

Affirmative Action in Malaysia

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Introduction

The prevailing practice of affirmative action typically involves introducing measures to raise the participation of members of an economically disadvantaged group in the areas of education, employment and business, where they had been historically excluded or underrepresented. Measures taken are generally in the form of preferential policies toward members of a designated group, based on criteria such as a particular ethnicity, gender, or religion. Precisely because affirmative action measures entail bestowing preferential treatment on members of a designated group, they invariably will generate controversy; in particular preferential treatment on the basis of ethnicity and gender has generated intense, passionate debate.

While affirmative action policies vary substantially across countries in terms of the beneficiary groups, nevertheless, in nearly all countries the beneficiaries are groups which are economically and socially disadvantaged and politically subordinate.¹ Malaysia's affirmative action policy differs from those of other countries in one crucial respect — it is “the politically dominant majority group which introduces preferential policies to raise its economic status as against that of an economically more advanced minorities”.² The majority ethnic group that has the power to legislate the affirmative action policies and receive the benefits from those policies in Malaysia are the Malays.³ Conversely, it is the Chinese and Indian ethnic minorities, the most advanced economic groups, who have felt most victimized by the affirmative action policies.

Another unique feature of Malaysian affirmative action is that preferential treatment for the Malays and other indigenous groups was written into the Malaysian Constitution, under Article 153. In other words, affirmative action in Malaysia is a constitutionally sanctioned and exclusively ethnic-based policy where only the Malays and other native groups are entitled to receive preferential treatment. Besides being written into the Constitution, the wording of Article 153 links the ethnic preferential

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treatment to the safeguarding of the “special position” of the Malay community. This has given rise to the prevalent and prevailing Malay popular opinion that views preferential treatment as part of their “special rights” and thus not open to negotiation.⁴

It would be incorrect to think that affirmative action was implemented in Malaysia only after 1971. During the colonial period, the British had already put into practice preferential treatment of sorts in the selection and training of Malays for the elite administrative service. In 1948, an article in the Federation of Malaya Agreement stipulated the Malay Ruler to

safeguard the special position of the Malays and to ensure the reservation for Malays of such proportion as he may deem reasonable of positions in the public service and of scholarships, exhibitions and other similar educational or training privileges ... and, ... of [business] permits and licenses.

This later became part of Article 153 of the Malaysian Constitution. What changed after 1971 was that a Malay-dominated state formulated and systematically implemented a comprehensive ethnic preferential policy to benefit the Malay community.

The ethnic preferential policy has invariably generated intense controversy in Malaysian society, with the majority of Malays, Chinese, and Indians, taking diametrically opposing views. This inflammatory public issue and the emotionally charged debate it has generated, however, has not deteriorated into outright ethnic violence as had happened earlier in 1969. A combination of punitive laws (such as Internal Security Act [ISA] and the Sedition Act) and coercive actions were used throughout the 1970s and 1980s to stifle debate. However, because the state was suppressing the discussion, the quality of reasoned arguments for and against affirmative action also stagnated.

Since the late 1990s, however, a number of factors and developments have contributed to opening up the public space for Malaysian citizens to debate the country's ethnic preferential policy. Perhaps the single most important development is that of the emergence from within the Malay community of voices that are sceptical and critical of the policy. Even from within the United Malay National Organization (UMNO), doubts and anxieties have plagued certain leaders regarding the negative impacts of affirmative action on the Malays, individually and as a community.

This article will first examine the extent to which affirmative action has assisted in expanding Malay participation in the economy and higher education. The next section considers how affirmative action has impacted on ethnic integration.

The third section will argue that while the ethnic preferential policy has helped to narrow ethnic inequality, it, however, was inadequate as an instrument to narrow growing intra-ethnic inequality. The fourth section looks at how the policy has affected economic competitiveness and the national aim to achieve a knowledge-based economy.

Expansion of Malay Economic and Higher Education Participation

Public debates over the economic backwardness of the Malay community and the segmentation of the economy along ethnic lines were already widespread in the 1960s. Affirmative action measures introduced in the sixties were largely ineffective and inadequate. Consequently, increasing numbers of Malays, especially those residing in the urban areas, grew impatient with the glacial pace of their economic progress. The official White Paper on the 13 May 1969 race riots unsurprisingly singled out Malay economic grievances as one of the key factors that brought about the rioting. Economic restructuring along ethnic lines was one of the two objectives of the New Economic Policy (NEP) which was implemented from 1971–90. A comprehensive system of ethnic preferential policies, programmes and instruments that benefited the Malay community were formulated and implemented.⁵

Prior to the implementation of the NEP, in 1970 the mean monthly incomes for Malay and Chinese households in Peninsular Malaysia were RM172 and RM394 respectively. By 1990 the *bumiputera* mean household income had reached RM940, and then it grew speedily to RM1,984 in 1999. Chinese mean household income also grew but at a slower pace; RM1,631 in 1990 and RM3,456 in 1999. Consequently, the gap between the Malay and Chinese household mean income disparity ratio had narrowed from 2.29 in 1970 to 1.74 in 1999.

Segmentation of the economy along ethnic lines was omnipresent before the implementation of the NEP. The overwhelming majority of Malays were employed in the agricultural sector and resided in the rural areas. In 1970, Malays employed in the agricultural sector made up 67.8 per cent of the total Malays employed compared to 31.4 per cent of Chinese, and 48.6 per cent of Indians. Indeed, the only other sector where Malays were found in significant numbers was in government services. By 1995, however, Malays employed in the agricultural sector had decreased to 22.2 per cent and in fact manufacturing had taken over as the sector that employed the most Malays with 24.9 per cent, followed closely by the services sector (including government services) with 24 per cent. Unsurprisingly, the high proportion of 62.3 per cent of Malay workers engaged in agricultural and related occupations in 1970

decreased to 25.3 per cent in 1995, while the share of Malay manufacturing workers increased from 18 per cent to 27.5 per cent during this period.

In 1970, the tertiary enrolment of Malays was 54.1 per cent of the total enrolment, constituting 82.9 per cent and 39.7 per cent at certificate and diploma and degree levels respectively.⁶ Of the total number of graduates from 1959–70, Malays and Chinese comprised about 26 per cent and 60 per cent respectively. More importantly, 60 per cent of Malays graduated in the arts faculty while Chinese made up from 80 to 90 per cent of the graduates in science, engineering and medicine. To redress this imbalance an ethnic-based admission policy that made it mandatory for all local public universities to reserve 55 per cent of their places for Malay students was implemented in 1971.

In practice, however, Malay admission into local universities exceeded the 55 per cent figure because policy-makers included in the total university ethnic enrolment figures Malaysians enrolled in overseas universities, the majority of whom were non-Malays. With the inclusion of non-Malay students studying overseas, invariably Malay enrolment in local public universities would be higher than the 55 per cent in order for the Malay enrolment figure to account for 55 per cent of the total university enrolment.

For enrolment of students in public and private (including overseas) tertiary institutions, in 1980 Malays made up 46 per cent of the total, constituting 46.3 per cent and 45.7 per cent in the certificate and diploma and degree courses respectively. By 1999, Malay enrolment made up 53.9 per cent and 58.7 per cent at the certificate and diploma and degree levels respectively, totalling 56 per cent of the total tertiary enrolment. However, since the ethnic quotas were applicable only with regard to admission into public higher institutions, Malay students were hence mostly enrolled in these. For example, in 1980 they made up 72.8 per cent of the total enrolment in local public tertiary institutions, constituting 87.7 per cent and 62.7 per cent in the certificate and diploma and degree programmes respectively.⁷

The success of the ethnic preferential policies in education and employment has led to the growth of a noticeable Malay professional class. While in 1970 and 1980 there were few Malay architects, accountants, engineers, dentists, doctors and lawyers, since 1990 their numbers in these professions have increased significantly except for accountants and less so for architects and engineers. In 2000, for instance, about one out of three dentists, doctors and lawyers and one out of four architects and engineers were Malays. And unlike in the past, Malay professionals today are found in both the public and private sectors.

In terms of ownership of share capital of limited companies, Malay and Chinese shares were 4.3 per cent and 38.3 per cent respectively in 1971 — with

foreign ownership taking up the lion's share of 61.7 per cent. By 1995, the Malay share had increased to 20.6 per cent (this figure was disputed because the official figure excluded the nominee share) while the Chinese share had reached 40.9 per cent. Perhaps, more importantly, state privatization programmes have helped to develop a growing Malay corporate and business community. The significance of the Malay corporate and business community is clearly shown by the fact that individual Malay ownership of share capital has surpassed the Malay trustees ownership; in 1995, individual Malay ownership made up nearly 90.3 per cent of the total Malay share. The growth of the Malay corporate and business community, however, suffered a setback after the 1997 Asian financial crisis.

Ethnic preferential policies have greatly enhanced Malay participation in the economy and higher education. The economic disparities between the Malay and non-Malay communities have narrowed significantly. Malay horizontal and vertical participation in the economy has expanded substantially, especially in the modern sector. Malay enrolment in higher education, including university, has exceeded the 55 per cent quota reserved for them. Thus, the ethnic preferential policies have created a more broad-based differential Malay employment structure and successfully fostered a growing Malay middle-class and corporate and business community.

Ethnic Integration in Society

The government has frequently argued that the preferential policy of raising Malay participation in the economy and higher education would help to ensure stability and foster national integration. Prior to their introduction, ethnic segregation along geographical location, residential neighbourhoods, economic activities and occupations, and education institutions was prevalent. For example, while the majority of Malays resided in the rural areas and worked in the agricultural sector, the majority of Chinese, in contrast, resided in the urban areas and worked in the non-agricultural sectors. Ethnic preferential policies have dramatically altered the ethnic segregation pattern in Malaysian society.

In all the major urban areas, push and pull factors, assisted by ethnic preferential policies, have led to a significant influx of Malay emigrants such that all urban areas are today ethnically heterogeneous. To promote ethnic integration, a national housing policy decreed that new residential neighbourhoods must be ethnically diverse. Thus while the old neighbourhoods in the urban landscape remain racially homogenous, new ones are invariably ethnically pluralistic. As discussed, preferential policies too had clearly raised the representation of Malays in nearly all occupations and economic sectors and higher education by the 1990s.

Ideally, the increasingly multiethnic workplaces and campuses should have facilitated face-to-face ethnic interaction and thus have helped to generate better intra-ethnic group tolerance and understanding.⁸

On closer inspection, however, ethnic preferential policies have contributed to the formation of ethnic enclaves in the society. Preferential treatment of Malays in employment, business and education necessarily meant the foregoing of the principles of meritocracy and equal opportunity. State establishment of ethnicized programmes and institutions as means to expand Malay representation in employment, business, and education has formed ethnic enclaves in the economy and education. Conversely, the Chinese and Indians, confronted with systemic discrimination against them, have also formed their ethnic enclaves as survival strategies.

The public service sector is an excellent example of how preferential hiring has transformed a previously ethnically diverse sector into one that is almost ethnically homogenous. Prior to the implementation of NEP in 1971, although Malays dominated the public service sector, it had nevertheless quite a sizable representation of Chinese and Indians. Systematic preferential hiring of Malays at the expense of recruiting non-Malays had by the 1990s transformed the civil service into a wholly Malay enclave. Concern that an overwhelmingly Malay-dominated public service sector might have a negative impact on ethnic integration has periodically led to calls and half-hearted efforts to recruit more non-Malays. However, for various reasons, recruitment drives to employ more non-Malays into the public sector have largely yielded miserable results.⁹

Anecdotal evidence would suggest that ethnic enclaves in the business sector are quite pervasive at the company level. On the one hand, corporatized and privatized public services and enterprises, such as Petronas, Proton, Telekom, Tenaga and so on, have remained largely Malay entities. Malay-owned companies generally also tended to have a predominantly Malay workforce. On the other hand, the majority of Chinese-owned companies, especially the small and medium enterprises, employ a largely Chinese (in fact Mandarin-speaking) workforce. Interestingly, it is the multinational companies that are likely to have an ethnically diverse workforce.

The presence of ethnic enclaves is evident in the education sector as well. The Ratnam Committee investigating the alleged practice of ethnic segregation by race streaming in national primary schools found that of the 2.2 million students enrolled in the national primary school in 2002, only 2.1 per cent and 4.3 per cent were Chinese and Indians respectively. In other words, the investigation revealed the prevalence of ethnic segregation along national and national-type primary schools.

At the university level, while the 55:30:10 (*bumiputera*:Chinese:Indian) ethnic quotas ensured an ethnically diverse university population, nevertheless, the distribution of students by university showed that the majority of the non-Malay

students are found in University Malaya (UM) and Science University Malaysia (USM). In contrast, the percentage of Malay students in Putra University Malaysia (UPM, formerly Agricultural University of Malaysia), Technology University Malaysia (UTM), National University of Malaysia (UKM), and Northern University Malaysia (UUM) far exceeds 70 per cent. Moreover, in the rush to raise the proportion of Malay enrolment in the local public universities, ethnic enclaves were formed when the state established several *bumiputera*-only programmes and institutions.

The Majlis Amanah Rakyat (MARA), or Council of Trust for the Indigenous Peoples, was designated as a key vehicle to train and assist the indigenous peoples to participate actively and progressively in both commercial and industrial enterprises. MARA implemented a number of programmes, especially establishing educational institutions, to enhance the knowledge and skills levels of the Malay labour force. The MARA College of Business and Professional Studies was upgraded in October 1967 to the MARA Institute of Technology (MIT) and then to university status in 1999. By 1986, MARA had established a branch in every state and offered a wide variety of programmes with the bulk of courses offered being at the certificate and diploma levels.¹⁰ It enrolled a total of 6,900 students in 1975 and by 1996 the enrolment figure was nearly 45,000.

MARA also established the MARA Junior Science Colleges (MJSC) with the objective to increase the enrolment of Malay students in the science and science-related in the universities. Essentially residential-type schools, they received generous funds from the state as well as the best teachers, and thus were highly sought after by Malay parents. In 1984, there were 10 MJSC schools with 6,311 students, and in 2000, the number of schools had increased to 25, enrolling a total of 15,424 students.

Another educational system established in 1971 to help increase the number of science and science-related subjects students was the Residential Secondary School (RSS). In 1984, there were 27 residential schools in Peninsular Malaysia with an enrolment of 12,115, and by 2000, the total number of students had doubled to about 24,000. Finally, the two-year Matriculation Program was initiated in 1970 to expedite the intake of Malay students into the local universities. Initially, both the RSS and Matriculation were opened to non-*bumiputera* students, albeit in limited numbers, but by the 1980s they became largely the preserve of *bumiputera* students.

On the other side, the Malaysian Chinese Association (MCA) was authorized to establish a government-assisted college for non-Malays to pursue certificate and diploma education, the Tunku Abdul Rahman (TAR) College. Compared to MIT, however, TAR College was a much smaller institute and over the years funding for its development and expansion was rather limited. Not surprisingly, TAR College's

enrolment growth has been unimpressive: from 4,036 students in 1975 to about 6,000 in 1980 and to about 9,000 in 1996.¹¹

The establishment of MARA, MJSC, RSS, and Matriculation Program created largely Malay-only education enclaves within the national education system. Only TAR College was established to cater for the non-Malay students to receive certificate and diploma education; even then limited resources were channelled to develop and expand the college. Moreover, ethnic quota admission policies made it much more difficult for the Chinese and Indian students to get a place in the local public universities. Chinese and Indian students thus had to look for other avenues to pursue their higher education ambitions. In the 1970s and 1980s, the scarcity of local higher educational opportunities for the Chinese and Indian students induced growing frustrations and thus tense ethnic relations.¹² Needless to say, the majority of non-Malay parents could not afford to send their children to study overseas.

In the 1990s, the privatization and internationalization of higher education provided Chinese and Indian students with more opportunities to realize their higher education goals. Pent-up demand for higher education among the non-Malays led to a proliferation of private colleges in Malaysia.¹³ As expected, the enrolment in private higher education institutions was overwhelmingly non-Malay; in 1980, for diploma and certificate courses Malays, Chinese, and Indians made up 15.7 per cent, 71.2 per cent and 12.8 per cent respectively, and for university courses the figures were 26.8 per cent, 59.4 per cent, and 13.8 per cent respectively.

The underrepresentation of Malay students in the private higher education sector worried state planners. By the late 1990s, steps were taken to partly address this problem. Thus in 1999, the ethnic breakdown had evened out especially for the certificate and diploma courses where Malays and non-Malays constituted 44.5 per cent and 55.5 per cent. On closer inspection, however, the increase in Malay enrolment in the private higher education did not lead to the creation of a more ethnically integrated private education sector. This was because ethnic enclaves continued to persist as the majority of Malays were enrolled in the Malay-owned colleges. The ethnic segmentation of private higher education continued to be most glaring in 1999 in the enrolment of students in the degree programmes where the Malay and non-Malay student breakdown was 16.3 per cent and 83.7 per cent respectively.

Class Inequality in an Ethnicized Polity

The ethnic-based affirmative action policy has contributed to creating a more class-differentiated Malay community and, indeed, successfully fostered a growing Malay middle-class and corporate and business group. More generally, the policy

was reasonably successful in achieving what it was set up to do, that is, to narrow the intra-ethnic inequality gap, especially between Malays and Chinese. The rural–urban inequality gap also narrowed from the middle of 1970 to 1990. However, a number of salient developments in the inequality landscape in Malaysia have led to calls to rethink and reformulate the ethnic basis of the existing affirmative action policy.

In 1970, half the population of Malaysia lived in poverty,¹⁴ and the incidence of poverty among the *bumiputera*, Chinese and Indians was 66 per cent, 27 per cent and 40 per cent respectively. Needless to say, the incidence of poverty in rural areas, where the bulk of Malays lived, was much higher than that of urban areas. Thus, besides restructuring ethnic inequalities the NEP also had another objective, which was the eradication of poverty, regardless of ethnicity. By any measure the implementation of the NEP has significantly reduced poverty, particularly poverty amongst the Malays.

The overall incidence of poverty has been reduced from 52.4 per cent in 1970 to 16.5 per cent in 1990 and to 5.5 per cent in 1999. Rural poverty has declined to 21.8 per cent in 1990 and to 10 per cent in 1999, and Malay poverty, much of which is in the rural sector, has declined to 20.8 per cent in 1990 and to 10.2 per cent in 1999. The incidence of poverty among the Chinese and Indian communities has also declined significantly. However, questions have been raised regarding the government's refusal to redefine the poverty line in Malaysia; the argument is that urban poverty is distinctly different from rural poverty and the existing single definition of the poverty line would underestimate the extent of the problem in the urban areas.

Incidence of Poverty in Malaysia (per cent)

	1970	1990	1999
Rural	58.7	21.8	10.0
Urban	21.3	7.5	1.9
Overall	52.4	16.5	5.5
<i>Bumiputera</i>	65.9	20.8	10.2
Chinese	27.5	5.7	2.6
Indians	40.2	8.0	1.9

Sources: Malaysian Plans 1991, 1996, 2001.

Nevertheless, while poverty has continued to decline since 1990, income inequality, measured in terms of the “gini coefficient” factor, has worsened. The late Malaysian economist Ishak Shari suggested that government policy reversal towards liberalization, deregulation and privatization since the late 1980s has contributed to

this trend of increasing inequality.¹⁵ In particular, it is the emergence of a new dimension of income inequality — that of intra-ethnic inequality, particularly of the high intra-Malay — that has raised queries about the existing formulation and implementation of the ethnic preferential policy.¹⁶

The increasing class differentiation of the Malay community has inadvertently played a role in accentuating the inequality within the community. The success of the ethnic preferential policy in making social classes more multiethnic meant that there now exists a significant Malay middle class. Children of the growing Malay middle class families in the urban areas would naturally be in a more advantageous position to benefit from the ethnic preferential policies and programmes. The rationale of the ethnic-based preferential policy was to close the intra-ethnic inequality gap between groups and not between individuals. The former prime minister Mahathir puts it this way:

The NEP ... was not concerned with making all the bumiputeras earn equally, or share equally, the wealth distributed amongst them ... The intention of the NEP was to create in the bumiputera community the same division of labour and rewards as was found in the non-bumiputera communities, particularly the Chinese. ... The equitableness was not to be between individuals, but between communities.¹⁷

Thus the ethnic-based preferential policy had disproportionately benefited the better off members of the Malay community, and contributed to growing frictions within the community. The frictions within the Malay community over the use and abuse of the ethnic preferential policy were greatly accentuated in the aftermath of the 1997 Asian financial crisis. The Mahathir government channelled considerable resources to bail out several prominent Malay businesses and businessmen, but was perceived to have not done much, or enough, to help the other segments of the community. This generated much resentment among the working and middle class Malays, particularly among the small and medium Malay businessmen who were severely affected by the economic downturn. The growing class inequality within the community contributed to weakening Malay solidarity, especially support for UMNO. This factor partly contributed to the poor UMNO electoral showing in the 1999 general election. There has hence emerged growing support among the Malays for the state to revise the existing ethnic-based preferential policy, including making income a criterion as well.¹⁸

In theory, the ethnic preferential policy was supposed to assist all *bumiputera* groups including the Kadazans, Ibans, Orang Asli, and other indigenous groups. In practice, however, it appeared that the ethnic preferential policy has disproportionately

benefited the Malay community. The majority of the non-Malay *bumiputeras* are found in Sabah and Sarawak, and together they made up about 10 per cent of the total population of Malaysia. Findings indicate that the non-Malay *bumiputeras* have lagged behind the Malays economically.¹⁹ For example, in terms of participation in the modern economy, equity ownership, and enrolment in higher education, non-Malay *bumiputeras* from Sabah and Sarawak remained underrepresented. More importantly, the incidence of poverty among the non-Malay *bumiputeras* remained noticeably higher than among the Malay *bumiputera* community.

Perhaps, the experience of the indigenous Orang Asli (aboriginal group) best indicates how the existing ethnic preferential policy has benefited the *bumiputera* groups unevenly. The Orang Asli, comprising 0.5 per cent of the total population, has the highest incidence of poverty; in 1997, 81 per cent of the community lived below the poverty line while the overall poverty rate was 7.5 per cent. Several studies have indicated that the Orang Asli groups' overall condition had worsened considerably over the years despite their status as a *bumiputera* group.²⁰

Among the non-*bumiputera* groups, there is growing evidence of rising poverty among the Indian community. Large numbers of Indians working in the plantation sector are condemned to a life of poverty precisely because socioeconomic conditions in the sector neither help to promote education nor enable the acquisition of critical skills. Moreover, since 1990, the rapid economic growth resulted in many plantations making way for industrial and residential development, which in turn caused the plantation Indian labour force to be displaced and forced to migrate to the urban areas. By and large, because of their low skills and educational levels, they ended up living in squatter areas and joining the ranks of the urban poor.²¹ The marginalization of the Indian community has led to concern that unless the ethnic preferential policy is revised in such a way as to assist the community, the Indian poverty situation would only worsen.

Economic Competitiveness and the Knowledge Economy

There is a growing concern among certain Malay individuals that prolonging the ethnic preferential policy might have deleterious effects on Malay individual and collective competitiveness.²² More generally, the ethnic preferential policy might weaken the economic competitiveness of the country as well as hinder the national goal to upgrade to a knowledge-based economy.

Some Malays have pointed out that prolonging the ethnic preferential policy could create a culture of dependency.²³ A culture of dependency would not merely be a psychological problem, but would also have an important economic consequence

— it could hinder the development of an economically competitive Malay community. This is because the ethnic preferential policy meant that Malay individuals, and as a collective, would not have to strive as hard as the Chinese or Indians in order to get admitted into local higher education institutions, receive scholarships, succeed in business, and so on.

For example, critics have pointed out that the manner in which the ethnic preferential policy was implemented in Malaysia has not created a highly competitive Malay corporate and business community, but, instead, a largely rentier Malay capitalist group.²⁴ This group's lack of competitiveness was painfully exposed by the 1997 Asian financial crisis such that many of them had to beseech support from the government. In an era of economic globalization dictated by neo-liberal thinking, where free market competition rules the day, for the Malay community to perform it must be able to compete without any crutches — indeed, in the global world economy there are no ethnic quotas.²⁵

Indeed, it is not only the Malay individual or community that has to become more competitive — but the Malaysian nation as a whole that has to become more competitive in the new neo-liberal dominated world economy. Given the economic juncture that Malaysia is in, the understanding is that for the country to stay competitive it must upgrade from a production to a knowledge-based economy. This transformation would necessarily entail upgrading the skills and knowledge of the Malaysian labour force — since knowledge has become a key competitive advantage in the new economy. While the Malaysian state has introduced a number of measures to enable the economy to move from a capital investment to a productivity-driven one, prolonging the ethnic preferential policy, critics claim, would impede and slow down the transition to a knowledge-driven economy.

The lack of skilled manpower and technology innovation and advancement has been identified as a key factor that has slowed down the development of a knowledge-based economy in Malaysia. The percentage of its labour force with tertiary education, which is critical to the drive to create a knowledge-based economy, is still small, about 13.9 per cent (1990–2000). Some of the world's top technology firms were reluctant to invest in Malaysia precisely because they felt that there are too few skilled knowledge workers. While the state has expanded the tertiary education sector in order to increase the percentage of graduates in the labour force, it has also turned to looking into ways to attract experienced Malaysian knowledge workers living abroad to return home. Needless to say, the existing ethnic preferential policy was one of the push factors that resulted in the brain drain of non-Malay Malaysian skilled workers to live and work abroad.²⁶

In 1995, to encourage more Malaysian talent to come home, the government launched a programme called “Brain Gain” to reverse the brain drain losses

incurred over the years. This was an ambitious policy to attract 5,000 talented expatriate Malaysians (in particular) annually to work in Malaysia. The programme fared poorly and managed to attract only 23 Malaysians before it was suspended following the 1997 Asian financial crisis. In total, between 1995 and 2000, the “brain gain” scheme attracted 94 scientists, including 24 Malaysians, in the fields of pharmacology, medicine, semi-conductor technology and engineering.²⁷ However, 23 of the Malaysians who returned eventually gave up because, among other things, of the discriminatory policies that they felt sacrifice meritocracy and reward mediocrity. When the Brain Gain Scheme was reintroduced in 1 January 2001, it received a total of nearly 600 applications by 2003, with slightly more than 200 approved, but only about 130 Malaysians returned.

Despite the various incentive schemes that the government has introduced to attract skilled Malaysian knowledge workers to return, they were obviously not sufficiently attractive. There is no doubt at all that the remuneration packages offered by the Malaysian government would still be below what expatriate Malaysians could earn abroad, since most of them are working in the advanced economies. Besides the less than attractive remuneration packages, one factor that would discourage Malaysians abroad — but which the government has not publicly acknowledged — from returning would be the ethnic preferential policy. For example, many Malaysian Chinese and Indians who ended up working abroad are there because they could not get admission into the local public universities due to the ethnic quotas and had to study overseas. Hence, based on their personal experience, expatriate Malaysian Chinese or Indians would hesitate to return because they would assume that they and their children would not have equality of employment and educational opportunities as long as the ethnic preferential policy is in place.

Conclusion

Without any doubt, the implementation of ethnic preferential programmes and policies has helped to redress the underrepresentation of Malay participation in the economy, especially in the modern economic sector, and in tertiary education. The inequality gap between the Malays and Chinese has narrowed considerably and Malay equity ownership had reached more than 20 per cent by 1990. A growing Malay professional middle class and corporate and business community have emerged.

However, it is clear that the existing ethnic preferential policy has been found inadequate in addressing the rising new phenomenon of intra-ethnic inequality for all ethnic groups, especially in the Malay community. Moreover, the other non-

Malay *bumiputera* groups have not benefited equally from the existing ethnic preferential policy. Conversely, a preferential policy based on ethnicity would continue to disproportionately benefit the better-off members of the designated group — in this case the Malays — thus further accentuating intra-ethnic inequality. As such, there is a growing support — including within the Malay community — to modify the bases of the preferential policy such as including an income selection criterion as well.

The implementation of ethnic preferential programmes and policies has led to the development of ethnic enclaves in the economy and education system. In particular, the public sector has become essentially a Malay enclave where very few non-Malays are employed. In the corporate world, Malay- and Chinese-owned businesses continued to employ members of their own ethnic groups with only the multinational companies having a more diverse workforce. In education, ethnic enclaves have existed because the state established a number of Malay-only programmes and institutions as a means to advance and raise Malay enrolment in the universities, and the existence of ethnic admission quota resulted in non-Malay students enrolling in the largely non-Malay dominated private tertiary education sector.

Also, prolonging the ethnic preferential policy might create a culture of dependency that would weaken the economic and educational competitiveness of the Malay community. The national objective to upgrade to a knowledge-based economy has been partly hindered by the failure to attract skilled Malaysian knowledge workers abroad to return. Because the majority of the overseas Malaysian workers are non-Malays, one major disincentive for them to return to Malaysia is the ethnic preferential policy that denied them of equality of employment and educational opportunities.

In recent years, the government has introduced various steps to modify the ethnic preferential policy. In part to address the ethnic polarization of the education system and in part to raise the competitiveness of Malay students,²⁸ in 2001 the government decided to “re-open” MRSM colleges, residential schools and matriculation programmes to non-*bumiputera* students; the goal was to reserve 10 per cent of the enrolment for non-Malay students. However, the response from the non-Malays was less than enthusiastic, with MARA reporting a take-up rate of about 70 per cent.²⁹

Also in 2001, the ethnic admission quota system was dropped and in its place a merit-based system is being used for admission to the local public universities. The implementation of this merit-based admission policy yielded surprising results: Chinese and Indian student intakes fell sharply from the previous quota of 35 per

cent to 26.4 per cent and 10 per cent to 4.7 per cent respectively. *Bumiputera* intake, in contrast, was about 68 per cent — significantly exceeding the previous quota of 55 per cent. Thus the admission figures appeared to indicate that the Malays are doing much better than the Chinese and Indian students.³⁰

The government has also announced its intention to look into ways to increase the number of non-Malays in the civil service. While these tentative measures are commendable, perhaps more radical modifications are needed to rethink and reformulate the affirmative action policy. The existing ethnic-based preferential policy was established at a time when ethnic inequality was the most glaring form of inequality in the society and when the majority of Malays lived in the rural sector and in poverty. Also, it was implemented at a time when the Malaysian economy was making the transition from agriculture to manufacturing. Today, new problems, situations and challenges have arisen which the existing ethnic preferential policy would not be able to effectively address. While historically the criticisms of the ethnic preferential policy had largely come from the aggrieved ethnic groups, especially the Chinese and Indians, in recent years the criticisms are also coming from members of the Malay community. Most critics of the ethnic preferential policy would not advocate doing away with it, but, rather, that it needs to be modified.

Notes

¹ For a comparative analysis of affirmative action policies, see Daniel Sabbagh, “Affirmative Action Policies: An International Perspective”, United Nations Development Program (Geneva: Human Development Report Office, Occasional Paper, 2004).

² *Ibid.*, p. 1.

³ In theory, the affirmative action policies also benefit the non-Malay *bumiputera* groups, such as the indigenous Ibans, Kadazans, and others, as well. In practice, however, the politically dominant Malays have benefited disproportionately from these policies.

⁴ The Malay special rights were, the Malays claim, part of the social contract agreed to by the non-Malays in exchange for their receiving citizenship status during the constitutional negotiations. The 1956 Reid Commission, however, explicitly called for the removal of Article 153 ten years after independence as it regarded this article an anomaly and in conflict with the principle of equality of all citizens, regardless of ethnicity. But in the haste to achieve independence, the leaders of the Malay(s)ian Chinese Association and Malay(s)ian Indian Congress chose to support the Tunku’s suggestion to stop quibbling and reject this recommendation, and that they could re-evaluate it after independence.

⁵ Although the NEP was supposed to be for 20 years from 1971 to 1991, based on the argument that the targets were not met, it continues to be enforced.

⁶ These figures are only for local public institutions, and given that the majority of private

and overseas students are non-Malays, the total Malay percentage would be lower than 54.1 per cent.

- ⁷ Undoubtedly, the effectiveness of the ethnic quota policy in enhancing Malay participation in higher education was most evident in their enrolment gains in the science and technical subjects at the university level. Historically, the number of Malays enrolled in higher education, especially university level, was disproportionately in the humanities and arts such that their numbers were much lower than the non-Malays in the sciences and engineering. For example, between 1959 and 1970, the Malay to Chinese graduates ratio for engineering, science, and medicine were 1:100, 1:20, and 1:9 respectively. The proportion of Malay graduates in the sciences and engineering has, however, increased significantly since the implementation of the ethnic preferential policies.
- ⁸ However, several studies have shown that intra-ethnic interaction outside of the classrooms or workplaces remained minimal. Similarly, in the new neighborhoods that are largely multiracial, intra-ethnic interaction remained limited — ethnic groups live in close proximity but lead separate social lives. A 1999 survey study of student interaction at the University of Malaya revealed that the interaction between students of different races outside the classroom was almost non-existent. A October 12, 1999 *New Straits Times* survey found that 98 per cent of Malay students, 99 per cent of Chinese students, and 97 per cent of Indian students did not mix socially with students of other races. In 2003, to address the problem of ethnic polarization among Malaysian youths, the government introduced a national service program which it hopes will foster ethnic interaction and thus promote national integration.
- ⁹ Besides the preferential treatment hurdle, low wages, poor promotion prospects, and other factors have made civil service employment unattractive to most non-Malays. The problem of non-Malay representation in the uniformed services, such as the police and armed forces, is especially acute. In 1992, out of the 115,000 officers in the armed forces, non-Malays made up less than 10 per cent. In 2002, the latest naval recruitment of 645 recruits had only 50 non-Malays.
- ¹⁰ Besides MIT, MARA also established and operated educational institutes such as the MARA Professional College and MARA Infotech Academy. Also in 1985, a College for Preparatory Studies, or MARA College, was established to provide pre-university studies for government-sponsored students to enable them to join American, Canadian and Australian universities at junior year. MARA operated a number of MARA Skills Institutes with 13 campuses.
- ¹¹ The Malaysian Chinese Association was given permission to establish University TAR in 2001.
- ¹² An additional frustration among the Chinese was the refusal by the state to recognize the qualifications of Chinese students who graduated from the Independent Chinese Secondary Schools, which enrolled a total of about 50,000 students though the number has been decreasing since the 1990s.

- ¹³ In the late 1990s, the government permitted the establishment of private universities in Malaysia. Among the foreign universities which established Malaysian branches were Monash University and Curtin University from Australia, and University of Nottingham, United Kingdom.
- ¹⁴ Poverty assessment is based on the official definition of poverty incomes. For example, in 1995 the poverty line incomes were RM425 per month for a family of 4.6 in Peninsular Malaysia, RM601 per month for a household of size 4.9 in Sabah and RM576 per month for a household of 4.8 in Sarawak.
- ¹⁵ Ishak Shari, "Economic Growth and Income Inequality in Malaysia, 1971–95", *Journal of the Asia Pacific Economy* 5, no. 1 (1 February 2000): 112–24.
- ¹⁶ A.H. Roslan, "Income Inequality, Poverty and Development Policy in Malaysia", <http://poverty.worldbank.org/library/view/13714/>.
- ¹⁷ As quoted in Roslan 2001.
- ¹⁸ This was clearly articulated in the KeADILan Party's manifesto. One of the first things the Abdullah Badawi government did was to channel more resources to the small and medium Malay businessmen and middle and working class Malays in order to win back their support. Also, his administration started to channel more resources to develop the rural sector, which was largely neglected during Mahathir's rule.
- ¹⁹ Madeline Berma's speech delivered at the inaugural Bumiputera Minorities Economic Congress, 6–7 February 2005.
- ²⁰ See, for example, Colin Nicholas, *The Orang Asli and the Contest for Resources: Indigenous Politics, Development and Identity in Peninsular Malaysia* (Subang Jaya: Center for Orang Asli Concerns, 2000).
- ²¹ "These displaced people with low levels of education and skills are largely unemployable and find themselves competing with foreign workers for low paying dead end type of jobs thus perpetuating their poverty. The majority find themselves alienated and excluded from markets institutions that define legitimate career path and work function. Escapes from poverty take on the easiest but not necessarily the most legitimate form. The incidence of involvement of Indians in organized and serious crime, drug racketeering and gambling has been on the increase. Recent statistics show alarming crime statistics involving the Indian community with numbers disproportionate to their population composition. This results in the community being marginalized and socially stigmatized. The failure of effective community leadership and poor performance of community based organizations have contributed to immiserization of segments of Indian community which have neither economic nor political clout. Solutions for the problems of the community should transcend narrow ethnic boundaries and be conceived as a comprehensive part of overall development effort." Sulochana Nair, *Poverty in the New Millennium — Challenges for Malaysia* <http://www.devnet.org.nz/conf/Papers/nair.pdf>.
- ²² For example, see then DPM Abdullah Badawi's speech at the UMNO 2002 general assembly.

- ²³ In his speech given at the Harvard Club of Malaysia dinner on 29 July 2002 Mahathir asked “whether they should or should not do away with the crutches that they have got used to, which in fact they have become proud of”. He also added that “There is a minority of Malays who are confident enough to think of doing away with the crutches, albeit gradually. But they are a very small minority. Their numbers are not going to increase any time soon. They are generally regarded as traitors to the Malay race”.
- ²⁴ E.T. Gomez and Jomo K.S. *Malaysia's Political Economy: Politics, Patronage and Profits* (Cambridge University Press, Cambridge, 1997; revised edition, 1999).
- ²⁵ In his deputy presidential speech to UMNO 2002, Prime Minister Abdullah Badawi reiterated “a mental revolution is crucial in facing an increasingly competitive world. The national economy now faces external pressures such as WTO and AFTA; our products and services face competition from other countries. If we are slow in changing attitudes, if we do not raise our competitiveness, we will lose investments, lose jobs and lose business opportunities to nations that are more cost efficient and more competitive”.
- ²⁶ Lim Kit Siang estimated that “There may be over 100,000 Malaysian professionals who have moved to the U.S., Canada, Australia and New Zealand since the 1970s, and this figure does not include ... Malaysians who intended only to study abroad, but then chose to stay on”. Also, there is a sizable community of Malaysian professionals working in Singapore as well.
- ²⁷ Speech by Dr Jamaluddin Jarjis, Minister for Science, Technology and Innovation, in Parliament on 20 September 2004.
- ²⁸ “Malay students should view this as an opportunity to enhance their competitiveness and resoluteness so that they are seen as not only being able to succeed when competing amongst their own but also succeeding among all students regardless of race”. Abdullah Badawi, Speech at UMNO 2002.
- ²⁹ Many factors could help to explain this lukewarm response and a major factor was the perceived or real discrimination that the non-Malays believed existed in the MRSM and matriculation programmes.
- ³⁰ However, the majority of Chinese and Indians remain highly sceptical of the merit basis of the new university admission selection policy. Their views were probably close to Lim Kit Siang, the opposition leader: “... whether the merit-based selection system is honest, impartial, professional and can bear public scrutiny or whether the government has a lot of things to hide about the system. A particular concern has to do with the special formula used to match the matriculation results and the STPM grades — the crux of the matter was whether the formula was objective and fair. Under this new system, entrance to public universities are by way of two examinations — matriculation and Sijil Tinggi Pelajaran Malaysia (STPM). Only 10 per cent of Mara matriculation courses are open to non-bumiputeras. Many have decried this system as being unfair as the one-year matriculation program is deemed to be not on par with the more trying two-year STPM examination”, <http://www.malaysia.net/dap/lks1561.htm>.

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