

ETHNICITY AND POLITICAL DEVELOPMENT: THE CASE OF MALAYSIA

by

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B.A. Honors, Simon Fraser University, 1990

THESIS SUBMITTED IN PARTIAL FULFILMENT OF
THE REQUIREMENTS FOR THE DEGREE OF
MASTER OF ARTS
in the Department
of
Political Science

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SIMON FRASER UNIVERSITY

August 1993

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Ethnicity and Political Development: The Case of Malaysia

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ABSTRACT

The rapid economic growth in some of the Asian countries has created the need for a reexamination of some of our concepts and theories. Scholars have come to realize that the development processes of these societies do not parallel the route taken by Western countries. The societal, economic, and political cleavages in developing countries are intertwined. One of the major concerns of many developing countries is the need to restructure society so as to eliminate the economic imbalance between various ethnic groups. It is expected that such a restructuring would curtail the volatile nature of ethnic based politics.

This thesis critically examines Malaysia's various ethnic groups in relation to its development process. Ethnic divisions in Malaysia were established and maintained by colonial rulers. These divisions continue to influence her economic and political life. This study looks into the complex problem of ethnicity and its relation to equality of opportunities in the Malaysian society.

It also emphasizes the need to understand the policies adopted by successive governments in Malaysia, in their quest for ethnic harmony and political stability. Thus, this thesis critically analyzes such governmental policies and their impact on society, the economy, and political institutions.

A clearer understanding of the multi-dimensional complexities of Malaysian society may also help us in appreciating the significance of similar problems and efforts in other developing countries. This study attempts to explore such complexities and

tries to contribute to the understanding of those developing societies where ethnic imbalances impinge upon their development process in general.

DEDICATION

To my Family, many Friends,
and Teachers who have given me courage
and inspiration all through my life.

QUOTATION

The Will to Succeed

"Upon the wreckage of thy yesterday
Design thy structure of tomorrow. Lay
Strong corner-stones of purpose, and prepare
Great blocks of wisdom cut from past despair.
Shape mighty pillars of resolve, to set
Deep in the tear-wet mortar of regret.
Work on with patience. Though thy toil be slow
Yet day by day the edifice shall grow.
Believe in God-in thine own self believe.
All that thou hast hoped for thou shalt achieve."

Ella Wheeler Wilcox

ACKNOWLEDGEMENTS

I would like to take this opportunity to thank my parents, who have provided me with shelter, guidance, and moral support towards achieving my scholarly goals. To my brother and sister, who have always been there for me in body and spirit. And to Srithary Radhakrishnan who has become a very special and close friend. To my two teachers, Professors A.H. Somjee and F.Q. Quo who have taken great pains to ensure my scholarly development. Without their kind help it would not have been possible to finish this study. Finally, to Dr. Geeta Somjee, her kind words and deeds, made completing this study a little easier.

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PREFACE

The study of the development process has generated scholarly works and debates amongst political scientists through the years. Although the models and approaches have changed over time, the complex problems of effectively understanding such a process still persists in many developing countries.

Furthermore, sudden economic growth in some of the developing countries of Asia has sensitized us to the inadequacies of contemporary development theories and concepts. Most scholars view the process of development through Western perspectives. They fail to acknowledge that the historical and social foundations of developing countries do not parallel the Western experience.

Moreover, the 'single-discipline' approach, taken by many scholars in studying the development process of emerging countries, has often failed to comprehend the complexities of development process in these nations. Development purists have evolved their concepts and models within the boundaries of their respective disciplines and therefore do not like to extend themselves into related fields.

This thesis proposes to examine the relationship between ethnicity and political development in Malaysia.¹ Ethnic divisions

¹ This is essentially a study of politics of Peninsular Malaysia, the area formerly known as Malaya. Following common usage I refer to the region as Malaya prior to the establishment of the new federation in 1963, and thereafter (generally) as Malaysia. Technically the correct designation after 1963 is Peninsular Malaysia, but this does not convey the dominant role of this area within the federation and the element of continuity inherent in the change from Malaya to Malaysia.

were established and maintained by the colonial rulers. A clearer understanding of the multi-dimensional complexities of Malaysian society may also help us in understanding the intricacies of development processes in other emerging societies.

Although economic and social inequalities are present in most countries, such imbalances take on a new outlook in developing countries as they sometimes effectively block the economic growth and political development of those countries.

The problem worsens when such inequalities take the form of ethnic divisions, as in the case of Malaysia. The Malaysian society is one of the few societies where development in different departments coincides with division between two ethnic groups. Within the society, the Malays, through a previous constitutional arrangement, take care of political matters, and the Chinese dominate the economic sphere of the society.

Such a division was accepted, until the race riots of 1969 erupted. These riots brought the problem of racial tensions to the forefront. Political parties exploited such conflicts to win parliamentary seats. The Malays maintained that they were barred from many of the profitable economic activities that were basically dominated by the Chinese.

The Chinese, on the other hand, maintained that the Malays were enjoying special political status under the 1957 constitution. The 1969 elections brought about a dangerous polarization of the electorate on ethnic lines.

The result of the riots was the implementation of the New Economic Policy (NEP). The government, through such a policy wanted to achieve national unity, by eradicating poverty regardless of ethnic background, and by restructuring society to eliminate the identification of ethnicity with economic function.

This socio-economic imbalance and its consequences on political development are the major problems that this thesis wishes to address. The NEP was supposed to correct the imbalances within the society, but so far it has failed to do so. While ethnic problems are present in most countries, in the case of Malaysia they create serious unsettling problems.

The first chapter examines the various theoretical approaches to the study of ethnicity and development. That will help us, to some extent, in explaining the development process of Malaysia. This chapter will then focus on a single model, the composite model, that appears most helpful in understanding the relationship between the variables of ethnicity and development in Malaysia.

In the second chapter, the analysis will encompass the factors which led to the formulation and adoption of the New Economic Policy. It will consider the significant historical factors that created the uneven nature of Malaysian society and economy.

The third chapter will consider the objectives, the implementation, and the impact of the New Economic Policy on the Malaysian society. It will focus on the political ramifications of the policy and an evaluation of its achievements and failures.

The fourth and final chapter will discuss the political

dimension of ethnicity. The central issue that will be evaluated is the process of nationalism and the emergence of political parties, and the significance of these for the future of Malaysia.

At this moment, I would like to thank Professor Emitterus A.H. Somjee, Professor F.Q. Quo and the rest of the faculty and staff of the Department of Political Science for their valuable assistance in completing this study. This work would not have been possible but for the scholarly guidance given to me by both Dr. Somjee and Dr. Quo. Dr. Somjee has provided me with constant encouragement to complete this work. Also thanks to Dr. Quo, for his encouragement and help.

I would also like to express my appreciation and gratitude to the staff of Simon Fraser University's W.A.C. Bennett library, and the University of British Columbia's main library, for providing me with the assistance needed.

Loganathan Masilamani

CHAPTER ONE

VARIOUS THEORETICAL APPROACHES TO THE UNDERSTANDING OF ETHNICITY AND DEVELOPMENT

Malaysia has now joined the group of Asian countries which have achieved rapid economic growth through the years. In that respect it has come a long way. In the 1960s there was praise for its economic and political performance. But in the 1970s and 1980s, Malaysia registered a decline. It then bounced back in the 1990s, thereby regaining its economic prosperity and relative political stability. Malaysia is now considered to be one of the Newly Industrialized Countries (NICs). Such an economic growth is largely due to its pragmatic policies. Such policies and frequent course corrections in it have given to Malaysia its unprecedented economic growth and political stability.

As in many other developing countries, ethnic concerns also play a dominant role in Malaysia's development. These concerns have many dimensions given the multi-ethnic composition of the Malaysian society, and ethnic economic imbalance within it.

While ethnic studies have become a 'growth industry', their focus has been relatively narrow. "In the economic area, scholars have been more interested in examining the characteristics of small, economically successful ethnic groups -- such as middlemen minorities -- rather than the macro-economic consequences of Malaysia's ethnic divisions."² It is only by studying both the

² James V. Jesudason, Ethnicity and the Economy: The State, Chinese Business and Multinationals in Malaysia, (Singapore, 1989), p. vii.

economic and political variables of such ethnic divisions that we can comprehend the actualities of Malaysia's ethnic problems. Such an understanding ought to precede any attempt at broad generalizations either about Malaysian society or ethnic problems within it.

The other weakness of present day literature on ethnic studies is the emphasis on the abstract concept of 'ethnic mobilization'. "Such a formulation has no doubt given us some understanding of useful economic and political themes such as ethnic conflict, internal colonialism, the role of political entrepreneurs, etc."³ But most of such studies done with the help of this abstraction do not consider the dynamics of development which influence ethnic mobilization. They do not deal with questions such as: How do ethnically based polities cope with divergent demands, such as meeting ethnic pressures while trying to provide for economic growth? How does the state interact with the economic strengths and demands of various ethnic groups? This study will try to address such questions. Very few ethnic studies go into these and related issues. This thesis will also analyze the social, economic, and political dimensions of the ethnic cleavages and the nature of state policy towards them in Malaysia.

This chapter will present a survey of literature that focuses on the relationship between ethnicity and development. It will examine it under the following headings; (i) various approaches to the study of ethnicity and development; (ii) a critique of

³ Ibid., p. viii.

political economy approach to the development of various ethnic groups in Malaysia; and, (iii) a composite approach to Malaysia's development process. We shall now examine each of these in some detail.

I. Various Approaches to the study of Ethnicity and Development

The concept of ethnicity has been examined by many scholars in various disciplines. Much has been written on this complex concept. Apart from the complexity of the concept itself, the various interpretations of it have taken away the possibility of an agreement on it. Although a consensus is absent it is important that we familiarise ourselves with the basic problem that is implicit in it and that is the relationship between the state and ethnic groups. This will then serve as a useful background to our examination of the ethnic problem in Malaysia. There are many problems in the literature relating to state and ethnicity:

"One recurring problem concerns the treatment of the state, that is, whether it [state] is to be seen as an instrument of a class or an ethnic group or as a relatively autonomous force, whether it is to be seen as a distributor of privileges or a promoter of justice and equality among groups, whether it is to be seen as an impartial arena for conflict resolution or a partial intervenor in social conflicts."⁴

} Brass

This issue is significant in the Malaysian context, where political power is dominated by one ethnic group, namely, the Malays, and

⁴ Paul Brass (ed.), Ethnic Groups and the State, (London, 1985), pp. 1-2.

economic resources are controlled by another, namely, the Chinese.

There are various perspectives on the relationship between state and ethnicity. Such perspectives, broadly speaking are held by, two major groups. These are (a) the cultural pluralists; and, (b) the Marxists. There is also another view, proposed by Donald L. Horowitz, which may be described as (c) the social inequality approach. Let us now examine some of these in detail.

(a) The Cultural Pluralists

The cultural pluralists theorists, like M.G. Smith, view ethnicity as constituted by groups having culturally different values and social institutions. In some cases their differences can be traced back to differences in religion and religious denominations, and geographical regions. Some of the ethnic groups settle for the fact of mutual differences. Others try to convert such differences into a hierarchical arrangement of superior and inferior.

Among others, a more specific view of state and ethnic groups is proposed by M.G. Smith and J.S. Furnivall. J.S. Furnivall in his discussion of culturally plural society had in mind colonial societies.⁵ M.G. Smith extended this analysis to include post-colonial and contemporary industrial societies. In Furnivall's and M.G. Smith's conception of the plural society, they have defined it as a social order consisting of institutionally segmented

⁵ J.S. Furnivall, Colonial Policy and Practice: A Comparative Study of Burma and Netherlands India, (New York, 1959), pp. 303-312.

cultural groups living "side by side, yet without mingling, in one political unit. Also where one cultural segment monopolizes power, controls the state apparatus, and dominates over other cultural groups."⁶ Those cultural groups, which are at a disadvantageous end in power relations, are allowed limited participation in their own governance.

M.G. Smith maintained that such a situation often arises in culturally diverse societies, with unequal access to political and economic opportunities in society. "Ethnic groups with greater access to such opportunities would also use the apparatus of the state, including its many resources, to dominate those groups which are unequal in terms of access to political and economic opportunities."⁷ In short, the political form of the plural society is often one of "despotism" of one cultural group, over others.⁸

Such an explanation makes sense when we take into account conflicts between Catholics and Protestants in Northern Ireland. Nevertheless, the same explanation may not be valid when we look at the relationship between Malays and non-Malays in Malaysia. Malays and Chinese in Malaysia do not give equal weight to religion in their respective assertion of ethnic identity. "Malays hold Islam to be an integral part of their communal identity, whereas the religiously eclectic Chinese care more about their nonreligious

⁶ M.G. Smith, The Plural Society in the British West Indies, (Berkeley, 1974), pp. 86-88.

⁷ Ibid., pp. 13-14.

⁸ See Pierre L. van den Berghe, "Pluralism and the Polity: A Theoretical Exploration," in Kuper and Smith, p. 67.

cultural traditions."⁹

Further, M.G. Smith's argument about the state and ethnic groups does not encompass the dynamics of ethnicity itself. The dynamics of ethnic cleavages reveal a multitude of problems. Close observations of the dynamics of ethnic mobilization, usually reveal a complex mix of interests at work.¹⁰ It is by studying this mix, that we can fully comprehend the issue at hand. Let us now turn our attention to the Marxist perspective on the relationship between state and ethnicity.

(b) The Marxist Perspective

Marxist approaches often tend to view ethnicity and ethnic solidarity as instruments for advancing underlying material interests. The common argument made is that a specific segment, most often the elite, makes general appeal along ethnic lines to gain advantage for itself. The elite thus makes use of the ethnic sentiment and organization to gain political and economic advantage for itself. Here we come to the central notion in most Marxist literature, on exploitation.

The Neo-Marxist perspective is a close variant of the usual Marxist notion of state as an "organ of class domination, an organ of oppression of one class by another."¹¹ The neo-Marxist approach

⁹ Cynthia H. Enloe, Ethnic Conflict and Political Development, (Boston, 1973), p. 20.

¹⁰ See James V. Jesudason, p. 10.

¹¹ V.I. Lenin, State and Revolution, (New York, 1932), p. 9.

maintains that ethnic struggles are more pervasive and salient than class struggles. "The reason for this state of affairs is that the capitalist world economy and imperialist state expansion have led to a differential distribution of state resources, that in turn has apportioned different employment opportunities among ethnic groups."¹² Neo-Marxist theorists also insist that the relative autonomy of the modern capitalist state is tied up with the world economic system, and therefore it cannot act independently.¹³ Such an external dependence of the modern capitalist state also has significance for the distribution of privileges between different ethnic groups.¹⁴

(c) The Social Inequality Approach

Both the cultural pluralists and the Marxists look at the relationship between state and ethnic groups at a macro level. Whereas, Donald L. Horowitz, has looked at this relationship from both macro and micro levels. In his study, Ethnic Groups in Conflict (1985), his thesis is that the primary struggle in ethnically divided societies is a struggle over relative group capacity and worth. To a certain extent, his theory relates to the

¹² Immanuel Wallerstein, The Capitalist World-Economy, (Cambridge, 1979), p. 187.

¹³ See Immanuel Wallerstein, "The World System: The States in the Institutional Vortex of the Capitalist World Economy," International Social Science Journal, Vol. XXXII, No. 4, 1980, pp. 747-748.

¹⁴ See Paul Brass (ed.), Ethnic Groups and the State, (London, 1985), p. 5.

mind-sets of respective ethnic groups, both at an individual and group level. The main area of conflict is usually between a 'backward' group, often comprising the indigenous group, and a more 'advanced' group, often comprising immigrants who came to work under the colonial economic system, worked hard, and economically progressed.¹⁵ In Malaysia's case, the advanced group, can be identified as being the non-Malays. This group registered success in agriculture, commerce, and industry. Whereas, the Malays fell back economically, and this gave rise to fears of domination by the outsiders. There were also the psychological consequences of questioning the self-worth among the Malaysians, and a fear of group extinction.¹⁶

According to Horowitz, such feelings of extinction and helplessness motivate the threatened group to use the political system for the assertion of its group rights. Such a situation proved to be a boon to Malay entrepreneurs and service people. They then pressured for legislation which would give them additional advantages vis-a-vis other ethnic groups. This was similar to the policy of ethnic preferences or affirmative action in other countries.¹⁷

¹⁵ These terms are used for analytical purposes only and are by no means meant to be judgmental.

¹⁶ See Donald Horowitz, Ethnic Groups in Conflict, (London, 1985), p. 178.

¹⁷ See Donald Horowitz, Ethnic Group in Conflict, (Berkeley: University of California Press, 1985), Neil Nevite and Charles H. Kennedy (eds.), Ethnic Preference and Public Policy in Developing States, (Boulder, Colorado: Lynne Rienner Publishers, 1986), Gordon P. Means, "Human Rights and Rights of Ethnic Groups-A Commentary",

Thus, the leaders of the 'backward' group use the state to advance their own group in educational and economic fields. That is what happened in the case of Malaysia, where the Malays have claimed special rights in the constitution and also pressured for the enactment of the New Economic Policy. These privileges granted by the state to the Malays have caused conflict in the past and may do so in the future. Both of these issues will be discussed in subsequent chapters of this thesis.

Horowitz maintains that many of the measures taken by the leaders to benefit the 'backward' group often brought disproportional benefits to the elite members of the ethnic group. Regardless of such benefits those measures are supported by the non-elites of the ethnic group. This critical observation is often left out in Marxist approaches to ethnicity.¹⁸

Although interesting, Horowitz's argument needs to be extended to study the relationship between 'backward' and 'advanced' groups. Further, an exploration into the validity of this theory into the economic and political spheres is also needed. His argument will be taken up again in the last section of this chapter.

II. A Critique of Political Economy Perspective on Ethnicity and Development

This section will basically deal with two development

International Studies Notes, 1,2 (Summer 1974), pp. 12-18; Vernon Van Dyke, "Human Rights and the Rights of Groups", American Journal of Political Science, 18, 4 (November, 1974), pp. 725-41.

¹⁸ James V. Jesudason, p. 11.

perspectives with regard to Malaysia as proposed by scholars who subscribe to different political economy approaches. These perspectives are; (a) political economy perspective; and, (b) the political psychology perspective. By analyzing development perspectives, we may come to a better understanding of the intricacies of Malaysian social, economic, and political structures and policies. The political economy approach, which is used by many scholars, is suitable in discussing Malaysia's post-independent development process. Whereas the psychological approach seeks to understand the mind-sets of the various communities in Malaysia. Thus, a critique of these two approaches will provide us with an understanding of the two vital dimensions of Malaysian political society and economy.

(a) Political Economy Perspective

Few scholars directly deal with the notion of ethnicity and its complex relationship with the development process of a specific society. James Jesudason¹⁹ in his book, Ethnicity and the Economy; The State, Chinese Business, and Multinationals in Malaysia, (1989), tries not only to identify such a relationship, but also explains the pattern of change in such a relationship through the years. The omission of ethnic structures in theoretical models and analyses of development in scholarly literature on Malaysia, has meant that we do not have a complete view of the broad drama of

¹⁹ James V. Jesudason is a Professor of Sociology at the National University of Singapore.

contemporary development process. Jesudason undertakes to fill this gap by means of a multi-dimensional approach to the study of ethnicity and development in Malaysia. In his analysis, he looks at the problem of ethnicity in a developing country, from the point of view of various disciplines in the social sciences.

Jesudason formulates an interesting model to study the intricacies of the Malaysian development process. The model proposed by the author, seems to suit the specific intricacies of the Malaysian society. This model, with some qualifications, is based on the rational economic model as proposed by Peter Evan.²⁰

There are two central premises in Jesudason's model. The first premise maintains that, "When there is a schism between the interests of the state elites and the local capitalist class, there is a limit to the pursuit of a rational economic course. This fact can allow the state to pursue its politico-cultural goals even at the expense of national economic rationality."²¹ This effectively describes the Malaysian situation. "The state was relatively autonomous from the dominant foreign and Chinese business groups, but the logic of group competition and political support-building led the state to create a new Malay business and managerial class."²² This may have been economically irrational. The creation of the Malay managerial class was not out of economic rationality

²⁰ See Peter Evan, Dependent Development: The Alliance of Multinational, State, and Local Capital in Brazil. (1979, Princeton)

²¹ James V. Jesudason, p. 20.

²² James V. Jesudason, p. 200.

but was due to political demands of the majority ethnic group. If the state had been more responsive to the views of the Chinese and other groups the economy might have maintained a still greater rate of development. But Malaysia chose to have short-run political pay-offs, by creating a Malay business class, instead of economic and social benefits of an enhanced rate of growth. Hence, economic rationality in relation to ethnic considerations was relegated to a secondary position.

Jesudason's second premise takes into consideration the importance of socio-political structures that are critical in accounting for economic problems such as slow growth, mounting foreign debt, and state fiscal crisis together with global economic conditions.²³ The internal and external conditions are seldom taken into consideration in established notions of economic and political development processes.²⁴

Another scholar who looks into the linkage between ethnicity and development is K.S. Jomo.²⁵ In his book, Growth and Structural Change in the Malaysian Economy, (1990), he takes into consideration economic and non-economic factors and their interaction with the holistic nature of development. Jomo places great importance on historical events. He argues that the colonial

²³ Ibid., p. 20.

²⁴ An example would be Peter Evan's Dependent Development: The Alliance of Multinational, State, and Local Capital in Brazil. (Princeton, 1979). He fails to take into consideration the two important premises highlighted by James Jesudason.

²⁵ K.S. Jomo is Professor of Human Development at the University of Malaya.

experience fundamentally transformed the pre-colonial peasant economy and replaced the old relations of exploitation with new ones. Jomo also argues that development has not radically transformed the colonial economic inheritance. He, therefore, takes the reader on a historical journey into the colonial past and points out how it has influenced the present economic development route of Malaysia.

Jomo does not ignore the issue of ethnicity and its relation to development. He maintains that ethnic considerations are significant in economic policy-making in Malaysia. "It is widely agreed in Malaysia today that the greatest threat to stability, especially since the late 1960s, has been inter-ethnic disharmony."²⁶ The problem of ethnicity thus acquires an added importance in the thinking of scholars as well as in policy matters in Malaysia.

Both these scholars, James Jesudason and K.S. Jomo, have tried to modify the established notions of development by bringing in specific problems of Malaysian society. They viewed the issue of ethnicity as central to the problem of economic and political development. They have taken a more holistic approach to the development process, but failed to emphasise cultural and societal influences in their own works.

Further, they have mainly concentrated on economic variables in policy-making. Their analysis is devoid of the political

²⁶ K.S. Jomo, Growth and Structural Change in the Malaysian Economy, (Macmillan, 1990), p. 229.

influences on the economy. Also, a more interesting approach would have been one that included both the perspectives, that were made use of separately by Jesudason and Jomo.

(b) Political Psychological Approach

The other perspective on development in Malaysia is proposed by Mahathir bin Mohamad (the present Prime Minister), in his book entitled, The Malay Dilemma (1970). This book has become controversial due to its frank references to heredity and its psychological consequences. Mahathir argues that the differences in development process of the Malays and non-Malays in Malaysia can be traced back to hereditary and environmental factors. Mahathir does not imply that Malays are by nature inferior, and that this inferiority is hereditary and consequently permanent. No, that was not his point of view, although some scholars have argued that, that precisely was the intention of the book. Mahathir wanted to spotlight certain social and cultural factors which retarded the development of the Malays. But he also maintained that they could be corrected.²⁷

First of all, he blamed the in-breeding, which is prevalent among the Malays. Mahathir defines in-breeding as the practice of marriage between first cousins and other close relatives, a practice which is fairly common among the Malays. On the other hand, Chinese marriage custom prevents such an in-breeding.

²⁷ See Mahathir bin Mohamad, The Malay Dilemma, (Kuala Lumpur, 1970) p. 1.

Mahathir further argued that affirmative action like special rights and privileges have also affected the psychology of the Malays. Malays tend to look to the government for hand-outs and this hinders their entrepreneurial spirit and development. In other words, they have become far too state dependent. This thesis will discuss its impact on the Malays and non-Malays later on.

Mahathir believes that, "Deep within them [the Malays] there is a conviction that no matter what they decide or do, things will continue to slip from their control; that slowly but surely they are becoming the dispossessed in their own land. This is the Malay Dilemma".²⁸ Horowitz too came to a similar conclusion.²⁹ Mahathir asserts that the psychology of the Malays has been influenced by these factors and they see themselves as continuously losing in competition with others. Although Mahathir and Horowitz used different variables, they have come to the same conclusion.

III A Composite Approach to Malaysia's Development Process

Most of the existing models used to explain development in emerging countries are mainly based on historical factors. They imply continuing historical influences on developing societies. "Some even try and identify historical continuities even when they

²⁸ Mahathir bin Mohamad, p. 3.

²⁹ See Donald Horowitz, Ethnic Groups in Conflict pp. 5-6. Horowitz maintains that the 'backward' group would feel a sense of weakness and helplessness.

identify variations in policy approach."³⁰ Such models need to be supplemented in order to understand the actualities of Malaysia's development process.

Although historical incidents played an important role in establishing inequalities in Malaysian society, it was the dominance of an ethnic group that fostered change and conflict in the society. So what we have here is historical factors and their economic and political consequences resulting in ethnic imbalance and conflict.

Alasdair Bowie argues that individual actor approach to economic growth is much less significant in developing countries, least of all in Malaysia. In Malaysia ethnic collectivities vie with one another for preferential treatment from the state. So the communal factor must receive its due importance in analyzing the peculiarities of development process in Malaysia.

This model, as proposed by Alasdair Bowie, places tremendous importance on the issue of communal settlement and its impact on political determinants and development strategy. Bowie's assertion that an ethnic group requires three things, is argued as follows:

"the idea of a common provenance, whether or not there is objective evidence for such a provenance; recruitment primarily (though not exclusively) through ascriptive ties; and a conscious feeling of distinctiveness, whether or not this matches an observable, unique inventory of cultural traits (in other words), the traits by which group members choose to distinguish themselves may

³⁰ Alasdair Bowie, Crossing the Industrial Divide, (New York, 1991), p. 8.

not be obvious to non-group members."³¹

For this study, this definition of the concept of ethnicity has to be expanded. In his definition, Bowie fails to elaborate on the aspect of the conscious feeling of distinctiveness of an ethnic group. In many developing countries, this feeling of distinctiveness of an ethnic group transcends class cleavages. This feature of ethnic groups can be observed when conflict arises between respective ethnic groups. This aspect has to be incorporated in the definition of ethnicity for this study.

Bowie's model proposes a close relationship between ethnicity and problems of economic development. This in turn also limits the choices of policy makers in introducing structural change whenever necessary. "Bowie maintains that communal settlement (ethnic considerations) is an independent variable or explanatory variable to development strategy in Malaysia."³² The same is true of political decisions in non-economic field. There too Malaysia is often hamstrung by ethnic considerations in its policy.

It can be argued that both economic and political decisions have been dependent on the communal sentiment of the specific period in Malaysian society. The level of state-intervention in economic and political policy matters corresponds to the inter-ethnic conditions during that time frame.³³ The outcry after the

³¹ Ibid., p. 15.

³² Ibid.

³³ See table 1.2 in Alasdair Bowie, Crossing the Industrial Divide.

1969 race riots brought about the enactment of the NEP,³⁴ to bolster the economic and political position of the Malays in Malaysia.

Bowie in his model on Malaysia's development process does not place great emphasis on political events, rather he emphasizes the monocausal relationship between communal sentiment and economic development strategy.

The influence of the political and societal considerations did have major significance for Malaysia's development process. The nature of Malaysian society brings in a multitude of complexities to policy-making and development planning. A societal perspective may help us in appreciating the complexities in Malaysian society. Malaysian society may be said to be made of specific 'societal compartments or packets'.

This notion of compartmentalization or segmentation of Malaysian society takes on two characteristics. Vertically there is a distinctive division between the upper and lower classes. The lower class transcends the various communal groups of Malaysian society. Horizontally there are ethnic cleavages that separate the various ethnic groups due to economic and political factors. Such a division in Malaysian society has not been extensively studied by students of development. Most scholars have only sensitized us to the segmentation of the society on ethnic lines but have failed to note the vertical dimension of Malaysian society.

As this study deals with ethnicity, we shall concentrate on

³⁴ This will be discussed in Chapter Three.

the horizontal cleavages. In this study, the term 'compartmentalization' is defined in relation to the distinct ethnic boundaries of the various communal groups in Malaysia. The nature of society's ethnic compartmentalization is further compounded by the specific concentration of economic and political strengths within the different groups, namely the Malays and the non-Malays.

The unsettled nature of Malaysia's economic and social stratification hinders its development process and also creates problems for its political system. As stated earlier, Malaysia has both vertical and horizontal divisions among its ethnic groups. The horizontal social stratification of the society can be perceived as forming individual residential localities or 'packets' in the society. The Malays, Chinese and Indians have their own unmixed but sometimes mixed residential localities. Within the Indian "packet" exists various segments, based upon caste and geographical considerations. These segments have their own hierarchy. Thus each social segment has its own structure and problems. Due to such a segmentation and compartmentalization the development process brings about unequal benefits to each specific group. "Behind the unequal capacity to benefit from development stimuli lie the unequal social segments and the peculiar network of social relationships, which have imposed certain constraints and disadvantages on some of those segments."³⁵

³⁵ A. H. Somjee, Development Theory: Critiques and Explorations, (London, 1990), p. 154.

The added problem in Malaysia is that a significant group of individuals also live below the poverty line. This segment of the society was supposed to be helped by state intervention but after about twenty years of such interventionist policies, the poor have remained poor. This is particularly true of its tribal population, the Orang Asli or the original settlers. Therefore, it seems that there is a need for a change in state policy. The poor and disadvantaged have to increase the awareness of their rights and develop a political capacity to demand response from institutions. This issue of political capacity is central in both the relationship between the Malays and non-Malays and the relationship between the poor and state institutions. "Contrary then to the assumptions of certain development theories, not all segments of developing societies are capable of uniform responses to development stimuli, and this means that there is a special problem of mobilizing the disadvantaged."³⁶ The economic and political disadvantages of the poor in Malaysia have been there since before the colonial rule. And the post independence policies have not made much difference to their plight.

In Malaysia, inter and intra ethnic relationships have a tremendous impact on its development process. Such a situation brings forth the need to explore a multi-dimensional approach to the study of Malaysia's development process. Such a study should also include the concept of political capacity. This concept is developed by A.H. Somjee in his book Political Capacity in

³⁶ Ibid., p. 7.

Developing Societies. Somjee puts the problem of capacity to secure a responsive and accountable government under the rule of law at the virtual centre of development problems and chastises development theorists for failing to adequately recognize its significance.³⁷

Somjee's emphasis is on the individual in his definition of political capacity: first, on the relationship between individuals and institutions, including those who wield power in the institutions, and second, on the relationships between individuals as citizen members of a polity.³⁸ For this study, on the issue of ethnicity and Malaysia's development, it would be tremendously useful to emphasise the second facet of Somjee's operational definition of the concept of political capacity. The relationship between the Malays and the Chinese in economic and political fields has created formidable problems in the development process of the society. Related to this argument is the notion of 'backward' and 'advanced' groups in society, as proposed by Donald L. Horowitz. An individual's political capacity can be directly related to the nature of the group that he or she belongs to. If the individual comes from the 'advanced' group then that individual's perception of the state would be that he can get out of it what he wants. But the added feature of Malaysian politics is that the 'backward' group, namely, the Malays dominate the political arena. Whereas the

³⁷ Ibid., p. 140.

³⁸ A. H. Somjee, Political Capacity in Developing Countries, (London, 1982), p. viii.

'advanced' group dominates economic resources. Both groups are starting from different kinds of political and economic advantages. Thus, any policy to redress the inbuilt imbalances of the society would have different results for different groups.

Hence, to study the ethnic issue in Malaysia, we have to undertake a multi-disciplinary approach to encompass the economic, social, psychological and political dimensions. Studying the Malaysian society by using one perspective alone will not do justice to the situation.

Based on such a review of the literature, this thesis will take a broader look at the Malaysian development process. Such an approach among other things, will help us towards the understanding of the nature and consequence of policy to correct the imbalances within the Malaysian society.

The second chapter of this thesis deals with the social and economic disparities in the Malaysian society. It will also examine the social, economic, and political foundations of the society. Such a foundation was in part established during the colonial regime. Then follows a number of policy changes. We shall examine them in shaping the post colonial society of Malaysia.

Chapter Three will take a close look at the New Economic Policy (NEP) itself. This policy was enacted to redress the unequal set of opportunities for the different ethnic groups. It will also look at the economic dimension of the problem.

The final chapter will examine the functioning of political institutions in Malaysia. The formation of political parties and

electoral process will also be examined. That chapter will examine the political dimension of the ethnic issues in Malaysia.

CHAPTER TWO

SOCIAL AND ECONOMIC DISPARITIES IN THE MALAYSIAN SOCIETY

Social and economic inequalities often have far reaching effects on development process. Moreover, such inequalities also acquire much greater significance in a developing society, like Malaysia. Such disparities gave rise to the need for a public policy which could correct social and economic imbalances. The situation in Malaysia was further compounded because such disparities had ethnic overtones. When such a policy was implemented, it began to have its own social and political consequences.

In this Chapter, we shall examine the peculiar nature of social, economic and political disparities in Malaysia which led to the need for such a corrective policy. Officially this was designated as the New Economic Policy.

The British colonial rulers remained indifferent to the actual impact of their policies. They went on importing cheap labour from China and India to work in the mines and plantations. The subjugated society had no means at their disposal to mitigate the consequences of such policies till it became independent. By the time independent Malaysia got round to tackling the problem, it became economically complex and politically unsettling. We shall analyze these and other selected factors in this chapter.

This Chapter is divided into the following sections; (i) the first section examines the economic and political repercussions of colonization; (ii) will examine the dual economy and economic

inequalities; (iii) will analyze the historical factors that led to the formation of the New Economic Policy, and (iv) will make some general observations.

I. Economic and Political Repercussions of Colonization

Colonial subjugation of a society often creates complex problems of far reaching significance for that society. Malaysia, three decades after independence is still struggling to set right some of the consequences of colonial policy. The importing of outside labour dramatically changed the nature and composition of Malayan society during colonial rule, leaving behind the need for a complex and sensitive course correction for the newly independent country.

Peninsula Malaysia was an active trading centre even before the arrival of the British. Trade brought foreign traders and entrepreneurs, namely, the Chinese, the Indians and others. Their increasingly lengthy visits to the Peninsula often amounted to semipermanent residence.³⁹ With trade also came various religious influences from other neighbouring countries. Hinduism and Buddhism were predominant as early as the 10th century in Malaya. Later on Islam spread quickly through various parts of Malaya. Therefore, cultural conditions were already present for future immigration of individuals, with different religious background, into the archipelago. The new arrivals, brought in by the British from China

³⁹ See Alasdair Bowie, Crossing the Industrial Divide, (New York, 1991), p. 61.

and India, found Malaya to have the religious and cultural essentials for their respective life-styles. Once in Malaya, given the cultural conditions and economic prospects, few immigrants wanted to return to where they came from.

Over the years, despite various layers of different cultural influences, many native Malays identified themselves with Islam. Islam was to constitute a vital component of Malay culture.⁴⁰ Despite various shifts in the proportion of population and economic fortune, the Malays remained hosts to the new arrivals in the nineteenth and twentieth centuries. Until the late nineteenth century, the Malays were the dominant racial group in Malaya. Such a domination was threatened by the influx of Chinese and Indian workers in the early twentieth century. The inflow of such individuals was not due to the normal and ongoing migration in the region, but the result of the British policy to import cheap labour.

This policy of importing cheap labour was necessitated by economic imperatives. There was a shortage of labour to work in the rubber plantations and tin mines. The indigenous Malay workers refused to leave their coastal villages and move into plantations as they did not want to be cut off from their local communities. And so far as mines were concerned, apart from low wages, the need to work under the Chinese, who were appointed by the British, was not always acceptable to the Malays. The Malays had adequate land for cultivation and the colonial government had no desire to

⁴⁰ See James V. Jesudason, p. 25.

forcibly recruit them to work in plantations and mines.⁴¹ The Malays, on their part, were quite content with their lower standard of living. The refusal of the Malays, therefore, generated an enormous demand for workers. The need for more workers was thus, filled by the Chinese and Indian immigrants who were brought in by the British.

The British first of all brought labourers from China, and then turned to India. The workers from these countries had no other recourse but to put up with the low pay and harsh working conditions. The British thought that these workers would leave Malaya once they were able to save some money, but that did not happen. This sudden inflow of immigrants caused an unalterable change to the demography of the Malayan society. By 1921, there was a rough balance between the indigenous Malay and the immigrant populations. Of the 2.9 million population, Malays constituted 48 per cent; Chinese, 29.4 per cent; and Indians, 15.1 per cent.⁴² Then, according to 1931 census, the Chinese outnumbered the Malays.⁴³ But with the 1965 separation of Singapore, this balance returned in favour of the Malays.

Moreover, the influence of these workers also created an 'ethnic-occupational' polarization. The early twentieth century marked the beginning of the ethnic division between the primary and

⁴¹ Ibid.

⁴² See Donald Snodgrass, Inequality and Economic Development in Malaysia, (Kuala Lumpur, 1980), Table 2.1, p. 24.

⁴³ According to the 1931 census, there were 1,644,173 Malays and 1,709,392 Chinese in Malaya. See Barbara Wilson Andaya and Leonard Andaya, A History of Malaya, (London, 1982), p. 252.

secondary sectors of the economy. Colonial labour policies and the established demography of the Malayan society sustained occupational differentiation on ethnic lines. "In order to ensure cheap labour the colonial policy also prevented the immigrants from buying land and settling down as farmers."⁴⁴ The rationalization on the part of the colonial rulers was that such a policy benefited the interests of the native Malay peasants.

Later on, however, the British took over the ownership of such lands for their own plantations and mines. Therefore, as early as 1931 we can see significant divisions in the 'ethnic-occupational' composition of workers. "In 1931, 55.0 per cent of Malays and 17.0 per cent of Indians worked on land: Whereas for the same year, 76.5 per cent of Chinese worked in the mines."⁴⁵ These figures have only changed slightly through the years. This will be highlighted again in chapter three of this study.

The prevention of the non-Malay immigrants from buying land, moved them into commercial and business sectors of the economy. Furthermore, the good business-sense of the Chinese, helped them to excel in the secondary-sector of the economy. Hence, this policy of not allowing land ownership to the immigrants forged the growth of a bifurcated economy on ethnic lines. The Malays continued in agriculture, while the non-Malays, primarily the Chinese and a segment of Indians, moved into commerce, mining, and commercial

⁴⁴ Jomo K.S. Growth and Structural Change in the Malaysian Economy, (London, 1990), p. 4.

⁴⁵ Kernial Singh Sandhu, Indians in Malaya: Immigrants and Settlement, 1786-1975. (London, 1969), Table 15, p. 248.

agriculture. A large number of Indians, however, could not move out of plantations.

There are many social, economic and political reasons for such an occupational bifurcation to have struck roots in Malaya. It would be interesting to take a closer look at the economic and political factors that brought about such an 'ethnic-occupational' diversification within the Malaysian society.

The British colonial policy was not without the motivation of 'divide and rule.' Hence, it served the interests of the British to establish and control a community whereby the different races were compartmentalized into specific occupations. Such a policy prevented the rise of nationalism among the Malays as they could not accumulate much capital from working in the fields and go into independent occupation to back up the movement or transform an economic resource into a political weapon. Historically it can be proven that one avenue for greater political mobilization is through economic wealth and independence.

The Chinese workers were controlled by secret societies, which in turn were influenced by the British. While the Malay chiefs focused on their political role of safeguarding the productive field from competing native predators, the Chinese merchants through their secret societies, supplied and organized immigrant indentured labour.⁴⁶ The British controlled the export of tin and rubber which the Chinese merchants extracted. The Chinese excelled in the mining industry. This was mainly due to their ability to

⁴⁶ Fatimah Halim, "The Transformation of the Malaysian State," Journal of Contemporary Asia, Vol. 20, No. 1, 1990, p. 67.

provide tight supervision and also due to their immigrant mentality. The Chinese worker, being a new comer to Malaya worked hard, and tried to send money back to his homeland. Moreover, in their various commercial undertakings, the Chinese were also helped by Chinese banks, which readily extended capital to them. By giving out loans to fellow clan members and sponsoring their mobility, wealthy Chinese businessmen could become prominent leaders of their society.⁴⁷

That was not the case within the Indian community. Many Indians worked in Malaya, to send their earnings back to their land of origin. The British did not encourage the Indians to stay in Malaysia permanently. Furthermore, social divisions within the Indian community, hindered their upward mobility in Malaya. Thus, the Chinese quickly gained a good economic foundation in Malayan society in comparison to the Malay and Indian segments of the society. Their entrepreneurial character and social cohesion helped the Chinese to prosper at a quicker pace in Malaya.

So far as the Malay community was concerned, it fell back economically. This was in part due to the lack of ambition on the part of many Malays. But the major blame has to be put again on colonial policies. Perhaps fearing peasant resistance, the British sought to insulate them. Malay population was encouraged to cultivate rice, so as to reduce the import of it and feed the population. The educated among them were inducted into the civil service, police, and army. The bulk of them were not allowed to

⁴⁷ James V. Jesudason, p. 31

look beyond their former occupation as agriculturists.⁴⁸ This not only prevented resistance to colonial rule, it also hindered the occupational mobility between the different ethnic groups, thereby creating a society based on specific 'compartments'.

At the same time, during the colonial period, the Malayan economy grew tremendously. This could be seen in the improvement of its infrastructure. "Malayan economic infrastructure was generally more developed than in almost any other British colony, and the economy grew impressively, especially during the first quarter of this century to become the single most, profitable British colony."⁴⁹ But it has to be noted that such infrastructure was constructed by means of money collected through heavy local taxation. Rather than becoming a liability, Malaya contributed significantly to the Empire and its goals. Indeed, British Malaya, unlike most other countries in the inter-war years, was not a borrowing country; she was a net financial contributor to Great Britain during that [colonial] period.⁵⁰ British investments in Malaya constituted government bonds and other capital investments. The British invested about 108 million (pounds) in Malaya. "That was about 3.2% of their [the British] total overseas commitment at

⁴⁸ See K.S. Jomo, Growth and Structural Change in the Malaysian Economy, p. 5.

⁴⁹ Ibid.

⁵⁰ The viability of British Malay to the British Empire is noted in M. Greenberg "Malay-Britain's Dollar Arsenal", Amerasia, Vol. 5, June 1941, pp. 144-51.

the time."⁵¹

It can be concluded that the British through their labour and land policies changed both the economic and political environments of Malaya. The Malayan economy grew to provide the British with capital and raw materials. But some of the colonial economic policies also created lasting problems for Malaya.

The protection and the special economic privileges given to the Chinese community by the British, increased the fear of the Malays. "Some [Malays] turned to British paternalism to protect their rights and welfare, while reformist groups turned introspective, and went in search of those aspects of Malay culture and religion that stood in the way of progress."⁵² This hindered the growth of the political and economic capacities of the Malays. The economic domination by the Chinese was a barrier which stood in the way of inter-ethnic trust and also, to a great extent, nationalism. As in any multi-ethnic society, inter-ethnic trust is a prerequisite for a national movement. Nationalism could only have thrived through co-operation between the two large ethnic groups. But the Malays feared that the Chinese would be the next dominant group. This greatly hindered the growth of Malayan nationalism. Fearing Chinese domination, the Malays turned to the British to stay and protect their indigenous rights. Hence, the uneven economic development of the ethnic groups was not only a factor

⁵¹ Junid Saham, British Industrial Investments in Malaysia 1963-1971, (Oxford, 1980), p. 18. The time period mentioned was in the 1930s.

⁵² See William Roff, The Origins of Malay Nationalism, (New Haven, 1967), p. 254-7.

preventing Malaysian nationalism but also a major problem in her post-colonial development. This issue of nationalism will be examined in chapter four of this study.

Furthermore, the British carefully avoided the building of economic, political and social institutions which could bring the different ethnic groups together. Colonial political rule over the Malays was facilitated by the preservation of the existing social structure. It also co-opted the Malay elite to act as a buffer between the government and the rest of the society.⁵³ In the absence of political institutions, the different ethnic groups did not have the means to mobilize themselves and push for self-rule. Then the indirect rule of the different communal groups, encouraged by the British, prevented the development of common political values. Values that would have unified the different groups, during and after the colonial period.

On the other hand, the Chinese were more interested in capital accumulation, thus significantly ignoring the aspect of integration with other racial groups. This lack of cultural, economic and social accommodation between the different communal groups was a barrier which prevented political participation. It was only later that the elites of each ethnic group became involved in the political process. Inter-ethnic views on the peculiarities of the other groups also hindered the growth of political and economic integration among the different groups. Although, cultural assimilation between the Chinese, Malays and Indians would have taken longer to achieve, it should have been possible to achieve

⁵³ See James V. Jesudason, p. 39.

political and economic integration, if the ethnic elites had seriously tried.

In cultural terms, Malaysia was also divided. There was a lack of cultural homogeneity. This naturally constituted a very serious obstacle to unification. "Even the absence of a common language constitutes a major problem."⁵⁴ Due to the 'artificial'⁵⁵ nature of the society, the process of assimilation did not take place. There was only a small degree of accommodation in party politics. The Malays and Chinese had different views of each other. "Malays, for example, regarded the Chinese as very intelligent, very ambitious, and quite active, which was close to the Chinese self-portrait. Chinese, on the other hand, most consistently cited cleanliness and lack of ambition as the Malays' chief qualities giving low marks for intelligence, thrift, and honesty."⁵⁶ This Malay attitude towards the Chinese grew less charitable when the Chinese increased in number and became economically and politically more active.

II. Dual Economy and economic inequalities

British policies had a tremendous impact on the Malayan

⁵⁴ K.J. Ratnam, Communalism and the Political Process, (Kuala Lumpur, 1965), p. 1.

⁵⁵ The free inflow of immigrant workers by the British in the late 19th and early 20th centuries changed the demography of the society. Thus it is an artificial society in that context of the term. The Malayan society may have evolved to the present state without colonialism. But it has to be noted that colonialism increased the pace of immigration to meet the specific economic goals of the colonial rulers.

⁵⁶ James V. Jesudason, p. 39.

economy. Not only did the British insulate the ethnic groups and establish economic inequalities between them, it also brought about social disparities.

Within the economy, the primary sector was monopolized by the Malays and the secondary or value-added sector was predominantly Chinese owned. Some scholars may argue that such a division was superficial and did not present a problem. But it can be shown that profits from the agricultural sector of the economy is much less than the service industry. Such basic economic disparities along ethnic lines contributed significantly to many social and political problems. A closer look at the nuances of the link between the economic and political issues will help us in illuminating the problem.

Urban and rural bifurcation

Urban-rural bifurcation is one of the many bi-products of the social and economic disparities in Malaysia. The urban-rural division of the population is primarily based on the economic structure of the community. It is argued that the Chinese and the Indian communities are suited for urban-rural migration, as these communities have immigrated from their respective homelands, thus having a legacy of movement. "This is in part explained by their economic activity as well as their settlement patterns."⁵⁷ Such a pattern of movement can also be seen clearly by analyzing the table on page 37. Although the annual growth rate of urbanized

⁵⁷ George Cho, The Malaysian Economy; Spatial Perspectives, (London, 1990), p. 170.

Malays (between 1970 - 1980) (of the Malays) was 6.3%, in 1980 only 25.4% of the Malay community lived in urban areas.

Moreover, from the table, it can also be established that the Chinese are the most urbanized segment of the population. This is due to the nature of economic activities undertaken by the Chinese. The commercial nature of the Chinese made it necessary for them to live within urban areas. The Indians and the Eurasians also maintain similar patterns of urbanization.

The advantages of 'the degree of urbanization' are many. Living within city limits increases an individual's access to white-collar jobs, better education and better medical facilities, benefits from governmental policies and political institutions. Even with such social and economic advantages present in urban areas, the shift from rural to urban areas has been slow, especially in the Malay community. Hence, the Malay segment of the society could not avail itself of the benefits of urbanization. The Malays did not want to leave their villages, because they were contented with their life-style. The Malays also did not want to live near the Chinese due to religious reasons.⁵⁸

⁵⁸ Islam views eating of pork and socializing with individuals who consume it to be immoral.

Table 2.1. Peninsular Malaysia: Degree of Urbanization: by Ethnic Group: 1947-80

Ethnic group	Total population in urban areas(%)				Average annual growth rate(%)
	1947	1957	1970	1980	1970-1980
Malay	7.3	11.2	14.9	25.4	6.3
Chinese	31.1	44.7	47.4	55.9	2.9
Indian	25.8	30.6	34.7	41.2	3.2
Other	46.2	49.3	40.8	41.6	4.5
Total urban	15.9	26.5	28.7	37.5	4.3

Table 1 taken from The Malaysian Economy: Spatial Perspectives George Cho. p. 171.

Let us now turn our attention to some of the significant historical events that brought about the eventual establishment of the New Economic Policy. This policy was enacted in order to reduce the social and economic differences between the Malays and non-Malays.

III. The Historical Factors that led to the Introduction of the New Economic Policy

The social and economic condition of Malaya was no different from other colonies. Due to 'ad hoc' immigration and development policies, the British ended up establishing an unequal society. While ethnic insularity was the main goal, ethnic inequality was a unhelpful, and a reinforcing by-product. The Malayan development process would have been significantly different had there been no intrusion from the colonial rulers. There may have been a natural

inflow of workers from India and China, but their numbers would have been less. Further, the 'ethnic-economic' cleavage between the Malays and the non-Malays may not have been as pronounced as it is today.

Moreover, the British in their effort at constitution-building, and trying to create a consensus in the Malayan society, entrenched 'special rights' for the Malays. Such 'special rights' were legislated in the late 19th century. The 'special rights', extended to the Malays by the British, further brought about economic and social cleavages between the Malays and non-Malays. Such rights were land laws, and easy entry into the public service and educational institutions. Malay 'special rights' were initiated to preserve Malay traditions and the structure of the traditional Malay community. "Only in later years were these "rights" considered to be an appropriate tool for the economic upliftment and social transformation of the Malay society."⁵⁹ Such 'special rights' were a significant form of social protection for the Malays from the ill-effects of economic development. Gordon Means argues that,

"Special rights in regard to land laws were designed to preserve the traditional life style of the Malay peasants, while special rights in matters of education and entrance to the public service were designed to effect selective social change within Malay aristocracy which would preserve the status and role of the raja class in Malay society and make them more effective junior partners

⁵⁹ Gordon P. Means. "'Special Rights' as a Strategy for Development", Comparative Politics, Vol. 5, No. 1, October 1972, p. 36.

in the colonial system."⁶⁰

Gordon Means goes on to emphasize that "... special status for Islam was but one way that constitutional guarantees could be given to the Malays to provide both material benefits, and psychological assurances that the country was still theirs."⁶¹ This notion of 'special rights' for the Malays was the precursor of Article 153⁶² of the Malaysian constitution and also laid the foundation on which the New Economic Policy was based. Before handing over the government and the nation to the elected leaders, the British assisted the communal elites in setting up the present Malaysian Constitution. The significant feature of the Constitution is Article 153, it entrenches special rights for the Malays. This portion of the document caused heated debate between the Malays and non-Malays during the constitutional talks before the eventual British withdrawal in 1957.

The agreement between the British and the Malayan leaders was drawn up with tremendous external influence. The situation in many of the multi-racial colonies had a major impact on the formulation of the Constitution of the Federation of Malaya. It was drawn up

⁶⁰ Gordon P. Means, loc. cit., p. 36.

⁶¹ Gordon Means, "Public Policy Toward Religion in Malaysia", Pacific Affairs, Vol. 51, No. 3, Fall 1978. p. 389.

⁶² Article 153 begins, "It shall be the responsibility of the Yang di-Pertuan Agong [Paramount Ruler] to safeguard the special position of the Malays and the legitimate interests of other communities....." In practice the latter phrase has acquired no meaning since the Rulers have never recognized and specific "legitimate interests of other communities," See Malaysian Federal Constitution (Reprint No. 4 of 1970), Art. 153, pp. 156-59. See also R.S. Milne, Government and Politics in Malaysia (Boston, 1967), pp. 141-47.

at a time, when the whole world was horrified at the communal riots in a partitioned British India and also of the killings and murders of Arabs and Jews in Palestine.⁶³

Basically Article 153 had a dual impact on the rights of the Malays. First, by extending special privileges for land, education, and language, Article 153 set forth specific political rights for the Malays. Later, in 1969 the New Economic Policy (NEP) based itself on Article 153 and extended special economic rights to the Bumiputeras (or the sons of the soil, i.e. the Malays). Thus, based on the NEP the government tried to equalize the imbalances between the Malays and non-Malays by means of economic and political measures. These rights for the Malays established a favourable situation for them as compared to the Chinese. To comprehend the reasons for the establishment of the NEP we also have to highlight the political events of 1969.

Ethnic Disunity

The 1969 race riots precipitated the evolution of a concerted, governmental strategy to unify Malaysian society. There is a need to analyze the factors that brought ethnic tensions to a boiling point in May of 1969.

The race riots of 1969, as they are called, furnished the rationale for the establishment of the NEP. These riots could be causally related to the 'ethnically polarized' general election results of 1969. The 1969 Federal elections in Malaya were followed

⁶³ See John Bastin and Robin W. Winks, Malaysia: Selected Historical Readings, p. 350.

by riots, bloodshed, the partial breaking up of the ruling Alliance government, and by the suspension of parliamentary rule.⁶⁴ The 10th May, 1969 elections, saw the electorate rejecting the Alliance government which had been in office since independence. "It has been estimated that about half the Malays voted against the Alliance together with about two-thirds of the non-Malays."⁶⁵ Because the opposition did not establish a united front, the Alliance did manage to maintain a slim parliamentary majority.

There were many other reasons for the ethnically polarized election results of 1969. In essence, the growing economic disparity between the Malays and non-Malays was the main cause of such a political crisis. This coupled with the growing income inequality between the Malays and non-Malays was the principal reason for the riots. "... It is clear that despite fairly steady and relatively high economic growth and low inflation after Independence, income inequalities apparently increased while import-substituting industrialization failed to sustain the momentum and reduce unemployment."⁶⁶ The hardest hit group was the Malays. This is partially due to the fact that the Malays encompassed the majority within the agricultural sector.

On the other hand, some analysts attribute the racial riots

⁶⁴ See K.J. Ratnam and R.S. Milne, "The 1969 Parliamentary Elections in West Malaysia", Pacific Affairs, Vol. XLIII, No. 2, Summer 1970, p. 203.

⁶⁵ K.S. Jomo, "Wither Malaysia's New Economic Policy?", Pacific Affairs, Vol. 63, No. 4, Winter 1990-91, p. 470.

⁶⁶ K.S. Jomo, "Wither Malaysia's New Economic Policy?", Pacific Affairs, Vol. 63, No. 4, Winter 1990-91, p. 470, See table 2 for statistical analysis.

of 1969 to the 'racially polarized' general election results of that year. This may have been a secondary reason. Antagonism between the Malays and non-Malays had been accumulating since the adoption of the Malaysian Constitution, which provided special privileges to a majority group of the society, the Malays.

"Malaysia from the beginning was a dual society, but there was no sign of integration among the various races living in it. In its place, as far as the Malays and Chinese were concerned, there was a rather precarious agreement or understanding between the UMNO and the MCA top leaders that Malay special rights should not be questioned and the political predominance of the Malays should not be challenged provided that the Chinese were allowed to pursue unimpeded their traditional commercial and industrial activities."⁶⁷

Many Malays and non-Malays were not satisfied with the government's policies. Some even were not pleased with the 'bargain' that brought the Federation of Malaysia into existence. Such a displeasure was expressed violently in race riots in Penang (1967) and the most significant riot took place after the general elections of May 13th, 1969 in Kuala Lumpur. Jomo, appropriately maintains that, "...[t]hese conflicts [racial conflicts around the world] remind us that there is a point of no return which most people do not recognize until it is too late, and that beyond such a point different ethnic communities no longer believe it possible and desirable to live together."⁶⁸ The society reached that point of no return after the 1969 elections. Political parties promoted

⁶⁷ Leon Comber, 13 May 1969: A Historical Survey of Sino-Malay Relations, (Kuala Lumpur, 1983), p. 53.

⁶⁸ Jomo Kwane Sundaram, "Malaysia's New Economic Policy and National unity," Third World Quarterly, Vol. 10, No. 4, October 1989, pp. 38-39.

such racial conflicts to win parliamentary seats. They attracted support of non-Malays who did not accept the terms of the 'bargain'. "Dissatisfaction also mounted among the non-Malays, some of whom felt that too many concessions and loopholes were left in 1957 when Malay became the sole official language."⁶⁹

The ethnic divisions seem to subside with the formation of the Alliance or United Front. This Front comprised UMNO, MCA, MIC and other smaller fringe parties. Chapter four will discuss the emergence of political parties and electoral results. The Alliance won the first election held in 1955 and subsequently formed the first independent government in 1957.

It appeared to the rest of the world that ethnic tensions and conflicts had subsided. That indeed was not the case. Although the respective ethnic elite had mobilized the Malayan population, they only did it by appealing to ethnic issues. There was no one strong issue or aspect that held all segments of the society together. In other words, there was an absence of cross-cutting ties between the different races. "It [the 1955 elections] reflected a singular and persistent fact of Malaysian politics: an alliance of ethnic elites, each with its own communal organization, proved to be more appealing to the voters than non-communal political organizations."⁷⁰ The lack of political institutions, made it quite impossible for the various communal groups to interact and foster a common understanding of the problems that Malaya faced.

⁶⁹ R. S. Milne, "'National Ideology' and Nation-building in Malaysia", Asian Survey, Vol. 10, No. 7, July 1970, p. 565.

⁷⁰ James V. Jesudason, p. 45.

In comparison, the political development of Singapore took a different route. Inter-racial organizations were set up, and political parties encouraged members from different races to join them. During the drive for separation from the British, the issues discussed were of interest to all the races. Therefore, political parties centered around ethnic issues were not popular and did not survive in Singapore. In this respect, the political elite in Singapore may have learned from the Malayan experience.

The 'uneven' political development between the various races of Malaysia (after 1957) increased ethnic tensions after independence. The departure of the British created a political vacuum in the country. It appeared that in time, the two dominant racial groups would clash. The political rulers of Malaysia knew that governmental policies should be viewed by the population as unbiased. "Accepting Malaysia as a multi-racial society with conflicting cultural and economic values, all policies and programs must be formulated so as to blunt the edges of conflicts among the different groups."⁷¹ The uniqueness of the Malaysian situation, where one ethnic group controls the economic resources and the other the political power, proved that implementation of unbiased policies would be extremely difficult.

The ratio between Malays and non-Malays was roughly even in 1969. The racial composition was 46.8% Malays, 34.1% Chinese, 9% Indians, 8.7% other indigenous people and 1.4% others. The total

⁷¹ R.S. Milne, "'National Ideology' and Nation-building in Malaysia," Asian Survey, Vol. 10, No. 7, July 1970, p. 564.

population was 10.4 million.⁷² The ethnic make-up of the population had a tremendous impact on the post-1969 election. The election results showed that many voters had cast their ballots on ethnic lines. Candidates were mainly elected due to support of either the Malays or the non-Malays. Cleavages that were kept below the surface, emerged after the elections. Stephen Chee maintains that,

"this was the primary reason for the race riots of 1969. Although the proximate cause of the Kuala Lumpur riots was the rude taunting of Malay by-standers by Chinese and Indian celebrants during an opposition victory parade, the underlying reasons for the violence of the subsequent conflagration were Malay dissatisfaction with the slow pace of their economic improvement, anger at the non-Malay challenge to the primacy of Malay political leadership, and frustration at non-fulfilment of Malay cultural aspirations."⁷³

The riots of 1969 were the result of built-up tensions between the Malays and non-Malays. Tensions that were created by the ethnic composition of the society and natured by the political elite. The election results of 1969 brought to the surface the ethnic compartmentalization of the society and also pin-pointed the absence of significant cross-cutting ties between the various ethnic groups. Such ties would have prevented ethnic violence.

⁷² Figures from Stephen Chee, "Malaysia and Singapore: The Political Economy of Multiracial Development" Asian Survey, February, 1974. p. 183.

⁷³ Stephen Chee, loc. cit., p. 183.

IV. General Observations and Comments

Due to the various reasons discussed in the foregoing pages, political parties were predominantly based on communal lines. Such ethnic segmentation of Malay society, led to mass communal political parties. The politicians exploited the situation for their own benefit. The Malaysians felt betrayed by the sudden withdrawal of British forces in 1942. The majority of the Malaysians were disappointed with the British for handing over Malaya without a concerted and sustained resistance.

Further, the change in society's attitude towards the British can be attributed to the Japanese policy of encouraging the formation of nationalistic movements during their occupation of the Peninsula. It could be argued that the move towards nationalism by the various communities in Malaya was a major by-product of the Japanese occupation. This push for nationalism by the Malaysians directly hasten the eventual withdrawal of the British. "The Malayan people accorded them [the British] a generous reception on their return, reflecting the general rejoicing at the end of Japanese rule, but politely persisted in referring to the British presence as a 'reoccupation' of Malaya."⁷⁴

As discussed in the previous pages of this chapter, the policies of the British entrenched the structural framework of economic and social inequalities based on the specific ethnic or communal group in Malaya. It created a lasting problem of compartmentalization for Malayan society. The labour and immigration policies established and sustained the 'ethnic-

⁷⁴ John Gullick, Malaya, (London, 1964), p. 81.

occupational' divisiveness within the whole society. Although such ethnic divisions sustained and benefitted the British rule, it also left behind a legacy of enduring divisions for the contemporary Malaysian society.

The compartmentalization of society into a honeycomb-like structures also meant that various influences and stimuli for modernization did not affect each community in the same way or to the same degree.⁷⁵ This segmentation was primarily due to the uncontrolled influx of immigrants during the British colonial period. The economic exploitation of the region by the British further complicated the ethnic problem. It built and reinforced social cleavages. Once established, these cleavages were further accentuated by the process of modernization and development.

Many scholars attribute the present unevenness⁷⁶ of the Malayan society to the policies of the colonial period. Raj Vasil maintains that, "... [t]he imbalances emerged during the period of colonial rule and were in large measure a result of policies pursued by the colonial rulers that produced an extremely uneven range of change in social, economic, educational and political spheres among the various ethnic groups".⁷⁷

This chapter has discussed the reasons for the imbalances in the Malaysian society. There will a further exploration of the

⁷⁵ Gordon P. Means, "'Special Rights' as a Strategy for Development", loc. cit., p. 29.

⁷⁶ The term "unevenness" is used to emphasis the uneven development of the different ethnic groups in Malaya.

⁷⁷ Raj K. Vasil, Politics in Bi-Racial Societies, (Kuala Lumpur, 1972), p. 134.

interplay of the ethnic, economic, and political factors in Malaysian society in other chapters of this study.

The New Economic Policy (NEP) was introduced to overcome, initially, the economic disparities and, subsequently, the compartmentalization of society. The next chapter will analyze the successes and failures of such a policy.

CHAPTER THREE

THE NEW ECONOMIC POLICY AND ITS SOCIAL AND POLITICAL IMPLICATIONS

As discussed in Chapter Two, the social and economic imbalances created major problems for the successive governments of Malaysia. The unequal economic and social status of the different ethnic groups (mainly the Chinese and the Malays) continued to give rise to communal uneasiness and the possibility of further violence. After the race riots of 1969, the government of the day devised a policy, called the New Economic Policy (NEP), which sought to correct these entrenched imbalances in Malaysian society. This Chapter will discuss: (i) the rationale for the NEP; (ii) the objectives of the NEP; (iii) the impact of the NEP on the society, economy and political institutions; and, (iv) general comments and observations. This Chapter will argue that the state intervention, as a sole policy initiative in trying to correct societal imbalances was not enough. What was also needed was a concerted effort by various segments of Malay society that were affected by such an imbalance. Such an involvement would have also resulted in the increase of their political capacities.⁷⁸ A detailed discussion on political capacity will be undertaken in Chapter Four of this study.

⁷⁸ See A.H. Somjee, Political Capacity and Developing Societies, (London, 1982).

1. The Introduction of the New Economic Policy

Scholars such as Stephen Chee⁷⁹ and others⁸⁰ argue that the 1969 race riots was the primary reason for the introduction and implementation of the NEP. However, other scholars have differing opinions. A.B. Shamsul maintains that "the idea, and strategy for what finally emerged as the NEP, were drawn up from the proposals and resolutions of the Kongres Ekonomei Bumiputra⁸¹ (Indigenous Economic Congress) of 1965 and 1968."⁸² As the dates of this Congress meetings suggest, they were held before the riots of 1969.

The Indigenous Economic Congress not only introduced practical economic resolutions, but also brought together the established as well as the struggling Malay capitalists, bureaucrats, intellectuals and politicians.

"The resolutions expressed the frustrations of the participants with regard to the status quo and government policy but, more significantly, the conferences generally reflected the emerging coherence and consolidation of the Malay capitalist class. Therefore it could be suggested that the 13 May 1969

⁷⁹ Stephen Chee is a lecturer in Political Science at the Faculty of Economics and Administration, University of Malaya. He has written much on Malaysian Economics and Politics.

⁸⁰ This assumption is commonly held by the more conservative Malaysianists. See for example, Ozey Mehmet, "Race Riots in Malaysia", Queen's Quarterly 58(1971):210-218; idum, "Colonialism, Dualistic Growth and the Distribution of Economic Benefits in Malaysia", Southeast Asian Journal of Social Science, 5(1971):1-21: Means, Malaysian Politics, pp. 407-408; Snodgrass, Inequalities and Economic Development. pp. ix-x; E.K. Fisk and Osman Rani, eds. The Political Economy of Malaysia. (Kuala Lumpur, 1982), pp. 8-9.

⁸¹ The term bumiputera is a Sanskrit word, literally meaning "sons of the soil". Although it can be used to categorize all indigenous peoples, it has become synonymous with the Malays.

⁸² A.B. Shamsul, From British to Bumiputera Rule: Local Politics and Rural Development in Rural Malaysia, (Singapore, 1986), p. 190

incident was ironically, a blessing in disguise for the Malay capitalists. They were presented with the golden opportunity to promote their interests on the economic front through UMNO-controlled government, which then incorporated their demands amongst the objectives and policies of the NEP."⁸³

Therefore, the NEP was not introduced merely as a reaction to the riots of 1969. It was mooted as early as 1965 by the new Malay capitalist class. The 1969 race riots was an opportune event for this new class to demand changes in policy on the part of the government. The UMNO-controlled government, which was backed by Malays, had to implement changes to give more opportunities to the Malays to overcome their economic disadvantages.

It is difficult to prove which of these two assumptions about the introduction of the NEP is valid. That is, whether the NEP was a reaction to the ethnic violence of 1969, or was it a covert policy already in the minds of the Malay capitalist class before the eruption of the riots.

II. The Objectives of the New Economic Policy

The direct result of the 1969 race riots was the awareness among the ruling elite that a broad policy to unite the Malay was needed. It is widely agreed today that the greatest threat to stability of the country, especially since the late 1960s', had been [and is] the inter-ethnic economic disparity leading to social disharmony.⁸⁴ It was also felt that in the long run such inter-ethnic tensions will be an impediment to development.

⁸³ A. B. Shamsul, p. 191.

⁸⁴ See K.S. Jomo, Growth and Structural Change in the Malaysian Economy, p. 229.

The goal of the New Economic Policy was to give an even development spread in the various segments of society. It was believed that such a development would lead to social harmony. This idea was to equalize the economic opportunities for the Malays with the non-Malays. Specifically the NEP document states three basic objectives. These are: "(1) the promotion of national unity and integration; (2) the creation of employment opportunities; and (3) the promotion of overall economic growth."⁸⁵ Although the NEP document states these three specific objectives, the main purpose for the introduction and implementation of the NEP was the first objective. The Government had already stated (in Development Circular No. 1 of 1969) that:

"the overriding objective of the Second Malaysia Plan⁸⁶ will be the promotion of national unity among the various races in the country and at all levels of society through far reaching development and widespread prosperity. All major plan objectives shall contribute to this end. Special emphasis will be placed on redressing imbalances in incomes and opportunities and on job creation for Malaysians⁸⁷ in less favourable positions."⁸⁸

To achieve this objective, the Second Malaysian Plan had a two-prong strategy. "The Plan based on the NEP, was designed to achieve this objective by a 'two-pronged' approach. One prong is directed

⁸⁵ Ibid., p. 306.

⁸⁶ The NEP was expressed in this and other Five-year economic Plans. The Second Malaysia Plan was based on the objectives of the NEP.

⁸⁷ The term Malaysians here only refers to Malays or Bumiputeras. Further, this became the major aspect of the NEP.

⁸⁸ Kamal Salih, Malaysia: The New Economic Policy after 1990, (Vancouver, 1989), p. 16.

at reducing and eventually eradicating poverty for all Malaysians, irrespective of race. The other aims at accelerating the process of restructuring the Malaysian society in order to correct economic imbalances, so as to reduce and eventually eliminate the identification of race with economic function."⁸⁹

It has to be noted that the objectives of the NEP were not only normative in nature. Concrete and highly specific targets were set to achieve these. These targeted objectives were outlined in the Outline Perspective Plan (OPP). "The OPP projected a reduction of the official poverty rate from 49 per cent in 1970 to 16 per cent in 1990."⁹⁰ The OPP also set out a specific goal for restructuring inter-ethnic redistribution of economic opportunities. "Over the years, this aim has clearly become the main agenda of the NEP, particularly the OPP's target of 30 per cent Bumiputera participation in the economy."⁹¹ These are two important targets set by the OPP within the broad boundaries of the NEP. A closer look at the implementation of these targets will help us in understanding and evaluating the impact of the NEP on the Malaysian economy and society.

III. Implementation of the NEP

As mentioned in the previous section, the NEP was implemented through the various Malaysian Plans and the Outline Perspective

⁸⁹ R.S. Milne, "The Politics of Malaysia's New Economic Policy", Pacific Affairs, Vol. 49, No. 2, Summer 1976, p. 239.

⁹⁰ K.S. Jomo, "Wither Malaysia NEP", Pacific Affairs, Vol 63, No. 4, Winter 1990-91, p. 472.

⁹¹ Ibid.

Plans. These Plans provided the specific governmental policy initiatives, taking into consideration the guidelines laid down by the New Economic Policy.

The adoption and implementation of the NEP saw the state extensively intervening in the economy and society. The state took a new role of trying to restructure an economically unbalanced and therefore unjust society. The state also believed that by infusing economic capital from the 'top', it could meet the objectives of the NEP. Basically, the state believed that the benefits of capital-expenditure on development projects would eventually 'trickle-down' to the bottom level of society. The emphasis was on the economic sector and not on increased political participation to reach a stage of development.⁹² "Sectoral allocations of the public development under the 2MP (1971-5) [the second Malaysian Plan] were 72 per cent for the economic sector, 14 per cent for social services, and 14 per cent for security and administration."⁹³ Thus, the state perceived, either rightly or wrongly, that through increased developmental spending on the economy, it could decrease the poverty rate of the society, and thereby also increase the Bumiputera participation in the economy. It will be argued in the next section of this chapter that such an expenditure failed to decrease the number of poor in the society.

The NEP viewed development not only in terms of extensive

⁹² See Samuel P. Huntington and Joan M. Nelson, No Easy Choice: Political Participation in Developing Countries, (Massachusetts, 1976) for a clearer understanding of the development processes as advocated by the authors.

⁹³ K.S. Jomo, Growth and Structural Change in the Malaysian Economy, p. 111.

growth (increase in GNP), but also intensive growth⁹⁴ within the economic and social fields."...[T]here were policies, projects, and programmes designed to modernize rural life; active encouragement and participation to bring about rapid and balanced growth of urban activities; education and training programmes provided at all levels; and efforts to create a Malay commercial and industrial community at all levels and in all categories."⁹⁵ Based on the NEP and implemented through the various Malaysian Plans, emphasis was placed on the objectives stated below.

1. Progress in agriculture, particularly that part of it which the Bumiputera were engaged in;
2. The adoption of employment quotas for the Bumiputeras in the modern sector of the economy;
3. Measures to improve the distribution of assets in favour of the Bumiputera;
4. The need for regional policies to redress some large economic imbalances also with Bumiputera implications;
5. The importance of extending educational opportunities and health care;
6. The need to eradicate poverty.⁹⁶

For the actual implementation of the policy initiatives of the NEP, a closer look into the various Malaysian Plans is necessary. Stephen Chee has summarized the basic policies in the various Malaysian Plans with regard to the aims of the NEP. He asserts that the NEP implemented through the Malaysian Plans focused on:

⁹⁴ In economic terms, 'intensive' means a restructuring of the economy by increasing growth potential in vital sectors.

⁹⁵ George Cho, The Malaysian Economy; Spatial Perspectives, (London, 1990), p. 70.

⁹⁶ Ibid., p. 103.

"To increase and equalize the factor endowments of the Malays vis a vis the non-Malays, the program of economic and social restructuring includes strategies of agricultural modernization, rural urbanization, inter-sectoral movements of labour, mandatory reservation of at least 30% of all new capital issues of private enterprises for Malay subscription, and the rapid supply of Malay managerial, professional and technical personnel."⁹⁷

Since, the adoption of the NEP in 1970, the above stated policies have neither been effective nor met most of the targets set by the OPPs. The next section of this chapter will highlight and analyze the impact of the NEP on the economy and the society. Along with that we shall also discuss the inter-ethnic views and sentiments to the NEP.

IV. Impact and Performance of the NEP

Policies undertaken within the guidelines of the New Economic Policy have been implemented and sustained for the last twenty years in Malaysia. Indigenous scholars such as K.S. Jomo and James Jesudason have reviewed the impact of the NEP. It is a common, consensual view among such scholars that the NEP has not met fully all of its stated objectives. This section will analyze the success and failure of the NEP, in reaching its stated targets and objectives.

Significantly, the New Economic Policy has failed to decrease income inequality between the various classes of the economy; thus failing in its main aim of restructuring the society. Coupled with this failure, is the added problem of establishing a new Bumiputera

⁹⁷ Stephen Chee, "The Political Economy of Multiracial Development", Asian Survey, Vol. XIV, No. 2, February 1974, p. 184.

commercial class. This objective has never been fully reached. Before the implementation of the NEP, the Bumiputeras had about 18% share of investment capital. The target set by the NEP was to raise this percentage to 30%. "But it seems that only about 22% of the share capital has come under Bumiputera control."⁹⁸

Furthermore, the NEP failed to resolve the problem of uneven growth within the economy. One of stated goals of the NEP was to push Malays into the service industry from the agricultural sector so as to increase their wages and thereby their standard of living. Such an unbalanced growth pattern was fostered by colonial policies in the late 19th century and early 20th century. "Bumiputeras [native Malays] continued to be substantially overrepresented in the primary sector and underrepresented in the secondary sector, particularly in manufacturing and commerce, although they gained slightly between 1980 and 1985."⁹⁹ "Perhaps the most significant statistic is to be found in the fact that the Malay community still has 66 percent of the total employment in agriculture, a considerable portion of which is rice-farming that still remains crucial to the Malaysian political economy."¹⁰⁰

The rectification of the economic imbalances, one of the two

⁹⁸ Kamal Salih, p. 2.

⁹⁹ Fifth Malaysia Plan, 1986-1990, (Kuala Lumpur, 1986), pp. 102-112. This is further supported by tables 3.1 and 3.2 of this chapter. See also R.S. Milne, "Malaysia - Beyond the New Economic Policy", Asian Survey, Vol. XXVI, No. 12, December 1986, p. 1365.

¹⁰⁰ T.G. McGee, "'Domains of Analysis': Perspectives on the study of Inequality and Economic Growth in Malaysia; Review Article", Pacific Affairs, Vol. 59, No. 4, Winter 1986-87, pp. 658-659. See also Table 3.1 in this chapter of this study, which highlights the trends in ethnic occupation sectors.

objectives of the NEP, received extraordinary attention with the result that the other main objective, namely the eradication of poverty was given a secondary importance. In the words of a perceptive scholar;

"Of the two aims of the NEP, however, it has also become quite clear, especially in the 1980s, that for both Malays and non-Malays, Bumiputeras and non-Bumiputeras, the restructuring aim of the NEP has taken precedence over poverty reduction efforts. While this may not be unambiguously true (e.g. as reflected by budgetary allocations), few would argue that the NEP is primarily identified with interethnic redistribution efforts, or what is termed 'restructuring' in the Malaysian context."¹⁰¹

Although, the NEP failed to meet its broader objectives, it did manage to help the poor of the society. "The overall incidence of poverty in Peninsular Malaysia, that is, the total number of households whose income fell below the poverty line, declined from 39.6 percent in 1976 (764, 400 households) to 18.4 percent in 1984 (483, 300 households)."¹⁰²

Syed Husin Ali, has argued that "the introduction of uneven development [NEP] into Malaysia was the cause of ethnic conflict."¹⁰³ Earlier colonial rule and the kind of development policy it pursued had peripheralized the Malays. The Chinese and Indians who were brought in large numbers to work in the mines and in the plantations were concentrated around major urban centres.

¹⁰¹ K.S. Jomo, "Wither Malaysia's New Economic Policy?", loc. cit., p. 469

¹⁰² George Cho, The Malaysian Economy: Spatial Perspective, London, 1990, p. 34.

¹⁰³ Syed Husin Ali, "Social Relations: The Ethnic and Class Factors", in Ethnicity, Class, and Development in Malaysia. (Kuala Lumpur, Persatuan Sains Sosial Malaysia, 1984), pp. 13-31.

Such, a urban/rural communal bifurcation hindered the penetration of capitalism equally between the center and periphery sectors of the society. Following independence, the Malay elites utilized the peripheral position of the Malays as a tool to entrench their own position. The Malay elites argued that such a problem needed a concerted governmental policy to equalize the situation.

This then brings us to the central question: Did the NEP help in the restructuring of the Malay society? This is not borne out by the evidence contained in the following charts relating to the distribution and income of the different ethnic groups of the labour force. These charts would also help us by measuring or ascertaining the actual success or failure of the NEP. Although some may argue that these numbers may have been doctored. But the fact remains they are also the basis of future policies of the NEP.

Table 3.1: Labour Force Distribution by Economic Sector and Ethnic Group in Peninsular Malaysia: 1957-1990

Sector	Ethnic Group	1957	1970	1980	1985	1990	1995
Agriculture	Bumiputra	62.1	72.0	73.5	73.5	75.2	76.1
	Chinese	24.3	19.9	16.9	17.2	15.1	16.5
	Indian	12.8	9.7	8.8	8.3	9.1	6.6
Manufacturing	Bumiputra	26.5	34.2	45.5	45.5	44.0	53.9
	Chinese	53.5	55.9	43.9	43.1	45.3	33.2
	Indian	18.9	9.6	10.1	10.9	10.3	12.4
Services	Bumiputra	39.7	44.3	55.4	57.9	66.9	67.0
	Chinese	33.3	39.6	33.4	31.2	23.8	24.9
	Indian	12.8	14.6	10.0	9.7	8.7	7.6
Government	Bumiputra	-	-	59.1	66.7	68.2	65.2
	Chinese	-	-	29.7	24.3	22.5	25.5
	Indian	-	-	9.8	8.5	8.7	8.8
Total Employed	Bumiputra	48.2	51.8	56.6	56.7	56.6	57.6
	Chinese	36.3	36.6	33.5	33.4	33.6	33.0
	Indian	14.7	10.6	9.1	9.1	9.1	8.6

Source: Figures taken from table 3.9 and 3.10 in the Mid-Term Review of the Fifth Malaysian Plan, 1986-90: Fourth Malaysian Plan, Table 3.11, Fifth Malaysian Plan, p. 104, Table 3.6 and Sixth Malaysian Plan, 1991-95, World Bank, The Political Economy of Poverty, Equity, and Growth.¹⁰⁴

¹⁰⁴ The sectors of the economy noted in the table are a few of many. These sectors were picked to emphasize the impact of the New Economic Policy's redistribution policy on ethnic groups. 1995 figures are projected estimates.

Table 3.2: Peninsular Malaysia: Ratio of Mean and Median Income, 1970-87 (Ringgit per Household, per Month)

Ethnic Group		1970	1976	1984	1971-84 Average Annual Growth Rate	1987 Constant 1970 Prices)
Malay	Mean	172	237	384	5.9	384
	Median	120	160	262	5.7	271
Chinese	Mean	394	540	678	4.0	633
	Median	268	329	462	4.0	452
Indian	Mean	304	369	494	3.5	482
	Median	194	247	347	4.2	354
Rural	Mean	200	269	372	4.5	378
	Median	139	180	269	4.8	278
All	Mean	264	353	494	4.6	475
	Median	166	215	326	5.0	326

Source: Fourth Malaysian Plan, p. 37; Table 3.3 and p. 56, Table 3.9; Fifth Malaysian Plan, p. 99, Table 3.4; Mid-Term Review of the Fifth Malaysian Plan, 1986-90, Table 3.12. Derived from Post Enumeration Survey of 1970 Population and Housing Census, Household Income Survey 1973, Labour Force Survey 1974 (reference 1973), Agriculture Census 1977 (reference 1976), Labour Force/Household Income Survey 1980 (reference 1979); and Household Income Survey, 1984.¹⁰⁵

Although one of the underlying objectives of the NEP was to equalize the "uneven compartmentalization" of the economy, there

¹⁰⁵ All figures are constant 1970 prices to facilitate a proper comparison. Mean is the average salary. Median is the salary of the mid-percentile.

seems to be no significant change in the percentage of Bumiputeras in the agricultural sector of the economy. Rather than a decrease in the percentage of Malays working in the agriculture sector, there seems to be an increase of 3.2% in the 1990 figures as compared to the 1970 statistics.¹⁰⁶ Some scholars may argue that there is a shift of the Bumiputeras to the agricultural sector, from the labour intensive segment to the managerial and administrative sector. However, this is highly unlikely due to the low level of modernization in the agricultural sector of the Malaysian economy. The agricultural sector is still labour intensive and hence it requires tremendous amount of labour to maintain adequate monetary returns.

Furthermore, table 3.2 shows that jobs in the agricultural sector which has a high percentage of Malays is one of the lowest income earners. "In 1970, the incidence of poverty in the agricultural sector (eg. paddy farmers) was 58.7 per cent. This has decreased to 57.7 per cent in 1984."¹⁰⁷ Therefore, the NEP has failed to equalize the situation. Table 3.1 also verifies the fact that since 1970 (the year the NEP was implemented) there was a tremendous drop of Chinese working in the agriculture sector. The difference between 1970 and 1980 is a drop of 39% in the percentage

¹⁰⁶ See table 3.1. Bumiputeras continued to be substantially overrepresented in the primary sector and underrepresented in the secondary sector, particularly in manufacturing and commerce, although they gained slightly between 1980 and 1985. See R.S. Milne, "Malaysia-Beyond the New Economic Policy," Asian Survey, Vol. XXVI, No. 12, December 1986. p. 1365. See also Fifth Malaysia Plan, 1986-1990 (Kuala Lumpur, 1986), pp. 106-112. See also Table 3.1.

¹⁰⁷ Malaysia, Economic Planning Unit (1986), p. 86. Percentage is in households in poverty.

of Chinese in the agriculture sector.¹⁰⁸ It is difficult to ascertain where this percentage of Chinese went. Probably this group shifted to the manufacturing sector of the economy.

Moreover, the statistics provided by table 3.2. (the table that provides the mean and median incomes) conclusively proves that there is a distinct variance in incomes between the different races. Some may argue that there is a high percentage of Malays making a living in the rural sector of the economy. Such an argument can easily be refuted if a comparison of specific racial groups is taken within the rural sector. "Another alternative of showing the extent of the discrepancy that existed between the Malays and the non-Malays is to note that while 64 per cent of the rural Malay households earned less than \$128 per month only 14 per cent of the Chinese and 18 per cent of the Indian rural households were similarly placed."¹⁰⁹ Such a disparity between the wages of the Malays and non-Malays has been maintained through the years. There has been a 5.9% increase in the mean wages of the Malays from the 1971 to 1984.¹¹⁰

This wage imbalance existed as far back as 1957. "The discrepancy can also be established from the fact that the Malays who accounted for 49 per cent of the West Malaysian population received only 31 per cent of the aggregate individual income whereas the Chinese and the Indians, while constituting only 36 per

¹⁰⁸ See table 3.1.

¹⁰⁹ David Lim, Economic Growth and Development in West Malaysia: 1947-1970, (London, 1973), p. 55.

¹¹⁰ See table 3.2.

cent and 12 per cent of the population enjoyed 53 per cent and 13 per cent, respectively, of the total income."¹¹¹ This disparity has only changed marginally with the implementation of the NEP.

Some scholars may argue that even the assumed success of decreasing the poverty level by the NEP, was misleading. "The opponents to the NEP maintain that poverty eradication measures mainly, involve Malay peasants. Non-Malay Bumiputeras such as the Orang Asli and those in Sabah and Sarawak, complain that they have been neglected by the existing poverty eradication policy."¹¹²

The NEP was initially welcomed by both the Malays and non-Malays. "It was initially generally welcomed as a sincere effort to transcend the problem generated by the original elite bargain underlying Alliance rule since independence."¹¹³ Such a view changed over time.

The Malays, despite controlling political power, could not circumvent the many social and economic barriers that had prevented them from attaining economic goal. Although there was a general worsening of the economic situation in all the different races in the late 1960s, the deteriorating economic and political atmosphere was interpreted in ethnic terms. The political and economic tension between the two major ethnic groups, i.e. the Malays and Chinese, worsened. Many Malays believed that their poverty was due to the

¹¹¹ David Lim, Economic Growth and Development in West Malaysia: 1947-1970, (Kuala Lumpur, 1973), p. 56.

¹¹² K. S. Jomo, "Wither Malaysia's New Economic Policy?", Pacific Affairs, loc.cit., p. 480.

¹¹³ K. S. Jomo, "Wither Malaysia's New Economic Policy?", Pacific Affairs, loc.cit., p. 471.

fact the Chinese had more than their fair share. The ethnic divide between economic power of the Chinese and political control by the Malays still exists. And what is alarming is that voting along ethnic lines, as shown by the election result of 1990, is still prevalent.

In any society, there is a certain amount of resentment between the various ethnic groups. But in Malaysia such a resentment, and consequent social disharmony, are more apparent due to the special status given to the dominant communal group. Such a situation is contrary to the principles of democracy. Therefore the divisions of the society, brought about by the British during colonial rule, are still present in Malaysia. This aspect of ethnicity has to be resolved before Malaysia can embark on greater economic development.

Although Malaysia faces overwhelming social and political problems, it has achieved a great amount of economic growth in recent years. But economic prosperity has to be measured on the basis of two criteria; extensive and intensive. With Malaysia, economic growth has been quite intensive, but not extensive. Years of 5 to 8% growth has not been able to bridge the economic inequalities of the Malays and the non-Malays. On the contrary, the gap has either widened, or remained the same with increased economic development. Even with state intervention (the implementation of the NEP) this situation has not been completely rectified. "This problem has been highlighted in the recent Sixth Malaysian Plan, which has stated its goal of achieving balanced

development for all races by the year 2020."¹¹⁴

The economic predicament of Malays and non-Malays has extended itself into the political sphere. One of the major fears of the ruling government is the possibility of the majority of voters casting their votes on ethnic lines. The population has increasingly been voting on ethnic lines through the years. The 1990 election results have illuminated this problem. The governing alliance (National Front) has lost an entire state (Kelantan) to the fundamentalist PAS (Malay-Muslim Party) in the last general elections. Kelantan's population is primarily Malay. This aspect will be examined in the next chapter of this thesis.

Therefore, with the increased unbalanced growth between the Malays and non-Malays, the divisions between these two segments of the population may widen. The government has realized that this is an urgent problem and is trying to address it in the Sixth Malaysian Plan. The Prime Minister, Dr Mahathir, wants Malaysians to participate in mainstream economic activities so as to contribute towards strengthening unity by reducing existing socio-economic imbalances among ethnic groups.¹¹⁵

General Observations

The NEP was an outright attempt by the Malay state to take on an interventionist role to assist and uplift the Malay segment of the population. Looking at the NEP from a macro perspective, it was

¹¹⁴ Kalimullah Hassan, "KL unveils new five-year economic plan", The Straits Times Weekly Overseas Edition, July 13 1991, p. 10.

¹¹⁵ Ibid.

also an attempt to eradicate ethnic segmentation based on economic function.

"Although, the objectives of the NEP were quite noble, it has not resolved ethnic tensions. On the contrary, it has established the special status of native Malays, and has polarized the ethnic divisions."¹¹⁶ This was the very purpose the NEP was set up to eradicate. The NEP brought about greater state intervention into the Malaysian economy. Such intervention has provided tremendous growth and development. It was expected that such economic growth would resolve the uneven wage structure of the different ethnic groups. This has not been achieved. The uneven status of the different ethnic groups remains in Malaysia. From 1970 to 1990, the tenure of the NEP, the Malays, the targeted group, achieved 20.3% (from 2.4% in 1970) of the corporate wealth in regard to the Malaysian economy.¹¹⁷ The NEP fell short of meeting its target of helping the Bumiputeras achieve a 30% ownership of the economy. Simultaneously, the Chinese share rose to 44.0% in 1990 (from 34.3% in 1970). The Indians on the other hand, saw an increase of 1% (from 0.2% in 1970).¹¹⁸

As seen in many young developing countries, it is only through social and political stability that a country like Malaysia can fully develop. Stability is one of the many pre-conditions which has to be met before continued economic prosperity can be

¹¹⁶ George Cho, The Malaysian Economy: Spatial Perspective, p. 47.

¹¹⁷ Refer to the Straits Times, June 19th, 1991, p. 26.

¹¹⁸ See Second Malaysian Plan: (1970-1975), and the Straits Times, June 19th, 1991, p. 26.

sustained. Singapore and Taiwan are examples of societies that have achieved "developed status" through stability.

Presently, many scholars realize that the development processes of developing societies do not parallel the route taken by Western countries. The societal, economic, and political cleavages in developing countries are intertwined. The primary concern of many developing countries is the need to restructure society so as to eliminate the identification between ethnicity and economic function. Such a restructuring would curtail the turbulent nature of ethnicity-based politics.

Thus, for Malaysia to achieve a continued rate of growth, it has to address the social, economic and political imbalances of its society. Barriers between Malays and non-Malays have to be brought down. Also, a central goal or issue has to be provided, so as to involve all social groups across the ethnic divide.

Chapter Four

The Political Dimension of Ethnicity in Malaysia

In this chapter we will examine the issue of ethnicity and its impact on the political society of Malaysia. In the previous three chapters, the background of the ethnic divisions and their economic significance for the public policy were discussed. In this chapter we shall now concentrate on the peculiar way in which the dynamics of ethnicity plays out in Malaysian politics. Political institutions in Malaysia had to perform dual functions: that of implementing policies; and that of cutting across the different cultural values and norms of the various ethnic groups so as to find an operative accommodation between these policies. We shall examine these and other related issues in this chapter. Furthermore, since these issues relate to the democratic process in Malaysia, we shall examine the nature of their influence.

The present form of ethnic conflict, and the segmentation of Malaysian society, generally, have their roots in colonial policy and Japanese occupation. Earlier, in Chapter Two, we discussed the colonial policies which brought about enduring ethnic divisions in Malaysian society. Hence this chapter will concentrate on the events during the Japanese occupation of Malaya. The events that took place had a significant impact on politicizing and entrenching ethnic divisions in Malaysian society.¹¹⁹ Together with that we

¹¹⁹ This is a commonly held view by many Malaysianists. For instance, K.S. Jomo, Growth and Structural Change in the Malaysian Economy, (1990); Mahathir bin Mohamad, The Malay Dilemma, (1970); James V. Jesudason, Ethnicity and the Economy: The State, Chinese Business, and Multinationals in Malaysia, (1989); Gordon P. Means, Malaysian Politics: The Second Generation, (1991).

shall also examine how the ethnic divisions in Malaysia influences the actual operation of the democratic process, economic growth, and nation-building.

This chapter is divided into the following parts: (i) the evolution of nationalism and the emergence of political parties; (ii) problems of national cohesion; (iii) analysis of election results through the years on the basis of ethnicity; (iv) the attempts at restructuring society to minimize political tensions; and, (v) general comments and observations. We shall now examine each of these factors in some detail.

I. Evolution of Nationalism and the Emergence of Political Parties

As in other colonial societies, the evolution of nationalism in Malaysia was speeded up by certain initiatives undertaken by the Japanese Occupational forces during World War Two. The Japanese assumed that the rise of ethnic nationalism in Malaya would have a ripple effect on other British colonies. Thus, the Japanese army supported the founding of these so-called, anti-colonial movements.

The Japanese did initiate policies to accommodate the infant stage of nationalism in Malaya. They treated the three major communal groups differently. They encouraged nationalism among the Malays and Indians. Whereas the Chinese in Malaya were viewed with suspicion and contempt due to the Japanese experiences on Mainland China. Such a stance inadvertently helped mobilize the Chinese segment of the Malayan population. Above all, most Chinese, fully conscious of their role as the vanguard of the anti-Fascist struggle (certainly when compared to the efforts of the non-

Chinese), were fortified in their view of themselves as a culturally distinct ethnic community with a glorious record of resistance.¹²⁰

The Japanese, on the other hand, showed a lot of friendliness towards the Indians. Such an approach was used in order to influence the Indians of India from outside. Indians were encouraged to free themselves and their motherland (India) from the clutches of the British and to work for national independence as part of Japan's 'Greater East Asia Co-Prosperity Sphere'¹²¹ with the 'Great Spirit of Cosmocracy' as its guiding principle.¹²² But the tensions of war, in particular, the use of force on Indian labourers to build railways for the Japanese, strained relations between the two sides. "After the war, pro-Japanese Indian organizations were disbanded and their political influence demolished: only a heightened political awareness remained."¹²³ This increased political awareness was re-kindled with the re-establishment of British rule, at the end of the war.

The Malay segment of the population was also favourably treated by the Japanese occupiers. According to James P. Ongkili, there were three main reasons for the supportive attitude of the

¹²⁰ See Stanley S. Bedlington, Malaysia and Singapore; The Building of New States, (New York, 1978), p. 62.

¹²¹ The Japanese have conceptualized ideas such as the Pan Asianism, the Imperial Way, and the Great East Asia Co-prosperity. See F.Q. Quo "Japan and the Pacific Rim: A Historical Review", in Politics of the Pacific Rim: Perspectives on the 1980s, (Burnaby, 1982), p. 66.

¹²² See W.H. Elsbree, Japan's Role in Southeast Asian Nationalist Movement: 1940 to 1945, (Cambridge, 1953), pp. 15-41.

¹²³ Stanley S. Bedlington, p. 64.

Japanese towards the Malays.¹²⁴ Of these the most significant reason is that "the Japanese professed to assist nationalist movements in the lands which they occupied, they obviously regarded the Malays as the logical inheritors of the British political legacy in Malay."¹²⁵ "Through their policies of trying to unite Sumatra, Malaya, and Singapore, the Japanese provided the foundation of Malay nationalism during the second World War. The occupation afforded Malays an opportunity to participate more intensively and with more responsibility in the affairs of government resulting in increased Malay self-confidence."¹²⁶ Such a self-confidence was manifested in the Malays push for self-rule and independence from the British.

During this short period, the underlying divisions between the Malays and Chinese (that were kept under control by the British) became more pronounced. The differential treatment by the Japanese caused greater cleavages between the Chinese and the Malays. Contact between Malays and Chinese at a lower level, was carefully guarded, and kept to a minimum by British policies before December 1941. But after the occupation their mutual distrust and hostility reached a new high.¹²⁷ Thus, we see the deepening of ethnic conflict and segmentation of Malayan society, during the Japanese occupation period.

¹²⁴ See James P. Ongkili, Nation Building in Malaysia, 1946-1974, (Singapore, 1985), p. 22.

¹²⁵ Ibid.

¹²⁶ Stanley S. Bedlington, p. 65.

¹²⁷ See Stanley S. Bedlington, p. 65.

The other significant impact of Japanese rule was that it, in different degrees, mobilized the political awareness of the different ethnic segments of Malayan population. At the elite level, the Japanese Occupation brought together the communal leaders. Relations between the Malay, Chinese, and Indian elites, most of whom had been educated at the same English-language schools and shared many of the same values, remained cordial, as they had been in prewar days.¹²⁸ Such relations were absent at the lower levels of society. Individuals who were poorly educated and only could speak their respective mother-tongues kept to themselves. Without the unifying factor of a common language, Malayan nationalism was only for the English educated elite. Even within the Malay community, the Japanese had a tremendous effect on both the conservatives and the radicals. Although the various communal groups had different notions of nationalism, the seeds of Malayan nationalism were sowed during the Japanese occupation and these seeds flourished during the re-occupation of the peninsula by the British.

The Japanese through their policies awakened and encouraged nationalistic tendencies among the various ethnic groups. "Thus with the Japanese occupation, a new era dawned on Malayan politics, bringing in three differently-oriented nationalist thoughts."¹²⁹ These three ethnically centered nationalist thoughts developed within the three main-stream political parties, United Malay

¹²⁸ See James P. Ongkili, p. 28.

¹²⁹ Usha Mahajani, The Role of Indian Minorities in Burma and Malaya, p. 167.

National Organization (UMNO), Malay Chinese Association (MCA), and Malayan Indian Congress (MIC), respectively. The re-occupation of the British brought these political parties together to form an accommodative alliance. The accommodative nature of the Alliance will be discussed in the next section of this chapter.

Emergence of Political Parties

Political parties, particularly in developing countries, are often influenced by historical and social background of their own societies. And in multi-ethnic societies, few political parties cut across the ethnic, religious, and social divide.

The British wanted to encourage the emergence of pro-British political parties. Such parties, they had hoped, would be anti-Communist and be led by Chinese and Indian moderates who would mobilize the Chinese and Indian populations, respectively. In essence, the British wanted such political parties to counter the growth of purely Malay nationalism by the Malays, so that no one party would control the entire society. The period after the end of the war saw the growth of many Malay associations. The elite administrators, used by the British to control the Malay population, set up their own political party. "Using their links with district level Malay authorities right down to the Malay headman, the elites succeeded in mobilizing most of the Malay population and in doing so, aid the foundation for UMNO [United Malay National Organization] as a mass political party."¹³⁰ The formation of UMNO was primarily due to the ill-feelings that Malays

¹³⁰ James V. Jesudason, p. 43

had towards the British, and also due to the fear of future Chinese domination. The depressing state of the Malays and the ill-feeling towards the British, prompted many Western-educated Malay leaders to join the rest of the nationalists.

Non-Malay elites also tried to mobilize their respective segments of the society. Hence, we see the formation of the Malayan Chinese Association (MCA) in 1949. And later on, the Indian segment of the population formed its own party, and called it the Malayan Indian Congress (MIC).

Although there was an over-arching issue of nationalism that should have transcended communal boundaries, the different ethnic groups did not want to form an alliance to oust the British at that time. The various communal political parties had different political agendas for themselves. These parties, mainly, acted on behalf of the ethnic groups that they represented. But, the elite realized that a compromise had to be struck, if there was to be independence from the British. An independent Malaya would not appear viable unless the major ethnic groups got together and brought about an accommodation.¹³¹

This indeed was a formidable if not an impossible task. It then got further complicated by the ethnic demography. "In 1957, the delicate ethnic balance in Malaya, with Malays only roughly equal in numbers to non-Malays, distinguished itself from all the Southeast Asian countries, which had much lower proportions of

¹³¹ See R.S. Milne, "Nation-building in Malaysia," Asian Survey, Vol. X, No. 7, July 1970, p. 564. Further the British did not want another India to take place.

Chinese and/or Indians in the population."¹³² This unique situation led to an informal "bargain" between the two main communal groups. There was a tacit understanding that the Chinese would retain the economic resources and that special rights for the Malays would be provided in the constitution. This so call "bargain" came to haunt the Malayan society since independence. It has to be noted that the image of Britain after the end of World War Two was not the same as before. The economic and political position of the colonial rulers also had changed, and this contributed significantly to Malaya's independence movement.

The 1947 world order was quite different from the Pre-World War Two. The United States had become a new super-power and the pound sterling had declined in value. The costs of maintaining Britain's colonial rule had escalated. Hence, the end of the war marked the dismantling of the British Empire. "Although, the British managed to re-establish themselves after the Japanese defeat, popular nationalist and anti-colonial sentiments became insuppressible, and the formal end of colonialism in Malaya became only a matter of time."¹³³

Though the British wanted a quick resolution to the problem of Malayan independence, the "stigma" of India, where so many people lost their lives, had remained in the minds of the British and the world.¹³⁴ The Indian experience of religious violence and

¹³² Ibid.

¹³³ K.S. Jomo, Growth and Structural Change, p. 7

¹³⁴ The eruption of racial violence after independence and the horrors of partition.

partition had blemished the image of Britain. "The British therefore specified that they would prepare to hand over power but only under certain conditions, namely, that the new government embrace democratic elections and multiracialism."¹³⁵ The colonial rulers did not want a re-occurrence of the Indian situation in Malaya. Added to that was also the problem of communism in the region. The British, thereafter, encouraged the conservative elites of each ethnic group to establish parties that represent the majority view of that group. For this Britain could not include the Communist Party of Malaya (CPM) which had tremendous support from China, and also a very wide local appeal. At that time the communists wanted to achieve political power through the ballot box and not through violence. Nor did they encourage ethnic conflict. The CPM however, drew more of its support from the Chinese than any other ethnic group.

The Chinese community was represented by another 'homeland' party, the Kuomintang Malaya. "It was formed in 1912. In the Chinese Community, the Kuomintang Malaya and the Communist Party of Malay vied with one another for the control of Chinese guilds and associations, thereby mirroring the Kuomintang-Communist conflict of China."¹³⁶ These two parties with the MCA had segmented the Chinese population, thus preventing the formation of a strong Chinese position for an independent Malaya.

The influence of Indonesia also played a significant role in

¹³⁵ Bruce Gale, Politics and Public Enterprise in Malaysia, (Singapore, 1989), p. 24.

¹³⁶ James V. Jesudason, p. 40.

Malayan domestic politics. Many fringe parties in Malaya fostered the Indonesian position of creating a 'Greater Indonesia' that included Peninsula Malaya, Sabah, Sarawak and Indonesia. There was a few strong supporters of this view in Malaya.

The pre-independent domestic situation in Malaya seemed to reflect external conditions. The political situations of China, India and Indonesia affected the nature of relations between the various ethnic groups in Malaya.

Later, by promoting conservative nationalists, such as the United Malay National Organization (UMNO), the Malayan Chinese Association (MCA) and the Malayan Indian Congress (MIC), Britain was able to transfer power to the Federation of Malaya in 1957.¹³⁷ The British also had their own self-centered reason to see a conservative government take power in Malaya. The colonial rulers had tremendous economic interests in the country. They wanted such interests to be safe-guarded by the in-coming government. The British thought that radical militants, may nationalize such interests. Hence, they backed the conservative elements in Malaya.

II. National Cohesion

There are many reasons for the delay in the rise of nationalism in Malaysia. Among others, it is the nature of the majority ethnic group, namely, the Malays. The relationship between the ruler and ruled changes as we move from the Malays to the Chinese and/or Indians.

The Indians had a long history of national struggle for

¹³⁷ K.S.Jomo, Growth and Structural Change, p. 7

independence. The generation of Indians who made their home in Malaya had experienced the long road to independence in the country of their origin, namely, India. The same was true for the Chinese. Leaders such as Mao Tse-tung and Dr Suon Yat Sen had politicised the Chinese people. Thus, the Chinese and Indian segments of the population were politically more developed than the Malays and were pushing for independence from the British.

The Malays did not have the same historical legacy as the other two major communal groups of the Malaysian society. The Sultan or Raja, the feudal nobility, the Iman or Kathi of the Muslim religion were the symbols of authority and loyalty. And they usually limited their activity to local raja's domain.¹³⁸ Thus, the Malays were segmented within their own raja-dominated territorial jurisdictions. The different political backgrounds of the Malays and the non-Malays thus prevented the emergence of a national unified front to push for self-rule from the British.

This hinderance to unification between the Malays and non-Malays, changed with the opening up of communication links between the various regions in Peninsula Malaya. Also the open nationalistic tendencies of the Chinese and Indians forced the Malays to realize the benefits of self-rule as opposed to British control over their own society.

Uniqueness of Malaysian Political Parties

Like many other multi-ethnic developing countries, Malaysia

¹³⁸ John Bastin and Robin W. Winks, Malaysia: Selected Historical Readings, p. 348.

had to contend with the perennial issue of ethnicity and politics. The Malays were fortunate in avoiding the problems of ethnicity which subsequently plagued the Sri Lankans.¹³⁹ The former were able to achieve this largely as a result of their accommodative policies. Malayan political parties which were predominantly ethnically oriented adopted a form of bargaining which would result in party alliance. "Alliance bargaining for the past twenty years has gone on within a context of allowing for considerable pluralistic autonomy; the compromises were such that no single group would fear ethnic annihilation."¹⁴⁰ Such bargaining also assured the domination of Malays in politics.

In Malaya, we see the same phenomenon taking place as in India. Like in India, the push for nationalism, established a mass movement, which in turn established itself as a political party. "This¹⁴¹ resulted in the formation of the United Malays National Organization, first merely as a vehicle of protest, and later on as a full-fledged Malay political party."¹⁴² The Chinese also had an organization that went beyond the scope of the Western notion of an ordinary political party.

"With the British providing Chinese business leadership to provide an alternative to communism, the Malayan Chinese Association was initially a combination of many things: a welfare organization and benefactor of the Chinese community, providing financial aid to rural Chinese resettled

¹³⁹ Sri Lanka had major religious-cum-ethnic problems.

¹⁴⁰ Cynthia H. Enloe, "Issues and Integration in Malaysia", Pacific Affairs, Vol. XLI, No. 3, Fall 1968, p. 384.

¹⁴¹ Refers to the dynamics of party formation.

¹⁴² Donald L. Horowitz, Ethnic Groups in Conflict. p. 399.

in "New Villages", an interest group petitioning the government in behalf of the Chinese; and an intermediary for the government with the Chinese community."¹⁴³

As discussed in the beginning of this chapter, the formation of nationalistic movements under Japanese rule coupled with the disillusionment with British rule resulted in the mobilization of the population to seek independence. The formation of the Alliance party or National Front however, was primarily due to internal factors.

The predominant internal issue that hastened the need for an ethnically accommodating political party was the divisive multi-ethnic nature of Malayan society itself. "The dangers of communal violence were too great to ignore, and the Alliance, as this loose political organization came to be called, appeared to be the ideal solution by which ethnic groups could be heard and compromises reached."¹⁴⁴ As we will highlight in the next section, the fragility of racial harmony was shattered in 1969.

The formation of the Alliance can be attributed to the British insistence on the need for a united, non-communist, pro-democratic, and inter-ethnic mainstream party. "The British, too, had made it known, as early as 1952, that interethnic unity was a prerequisite to independence."¹⁴⁵ The leaders of the Alliance may have envisaged the inter-ethnic party as a temporary accommodative gesture to the British, but the Alliance has withstood many trials and

¹⁴³ Ibid., p. 400.

¹⁴⁴ Barbara Andaya and Leonard Y. Andaya. A History of Malaysia, (London, 1982), p. 266.

¹⁴⁵ K.J. Ratnam, Political Process in Malaya, p. 22.

tribulations and still continues to exist.

The permanence of the Alliance has baffled many scholars. The ability of the Alliance to forge a permanent arrangement is directly related to the nature of the relations vis-a-vis the Malaysian party system.¹⁴⁶ The Alliance has become a permanent and vital feature of the political landscape of Malaysia. The Alliance party has governed Malaysia since independence in 1957.

Donald Horowitz identifies seven main reasons for the durability of the Alliance party in Malaysia.¹⁴⁷ Of these, the most significant reason is; "by forming the Alliance, this coalition had created opposition that divided the party system into three blocs; non-Malay opposition, Malay opposition and Alliance. Redivision was not practicable, and so the coalition, however unsatisfactory was self perpetuating."¹⁴⁸ Furthermore, the electorate voted for the Alliance party as it represented the three major ethnic groups. The confidence of the electorate in the Alliance and its policies has had its ups and downs and in the 1990 elections the electoral support for the Alliance had significantly weakened. The next section which deals with the analysis of the election results from 1959 to 1990, will highlight the voting behaviour of the electorate.

¹⁴⁶ See Donald Horowitz, p. 405.

¹⁴⁷ See Donald L. Horowitz Ethnic Groups in Conflict, p. 405. The seventh reason is that the Alliance partners began to be hemmed in by parties on their flanks and to discount the attractiveness of alternatives to Alliance.

¹⁴⁸ Donald L. Horowitz, "Incentives and Behaviour in the Ethnic Parties of Sri Lanka and Malaysia," Third World Quarterly, 10(4), October 1989, p. 28.

III Analysis of Election Results

This analysis will examine the impact of ethnic diversities on the electoral process in Malaysia. It will also highlight the results of the 1969 elections, which is a watershed in Malaysian politics. The election results provided an impetus to the race riots. As discussed in the last section, the Alliance or the National Front encompasses the major conservative and ethnically-centered parties. The extreme or fringe parties would not or rather could not, form an alliance, so as to provide an alternative to the electorate. The success of the governing Alliance is based on the multi-ethnic electoral support it has maintained from the first election in 1955 to the recent general election in 1990. Such support has been eroded slightly, especially in the 1990 elections. The reasons for such an erosion will be discussed in the conclusion of this chapter.

Malaysia had its first elections in 1959. Successive governments scheduled elections roughly at a four-year interval. Election results in Malaysia were dependent on the ethnic composition of the society as many voters cast their votes on those lines. Between 1955 and 1964 the ethnic composition of the society experienced a tremendous change. "In 1955, Malays made up 84.2% of the society as compared to 54.1% in 1964."¹⁴⁹ "Whereas the Chinese component increased from 11.2% in 1955 to 38.0% in 1964."¹⁵⁰ This

¹⁴⁹ R.K. Vasil, "The 1964 General Elections in Malaya", International Studies, Vol. VII, No. 1, July 1965, p. 57, Table 4.

¹⁵⁰ Ibid.

sudden increase of Chinese in Malaya may have been one of the reasons why the Malay elite saw it prudent to oust Singapore from the Malayan Federation in 1965. "Singapore was composed of about 70% Chinese at that time. Malays saw Lee Kuan Yew's¹⁵¹ concept of a 'Malaysian Malaya'¹⁵² a threat to their privileged position as bumiputra (sons of the soil)."¹⁵³

So far the most significant elections in Malaysian history was the 1969 Federal elections. No analysis of Malaysian development process would be complete without a close look at it. "The 1969 election in Malaya was followed by riots, bloodshed, the partial breaking up of the ruling Alliance government, and by the temporary suspension of parliamentary rule, itself."¹⁵⁴ The table¹⁵⁵ on page 75 shows that the 1969 elections did provide the ruling Alliance with a majority of seats in Parliament. However the results also revealed a substantial loss of Chinese support for the MCA. That

¹⁵¹ The Prime Minister of Singapore at that time.

¹⁵² This concept was supported by the Democratic Action Party, People's Progressive Party, and other opposition parties in Malaya. These parties urged multi-lingualism within a framework of a Malaysian-Malaysia, giving full support for all four languages (Malay, English, Chinese and Tamil) at all levels of educational institutions similar to the vernacular school system introduced by the British. See Wan Hashim, Race Relations in Malaysia, p. 76. See also Lee Kuan Yew's Press Conference at Qantas House, Sydney on March 23rd, 1965, in Malaysia-Age of Revolution, Ministry of Culture Publication, Singapore, 1965, p. 58, where he stresses this notion of 'Malaysian Malaysia'.

¹⁵³ Stuart Drummond and David Hawkins, "The Malaysian Elections of 1969: Crisis for the Alliance", The World Today, September 1969, Vol. 25, No. 9, p. 395.

¹⁵⁴ K.J. Ratnam and R.S. Mile, "The 1969 Parliamentary Elections in West Malaysia", Pacific Affairs, Summer 1970, Vol. XLIII, No. 2, p. 203.

¹⁵⁵ See table 4.1.

resulted in severe strains within the ruling Alliance at a critical time when its approach to communal issues were being challenged by the more chauvinist opposition parties.¹⁵⁶ Only 13 of the 33 candidates put up by the MCA won seats in the 1969 elections. The Chinese vote moved from the MCA to the DAP(opposition party). Further, the opposition gained a majority of the popular vote.¹⁵⁷ Coupled with this, the Alliance lost the states of Perak and Penang (formerly a strong MCA state) to the opposition. Thus, the violence of May 13th 1969 ensued between pro-government supporters and supporters of opposition parties, on racial lines.

¹⁵⁶ See Gordon Means, Malaysian Politics:-The Second Generation, (Singapore, 1991), p. 6.

¹⁵⁷ See table 4.1.

Table. 4.1: Electrol Results (Federal Parliamentary Seats) For Peninsular Malaysia: (1959-1990)

Year		Alliance (NF*)	Opposition**
1959	% of Vote	51.8	48.3
	Seats	74	30
1964	% of Vote	58.4	41.3
	Seats	89	15
1969	% of Vote	48.4 ***	51.4
	Seats	66	37
1974	% of Vote	60.7	37.63
	Seats	135	19
1978	% of Vote	55.3	44.7
	Seats	130	23
1982	% of Vote	60.5	39.5
	Seats	132	22
1986	% of Vote	55.77	44.23
	Seats	148	29
1990	% of Vote	54.2	45.8
	Seats	127	53

* Alliance is also known as the Barisan National or National Front, which encompasses among other fringe parties(Gerakan, Hamim, BN Sarawak, and BN Sabah), three major parties; UMNO, MCA, and MIC.

** The opposition encompasses PAS, DAP, Nasma, SDP, Berjaya, and Independents.

*** 1969:- The year of the race riots.

"They (the Malays) foresaw a Malaysia in which they, without economic strength and deprived of political superiority, would forever be under the thumb of the immigrant Chinese and Indians. They foresaw their position rapidly deteriorating and the whole nation losing its basic Malay character. They foresaw Malay leaders bowing and scrapping in order to gain the favour of Chinese superiors. The whole picture was frightening to them "¹⁵⁸

Emergency rule had to be implemented to quell the riots. As mentioned in the previous chapters the events of 1969 eventually led to the enactment of the New Economic Policy.

Since 1969, however, the elections in Malaysia have been peaceful. However, an alarming situation had arisen in the 1990 general elections. Once again the phenomenon of ethnic voting reflected itself in the election. One of the states, namely, Kelantan, fell into the hands of the Muslim Fundamentalist Party. Prime minister Mahathir's warnings to the public did not help to reduce tensions in 1990. "Pro-government media coverage and reminders by Mahathir of the dire consequences of not giving the incumbent coalition a large majority - the cause of, he said, were the cause of the 1969 race riots."¹⁵⁹

The loss of Kelantan was a tremendous blow to UMNO, whose power base is the rural Malay heartland.¹⁶⁰ "The Front won no state assembly seats in Kelantan, and the opposition gained 14 out of 33 seats in Penang and 10 out of 32 seats in Trengganu."¹⁶¹ Although

¹⁵⁸ Mahathir Mohamad, "Problems of Democratic Nation-building in Malaysia", Solidarity, Vol. VI, (1971), p. 14.

¹⁵⁹ Far Eastern Economic Review, 1st November, 1990.

¹⁶⁰ Far Eastern Economic Review, Asia Yearbook 1991, p. 158.

¹⁶¹ Fred R. Von Der Mehden, "Malaysia in 1990: Another Election Victory" Asian Survey, Vol. XXXI, No. 2, February 1991, p. 168.

the Alliance party won the elections, the loss of Kelantan and the dwindling support by the Chinese segment of the population¹⁶² have decreased the popularity of the Alliance party and its policies.

Furthermore, the 1990 election results have indicated ethnic polarization. "The Chinese partners (MCA) in the ruling coalition were badly defeated by the Democratic Action Party (DAP) in the Chinese-dominated urban areas."¹⁶³ "In terms of total votes cast in the parliamentary election, MCA secured only 11.27 per cent, a decline of 1.48 per cent from 1986 and 7.14 per cent compared to the 1982 elections respectively."¹⁶⁴ The reason for such a swing of votes is that the Chinese electorate, who supported MCA, maintain that the party has not been able to protect Chinese interests, eventhough it is part of the ruling coalition.

In the past, Malaysia's election results, had been noted to have a cyclical swing, that is, in alternate elections, the opposition would win and loose ground.¹⁶⁵ If the cyclical pattern was to hold true, then the swing would be against the opposition in 1990. This did not happen. The opposition took control of two state legislatures and increased their popular vote.

The dominant partner in the Alliance party is UMNO. Past and future success of UMNO can and will be linked to the continuation

¹⁶² See Fred R. Von Der Mehden, "Malaysia in 1990: Another Electrol Victory", Asian Survey, Vol. XXXI, No. 2, February 1991, p. 169.

¹⁶³ Khong Kim Hoong, Malaysia's General Election 1990: Continuity, Change, and Ethnic Politics, (Institute of Southeast Asian Studies, 1991), p. 47.

¹⁶⁴ Ibid., p. 27.

¹⁶⁵ Ibid., p. 14.

of the NEP or New Development Plan (NDP, adopted since 1990).

"UMNO's current strength, support, and allegiance also is attributable to the New Economic Policy (NEP) (effective since 1970), which has created a generation of new managers, businessmen, and professionals whose success has been linked directly or indirectly to the dominant party's pro-Malay policies, and who have come to view UMNO as the most appropriate and effective vehicle for Malay leadership, power, achievement, and success.¹⁶⁶

The continuation of an economic policy like the NEP is closely linked to the present and future domination of UMNO in Malaysian politics. This situation will change if the NEP is too 'successful' in equalizing opportunities for the Malays. The Malay presently view the NEP as a necessary tool for their own secured existence. With the narrowing of the economic gap between the Malays and non-Malays, the non-Malay view of the NEP might change. Such a change will eventually affect the delicate political balance. "Mass alienation and frustration are likely to rise, especially when some Bumiputra achieve the valued positions while others, for various reasons, are unable to better themselves at the same rate or to the same degree as their more favoured ethnic kin."¹⁶⁷ A radicalization of Chinese and Indian electoral support may also take place on the basis of their respective discontent with the NEP and UMNO.

In 1990, the government (controlled by the Alliance) reintroduced the NEP under a new name, namely, the New Development Policy. The government, continued to believe that its affirmative policies for the Malays were needed for obtaining their electrol

¹⁶⁶ K.S. Nathan "Malaysia in 1988: The Transition Moves Forward", Asian Survey, Vol. XXIX, No. 2, February 1989, p. 132.

¹⁶⁷ Gordon P. Means, Malaysian Politics: The Second Generation, (Singapore, 1991), p. 310.

support. The introduction of the NEP in 1970 was in response to the call for equal opportunities for the Malays. So far, the ongoing policy has managed to keep the UMNO-MCA-MIC Alliance party together, and also in power.

IV. Attempts at Restructuring Society and Reducing Political Tensions

Much has been done to restructure the Malaysian society so as to reduce political tensions, between the various ethnic groups. These political tensions can be attributed to the "bargain" concretized by the Constitution and also the New Economic Policy which was enacted to eradicate poverty and also give them a fair share of economic benefits.

The Constitution which was formulated before independence in 1957, was a formal document which indirectly divided the Malays and non-Malays. Article 153(2) of the 1957 Federation of Malaya Constitution stated unequivocally:

"Notwithstanding anything in this constitution, but subject to the provisions of Article 40 and of this Article, the Yang de-Pertuan Agong shall exercise his functions under this Constitution and federal law in such manner as may be necessary to safeguard the special position of the Malays and to ensure the reservation for the Malays of such proportion as he may deem reasonable to position 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."¹⁶⁸

Another agreement which gave the Malays precedence over the non-Malays was that "Islam is the religion of the Federation; but other religions may be practised in peace and harmony in any part of the Federation".¹⁶⁹ It was further agreed that in Article 11(4) of the Constitution that; "State law may control or restrict the propagation of any religious doctrine or belief among persons professing the Muslim religion".¹⁷⁰ The Federation of Malaya was thus peculiar in that it took a step seldom officially taken by the constitution of modern nations, namely, the adoption of a state or national religion.¹⁷¹

"The constitution appears to assure a permanent division of political and economic powers between the Malays and Chinese. Such an assumption would be based on the unrealistic premises that the Malays will be able to provide a near perfect government which will not interfere in economic matters and that the majority of Chinese will never develop political aspirations."¹⁷²

Here lies one of the reasons for political tensions in the society. A reformulated constitution may help in reducing inter-ethnic mistrust between the various groups. However, the possibility of re-drafting a more accommodative constitution at present is

¹⁶⁸ L. A. Sheridan, Federation of Malaya Constitution, (Singapore, 1961), p. 141.

¹⁶⁹ Federation of Malaya. Federation of Malaya Constitution 1957, Kuala Lumpur, 1957, Article 3(1).

¹⁷⁰ James P. Ongkili, p. 128.

¹⁷¹ Ibid.

¹⁷² Norman Parmer, "Constitutional Change in Malaya's Plural Society", Far Eastern Survey, October 1957, Vol. XXVI, No. 10, p. 150.

extremely limited. The process of changing the constitution is complex and near impossible.

Thus, building on the notion that it would be almost impossible to change the constitution, we should look at other avenues to restructure the Malaysian society. Such avenues are primarily based on the leaders, their personal philosophies and policies. The present Prime Minister of Malaysia is Mahathir Mohamad. He has been a part of UMNO since the early 1960s. His belief that affirmative economic policies to benefit the Malay segment is the only recourse to reducing tensions in the society may be exaggerated. Mahathir's critical work The Malay Dilemma highlights his underlying philosophy. "What is clear is that unless the Chinese in particular are willing to hold themselves back and appreciate the need to help the Malays in the economic field, none of the schemes of the government will resolve the Malay economic dilemma."¹⁷³ Such a view will of course be contrary to the implicit "bargain"¹⁷⁴ component of the Constitution. The past and present uneasiness (highlighted in the results of the 1990 elections), are due to the imposition of the Malay segment of the society, onto the Chinese economic interests. Government schemes, like the massive NEP policy has helped to some extent to restructure the society. But this has also resulted in the continued demand by the Malays to maintain the NEP almost indefinitely. That has alienated the Chinese segment of the society. This segment perceives the Malays

¹⁷³ Mahathir bin Mohamad, The Malay Dilemma, (Kulua) Lumpur, 1970), p. 32.

¹⁷⁴ See Chapter Two for the complete discussion of this bargain.

as wanting to dominate both the economic and political spheres of the society.

V. General Observations and Comments

In this chapter, the discussion was centred around the political dynamics of ethnicity in Malaysia. It dealt with the slow process of nationalism, party politics, the lack of national cohesion, and the attempts at restructuring society and thereby reducing political tensions. Related to these political complexities is the continued implementation of the National Economic Policy (NEP). The question is: has the NEP provided ethnic equality of opportunities to all ethnic groups? The Malays maintain that they have not. Thus the demand for a continued implementation of the NEP or NDP. The Malays are looking at the opposition parties for more economic benefits.

The relative erosion of electoral support for the Alliance party is mainly due to the radicalization of such support around the issue of ethnicity. The Chinese segment of the population believes that the MCA is not looking after their welfare.

The non-Malays claim that Malays and non-Malays have reached racial equality. The different communal groups have different mind-sets and perceptions of each other's progress. Hence, it is quite difficult to ascertain whether Malaysia has struck a workable balance for an inter-ethnic harmony or not.

"The Malays are spiritually inclined, tolerant and easy-going. The non-Malays are especially the Chinese are materialistic, aggressive and have an appetite for work. For equality to come about it is necessary that these strikingly contrasting races adjust to each other. Laws cannot do this. Only understanding,

goodwill and time can. And understanding and goodwill can only come about in time if the meaning of racial equality is understood by all concerned."¹⁷⁵

Equality of opportunity for all ethnic groups is an illusive goal, especially in developing countries. These societies have the added complexities of building political and economic institutions, maintaining economic growth, reducing poverty, and providing political stability. In time Malaysia may reach a critical stage from where the economic dynamics of each group will be the product of individual and group effort rather than of corrective affirmative action.

¹⁷⁵ Mahathir Mohamad, The Malay Dilemma, p. 97.

CONCLUSION

This thesis has taken a focused look at the complexities of ethnicity and its relation with the development process in an emerging society, namely, Malaysia. It began with a brief look at the available literature concerning the state and ethnicity. That section of the thesis concluded by emphasizing the need for a multi-dimensional look at the Malaysian development process because of the economic and political factors involved in ethnicity.

This multi-dimensional approach also takes into consideration the different expressions of ethnicity. The Malays identify ethnicity in relation to religious considerations. Economic as well as religious factors determine the relationship of the Malays with the Chinese.

The Chinese, on the other hand, view ethnicity in cultural and economic terms. As mentioned in this study, religion is not a dominant factor among most Chinese.

The thesis has identified the ethnic problem in Malaysia. The successive governments have tried to correct the problem by means of the New Economic Policy. That has not worked. As mentioned in Chapter One of the thesis, it may be helpful if the Malays and non-Malays get involved in the political process and thereby enhance their political capacity. This will then give them a scope for solving economic disparity problem at a political level. This may then help to narrow the cleavages between the Malays and non-Malays.

The second chapter examined the various social and economic disparities present in the Malaysian society. Such disparities were

in part established by colonial policies. That chapter would help the reader to comprehend the lasting influences of the colonial legacy in Malaysia.

The main contention of chapter two was to highlight the compartmentalization of the society. The chapter concluded by maintaining that the compartmentalization of the society was primarily due to colonial policies.

Although colonial policies established these compartments, the religious and cultural divisions of the Malays and non-Malays have sustained such social and economic disparities in the society.

The third chapter looked at the affirmative action introduced by the Malaysian government to redress the unequal state of opportunities for the various ethnic groups in Malaysia. Although the New Economic Policy has been successful in increasing Malay representation in certain sectors of the economy, it has failed to meet its other objective, namely, of reducing poverty. Therefore, the state intervention in correcting societal imbalances, so far, has not been adequate. There has to be a concerted effort on the part of the individuals to increase their respective political capacities to secure such a response.

The continuation of the NEP is not the answer to solve the social, economic, and political imbalances of the Malaysian society. After twenty years of the NEP, the society still has tremendous divisions. Thus the government has to look into various other ways to reduce ethnic tensions in the society.

One way, as stated in chapter one of this thesis, is to create necessary conditions which are conducive to the growth of political

capacity of the individual in society. By creating such conditions, the individual may be sensitized to the ethnic disparities and become involved in maintaining ethnic harmony. The responsibility for ethnic harmony should shift from the state to the political involved individual.

The final chapter examined the political dimension of ethnicity and development in Malaysia. That chapter has tried to highlight the attempts at reducing political tensions in the society.

The non-Malays feel that they have been excluded from the possibility of reshaping the constitution. The other option to reduce such tensions has to be based on the leadership of the elites in society. The present Prime Minister, Mahathir Mohamad, seems preoccupied with sustaining his and UMNO's popularity with the Malay segment of the society. By continuing with the NEP it seems that he has bowed to the demands of the Malays.

Chapter four also has hinted to the political future of the Alliance party. The loss of Kelantan state to the Islamic fundamentalist party may lead to the downfall of the present federal government in the next general election. The fear of erosion of electoral support has pressured the present government to continue with the affirmative action policy. It seems that the NEP (or the present NDP) has taken on a new dimension. It has become a tool of government to obtain electoral support from the Malays. The government will closely monitor the demographic shifts in society. It wants the Malay segment of the population to grow.

By mid-1988, Mahathir's economic policies and a rise in

commodity export prices, brought about economic prosperity for Malaysia. The feeling in Malaysia was that such relative economic well-being would "soften ethnic disparities and tensions, thus shifting political salience from communal to more tractable concerns".¹⁷⁶ But the last general election results have pointed to a worsening of "polarization of the political process along ethnic lines".¹⁷⁷ Thus, it seems that economic growth has greatly sensitized the people to ethnic disparities in Malaysian society.

Increased economic growth should also have been accompanied by a reasonable distribution of wealth in society. In the case of Malaysia, the entrenched unevenness of the society, which has not been corrected by the NEP, did not facilitate such even ~~an~~ distribution. The various segments and compartments of the society did not benefit much by the new economic growth. Such a situation is polarizing the political environment. This is a major cause for concern in the future.

The other by-product of greater economic growth facing many Newly Industrialized Countries (NICs), is the outcry of the respective societies for greater political participation. Malaysia has not yet paid attention to that problem. Political liberalization is an issue that Malaysia will soon face. Presently, its economic prosperity is managed by governmental intervention on the basis of strong control over political issues. "Whether, the

¹⁷⁶ William Case, "Comparative Malaysian Leadership Tunku Abdul Rahman and Mahathir Mohamad", Asian Survey, Vol. XXXI, No. 5, May 1991, p. 471.

¹⁷⁷ Monh Nor Nawawi, "Ethnic Politics in Malaysia: Emerging Trends", Plural Societies, XX. 1990, p. 68.

present Prime Minister will be able to pursue his longer-term aims -- constraining politics, yet liberalizing business in order to break Malay dependence on state programs impeding new waves of growth -- remains an open question."¹⁷⁸

In general, this study has taken social and economic factors into consideration in dealing with the political development process of Malaysia. Such an approach is needed to examine the broader development process of Malaysia, because ethnicity, as the core problem, cuts across the boundaries of social science disciplines. It is only by examining the relationships between economic and social factors that we can understand the political consequences of ethnicity in Malaysia. Without understanding such relationships we may not be able to grasp the complexity of the problem. A composite or a multi-dimensional approach is often helpful in studying the development process of emerging societies.

Many scholars have identified the need for a holistic approach to study development. Most of such scholars have not tried to use alternative perspectives in analyzing specific development problem of emerging societies. Rather, after identifying the need for a fresh approach, they return to the old 'single disciplinary' approaches when studying the development process.

This study has tried to argue that there is a need for a more inclusive perspective when it comes to studying developing countries. It has proposed and argued for a multi-dimensional approach to study development in such societies. In this study, the

¹⁷⁸ William Case, "Malaysia in 1992: Sharp Politics, Fast Growth, and a New Regional Role", Asian Survey, Vol. XXXIII, No. 2, February 1993, p. 193.

examination of the NEP itself had to take into consideration both economic, social, and political factors.

Although the NEP was perceived by many as mainly an economic tool, it must be considered to be both an economic and political policy. The policy was a response to the political demands of the Malays. Based on the NEP, the successive governments in Malaysia tried to restructure the society to favour the Malays. Thus the NEP as a development tool needs to be studied on the basis of its results in the economic and political field. This, in itself, has reinforced the need to use a multi-dimensional approach when it comes to studying development process in Malaysia.

It is hoped that this study has contributed to the growing literature on development process in emerging societies. It is also to be hoped that this study was able to make a case for a multi-dimensional approach to the examination of the relationship between of ethnicity and development.

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