequalities" (Case, 2003; 8), leading to one of the more intense state-society "negotiations" for change to occur. Pressure from foreign portfolio investors and local Malay followings (the *Reformasi* advocates), both "estranged from local business elites" --- those who had benefited disproportionately from pre-Asian crisis rentier activities --- forced government to introduce measures for good governance (Case, 2003; 9).

The fourth explanation simply sees direct interventionist policy such as the NEP as the basis for Malaysia's stability. For whatever it is worth, and no matter if the policy was successful at bridging disparity gaps, it had the effect of quelling mass inter-ethnic dissatisfaction (Faaland, et. al, 2003; Esman, 1987). An affirmative-action policy such as the NEP must by necessity take on the form of a hegemonic discourse, and is therefore accompanied by an array of state coercive mechanisms which will mute dissent (Munro-Kua, 1996). The politically powerful group is the preferred group and is pacified by the plan. For the unpreferred group, the fear factor had taken effect and is usually explained as the reason behind the absence of dissent against the plan or the lack of opposition towards the ruling party that implements it (Chin, 2001).

The fifth form of analysis is to try to understand Malaysia's sense of ethnic peace by relating it to a social condition of multiculturalism, a sort of a neo-pluralist model of ethnic co-existence (Saravanamuttu, 2003). Each group has actually existed separately or within parallel systems in a cultural or economic sense. As long as each group feels that their group interests are not being threatened and deprivation gaps are prevented from being unduly widened, there is stability even if ethnic tension prevails. The pillars of "the framework of conservative forces" include security, ethnic bargain and development planning, enabling Malaysia to exist in a state of "stable tension" (Shamsul, 2001; 17). Furthermore, the consequent construction and proliferation of more ethnic and sub-ethnic categories in the population have managed to override the monolithic (Malay-Islamic), or dichotomous (*Bumiputera* vs. non-*Bumiputera*) or trichotomous (Malay-Chinese-Indian) entrenchment of power hierarchy in society, thus providing the checks and balances to policies which favour an unequivocal mono-cultural bias.

The debates swirling on how best to reduce ethnic inequality and sustain ethnic peace can also be broken down into three dimensions --- the cultural, political and economic. In the cultural sphere, we see on the one hand the multiculturalists arguing for the positive continuation of plural constituents, with race-blind equity and liberal-democratic principles maintained (Kua, 1990). A more conservative version of this position sees some merit for a dominant or "anchor" indigenous (Malay) culture prevailing (Chandra, 1990).

None of the economic debates question the necessity of sustaining economic growth. But if its non-equitable outcomes can be tempered it would be even "perfected". A characteristic view maintains that the market must lead with the state intervening for redistribution function, including taking the responsibility of instilling moral and ethical values in society to temper vulgar marketism (Nair, 2003; 198-200). There is also a position that even if rentier capitalism serves the function of preserving political

dominance by one ethnic group this will eventually involve the building of symbiotic relationships, such as business-alliances between two or several primary groups, who will inevitably seek peace and stability (Heng, 1997; 289; Jesudason, 1997; 138).

The political debate can be categorized into three positions. One position represents a view that consociationalism, although it has proved quite successful as a political arrangement for unity will become more complex with recognition of numerically increased and highly differentiated stakeholders. As more and more ethnic and sub-ethnic groups are able to mobilize themselves to gain political recognition, the bargain and power-sharing will become more unwieldy, even unmanageable (Chin; 1997). Another position advocates that the political system should move fully towards democratization and inclusive political participation as this is considered the best way to solve intractable inter-cultural and inequality issues (Loh, 2002, Tan, 2001). The recognition of a growing middle-class population also lends confidence that a more multi-ethnic, even ethnically-blind, political community can be created – a critical mass that would be able to push for an agenda of further democratization (Abdul Rahman Embong, 2002; Saravanamuttu, 2001). A third position, one carried by Southeast Asian leaders such as Mahathir Mohamad and Lee Kuan Yew, maintains that an authoritarian structure is still needed. This is to be combined with the adoption of selective democratic procedures, such as regular elections, but with restrictive and draconian laws kept intact. This is considered a better management (read coercive) tool for controlling unbridled and extremist ethnic demands.

All these positions arise from state-centric debates, attributing both the responsibility and rights of managing ethnic inequality to the state. Increasingly, however, studies beyond Malaysia have sought to look at people-centred mechanisms to understand how inter-ethnic cohesion is maintained, by employing the concepts of civil society and social capital. These range from looking at inter and intra-ethnic associational linkages to analysing everyday, or quotidian, elements as to how people themselves have secured peace and co-existence in their daily lives (Varshney, 2002; Coletta and Cullen, 2000; Coletta, Lim and Kelles-Viitanen, 2001). The view is that multiethnic elites are more capable of mobilizing their groups for conflict than sitting down at the table to bargain for their rights and for peaceful co-existence. Scholarly studies of Malaysia are now also starting to move away from a state-centric analysis to focus on people-directed processes. This dimension seems to be the missing link in understanding how multiethnic peace is sustained.

3. Quelling Conflict Beyond the State

In this section, I look at some of the bases for Malaysia's inequality management. This is an important issue to consider not because the strategy can be textbook-copied to other situations and localities but because it points to the inadequacy of statist instruments for use in conflict intervention. Below are some of the explanations as to why Malaysia's ethnic balance has prevailed, even beyond the capacity of the state and its best-intentioned regulations to shape it.

3.1. Majority-Minority Balance and its Moderating Impact

Outside the "bargain" and "power-sharing" theses it is moot to consider if it was not the Malay-Chinese numerical divide that contained a self-moderating element which prevented an ethnic clash. Demographics have changed, altering the distribution of ethnic populations in the country. In the 1950s the Chinese formed the biggest single community in British Malaya, comprising 45% of the total population (Freedman, 1960). The formation of the Malaysian Federation in 1963 adjusted this balance, with the inclusion of the mainly Christian native Borneo states of Sabah, Sarawak and

Chinese-dominated Singapore. Singapore's speedy departure from the federation in 1965 tilted the ethnic balance even further in favour of the *bumiputera*. Furthermore, faster population growth among the *bumiputera* has seen the Chinese proportion of the population shrink further, constituting now around 26 per cent of the Malaysian population.

The contest for political gains in Malaysia has actually involved a not-so-large majority group and a not so-small minority group, which means that the Malaysian problem is almost "self-solving" as the main contention is between a Chinese minority that is "big enough to look after itself" and the Malays who are "just about a majority", with a multi-ethnic bourgeoisie and a multi-ethnic poor, able to moderate the situation and prevent it becoming unmanageable (Fenton, 2002; 138). Malays are the most politically dominant group while the Chinese who comprise the latter are economically powerful. Because of this configuration, there seems to be compensatory mechanisms on both sides and potential for envy and resentment which could lead to violence is stultified. Given the not-so-large size of Malays (53 per cent of population) and the not-so-small-size of Chinese (26 per cent), neither group alone influences political outcomes, particularly in electoral politics. Hence it is the forging of cross-cutting alliances and compromises between these major groups with other groups which kept the Alliance formula alive.

The lumping of Malay-Muslims into the larger category of *Bumiputera* (12 per cent are non-Malays) has confused the issue because in actual fact, the 12 per cent non-Malay *Bumiputera* are concentrated in the East Malaysian states of Sabah and Sarawak, and have little bearing on Malay politics in the Peninsula. Another oversight in perception is that although Indians are considered one of the three strategic partners in the ruling coalition, they have of late become the smallest minority group (7.7 per cent). But Chinese and Indian minorities together in Peninsular Malaysia are numerically large in numbers relative to other minorities elsewhere and are not regionally concentrated. In Peninsular Malaysia they form a sizeable proportion of the electorate, and constitute the crucial "mixed constituencies" for parties within the ruling coalition (including the senior partner, the United Malays National Organisation - UMNO) to garner their major votes (Lim, 2003). These large minorities do have the power to "punish Malay extremists and reward moderates"; and sustain an interethnic coalition built around the "exchange of votes" (Bardhan, 1997; 1390). In both the 1999 and 2004 elections, National Front candidates (regardless of ethnicity and party) all had a high chance of winning in mixed constituencies where no single ethnic group comprises an absolute of the voters. The Islamic party (PAS) would invariably fail in these constituencies even if all Muslims in such a constituency were to vote for them. Even if there were a mass Malay aspiration for Islamic governance it would not materialize because there are more mixed constituencies than there are Malay-majority ones. Similarly, no demands could successfully come from a strong Chinese bloc because these would not be translated into or legitimated by an electoral majority. Malaysia's experience in electoral politics has shown how powerful these "moderating" constituencies can be, especially when they can easily be created by gerrymandering and redelineation exercises. Other factors have also played a part in remapping the concentration of population by ethnicity. Towns are no longer are predominantly populated by Chinese as was the case some twenty years ago (Sidhu, 1976) and new intra-ethnic political divisions have emerged. Thus any faction in the Malay political divide would now have to depend on the critical support of Chinese or Indians; all this, "ironically, for the continued political dominance of the Malays" (Shamsul, 2001; 3). This has reduced the likelihood of future Malay-Chinese clashes. Moreover, a new ethnic cleavage is developing among the urban poor as evidenced by the Kampung Medan clash in 2001. The violence which erupted between working class Malay and Indian youths in a depressed area in Kuala

Lumpur brought attention to the issue of spreading urban poverty and deprivation in the midst of rising prosperity, rather than a national-scale ethnic showdown (Fenton, 2003; 141-142).

3.2. Intra-Group Contestation for Identity

State interventionism alone did not directly quell or mitigate ethnic conflict. It is actually the "pluralizing process" which has continued to delineate and sharpen group identity. Ironically, it is this sharpening of group identity rather than the blurring of group difference that may have been most responsible for keeping the peace. The "sharpening" or "pluralizing" process engenders intense intra-group contestation and often deflects the inter-group confrontation. A policy such as the NEP was theoretically established and targeted for group enhancement. It assumed that there was no ambivalence as to who and what constituted the group, in this case, the Malays or the *Bumiputera*. But this assumption is erroneous. The history of the origin and connotation of the term *Bumiputera* notes that it did not come about by itself. It was invented and contested. But like many other constructs it was also capable of assuming a life of its own.

The evolution of political consciousness led to recognition of the need for group mobilization. A platform for convergence on the basis of constructed identities was generated during post-Second World War decolonization, including even an anti-European movement. Just after the culmination of the Second World War, the British announced a plan to dissolve the separate Malay states under their separate rulers into a "Malayan Union" as basis for a future nation. This project was thwarted by what was then recognized as the first expression of Malay nationalism – around which the identity of the Malay would subsequently coalesce. A significant united show of force by a disparate group of Malay political, civic and social associations developed for the first time. This movement objected to the Malayan Union plan, demanding the preservation of the Malay monarchical system in opposition to the British agenda of reducing the power of Malay feudal rulers in their plan for the modern nation-state. At the same time left-wing politics (including Islamic socialism) was also dealt a blow by the colonial state. By the late 1940s after the end of the Second World War, almost all left-leaning political organizations were banned under the state of Emergency Ordinance. This left the option of political protests against colonial imposition exclusively in the hands of cultural groups rather than ideologically-based interest groups.

Consequently, both Malay and Chinese polities have evolved over time through inter-group competition to become homogeneously distinct – Malays were a plurality consisting of units defined primarily by state boundaries as historically they were the subjects of Malay rulers under their *jajahan* (territorial boundaries). The Chinese on the other hand are loosely-linked economically and ideologically making it difficult for them to be united under any single hierarchy (Freedman, 1960; 166). However, the struggle over the citizenship question, over the preservation of independent schools and freedom to follow cultural practices and display cultural arts later became some of the issues which consolidated Chinese unity and hence identity more definitively (Carstens, 1998). The intensification of the "ethnicization" process succeeded in carving out a certain political distinctiveness in the two groups. This is not to say that there were no cultural referents attached to these social collectivities, but rather that over the years they have become more defined as groups for political mobilization. Political and economic demands from both sides had become less ambiguous in nature. Years of dealing and bargaining over the NEP have strengthened the Malay-Muslim identity in contrast to the Chinese identity through sheer mobilization of group voice.

The conception of defined groups was first formalized through census taking exercises. In the earlier censuses there was much ambiguity as to how culturally-recognized groups should be defined. What is now the monolithic category of a "Malay" ethnie or cultural group was not in clear existence even as late as 1911 when the first census of British Malaya was conducted. There were multiple categories and sub-categories of Europeans, migrants and natives listed under the census depicting an extensive plurality of "races". This fluidity of identities was a reflection of the equally fluid notions of "nation" or legal territories or political boundaries. Politically, cultivating the native rulers and their native subjects was of the utmost importance for colonial administrators. Geography dictated much of this – natives were peasants and were thus physically confined to the periphery of urban activities. They recognized the authority of an indigenous ruler only minimally. Language and religion (Islam) was another common tie. Beyond this there was no necessity nor urgency for group mobilization, hence the definition of "Malayness" was not clearly constructed nor sharpened. Malay nationalism evolved out of several historical developments and the definition of what constituted a "Malay" was heavily contested, with diverse factions having their different stake in its eventual consolidation (Shamsul, 1997).

Most accounts of pre-colonial societies also indicate that there was a symbiosis in Chinese-indigenes relations, through trade, marriage and absorption of local cultures by the Chinese. It was only during more recent mass-immigration of Chinese under colonialism that the acculturation process was weakened and a process of "inscription" was shaped by the colonial classification of indigene and non-indigene, or native and immigrant. The indigeny was inscribed as a political concept, with colonial racial ideology affecting how classification of ethnicity in censuses was to be ordered. There was no consensus or definition as to what represented distinct groups with clear, non-ambiguous common characteristics. Different censuses adopted different classification schemes. In the 1871 census for the Straits Settlements, the category Malay was only one of 28 ethnic categories (including 18 subcategories for Europeans and Americans). In 1891, there were six main categories of ethnic communities, with six sub-categories for Chinese, and nine for "Malays and other Natives of the Archipelago". In the 1931 census for the Federated Malay States 18 subcategories under the category "Malaysians by Race" were used (Hirschman, 1987; 570-571). From the 18 "races" of 1931, the Malaysian ethnicization process has now narrowed the census exercise into recognizing only four main categories of ethnicity with two sub-categories under "*Bumiputera*" (Malays and Other *Bumiputera*).

The group label "Malay", first introduced because of census requirements did ultimately evolve to become a definite legal category – but this was not without dispute. One scholar even calls it a "Western racial concept", as the question as to what should constitute "Malayness" involved protracted and prolonged debate among writers, journalists intellectuals and politicians. There were contestations among many factions of the "stakeholders", and disagreements as to whether royalty, religion or language should define the Malay identity (Shamsul, 1997; 242-243). Differences of opinions prevailed among the administrator-administocrats, the Left and the Islamists. The final closure to this "Malay identity" debate came after May 1969, with new legislations such as the Sedition Act 1970 specifically prohibiting any discussion or questioning of what constitutes "Malayness" and "Malay special rights". The general view is that this was to prevent government oppositionists from questioning Malay privileges and the NEP; it is now also clear that intra-group contestation was also put to an end because of it.

The distinction between Malays and "Other *Bumiputera*" is also to be noted. In Malaysia's 1957 Constitution only the concept "Malay" was synonymous with the

indigene. Only Article 160(2) defines what constitutes a Malay while Malays' special entitlements were spelled out in Articles 89 and 153. The origin of the term *Bumiputera,* on the other hand, was never constitutionally clarified but was usefully political in nature. In 1963, the two states of Sabah and Sarawak on Borneo Island were brought on board to create the new Federation of Malaysia. By 1965, Singapore, with a Chinese majority population was "expelled" from the federation. A common theory was that in bringing Sabah and Sarawak into the federation and by excluding Singapore, the Malay governing elite were able to retain a Malay majority polity. It was a strategy said to be designed to protect the ruling elite from future challenges mounted by Chinese interests.

The creation of the *Bumiputera* concept came out of this political deal. Initially the term *Bumiputera* was reserved only for the indigenous peoples of the two new states. There was a lot of debate on this and at first there was much indecision as to who actually constitute the *Bumiputera,* particularly if Malays could also be grouped under this category. These debates were raised during Singapore's brief participation as a member-state of Malaysia. Lee Kuan Yew's campaign for a "Malaysian Malaysia", in which the supremacy of any one community or race would be abrogated, eventually forced the separation of Singapore from Malaysia in 1965. A parliamentary debate in November 1965 (a month after Singapore's separation) raised the issue of the *Bumiputera* again. Prime Minister Tunku Abdul Rahman's reply to this question varied between stating that, "the term…has no legal meaning except in so far as to denote the natives of the mainland of Malaya and the natives of the Borneo States" to including "those Chinese and Indians who have been born here for several generations" to "the natives of Malaysia…who are less advanced and less able to compete with these other Malaysians."[6] He was finally pressured to accept only one definition of the *Bumiputera*, which excluded the Chinese and Indians across both West and East Malaysia. At the same time that these debates were going on, the term was fast being used. For example, the first Bumiputra[7] Economic Conference was held in 1965 and the Bank Bumiputra was established in the same year. Nevertheless, during this early period, the term *Bumiputera* was used to refer solely to indigenous peoples of Sabah and Sarawak. A distinction was made to distinguish Malays as natives of the Peninsular Malaysia from those of Borneo. The official indecisiveness about adopting this term was reflected in the fact that it was only in the Fourth Malaysia Plan (1981-1985) that the term *Bumiputera* was used extensively to refer to "Malays and other indigenous people" as a whole (Siddique and Suryadinarta, 1981; 674). This heralds the binarial discourse of inequality being a divide between one homogenous group (the *Bumiputera*) versus the Other (Chinese, Indians and Others). In this "pluralization process"…

[6] *Parliamentary Debates, Dewan Ra'ayat (House of Representatives), Official Report,* Second Session of the Second Parliament of Malaysia, vol. II, Session 1965-1966, 13 November 1965 (Kuala Lumpur: GPO), cols. 2467-2476; as quoted in Siddique and Suryadinarta (1981;673).

[7] Note: both spellings *bumiputera* and *bumiputra* are in common parlance.

> not only does the composition of the various categories change over time, but also the connotations of the labels undergo subtle, but crucial cognitive alterations…If one takes land as the constant, therefore, this cognitive progression can be described thus: from the concept of land for cultivation, to the conception of political power in the land (nation-state), and finally to the demand for an appropriate share in the economic fruits of the land (translated into economic investments, management control of companies, and percentages of share capital, etc.)
>
> (Siddique and Suryadinarta, 1981; 685-686).

With the merger of Sabah and Sarawak into Malaysia, a Malay majority constituency was created by conflating the political identity of Malays with that of the natives (a constitutional term) of East Malaysia. Out of this the label *Sons of the Soil* or *Bumiputera* came into being to distinguish this new majority political grouping from that of the others (loosely perceived to be those of immigrant origin). By 1965 the consociational bargain had actually become more complex and multifaceted. But this seeming "sleight of hand', of bringing the two East Malaysian states into the federation, did ensure that the bargain could still be preserved in favour of the Malays (seen as being on top of the *Bumiputera* hierarchy). One issue is whether this construction of a 'unified' *Bumiputera* concept is still sustainable, especially with the growing perception of Bumiputera intra-ethnic inequality among those in the two east Malaysian states. Nevertheless all this has proved that intra-group contestation will continue to serve as a political distraction from inter-group rivalry and conversely lowers the probability of ethnic clashes.

3.3. The Limitation of Social Engineering Through the NEP

How far did the state, through its regulations actually moderate ethnic demands and inequality? In this regard the NEP is often considered a quintessential tool of the state for social engineering. I would argue that even as a means to an end it did not successfully fulfil its original purpose. The implementation of the NEP was supposed to cover two decades, from 1970 to 1990. But by the mid-1980s, the policy was revised due to an economic downturn. Public sector expansion was curtailed and a privatization policy was pursued. Government investment in non-financial public enterprises which served as one vehicle for ethnic restructuring reached its peak in 1984, after which there was a drastic decline in government involvement.

The most pronounced implementation of the NEP actually only occurred during the Second Malaysia Plan phase stretching from 1971 through 1975. By the time the Fourth Malaysia Plan was instituted (from 1981 –1985) the original stipulations of the plan were watered-down, largely due to unfavourable economic conditions at that time. The goal of economic recovery and growth quickly replaced economic redistribution. It was during this period that the Industrial Coordination Act of 1975 (ICA) was repealed to allow for the unrestricted participation and development of private enterprises in the economy. This act was originally instituted to impose licensing conditions on the establishment of industries and was considered a bane to private, especially non-*Bumiputera,* entrepreneurs. Licensing controls had been imposed on the employment of labour based on ethnic quota, on shareholdings as well as on various other matters that allowed the state to intervene at every chance. The new investment regime retracted the disincentives that came with the 1975 Industrial Coordination Act (ICA), which "makes the conduct of medium and large-scale manufacturing enterprise subject to license" and was widely regarded as "having a stifling effect on private investment." (Snodgrass, 1980; 220).

For obvious reasons, the private sector did not feel obliged to carry out the aims of the NEP. And for equally obvious reasons, the government could not ignore the discontent expressed by this quarter. The repeal of the 1975 Act conveyed the message that the NEP's reach would be limited to the public sector only. Such responsiveness of the regime towards demands from economically-powerful sectors had the effect of impeding any backlash from the unpreferred group. Were the preferential policy to stretch indefinitely the consequence might be untenable. But in any case, private enterprise already had substantial Malay participation so the scrapping of the ICA was not politically deleterious.

The early years of the NEP's implementation led to some economic inefficiency, as the emphasis was on increased public expenditure, accompanied by numerous restricting regulations, procedures and licensing requirements. This was criticized for leading to increased production costs, productivity falls and a disincentive to capital investment (Yeoh, 2002; 19-23). Most employment for *bumiputera* was created within the public sector, which increased from 68% between the years 1970-1977 to 83% between 1977 and 1980; and many managerial jobs were superfluously created in public and statutory bodies to absorb *bumiputera* graduates even though some were not quite qualified to hold such positions (Wong, 1983, and Azmeer, 1983, cited in Yeoh, 2002). Nevertheless keeping "ethnic envy and discontent under control" might be worth it as the price was social stability and long-run economic development (Bardhan, 1997: 1394; Yeoh, 2003; 111). The emergence of even a small group of Malay business elites created a sense of collective pride rather than recurrent grievance. The Chinese on the other hand, seemed to have appreciated the reduction in Malay discontent and envy towards them, leading both communities to "cohere in a new national identity" (Case, 2003; 4). The Chinese have accepted over the years that an accommodationist policy is best and that they have accepted their "secondary" role in nation-state politics. By the late 1980s even the politically-backed businesses of the "UMNOputera" was open to deregulation, as privatization also meant new business opportunities (Heng, 1997; 289). In fact *Bumiputera* Controlled Companies (BCC) improved their performance and profitability under the NDP as compared to the period under the NEP (M. Fazilah binti Abdul Samad, 2003; 161-165).

The loosening up of the NEP with the NDP was significant in terms of how much the former actually facilitated the affirmative-action goals. The NDP eschews the achievement of numerical targets for *Bumiputera* equity ownership, stresses income elevation rather than income-redistribution, and reliance on private sector for growth rather than public sector intervention. Despite this, *Bumiputera* economic interests continued to prosper. By 1995, there was a sea-change of Chinese voters turning their support towards the National Front ruling coalition. Malay voters did turn away from UMNO in 1999 but this was largely over the Anwar Crisis rather than overall rejection of government economic policy. By 2004, the Malay electorate overwhelmingly shifted back their support to UMNO.

The above shows that the state was not really steadfast in using the NEP as a social engineering device. The NDP was also a government policy, but to call it a statist device would be an oxymoron, since the real purpose of the NDP was to detach economics and the market from overwhelming state involvement. Hence the description above of the NEP's transition into the NDP shows how small the impact of state intervention was in affecting the dynamics of ethnic relations. This is not an exaggerated point and this is not to say that the NEP did not leave many positive legacies. But it must be emphasized that ethnic relations is more than just achieving structures which created the equitable placements of people in the modern, urban sector. Take for example in the field of education and employment.

On a macro-level, statistics showed that Malays were successful in gaining increased opportunities for education. But this had always been on the supply side. Many educational institutions, especially at tertiary level were established to preferentially take in *Bumiputera* entrants. On the demand side, they were mainly absorbed in the public sector and lately unemployment rate has remained highest among Malay university graduates. Although the manufacturing sector has recorded a high rate of Malay labour force participation the majority of Malays are employed in the lower level or non-managerial level of occupations. Tables 2 to 7 also show that despite the increased proportion of *Bumiputera* participation in various occupations the proportional equity index for this group has actually worsened in 2000 as compared to 1970.

The NEP did create educational structures which massively opened the doors for *Bumiputera* intakes into special residential schools, public universities and various tertiary institutions. A quota system was implemented to raise the number of *Bumiputera* places in local universities and a scholarship scheme was created to allow large numbers of *Bumiputera* students to pursue their professional degrees abroad. However, a study by Ozay Mehmet and Yip Hat Hoong (1986) in Malaysian universities showed that only 12% of the *Bumiputera* students surveyed and who received government scholarships came from poor families. The study found that poor Malay families have far less opportunity of having a child in university than the Chinese and Indian poor families. Furthermore, more than four out of every five employed graduates with a scholarship (almost all *Bumiputera*) worked for the public sector, with university education ending up being inefficient in fulfilling technical and professional manpower needs. As for inter-ethnic student interaction on campuses, the situation did worsen with the NEP due the lack of trust and credibility in the system (Singh and Mukherjee, 1990). The by-passing of academic merit and competition to accommodate the quota system, the rise in Islamic religiosity as a marker of *bumiputera* identity hegemony and the wielding of the political stick on every aspect of academic policy created a sense of alienation among the non-*bumiputera* academic community matched only by the vigour of misplaced assertiveness among the *bumiputera.* While recognizing that it built up *Bumiputera* group confidence, The NEP was not a successful instrument for alleviating inter-ethnic mistrust, not in overcoming inter-ethnic inequality. In the absolute sense, there have been increases in *Bumiputera* presence in the modern sector. Nevertheless, in a relative sense, *Bumiputera* participation rates in high-waged occupations, in tertiary education and earnings (household incomes) are still below that of the other ethnic groups.

4. Further Analysis of the NEP

The NEP did not come about overnight as an immediate reaction to the 1969 ethnic riots. What was previously a series of “unfulfilled” demands for Malay advancement became a reality in a policy that no longer was subjected to open debate. The NEP was implemented through the various Malaysia Plans, starting from the Second Malaysia Plan (1971–75) to its Fifth plan (1985–90). In name, the NEP was officially carried through the five plans, although by the time of the Fourth Plan the goals were less stridently pursued. Under the premiership of Mahathir Mohamad (1981–2003), a readjustment of the NEP was justified to stimulate growth following the global recession of the 1980s. The rhetoric and implementation of the ‘Privatization Policy’, ‘Malaysia Incorporated’, ‘National Agricultural Policy’, and ‘Industrial Master Plan’ were reflective of this shift. In 1990, when the NEP came to an official end and was replaced by the New Development Policy (NDP), the Malays were indifferent to this change. However, the Chinese business community greeted the new policy with much interest and anticipation since it essentially meant a reversal of previous trends

(Heng, 1997). Although *Bumiputera* preferences in the form of ethnic quotas in education, public sector employment, licensing and share equity were seemingly left untouched, other significant transformations began to be affected. In business, there was considerable relaxation of regulations requiring mandatory *Bumiputera* participation. In education, several new far-reaching acts were passed to allow for private education and the liberalization of the language requirement and curriculum content. The changed emphasis was on economic growth and competitiveness rather than social redistribution.

Given the above developments the plan's actual technocratic essence may have only been realized within a limited period of Malaysia's development. It has even been asserted by some of the architects of the NEP as well as other independent economic researchers that after the mid-1980s the plan existed in name but had questionable impact. While poverty rates have declined and income per capita has risen and the size of the Malay middle-class has expanded, the original sub-text which was to narrow the wealth disparity between Malays and Chinese was only partially achieved. Nevertheless, the deprivation gap experienced by Malays and the ensuing animosity towards Chinese have been reduced. Even if only a small group of Malay elites had gained substantially from the NEP at the expense of widening the intra-Malay inequality gap (as in wealth ownership), group cohesion (even pride) persisted and has contributed towards the dampening of potential Malay-Chinese conflict.

The NEP has not been fully and progressively implemented as an economic strategy, but was nevertheless successful at defusing Malay-Chinese confrontation. It is argued here, however, that the reason why stability persisted during the NEP phase was due to a set of extraneous factors, largely political in nature which had continued to reproduce definite perceptions of horizontal inequality. Many political interests provided the legitimacy for a race-based policy such as the NEP to be implemented. In actual fact these extraneous factors had skewed the original orientation of the NEP. However, disaffection around ethnic issues was actually contained because of the 'stablising' factors.

What were the 'stablising' factors? I call them the extraneous factors. They helped to defuse Malay resentment towards the economically successful Chinese because i) Malay nationalist movements to demand that the Malay language become the hegemonic language of the new multi-ethnic state was because successful and powerful in the new NEP era; ii) Resurgent Islamic forces succeeded in mainstreaming Islam in state processes; iii) the electoral dominance of UMNO as "first-among-equals" in the ruling coalition was firmly established and; iv) Prime Minister Mahathir's successfully cultivated a populist appeal even as he shifted the focus of state interventionism from one of redistribution to market-induced growth. Malay political discontent was assuaged through these political developments or what I referred to as the extraneous factors. Although there were wide-ranging economic redistribution programmes to close the socio-economic gaps, these programmes were not the main basis for Malay acquiescence towards the system. The NEP created a climate for political confidence rather than a substantial basis for Malay economic upliftment. The economic targets were not altogether achieved by Malays as a group yet the deprivation gap (not necessarily in the economic sense) between them and the Chinese community was closed by the time the NDP was ready to be implemented. Hence, I assert that it was the political factor rather than the economics of the NEP which stabilized Malaysian ethnic disequilibrium.

This paper holds that Malay political discontent was reduced through political factors rather than through economic restructuring and this is the reason that there was little

likelihood of ethnic tension ever boiling over. A discussion of these extraneous political factors is presented below.

4.1. Language Nationalism

The first decade of the NEP's implementation was marked by many social costs. There was a drastic transformation in the schooling system. The first casualty was English medium education when, on 11 July 1969, the Minister of Education made a unilateral declaration that English as a medium of instruction would cease to be used in the national education system. It was a sort of triumph for Malay language nationalists who before this were frustrated by their failure to get the National Language Act of 1967 fully implemented.

Before this the implementation of *Bahasa Melayu* (Malay language) as the official language in government and schools was repeatedly contested by the governing elites (Haris Jadi, 1990; 68-149). Although this governing class was multi-ethnic, they were all schooled in the English language. The swift implementation of Malay in schools was not envisaged as part of the plan for ethnic restructuring in the NEP documents. However, the NEP provided the language nationalists an "opportunity structure" to push through their agenda.

Prior to this it cannot be denied that the school system structurally favoured English school leavers. By abolishing English medium schools the national education system would only have one type of school with one common medium of instruction. However, due to a political compromise, Chinese and Tamil schools were allowed to remain within the national public system, but only at the primary level.

This is perhaps one of the greatest social costs that befell the system in the long run. However, we cannot attribute it to the NEP *per se* as I have argued. The NEP simply provided the rationale or the opportunity for nationalism to be re-defined on the basis of language hegemony. The language policy has been said to be the most controversial aspect of the post-1969 national education policy. After the implementation of the Malay language policy as the dominant language of education, there was a backlash from non-Malays. Threatened by the policy, they reacted by adhering more strongly to their mother-tongue languages and campaigned for their retention in schools and everyday social interaction. (Singh and Mukherjee, 1990; Kua, 1999). During this period, enrolments in Chinese schools increased to high levels. By 2000s, the proportion of Chinese students in national schools (fully government-aided) had declined to about 2%; among Indians it was 4% and among others outside the above ethnic groups the number was a little less than 3% (Independent Committee on the Issue of Ethnic Segregation in Schools, 2002).

However, this is not to say that the NEP, even in its flawed implementation did not bring any benefit of redistribution through the education system. A study by Suet-Ling Pong based on data from the Second Malaysian Family Life Survey shows that the NEP increased educational attainment for all three groups. It also reversed previous ethnic stratification because the Malays attained more opportunities for upward mobility. Among Malays social class was less of a determinant for success. At the same time gender differences among Malays also narrowed as compared to non-Malays (Pong, 1995).

4.2. Islamic Resurgence

The paradox of this period, the so-called most successful phase of the NEP's implementation (in a technocratic sense) is that it was also the most socially and culturally turbulent for the Malays. Over this same period the Islamic resurgence movement began to take shape. Unlike the language nationalists, the rise of Islamic

activism had to do with both internal and external factors. The early initiators of the movement were Malay youths who received an urban education, and who were deeply affected by the aggrieved condition of an economically and culturally challenged Malay community. The Malaysian Islamic Youth Movement (ABIM) was an example of a strong and influential Youth Movement that fashioned its reform agenda around education.

ABIM's intention was to Islamize the Malay population by spreading the teachings of Islam. In a way, the NEP also provided an opportunity structure for them to carry out their *dakwah* (proselytising) mission through schools. An Islamic curriculum and an Islamic dress code were prescribed for the national schools. There was a presumption at that time that such changes would not get in the way of building a competent class of educated, professional or entrepreneurial class of Malays; so there was no question that Islamisation may even be incompatible with the aims of the NEP. Two decades later, at a time when Mahathir was about to give up his premiership, the underperformance of Malays in education was blamed on cultural factors (especially the brand of "anti-government Islam).

In 1974, ABIM lobbied the government to reform the education system in line with its Islamisation goals. It listed its main concern in education as the lack of a moral component and the separation of religion from the education process. Hence, it proposed that the study of the Islamic religion be made compulsory for all Muslims and non-Muslims in school, the number of religious teachers be increased, a switch to Islamic school uniforms (from skirts to sarongs for girls and short pants to long trousers for boys), as well as the establishment of an Islamic university (ABIM, 1974).

But the Islamic resurgence also gave birth to a variety of Islamic movements, including ones that altogether eschewed the economic agenda of the NEP. The *Darul Arqam* for example chose to partake in their own economic experiments outside the purview of the state and hence outside the discourse of the NEP. As stated by a well-known scholar of the movement, "...neither the capitalist advocacy of private ownership and the maximization of productivity and income nor the socialist insistence on public ownership and the "equal" distribution of means of production are accepted as comprehensive solutions. The solutions of these conventional development theories are perceived as materialist 'pseudo-solutions' for their emphasis is restricted to material matters….It is this inadequacy, from *Darul Arqam's* viewpoint, that culminated in the dependent and unmotivated character of the Muslims in Malaysia." (Muhammad Syukri Salleh, 1991).

The Islamic resurgence split the Malay constituency into several interest groups; besides UMNO, there was PAS, which was given a new spurt of life by the fundamentalist "Young Turks" who took control of the party on the back of the resurgence. Other groups such as *Darul Arqam* had also planned to work outside the state paradigm of progress through "material enhancement".

4.3. UMNO's Politics of Relevance

After the setbacks it suffered from the 1969 election and subsequent riots, UMNO's relevance was reinstated with the NEP. It took full control of the "interpretation" of the NEP. Its power base was dependent on rewarding Malays in exchange for loyalty. For UMNO it was the most crucial instrument for its revival and legitimacy after the 1969 election. In that election UMNO lost a large chunk of its support to the opposition, and hence it was through the NEP that UMNO was able to rebuild its credentials and legitimacy among the Malay constituents. The NEP created another opportunity structure for UMNO to build its power bases through the dispensation of political patronage, including access to material resources. The growth of "money

politics" built around the largesse of the NEP made UMNO powerful. UMNO was the trustee and gatekeeper of the distribution process (Mehmet, 1986).

4.4. Mahathir's Policies

Dr Mahathir goal of transforming Malaysia into a Newly Industrialising Country (NIC) was also transposed upon the template of the NEP, for example through creation of the *Bumiputera* Commercial and Industrial Class (BCIC). In many instances, he tried to get around the constraints of the NEP to realize his own economic goals. Marrying the NEP with NDP led him to create the BICC (often times the euphemism for wealthy Malays), which allows the state to privatize major public enterprises and hand these over to favoured *Bumiputera* entrepreneurs. The creation of the targeted *Bumiputera* Commercial and Industrial Class was closely linked to UMNO's political agenda. The emergence of so-called money politics tied to monopolistic businesses and global capital can also be attributed to Dr Mahathir's personal preference to emulate an NIC type of economic development. However, while this was an ambition for the nation the PM still either had to pay lip service to the virtues of the NEP or juxtaposed the constraints of the NEP upon his agenda for economic liberalization. Much of the survival of UMNO, in the midst of the crisis involving inter-factional party infighting was propped up by the accumulation of UMNO's wealth through the "instruments" of the NEP. But by 1987, the redistribution strategy was slowed down and the priority for growth took over partly due to recession and partly because of Dr Mahathir's own preference to emulate the path of the NICs. During this period the record of the NEP's success had become less promising, especially in terms of overcoming income disparity and diminishing equity ownership. The stimulation which Bumiputera entrepreneurs received from the skewed implementation of the NEP was in the end unable to sustain their politically-connected businesses, especially when the Asian crisis hit the region. However, this symbol or myth of the successful Malay corporate figure enabled UMNO to retain its political hold over the group. Although marked pockets of intra-group inequality among the Malays were not redressed the NEP created an avenue for politically-connected businesses to flourish, even if tenuously, but good enough to assuage Malay discontent to UMNO's benefit.

5. New Issues and New Inequalities

Four new developments are currently shifting the dichotomized focus of inequality between *Bumiputera* and non-*Bumiputera*, into other issues which are becoming of greater concern, namely:

1. The narrowing of social and political deprivation gap between the biggest single majority group the Malays and the largest single minority group the Chinese. Although economic disparity was not eliminated there have been fewer incidences of open-resentment between the two groups today (Jayasankaran, 1999). Hence, inequality still persists but this was not translated into ethnic violence. This may lead to the public perception that economic inequality is acceptable as long as it does not lead to violent reactions.

2. A revised view of Indians in Malaysia, hitherto having been regarded as economically-better off than Malays. Current recognition that ethnic Indians are the most economically and socially marginalized minority in the peninsula, next to migrant workers and rural communities of Sabah and Sarawak may lead to some "re-ethnicization" process within the Indian community (Nair, 2003; 192-193; Loh, 2003a). Even if national data shows Indians on average are better off than Malays, it appears that they have sharp intra-group

inequalities, with many professionals doing well, and a large working class that is not. Table 6 shows that in 2000, 11.2% of all registered professionals are Indians who comprise 7% of the population as compared to 37.2% professionals who are *Bumiputera* and constituting 63% of the total population. However, 14% of all Indians are also employed in elementary (lower-waged and unskilled) occupations as compared to 10% of Malays (see Table 10).

3. The social construction of more clearly-defined, more politically distinct ethnic groups in Sabah and Sarawak, coinciding with growing awareness of centre-periphery economic discrepancy, will play a greater influence in affecting federal-state relations (Singh, 2003; Jomo and Wee, 2002).

4. The widening of intra-ethnic inequality gap among all ethnic communities, most especially among the *Bumiputera*, not only between *Bumiputera* Malays and other *Bumiputera* but also among Malays (Nair, 2003; Jomo, 1990; Arief and Wells, 1985; 56-57).

The binarial model of *Bumiputera* versus non-*Bumiputera* as a framework for understanding inequality will have to be reassessed, given the above new features of inequality. Thus, while a group-based policy for addressing inequality may be useful, it cannot be premised on an unchanging set of culturally-constructed indicators. The conception of horizontal inequality may have to include other culturally-constructed variables, besides ethnicity, such as gender, regional specificities and ideological orientation.

5.1. The East and West Malaysia Divide

In light of the argument presented above it is important that scholars shift their attention towards examining other forms of inequality. There is a tendency for scholarly as well as policy studies to rely heavily on the peninsular Malaysian experience to understand the *Bumiputera/non-Bumiputera* dichotomy of Malaysia's ethnic politics. The discourse of the "*Bumiputera* Policy" may be viewed differently in East Malaysia. There, the domination of peninsular Malays as being on top of the "indigenous" scale is perceived among East Malaysian *Bumiputera* to be one of the roots of the NEP's discriminatory reach. In East Malaysia the intra-*Bumiputera* inequality gap has become a moot issue of political mobilization, with identity assertiveness growing among the various indigenous ethnic groups. But the situation is complex as there is no single 'unitary' *Bumiputera* there. Various sub-ethnic groups exist and all theoretically have an equal stake in preferential economic 'rentier' activities and education and employment quotas. In both Sabah and Sarawak, only the Chinese constitute the single largest grouping, even exceeding the largest *Bumiputera* (Iban) plurality in Sarawak.

Politics is more complicated in Sarawak and Sabah as the *Bumiputera* electorate is split into at least four different major ethnic sub-groups, The Dusun/Kadazan population of 18% dominates in Sabah, while in Sarawak the Ibans constitute the majority *Bumiputera* group of 28% of the population. However, there are about 27 ethnic groups in Sarawak and about 35 groups in Sabah alone (Chin, 1997; 98). In fact the highest single group are the non-*Bumiputera*, mainly made up of the Chinese (48% in Sabah and 30% in Sarawak) (Jomo and Wee, 2002; 5). Other minorities in Malaysia have become increasingly dissatisfied with the dominant Malay-Chinese dichotomy and are asserting their own particular interests. Tension between Sabah and Sarawak and the Federal government is becoming more obvious as inequality in federal allocation and widening socio-economic disparity gaps have not been moving in the favour of these states (Jomo and Wee, 2002).

In Sabah and Sarawak, it took a while before ethnic consciousness developed among indigenous groups. Only the Chinese had a distinct group identity. Writing about the Sabah elections in 1967, R.S. Milne and K.J. Ratnam were not able to identify a clear ethnic pattern of voting as the term "community" was still a tenuous and ambiguous connotation. The categorization of ethnic groups and communities was again largely induced by census requirements. (Milne and Ratnam, 1969; 380). By 1999, the picture had changed. The state election was clearly contested on the basis of "communal blocs", viz. the Muslim-*Bumiputera*, the non-Muslim *Bumiputera* and the Chinese blocs (Loh, 2003b; 244-245). The mobilization of definite community identities was fuelled by perceived or real threats of federal government encroachment upon the state's autonomy; hence the emergence of the Kadazan-Dusun as a counterpoint to the federal-backed Muslim-*Bumiputera* in Sabah which led to a serious crisis in Federal-State relations in the late 1980s (Chin, 1997). The extent to which all of this will affect the social compact (of a peninsular Malaysian origin) is one of the emerging issues in understanding the future course of horizontal inequality in this country. Perhaps this proliferation of identity groupings has had the effect of counter-balancing ethnic strengths and thus mitigating probable clashes. On the other hand a research question can also be posed as to whether this will lead to the reproduction of more adverse horizontal inequality.

5.2. Civil Society, Intra and Inter-Communal Mobilization

The paper has argued that the prevention of ethnic violence has largely been due to the continuation of an old political model. The engenderment of several extraneous political factors was helped by the political opportunity structure created by the existence of the NEP and hence played a larger part than the NEP itself in stabilizing ethnic relations and in preventing conflicts. The NEP essentially evolved to become a modified representation of the old social compact. In relation to this, we ask why civil society with its generation of "social capital" was not successful in pushing for a deepening of democratic governance. But perhaps it was also through civil society involvement that a non-state platform of pluralist, multicultural co-existence could be best cultivated. The propagation of intra-ethnic civic associations is more rewarding for political actors because it serves to create self-sustaining and self-providing communities less dependent on government. No doubt these ethnic associations are reliant on some measure of political patronage, but this is because tangible benefits are more expediently disbursed along ethnic lines. The reproduction of definite perceptions of difference and cultural affinity will ultimately make for an easier and less ambivalent basis for political mobilization. Nevertheless this may not necessarily exacerbate inter-ethnic tension, indeed if anything it may even lessen inter-ethnic resentment. The only casualties are civil society groups that try to build a democratic structure that cuts across ethnic lines. Although these groups, which range from human rights to environmental groups to women's rights groups, are publicly vocal and visible they still have problems attracting a mass-following. They lack the ability to construct and define a distinct group identity and hence are weak in their capacity to mobilize.

New concerns for reclaiming equal citizenship rights by non-*Bumiputera*, the need for inter-ethnic 'liberal' solidarity to counter contending Islamic systems (such as demands for an Islamic State), and the strengthening of the new politics of civil society for goals beyond ethnic gains (such as dealing with the environment, human rights, gender) are all attractive possibilities for the future of an inclusive model of governance. But for reasons argued in this paper, namely the continued entrenchment of a power-sharing arrangement between the two critical Malay and Chinese political and business elites, there will be little room for other collectivities to shake this power hegemony. At this point, a coalition force involving the various civil societies together with communities and minorities at the margins (were it to be

successfully forged) would not be able to match the coalition compact already built by the select representatives of the two groups.

6. Conclusions

Malaysia's experience as a plural society has exhibited relatively few incidences of ethnic violence. The cultivation of well-marked cultural identities and the continuation of political division among ethnic communities spell a seemingly inherent potential for disintegration. But thus far, major conflicts have been averted and a rapid rate of economic development has occurred.

This paper has explored Malaysia's experience with ethnic management. Its development policy was clearly predicated on a group-based framework as opposed to a group-blind policy that places individual well-being as the core concern. Frances Stewart's contention that most development thinking may have been over-concerned about individual welfare as opposed to group benefit is questioned here. This paper makes the argument that in Malaysia, that was not the case. Group-based policy-making has predominated, although the motives for such a policy may have been driven by multiple concerns rather than group benefit. The notion of horizontal inequality has become a persistent tool for justifying "unequal" allocation of resources, rights and privileges among contending forces. As a consequence group mobilization has been an effective tool for staking out political or economic claims by interested parties. An identification of membership within a group also reinforces relative self-esteem or self-deprivation, hence fashioning behaviour that further reinforces the saliency of group-based exclusionary politics. But what exactly constitutes the group in Malaysia has been subject to ongoing contestation. The markers for group distinctiveness have not always been ethnically or culturally defined. In fact, the historical context of group-based politics and hence, patterns of economic control, has continuously been in a state of flux. What has prevailed so far is the consolidation of a Malay-Sino elite alliance as the key element in defining the context and parameters of the bargain, both political and economic.

The conception of horizontal inequality is powerful in so far as it helps us understand the effectiveness of group mobilization in spurring conflicts or forcing policies for their resolution when culturally-defined markers coincide with economic and political inequality. However, policies that are targeted only at addressing horizontal inequalities may overlook the necessity of checking on or correcting intra-group inequality. For instance, to what extent can group identification sustain a perception of individual self-worth before this reaches a threshold or its maximum "utility" value and makes way for group fragmentation and consciousness about intra-group inequality far outweighs the sentiment to be united. Inter-group alignments at the elite-level may also use horizontal inequality policies or affirmative-action tools to the advantage of stronger members at the expense of the more-deprived members of each group. This is not to suggest that more democracy and compliance of human rights would have been put in place were it not for Malaysia's obsession with group-redistribution or ethnic-preferential policies. But one thing is obvious - there has been too much emphasis placed on the state and its directed policies as the single most important variable in determining outcomes. As had been shown in the paper, many extraneous variables as well as the ability of non-statist processes to overcome state regulations have worked together to create conditions for non-violent inter-ethnic existence.

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8. Appendices: Tables

Table 1: Malaysian Population Distribution By Ethnicity And Religion 2000

Ethnicity	%	Religion	%
Malay	53.0	Islam	60.4
Chinese	26.0	Buddhism	19.2
Indian	11.7	Hinduism	9.1
Other Bumiputera	7.7	Christianity	6.3
Other	1.2	Taoism/ Confucianism	2.6
		Tribal/Folk region	0.8
		Other religion	0.4
		No religion	0.8
		Unknown	0.3

Source: Census 2000

Table 2: Peninsular Malaysia: Employment By Occupation And Ethnic Group, 1970

Occupation	1970 (%)			
	Bumi.	Chinese	Indian	Others
Professional and technical	47.0	39.5	10.8	2.7
Administrative and managerial	24.1	62.9	7.8	5.2
Clerical and related workers	35.4	45.9	71.2	1.5
Sales and related workers	26.7	61.7	11.1	0.4
Service workers	44.3	39.6	14.6	1.5
Agricultural workers	72.0	17.3	9.7	1.0
Production, transport and other workers	34.2	55.9	9.6	0.3
Total	51.8	36.6	10.6	1.0
Ethnic Proportions	52.7	35.8	10.7	0.8
Proportional equality index of employment by occupation				
Professional and technical	0.89	1.10	1.01	3.38
Administrative and managerial	0.46	1.76	0.73	6.50
Clerical and related workers	0.67	1.28	1.61	1.88
Sales and related workers	0.51	1.72	1.04	0.50
Service workers	0.84	1.11	1.36	1.88
Agricultural workers	1.37	0.48	0.91	1.25
Production, transport and other workers	0.65	1.56	0.90	0.38
Total	0.98	1.02	0.99	1.25

Source: Fourth Malaysia Plan, 1981-85

Table 3: Malaysia: Employment By Occupation And Ethnic Group, 1988

Occupation	1988 (%)			
	Bumi.	Chinese	Indian	Others
Professional and technical	55.6	30.8	11.5	2.1
Administrative and managerial	28.4	66.0	4.6	1.0
Clerical and related workers	55.1	35.6	8.8	0.5
Sales and related workers	36.5	57.5	5.9	0.1
Service workers	58.7	30.2	9.9	1.2
Agricultural workers	75.8	16.6	7.2	0.4
Production, transport and other workers	45.9	42.8	10.8	0.5
Total	56.9	33.7	8.7	0.7
Ethnic Proportions	61.2	30.0	8.2	0.6
Proportional equality index of employment by occupation				
Professional and technical	0.91	1.03	1.40	3.50
Administrative and managerial	0.46	2.20	0.56	1.67
Clerical and related workers	0.90	1.19	1.10	0.83
Sales and related workers	0.60	1.92	0.72	0.17
Service workers	0.96	1.01	1.21	2.00
Agricultural workers	1.24	0.60	0.88	0.67
Production, transport and other workers	0.75	1.43	1.32	1.20
Total	0.93	1.12	1.06	1.20

Source: Mid-Term Review of the Fifth Malaysia Plan, 1986-1990

Table 4: Malaysia: Employment By Occupation And Ethnic Group, 1995

Occupation	1995 (%)			
	Bumi.	Chinese	Indian	Others
Professional and technical	64.4	25.7	7.0	2.9
Teachers and Nurses	72.3	20.5	6.6	0.6
Administrative and managerial	36.8	52.5	4.8	5.9
Clerical workers	57.5	33.8	7.4	1.3
Sales workers	36.4	50.2	6.2	7.2
Service workers	57.3	21.6	8.2	12.9
Agricultural workers	61.3	11.9	6.9	19.9
Production workers	44.2	33.7	9.6	12.5
Total	51.4	29.6	7.9	11.1
Ethnic Proportions	63.3	26.5	7.6	2.6
Proportional equality index of employment by occupation				
Professional and technical	1.02	0.97	0.92	1.12
Teachers and nurses	1.14	0.77	0.87	0.23
Administrative and managerial	0.58	1.98	0.63	2.27
Clerical workers	0.91	1.28	0.97	0.50
Sales workers	0.58	1.89	0.82	2.77
Service workers	0.91	0.82	1.08	4.96
Agricultural workers	0.97	0.45	0.91	7.65
Production workers	0.70	1.27	1.26	4.81
Total	0.81	1.12	1.04	4.27

Source: Eighth Malaysia Plan, 2001-2005

Table 5: Malaysia: Employment By Occupation And Ethnic Group, 2000

Occupation	2000 (%)			
	Bumi.	Chinese	Indian	Others
Professional and technical	63.9	25.8	7.6	2.7
Teachers and Nurses	73.2	18.4	6.9	1.5
Administrative and managerial	37.0	52.3	5.5	5.2
Clerical workers	56.8	32.9	8.6	1.7
Sales workers	37.3	49.8	6.8	6.1
Service workers	57.7	21.8	8.5	12.0
Agricultural workers	61.2	10.3	6.9	21.6
Production workers	44.7	33.8	10.0	11.5
Total	51.5	29.7	8.3	10.5
Ethnic Proportions	61.1	24.5	7.2	1.2
Proportional equality index of employment by occupation				
Professional and technical	1.05	1.05	1.06	2.25
Teachers and nurses	1.20	0.75	0.96	1.25
Administrative and managerial	0.61	2.13	0.76	4.33
Clerical workers	0.93	1.34	1.19	1.42
Sales workers	0.61	2.03	0.94	5.08
Service workers	0.94	0.89	1.18	10.00
Agricultural workers	1.00	0.42	0.96	18.00
Production workers	0.73	1.38	1.39	9.58
Total	0.84	1.21	1.15	8.75

Source: Eight Malaysia Plan, 2001-2005

Table 6: Malaysia Registered Professionals[1] By Ethnic Group, 1970-2002

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
Increases										
1970-2002	34,821	38.8	44,477	49.6	9,527	10.6	919	1.0	89,744	100
1980-2002	32,512	42.1	36,458	47.2	7,630	9.9	703	0.9	77,303	100
1990-2002	23,293	43.3	24,629	45.8	5,230	9.7	661	1.2	53,813	100
2000-2002	5,670	48.6	5,027	43.1	854	7.3	125	1.1	11,676	100

Sources: Malaysian plan documents.

Note: Professionals defined as architects, accountants, engineers, dentists, doctors, veterinary surgeons, surveyors and lawyers; 1970 figures exclude surveyors and lawyers; 1975 figures exclude surveyors.

Table 7: Gender Ratio in Employed 15-64 Year Olds by Ethnicity and Occupation

Occupation Code	All	1	2	3	4	5	6	7	8	9
All Residents	1.99	3.33	1.40	1.54	0.57	1.92	3.48	5.21	2.04	2.11
Malaysian Citizens	1.97	3.31	1.38	1.53	0.57	1.98	3.31	5.17	2.07	2.38
Malays	1.99	2.86	1.24	1.42	0.71	2.53	4.88	4.85	1.73	2.95
Chinese	1.96	3.72	1.47	1.68	0.32	1.51	3.69	5.45	3.55	2.06
Other Bumiputera	2.16	2.61	1.78	1.55	0.77	1.51	2.26	6.75	4.75	2.31
Indians	1.69	4.05	1.76	1.75	0.72	2.45	1.13	3.85	1.65	1.65
Others	1.85	2.86	1.60	1.69	0.58	1.27	3.00	5.85	3.37	1.12
Non- Citizens	2.22	3.83	3.90	3.59	0.67	1.25	4.75	5.71	1.86	1.41

Source: Census 2000

Occupation Codes:

1. Legislators, Senior Officials and Managers
2. Professionals
3. Technicians and Associate Professionals
4. Clerical Workers
5. Service Workers and Shop and Market Sales Workers
6. Skilled Agricultural and Fishery Workers
7. Craft and Related Trades Workers
8. Plant and Machine-operators and Assemblers
9. Elementary Occupations

Table 8: Percentage Of Population With Highest Level of Education Attained (Post-Secondary And Tertiary Level) By Selected Age Groups And Ethnicity

Age Group	15-19	30-34	45-49	60-64
Malaysian Citizens	13.52	16.67	9.05	4.27
Malays	14.37	18.9	8.4	3.45
Other Bumiputra	7.75	7.64	5.12	2.60
Chinese	15.29	16.83	9.47	4.81
Indians	11.29	13.18	7.78	7.05

Source: *Population and Housing Census of Malaysia 2000: Education and Social Characteristics of the Population*, Department of Statistics of Malaysia, 2002

Table 9: Percentage of Malaysian Population Within Selected Age Groups With Certificate / Diploma / Degree by Gender, 2000

	Population (%) Within Age Group			
	20-24		50-54	
	Male	Female	Male	Female
Malays	27.16	26.87	32.83	11.45
Other Bumiputera	2.17	2.18	2.21	0.36
Chinese	16.03	16.68	26.88	10.77
Indians	3.59	3.41	6.68	2.60
Others	0.28	0.26	0.63	0.37

Source: *Population and Housing Census of Malaysia 2000: Education and Social Characteristics of the Population*, Department of Statistics of Malaysia, 2002

Table 10: Employed Female Population Aged 15-64 Years By Ethnicity and Occupation

Female Population	Occupation Code								
	1	2	3	4	5	6	7	8	9
Malays	9.51	23.55	22.99	30.44	13.03	7.07	5.86	18.28	9.65
Chinese	10.45	12.98	9.63	23.68	13.22	2.26	6.86	3.53	6.98
Other Bumiputera	0.84	1.66	2.80	3.66	3.43	8.18	0.93	1.07	2.57
Indians	1.29	2.68	3.15	4.64	1.74	1.58	1.23	5.13	3.40
Others	0.23	0.32	0.27	0.50	0.48	0.30	0.13	0.21	0.67
Non- Citizens	0.76	0.47	0.44	0.86	2.25	2.88	1.08	4.67	8.93

Source: Census 2000
Note: For Occupation Codes, see Table 7

Table 11: Ethnic Ratio in Employed Population 15-64 Years By Ethnicity

Occupation Code	1	2	3	4	5	6	7	8	9
Malaysian Citizens	7.0	5.9	12.5	10.2	13.2	12.0	9.0	14.8	10.8
Malays	5.4	6.4	14.1	10.7	12.7	12.5	6.7	16.9	10.5
Chinese	12.2	6.6	11.2	10.9	15.6	5.5	14.7	9.2	10.0
Other Bumiputera	2.1	2.7	8.8	6.4	11.5	38.8	6.8	10.1	11.3
Indians	5.5	5.2	12.8	9.5	9.6	5.8	6.7	26.6	14.2
Others	6.0	4.6	8.3	7.4	13.9	16.7	8.2	14.3	17.8
Non-Citizens	2.6	1.3	2.5	1.4	6.9	24.6	6.9	22.4	29.2

Source: Census 2000
For Occupation Codes see Table 7

Table 12: Growth in Mean Monthly Gross Household Income by Ethnic Group, 1995 and 1997

Ethnic Group	Average Annual Growth Rate (%)	
	In Current Prices	In Constant Prices
Bumiputera	12.7	9.3
Chinese	13.7	10.3
Indians	16.3	12.8
Others	14.4	11.0

Source: Mid-Term Review of the Seventh Malaysia Plan, 1996-2000