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**Malaysia: The Political and Economic Aspects of Accommodation and Conflict  
Regulation in an Ethnically Divided Society**

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by

Wan Asna Wan Mohd Nor  
BSc (Political Science), Florida State University  
MSc (Political Science), Florida State University

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by Wan Asna Wan Mohd Nor

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This study examines practices used by the Malaysian elites in their efforts to solve problems related to ethnic and cultural divisions in the country. The study traces the history of political development of Malaysia, from the very first attempt at inter-ethnic co-operation --- the meetings of the 1949-1950 Communities Liaison Committee --- to the most recent one --- the deliberations of the 1989-1991 National Economic Consultative Council. The focus of the research is on political and economic issues involved.

Theories which are relevant to the study of ethnicity and political stability such as 'pluralism', consociationalism and conflict-regulation theory are reviewed in this study. In addition, alternative explanations of contemporary Malaysian politics such as those provided by critical social theory, political economy/development and radical political economy approaches are also included. Empirically, the research is based on personal interviews in Malaysia in 1993, materials on the National Economic Consultative Council, letters, parliamentary debates, government and party literature, newspapers, periodicals, election manifestos, articles and books related to the subject.

This study shows that the ideal concepts of consociationalism cannot fully apply to contemporary Malaysia. Because of the dominant role of UMNO in the Barisan Nasional, the system has developed into 'asymmetric accommodation'. However, there is still an adherence to the principle of multi-ethnic coalition, a genuine power-sharing and the presence of accommodative attitudes and motives among the elites which the consociational model highlights.

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## INTRODUCTION

Many observers of the politics of developing countries have attempted to understand and explain political development in Malaysia. In their attempts to address the problem, they may take on different perspectives but all of them have raised one important issue in their analyses, that is the subject of ethnicity as a salient factor in Malaysian politics. This is due to the fact that Malaysian society is divided by race, language, religion and culture. These divisions largely coincide along ethnic lines, and are usually called races in Malaysia following the old English usage of the term 'race' as an ethnic category. Though this usage lingers on in popular speech and official statistics such as the census, I prefer to confine 'race' to its scientific use as a genetic (biological) category (after Montagu 1972). Race then should refer to physical type, which does enter into popular perceptions of individuals, fairly readily suggesting an ethnic category for any individual. The term "ethnic" will be used in this thesis to refer to the groups which make up the society in Malaysia.

In anthropological literature, an ethnic group is generally understood as a group which: (1) is largely biologically self-perpetuating, (2) shares fundamental cultural values, (3) makes up a field of communication and interaction, and (4) has a membership which identifies itself and is identified by others, as well as distinguishes it from other categories (Barth 1973, 10-11). Similarly, Cynthia Enloe writes that "an ethnic group must have reality in the minds of its members, not just in the eye of the beholder". Ethnicity depends on self-identification, not on objective categorisation, although the way an individual defines himself is partly a response to others' perception of him. She further explains that an ethnic group which is largely biologically self-perpetuating can further be characterised by their shared clusters of beliefs and values (Enloe 1986, 16-17). An "ethnically plural" society, as put forward by Nagata, is

a series of groups of rather fluid membership, which, within the larger political unit is differentiated by various degrees and combinations of linguistic, religious, [ethnic] origin and political factors, each of which, independently, can be a potential normative reference group (Nagata 1975, 3).

Ethnicity thus generally indicates the boundaries of the groups within a political system and sets them apart from each other. The nature of ethnic divisions or cleavages involved may be different from one ethnically divided society to another. But in general, ethnic cleavages are those that are related to race and origin, religion, language and culture. It should be noted here that since race is often confused with ethnicity, when looking at the Malaysian case one should keep in mind that even though race is one of many distinctive lines which separate the groups in Malaysia, it does not by itself explain as much about the Malaysia political system as, say, it does about the political systems of countries such as the United States or South Africa. Race, however, gives an indication of a person's ethnic attachment in Malaysia.

Malaysian society in Peninsula Malaysia is officially divided into three major "races": Malay, Chinese and Indian. Based on the *Economic Report 1991/92*, the total population of Malaysia is 17.76 million. Out of this figure, 14.62 million is from Peninsular Malaysia which breaks down into 8.5 million Malays, 4.58 million Chinese, 1.44 million Indians, and 0.09 million others. Malays constituted about 58%, Chinese 32% and Indians 10% of the total population in the peninsula in 1990. These "racial" groups can be further divided into small sub-groups. Besides the indigenous peninsular Malays, the sub-categories included in the Malay group are various groups of Indonesian origin such as Minangkabau, Javanese, Buginese, Boyanese and Banjarese as well as Malays of Chinese, Indian, and Arab origin. They were people who migrated to Malaya from the Indonesian archipelago, China, India, and the Middle East before the coming of the British and had already assimilated into the so-called Malay society of today.



The Chinese are divided along linguistic and cultural lines. Among the sub-categories are Hokkien, Cantonese, Khek (Hakka), Teochew, Hainanese, Henghua, and other smaller sub-categories. To some extent, different social, cultural and occupational habits still exist among these dialect groupings but they are being modified by their long residence in Malaysia and becoming less and less important in relation to the general ascription as 'Chinese'.

The Indians may also be divided into sub-groups such as Tamil, Malayali, Telugu and other small sub-groups depending on their geographic origin in sub-continent India and their languages. The census also includes Pakistani, Bangladeshi, and Sri Lankan in the Indian group.

Despite the diversity and sub-divisions within each group, the overall perceptions are in terms of Malay, Chinese and Indian as overall categories, since the inclusiveness of each major "racial" group over-rides its sub-categories. Being a Javanese or a Malaysian Arab (who is of Arab descent and has become very much Malay and who identifies himself with Malay interests), for instance, never stands in opposition to being a Malay since he is always both simultaneously. Likewise, being a Hokkien or Cantonese doesn't negate being Chinese, for one is both at the same time.

These three "racial" groups in fact constitute ethnic groups which are divided by largely coinciding and reinforcing cleavages of religion, culture and language. Each has a great cultural tradition. The Malays are proud of their culture which is a blend of the indigenous Malay culture with the historical waves of cultural influence from India, the Middle East and to a lesser extent, China and Europe. The Chinese on the other hand, are proud of their Chinese tradition and heritage from China, while the Indians cherish the heritage of the Hindu-Buddhist cultural tradition of continental India. This strong feeling toward one's own culture provides psychological barriers between the ethnic groups. The result is vivid differences in the cultural traits of these ethnic groups.

Related to culture is language. As Bell and Freeman point out,

language differences may be so intertwined that they may in many circumstances be considered part of the definition [ethnicity], and this may be inherently so given the important connections between language and culture (Bell and Freeman 1974, 10).

The Malay language has long been the *lingua franca* of this region and was established as such before the coming of the British. That was during the period of extensive seaborne trading activities which brought people from the surrounding areas and as far as the Middle East and China to the peninsula. They all acknowledged and used Malay as the *lingua franca* of the region and many adopted it as their own. Some were absorbed as 'Malays', others became distinct categories such as the 'Baba' Chinese who became Malay speakers but retained certain Chinese cultural features. Later in the colonial period, large numbers of immigrant workers were brought in by the government from India and China. Descendants of these workers have largely retained their own languages and cultural affiliations of their homelands.

Besides Malay language, there is Islam, the religion which has been closely identified with the Malays and has become the foundation of Malay culture. In fact, the Malays have combined Islam and knowledge of Malay language and custom into the definition of a Malay (Tun Mohamad Suffian 1972, 145-249). A Malay, as defined by the Federal Constitution in Article 160 (2) is a person who professes the religion of Islam, habitually speaks the Malay language, conforms to Malay customs and: (a) was before Merdeka Day, born in the Federation or Singapore, or born of parents one of whom was born in the Federation or in Singapore, or was on Merdeka Day domiciled in the Federation or in Singapore; or (b) is the issue of such person.

Islam is a barrier to assimilation between the Malays on one hand and the Chinese and Indians on the other, for it serves as a barrier to inter-marriage between the Malays and the non-Malays who are not Muslims, unless the latter adopt the

religion. Thus Islam helps to keep the non-Muslim non-Malays *outside* the Malay group.

In addition, there have also been exchanges of unflattering views of each other between the Malays and the Chinese. The Malays view the Chinese as industrious, ambitious, acquisitive, insensitive, unclean, unreliable, devoted to China and fanatics for Chinese culture and traditions. The Chinese, on the other hand, view the Malays as lazy, superstitious, lacking in motivation, incapable of hard work, contented with subsistence living and patronage (Esman 1972, 20-2). These negative opinions about each other, however, have been gradually declining since the implementation of new economic and education policies in the 1970's, but the feelings of distrust and jealousy between the older generations of the Malays and the Chinese still exist to some extent. This, in turn, has made the task of promoting national integration difficult, especially when these negative views were passed on by some of the older generation to their children or the younger generation.

Even though there are three major ethnic groups in Peninsular Malaysia, the major division is between Malays and non-Malays, with the latter being near equal in number to the former but largely dispersed throughout the country. This phenomenon is known in Lijphart's thesis as a dual balance of power (Lijphart 1977, 55-57). For administrative purposes, Malaysians are categorised into bumiputera or 'sons of the soil' and non-bumiputera. The Malays and other indigenous groups are included in the former while the non-Malays are in the latter category.

### Framework, Objective, Methodology

The Malaysian elite seem to have followed a strategy based on accommodation, bargaining and compromise to settle most divisive issues including the sphere of the economy. I will look at Lijphart's 'consociationalism' and Nordlinger's 'conflict-regulation' theories since both theories are modelled upon these practices and appear to be most relevant in describing the working of the system. Besides that, Lijphart and Nordlinger have also used Malaysia as one of the

examples in their models. I will try to establish a linkage between the practices of consociationalism, conflict-regulation, economic development and the problem of ethnicity that have not been covered by other studies. In order to simplify the matter, the focus of this study will be on developments in Peninsular Malaysia where the majority of the three major ethnic groups --- Malay, Chinese, Indian --- reside.

In this thesis I intend to show that in recent Malaysian history there have been four occasions when discussion and consultation involving representatives from diverse ethnic groups and interests were held to solve different inter-ethnic problems and issues. These four occasions in chronological order are: (1) The pre-Independence Communities Liaison Committee (February 1949 - May 1950); (2) The formulation of the 1957 Independence 'contract' or 'bargain'; (3) The 1970 National Consultative Council; and (4) The 1989-1991 National Economic Consultative Council. I have decided to look at the deliberations during these consultative councils' and committees' meetings because they are the most accessible means which are available for us to analyse the actual working of the political system in Malaysia. The deliberations provide valuable insights to issues which divide the different ethnic groups and to practices used to resolve them.

In Chapter One of this thesis I will review social and political theories which are relevant to the study of a multi-ethnic society such as the concepts of 'pluralism', the consociational system and conflict-regulation theory.

Chapter Two is an overview of the historical background of Malaysia which is of direct relevance to the present situation in Malaysia. It provides a brief overview of early Malaysian history as an introduction to the development of a Malay polity in the Malay peninsula. It also gives general accounts of the colonial period and the evolution of present Malaysian society.

Chapter Three is a discussion of the Communities Liaison Committee's meetings which took place before Independence. References for these meetings are mainly from materials kept at Public Record Office, Kew, United Kingdom. The

meetings are included here because they represent the very first attempt at inter-ethnic co-operation in the country, and they generally foreshadow problems which would be faced by the post-Independence Malaysian leaders.

Chapter Four is in two parts. The first part is about the formulation of the 1957 ethnic 'contract' which was arrived at on the eve of Independence by representatives of the major ethnic groups. The second part is a discussion of political and economic developments in the 1950's and 1960's, and the May 13 inter-ethnic riots in 1969. I will look at the various causes and interpretations of the riots suggested by different scholars.

Chapter Five focuses on developments following the inter-ethnic riots and in particular on the National Consultative Council which consisted of leaders from various groups in the country. The Council was set up by the government to find solutions to the ethnic conflicts. I will analyse the aftermath of the May 13 riots and the policies which resulted from this.

Chapter Six gives an overview of political and economic developments in the 1980's period of recession. It discusses developments within the Barisan Nasional (National Front), the implementation of the New Economic Policy, and the competition between Malays and non-Malays in the economic area.

In Chapter Seven, I will look at the National Economic Consultative Council which was established by the government following the expiry of the New Economic Policy. Like the 1970 National Consultative Council, the 1989-1991 National Economic Consultative Council consisted of representatives of different groups in Malaysian society. Its function was to discuss the implementation of the New Economic Policy and to advise the government impartially on the formulation of policies in the post-1990 period. I will look at the deliberations which took place during the Council's meetings since they give insights into both the issues which are considered to be of great importance to the Malays and non-Malays and the methods used by the communities in trying to resolve their differences. I will also compare the recommendations given in the Council's Report to subsequent

government policies under the New Development Policy which replaced the New Economic Policy.

Chapter Eight is an overview of alternative approaches used by various scholars to analyse Malaysian political and economic development which may give different interpretations of the Malaysian political system.

Finally, in the Conclusion, I will assess the extent to which the Malaysian elites have followed the practices of an ideal consociational model and see if there are other practices or methods used by the ethnic leaders in their efforts to manage conflicts. In addition, I will also incorporate some of the insights provided by other theories or approaches to modify the consociational model.

## CHAPTER ONE

### CONSOCIATIONALISM AND CONFLICT-REGULATION

#### 1.1 Pluralism and Integration

National integration and political order has often been a major problem for newly independent states. The problem becomes particularly acute if the societies in these newly independently states are ethnically divided. The relationship between unity and diversity in a state has been a concern of social and political theorists. In their discussion, the term 'pluralism' has been used differently by these writers. Not only is the term used in two diametrically opposed ways, but within each of these two opposing groups there is also a broad diversity of its usage. To simplify the matter, David Nicholls for instance, categorises these theorists into three general groups: English political pluralists, American political pluralists, and 'plural society' theorists (Nicholls 1974). The English pluralists, such as J.N Figgs, Harold Laski, F.M Maitland and others who emerged in the first two decades of the present century developed the idea as a reaction against theories which ignored the important role of groups in the political process. Their writings on the theory of pluralism are based upon three basic principles:

- (a) that liberty is the most important political value, and that it is best preserved by power being dispersed
  - (b) that groups should be [viewed] as 'persons,' and
  - (c) that ideas of state sovereignty should be rejected
- (Nicholls 1974, 5).

They used the term 'pluralism' to describe a situation where power was dispersed among many groups in a state and they did not concern themselves whether these groups were cross-cutting in their membership or superimposed upon one another.

The American pluralists, on the other hand, tend to be explaining and justifying the political system operating in the United States. They argued that

political decisions are the result of numerous groups exerting pressure at different levels of the system and that the object of a group is to attempt to influence the policy of the government so as to benefit the members of the group. They used the term 'pluralism' to mean that "group affiliations should be dissociated, so that the state is made up of a cross-cutting web of politically significant groups" (Nicholls 1974, 2 and 4).

The third group of pluralists, or what Nicholls calls 'plural society' theorists, however, apply the term 'plural society' to a situation where the state is composed of distinct groups and where cross-cutting of group membership is not found (*ibid.*, 4). The concept of a plural society was put forward by J.S Furnivall in a series of writings during the 1930's and 1940's. Furnivall saw that the impact of colonialism and capitalism upon a number of traditional societies had led to the growth of a particular type of society which he termed a plural society. Imperial expansion had caused widespread immigration from one part of the empire to another and resulted in a territory with an indigenous population, a dominant European minority, and other ethnic groups which were brought in to provide labour which could not or would not be performed by the indigenous inhabitants. As a consequence, "in the Federated Malay States the indigenous inhabitants number barely a quarter of the total population". Likewise, in the South Pacific, "the Fiji Chieftains invited British protection and one result has been that half the inhabitants are immigrants from India" (Furnivall 1956, 305).

Comparing the features of tropical colonies of European powers to those of Europe itself, where capitalism had developed, Furnivall asserted that in the former there was an absence of common "social will" which had helped to control economic forces in the latter. Traditional ways of life in these colonies had been disrupted and replaced by a new economic system based upon the law of "survival of the cheapest" (*ibid.*, 118) and the market mentality. In countries such as Burma and Java, there was a "medley" of people who mix but did not combine and



Each group holds by its own religion, its own culture and language, its own ideas and ways. As individuals they meet, but only in the market-place, in buying and selling. There is a plural society, with different sections of the community living side by side, but separately, within the same political unit. Even in the economic sphere there is a division of labour along racial lines. Natives, Chinese, Indians and Europeans have different functions...(*ibid.*, 304-5).

Furnivall further stressed that because of the disruption of their traditional life, these groups were not integrated communities but “each section is an aggregate of individuals” even though they managed to retain their own religion, culture and language (*ibid.*, 306). He also observed that, similar to a confederation, the plural society as a whole comprised separate groups, but unlike a confederation, these groups were not segregated and members of these groups intermingled and met as individuals. The union, however, was not voluntary but was imposed by the colonial power and by the force of economic circumstances. The dissolution of this union would lead to anarchy (*ibid.*, 307).

The concept of the plural society was later developed by other writers such as M.G Smith, Leo Despres and others. In M.G Smith’s concept, cultural pluralism is defined as a condition in which two or more different cultural traditions characterise the population of a society. In contrast to a culturally homogeneous society, in which institutions such as marriage, family, religion, property and the like are common to the entire population, different sections of the population of a plural society practice different forms of these ‘common’ institutions. Since institutions involve patterned activities, social relations, and idea systems, the culturally differentiated sections will also differ in their internal social organisation, institutional activities and systems of belief and value (Smith 1965, 14). Hence there is a social pluralism corresponding to cultural pluralism, but in some cases, the boundaries of the "culturally differentiated sections" and the "structurally

differentiated sections" may not fully coincide, since there may also be a marginal association between members of different "cultural sections" (*ibid.*, 68-71).

The political form of the plural society in Smith's concept is domination by a unit that is normally a cultural minority. He argued that if the different units of the plural society were to carry on their different institutional practices, they would constitute separate societies. But because they are bound together in a single polity, it follows that the formal political institutions of subordinate cultural sections have been repressed as a condition of a political unity of the total society under the control of the dominant minority (*ibid.*, 67-8). Cultural pluralism is seen by Smith to impose the necessity for domination by a cultural section,

... where culturally divergent groups together form a common society, the structural imperative for maintenance of this inclusive unit involves a type of political order in which one of these cultural sections is subordinated to the other. Such a condition derives from the structural requisites of society on the one hand, and the condition of wide cultural differences within some populations on the other. It is under such conditions that differences in race and color acquire general social significance (*ibid.*, 62).

In addition, Smith also explained that "the monopoly of power by one cultural section is the essential precondition for the maintenance of the total society in its current form". The dominant section "controls the apparatus of power and force, and this is the basis of the status hierarchies that characterize pluralism" (*ibid.*, 86).

Both Furnivall and Smith stressed social cleavages and cultural diversity as characteristics of the plural society. But Furnivall was concerned with the colonial tropical societies while Smith generalised the concept to include almost any time and place,

the Norman conquest of Britain, and the Roman conquest before it... and there are many other instances that cannot be attributed to Western economic activity.... the most general answer to this question of origin is migration (*ibid.*, 89) .

Unlike Furnivall, who saw cultural diversity as the result of the economic forces of colonial capitalism, Smith asserted that cultural diversity was the determinant that necessitates the domination by a cultural section. Even so, both models presuppose the same assumption, that is, group diversity corresponds to disunity in the plural society. Thus the intergroup relations must be regulated by force. For Furnivall, the groups may only be held together by colonial power, while for Smith the condition necessitates domination by one of the minority cultural sections.

While other writers have either agreed with or modified Furnivall's concept of the plural society, many have departed from it. The critics of this concept assert that plural societies are held together by a shared value consensus among the diverse groups. But the critics have faced the difficulties in trying to specify what these values are and empirical research casts doubt upon the existence of such a set of common values (Nicholls 1974, 45-6).

Although the plural society writers disagree among themselves as to the essential features of a plural society, they generally agree that the segments in the plural society may be based upon any one or a combination of criteria such as race, language, religion, origin, culture and ethnicity. In addition, each of the segments has its own set of values and pursue their interests and goals independently. David J. Banks points out that Furnivall appeared to regard Malaya "as analogous to Burma and Indonesia as if the theoretical treatment adopted in Burma and Indonesia applied directly to the colonial situation on the Malay Peninsula" (Banks 1975, 25). Hence no serious treatment was given to Malaya as a separate case. Nevertheless, Furnivall did cite Malaya as a specific example of a plural society (Furnivall 1956, 305) and present day Malaysia remains an example of the classic statement. The ethnic groups in Malaysia, which are the Malays, the Chinese and the Indians in the Malay Peninsula and the Malays, the Chinese and several indigenous groups in East Malaysia do mix, but do not combine. But the present day Malaysian situation, however, does not exemplify the feature of Furnivall's plural society of "incompleteness of individual social life" and "atomization of society" (*ibid.*, 306-7)

since in his formulation, the indigenous group loses its vitality in the face of colonial power and alien intrusion, while the immigrants cannot establish their traditional ways in the new setting. The Malay community has not lost its vitality while the Chinese have established a functioning community in Peninsula Malaysia. The politics in Peninsula Malaysia, in fact, is based upon the coexistence of these two communities, which differ sharply in religion, culture, and language, within one political unit (Tennant 1975, 79-80).

In his essay on pluralism in the East and West, Banks highlights the difficulties that arise when the concept of pluralism is translated from Southeast Asian terms to parts of the New World such as the Caribbean and back again to the Southeast Asian region. One of the reasons is because of the different milieu between the Caribbean and Southeast Asia. Historical processes which led to pluralism in Southeast Asia are different from the processes which created Caribbean pluralism. The territories of the Malayan archipelago were not subjected to a force that can be compared in destructiveness to the institution of slavery in the Caribbean, even though cleavages in the structuring of economic relations took place during centuries of exposure to the European world. The emphasis upon power relations as defining the complex social structure in the Caribbean is a reaction to the extreme historical circumstances of deculturation, creolization and the dehumanising effects of slavery. Smith accords the role of a dominant cultural minority section that controls the total society to the white Jamaicans and the light-coloured in Jamaica, and to the Negro or the Indian elites in British Guiana (Banks 1975, 24-6). Hence there is a social system that grew up among non-white populations subjected to slavery in which power and colour became interchangeable symbols in the Western Hemisphere. He observed that "further ratification of the principles of colour stratification occurred through the marriage of upwardly mobile black males to lighter females in the post-slavery period to produce coloured children" but without changing the fundamental importance of colour or of the

power which it symbolised (*ibid.*, 29). The past of slavery has also resulted in the evolution of a creole culture which could unite white and coloured in the Carribean.

In Malaya, on the other hand, colonialism did not bring about any such basic change in social norms of the local populations. There was no comparable deculturation of any of the major ethnic groups that reside in Malaysia today. Inter-marriage between the Malays who are Muslims and non-Malays who are non-Muslims would end up with the latter adopting the former's religion and culture and produce a child who has a Malay identity. As a result, in Malaysia, there has been no such common culture, such as the creole culture in the Caribbean, that could unite different ethnic groups (*ibid.*, 28-30).

The studies of social and cultural pluralism which are associated with the plural society theory have an important implication for the study of comparative politics as political scientists have tried to identify the requirements for political stability in plural societies. In doing so, political theorists have focused mainly on the concept of 'integration'. In newly independent states where societies are ethnically divided, cultural pluralism has become a challenge to nation-builders. Cultural pluralism may be defined as "the existence within a state of solidarity patterns, based upon shared religion, language, ethnic identity, race, caste, or region, which command a loyalty rivalling, at least in some situations, that which the state itself is able to generate" (Anderson, Von der Mehden and Young 1967, 17). Thus in a country where there is cultural pluralism, nation-builders seeking to secure the loyalty of the citizens for the state alone face competition with solidarity patterns which develop around shared attributes such as religion, language, ethnic identity and race and which, in turn, are capable of generating an intensity of identification which can either eclipse all other issues or absorb other conflicts and translate them into communal<sup>1</sup> hostility (*ibid.*, 25-6).

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<sup>1</sup> On one definition, the term "communal group" is essentially similar to "ethnic group" but with the added feature that the group is politically active or politically significant (Melson and Wolpe 1970, 1112).

In *Ethnic Conflict and Political Development*, Cynthia Enloe concludes that ethnicity appears to be more adaptive and resilient and less tradition-bound than many social scientists have suggested. She gives an instance of Chinese in Malaysia who have never set foot in China, speak little Chinese, and are at home in cosmopolitan cities, yet still evaluate the policies of the Malaysian government from the point of view of Chinese communal interests and are dismayed over the gradual suppression of Chinese schools (Enloe 1986, 268).

In a survey of cultural pluralism in developing countries in Latin America, Asia and the Middle East, different formulas have been found by nation-builders to cope with the problem of multiple loyalties such as federalism, representation, assimilation, insulation, and expatriation (Anderson, Von der Mehden and Young 1967, 75-82). The experience of these countries points to the fact that national integration in a multi-ethnic society is particularly difficult since divisions arising from ethnicity and culture are usually not easy to manage and are potentially dangerous to the stability of a state.

## 1.2 Ethnicity and Class Approach

In Peninsular Malaysia, the dominant tension is between the Malays and the Chinese, and this tension appears more often than not to focus upon the issue of their relative economic positions. In explaining the issue of economic rivalry in Third World countries various perspectives have been used by the researchers including class approaches. An “orthodox” class approach, however, has been seriously flawed when it fails to take account of ethnicity and other forms of communalism, including treating them as aspects of ‘false consciousness’. In the case of Malaysia, the ethnic-type cleavages are so salient that considerations of class with its cross-cutting effect on the ethnic boundaries became subordinated to ethnic analysis.

Scholars who are inclined toward a Marxist view of society, such as Boon-Ngee Cham, tend to emphasise class factors as a key to understanding the roots of

communalism and assert that ethnic consciousness eventually will be circumvented by the emergence of class consciousness in Malaysia as the nation moves toward industrialisation. Members of different ethnic groups interact in industrial settings and discover common interests and grounds to form alliances. Thus the trade union provides an ideal meeting place for members to consolidate their class interests (Cham 1975). However, Susan Ackerman found in her study of a Malaysian trade union that despite the trade union leaders' definition of trade unions as a class organisation, the rank-and-file members perceive their interests in terms of ethnic issues. The workers prefer to support leaders from their own ethnic group and to pressure these leaders to promote ethnic interests (Ackerman 1986, 145-66).

In earlier research, Judith Nagata had looked at class in Malaysia by focusing on social inequality (Nagata 1975, 111-36). She found out that great disparities of wealth and power exist in major ethnic groups: the Malays, Chinese and Indians. There is evidence of a form of class stratification across ethnic boundaries but she also found that most Malaysians show little awareness of class distinctions in the western sense of the term. The greatest intra-ethnic disparities in income, power and prestige occur among the Malays and yet they are 'probably the least class-conscious section of the entire society' (Nagata 1975, 8), while the Chinese resentments within the political system on the other hand seems to represent "more an expression of Chinese chauvinism, an ethnically defined discontent" (Nagata 1975, 129). She gave several factors that have contributed to the weakness of class consciousness in Malaysia such as the salience of ethnicity, patronage, and a downplaying by the government and mass media of possible class type reference groups (*ibid.*, 8-14).

More recent literature has sought to explore the relationships between class alliances and various types of ethnic attachments as evident in the study by David Brown on ethnic politics in Malaysia (Brown 1994, 206-57). He argues that in Malaysia class interests are expressed in two distinct but intertwined ways. They are articulated as the 'ethno-class consciousness' of racially clustered class fractions;

and also as the ethnic ideologies of the dominant class, which seeks to unify the class-divided Malays by asserting and institutionalising Malay-Chinese rivalry. The inter-ethnic Alliance is seen as reflecting a 'class-compromise' between the various fractions of the bourgeoisie and serves as the institutional form which allows the bourgeois class fractions to disguise the defence of their own class interest as the protection of communal interests (*ibid.*, 228-9). He also claimed that during the New Economic Policy, which is a programme to narrow the income and occupational disparities between the Malays and non-Malays,

the Chinese bourgeoisie has not come into overt confrontation with the Malay bourgeoisie. Despite the marginalization of the MCA within the Barisan, the political co-operation of the two bourgeois class fractions has been maintained (*ibid.*, 247).

Regarding this relationship between ethnicity and class, Vicky Randall and Robin Theobald point out that

It is undoubtedly the case that communal allegiances are often, perhaps normally, exploited by dominant groups for their own ends and are in this sense an ideological mask obfuscating underlying economic interests. However, the fact that such attachments are real enough to inspire collective outbursts running from demonstrations and riots on the one hand to revolutions and civil wars on the other hand would seem to indicate that they cannot be written off as mere delusion (Randall and Theobald 1985, 188).

In Malaysia, there is little doubt that the Malays and the Chinese from the same class have something in common. But because the Malays and the Chinese still perceive themselves in terms of ethnic groups instead of class, ethnicity continues to dominate the Malaysian scene.

### 1.3 Political Order and Stability

National integration and political order become a crucial concern of newly independently states which are also ethnically divided societies, for the very reason that ethnic and cultural divisions usually coincide with the common lines of political



and social separation. Huntington asserted that for many modernising countries' governments, the primary problem is not liberty but the creation of a legitimate public order (Huntington 1968, 7). His view was in contrast with the early modernisation theorists with their basic assumption that the developing societies of Asia, Africa and Latin America were in the process of being transformed into stable democracies of the western pluralist type. He stated that the most important political distinction among countries concerns not their form of government but their 'degree of government' or the extent of the exercise of government authority. Regardless of their form of government, the Western liberal states and communist totalitarian states belong generally in the category of effective rather than debilitated political systems. Many Third World states, on the other hand, belong in another category, those in which 'governments simply do not govern' (*ibid.*, 1-2).

Huntington argued that political instability in modernising countries is in large part a function of the gap between aspirations and expectations produced by the escalation of aspirations which particularly occurs in the early phases of modernisation (*ibid.*, 56). He explained that modernisation is a multifaceted process involving changes in all areas of human thought and activity. The aspects of modernisation most relevant to politics can be grouped into two categories. First is social mobilisation. Using Deutsch's formulation (Deutsch 1961, 493), he defined social mobilisation as the process by which major clusters of old social, economic and psychological commitments are eroded or broken and people become available for new patterns of socialisation and behaviour. It is a change in the attitudes, values, and expectations of people as a result of literacy, education, increased communications, mass media exposure, and urbanisation. The second category is economic development which refers to the growth in the total economic activity and output of a society. It can be measured by per capita gross national product, level of industrialisation and level of individual welfare (*ibid.*, 34).

Social mobilisation is much more destabilising than economic development and the gap between these two forms of change furnishes some measure of the

impact of modernisation on political stability. Social mobilisation promotes new levels of aspirations and wants. But the ability of a transitional society to satisfy these new aspirations increases more slowly than the aspirations themselves. This generates social frustration and dissatisfaction. Such frustration, however, "could be removed through social and economic mobility if the traditional society is sufficiently "open" to offer opportunities for such mobility". But apart from urbanisation, most modernising countries have low levels of social and economic mobility. Under these circumstances, "political participation becomes the road for advancement of the socially mobilised individual" to enforce demands on the government. The political backwardness of the country in terms of political institutionalisation, however, makes it difficult for these demands to be expressed through legitimate channels and to be moderated and aggregated within the political system (*ibid.*, 53-5). Huntington expressed these relationships in the following equations:

- (1)  $\frac{\text{Social mobilization}}{\text{Economic development}} = \text{Social frustration}$
  - (2)  $\frac{\text{Social frustration}}{\text{Mobility opportunities}} = \text{Political participation}$
  - (3)  $\frac{\text{Political participation}}{\text{Political institutionalization}} = \text{Political instability}$
- (*ibid.*, 55).

Huntington was primarily concerned with the relationship between political participation and political institutionalisation. Later in 'The Change to Change', he asserted that the relationship between these two variables can be abstracted from a concern with modernisation since modernisation need not be the only source of changes in participation. The problem of balancing participation and institutionalisation is one which occurs in societies at all levels of development (Huntington 1971, 315). The key factor here is political institutionalisation which

refers to the capability of government to absorb, reconcile and act upon the demands and pressures which were exerted upon it by the people. He recognised that politics or political institutions were not merely passive consequences of social and economic change but could themselves be a determinant of such change. For Huntington, the most crucial institution in the process of bringing to Third World governments 'authority, strength, and legitimacy' (Huntington 1968, 4), was the political party. This provided the principal institutional means for organising the expansion of political participation. If a society developed reasonably well organised political parties while the level of political participation was relatively low, subsequent expansion of participation was less likely to be destabilising. He cited as examples of such cases: India, Uruguay, Chile, England, the United States, and Japan. He also concluded that in the 1960's, the presumptive stability of Malaya, where traditional leaders had woven a plurality of ethnic groups into a single party framework, was higher than the presumptive stability of Thailand, where the virtual absence of political parties left the polity with no institutional mechanisms for assimilating new groups into participation into politics (*ibid.*, 398).

Huntington also noted that among the many forms which the effects of social and economic change have was the growth of group consciousness of all kinds in tribe, region, clan, religion, caste, class, occupation and association (*ibid.*, 37). Similarly Melson and Wolpe, using the Nigerian case, found out that communalism persists in all societies. This is because communal formation and conflict are not just cultural "givens" and "primordial sentiments" but is an inherent aspect of social change in all culturally heterogeneous societies. Social change does not lead to the disappearance of communal identities but to their transformation and expansion (Melson and Wolpe 1970, 1112-30). Another writer, Walker Connor, also argued that the process of modernisation does not destroy or undermine ethnic divisions. Rather it helps to invigorate and strengthen group or ethnic divisions by bringing together previously segregated ethnic groups that suddenly find themselves competing for the same economic interest. His survey showed that "ethnic

consciousness is definitely in the ascendancy as a political force” (Connor 1973, 1972, 1967). These views of the persistence and nature of ethnic groups are in contrast with the early modernisation theory which had considered any forms of communalism as obsolescent.

#### 1.4 Lijphart’s Consociational Model

Consociational literature proposes that in certain subculturally segmented or divided societies in which one might expect to find political disorder or instability, these characteristics are avoided as a consequence of a certain type of political response. The term "consociational democracy" was introduced by Arend Lijphart as a modification of Gabriel Almond's typology of political systems (Lijphart 1969, 1968). Almond's typology contends that cultural homogeneity and overlapping memberships are associated with stable and effective government while cultural and structural fragmentation are associated with unstable and "immobilized democracies" or ineffective government. Lijphart introduced a third category of countries "with subcultures divided from each other by mutually reinforcing cleavages" but exhibiting stable systems, such as Switzerland and Austria. These deviant cases of "fragmented but stable democracies" are what Lijphart calls "consociational democracies". Based on this proposition, he argued that the political stability of a system cannot be predicted merely on the basis of the two variables of political culture and role structure. This is because if stable government is the result of "overlapping patterns" of membership as proposed by Almond, then one would expect that all countries with subculturally fragmented societies would exhibit political immobility and instability. But certain countries characterised by subculturally segmented and divided societies prove otherwise. This leads Lijphart to add a third variable which accounts for the political stability by the consociational democracies, which is the behaviour of the political elite. These elites are usually the leaders of the rival subcultures who may engage in competitive behaviour but also make "deliberate efforts to counteract the immobilising and unstabilizing effects of

cultural fragmentation". Lijphart explained that the essential characteristic of consociational democracy is not so much any particular institutional arrangement as the deliberate effort by the elite concerned to stabilise the system (Lijphart 1969, 213). Since its original formation, Lijphart has refined his model several times but it retains its key assumptions.

Consociational democracy according to Lijphart means government by elite cartel designed to turn a democracy with a fragmented political culture into a stable democracy (Lijphart 1969). But because of many misunderstandings related to this concept of stability, in 1985, he has come to the conclusion that it is better to avoid this confusing concept altogether and to define the ultimate dependent variable in the consociational chain of proposition as the 'maintenance of peace and democracy' (Lijphart 1985 95-6).

Lijphart defines consociational democracy in terms of four characteristics:

... The first and most important element is government by a grand coalition of the political leaders of all significant segments of the plural society... such as a grand coalition cabinet in a parliamentary system, a "grand" council or committee with important advisory functions, or a grand coalition of a president and other top office holders in a presidential system... The other three are (1) the mutual veto or "concurrent majority" rule, which serves as an additional protection of vital minority interests, (2) proportionality as the principle standard of political representation, civil service appointments, and allocation of public funds, and (3) a high degree of autonomy for each segment to run its own internal affairs (Lijphart 1977, 25).

Consociational democracy requires that the leaders of all significant segments of the plural society co-operate in a grand coalition to govern the country. But Lijphart does not specify any particular institutional arrangement as the essential characteristic of the grand coalition. He explains that what matters in consociational democracy is the participation by the segmented political leaders in governing a plural society. A grand coalition cabinet and a grand council or

committee with advisory functions are among the examples of this co-operative elite behaviour.

The grand coalition, which is considered as an important consociational device, is complemented by mutual veto, proportionality and segmental autonomy. Mutual veto serves as a political protection for a minority segment in a grand coalition since it gives a minority segment a right to reject any decision which is unfavourable to its interests. Lijphart likens it to John C. Calhoun's "concurrent majority" which also had the protection of minority interests as its principal goal (*ibid.*,37). The mutual veto can be an informal and unwritten understanding or a formal rule and it can be accomplished by requiring that decisions be taken by unanimity. Proportionality is a method to solve the problem of allocating civil service appointments and financial resources in the form of government subsidies among the subculture groups. It is also a method to form a grand coalition in a way that reflects the numerical strengths of the partners involved so that all groups are able to influence the decision-making process. However, when the nature of a decision is basically dichotomous and proportional influence cannot be achieved, other methods may be used. One is to solve the problem by reciprocal concessions such as logrolling and package dealing. Another is to delegate the most difficult decisions to the top leaders of the segments where an electoral system only translates its voting strength into parliamentary seats without requiring a set of policy decisions, and decisions are postponed by the formation of a coalition cabinet. This method of postponing the decisions to the highest level enables a small group of leaders to engage in secret negotiations to achieve a package deal. The last consociational device is segmental autonomy, by which Lijphart means "the rule by the minority over itself in the area of the minority's exclusive concern (*ibid.*,37). In a society where the segments are territorially concentrated and separated from each other, segmental autonomy can function through a form of federalism. But where the segments are interspersed, segmental autonomy takes the form of control by a segment over its cultural, educational or linguistic concerns.

In *Power-Sharing in South Africa*, which constitutes his recommendations for consociational government in South Africa, Lijphart retains these four basic elements of consociational democracy (Lijphart 1985, 6). As a response to his critics, he also emphasises that

The essence of consociationalism is the search for broadly acceptable compromises; it does not require that decision-makers abandon their original preferences, that they whole-heartedly support the compromises, or that they never cast a vote against a particular compromise proposal. Amicable agreement and decision by interpretation are therefore the usual consociational decision modes, but the other two modes may also occur (Lijphart 1985, 113).

In his earlier works, he set out four elite behavioural attributes and six tentative societal conditions favourable to consociationalism (Lijphart 1968, 22-30). The first of those four "prerequisites" is the "ability to recognize the dangers inherent in a fragmented system". The segmented leaders must be fully aware of the system's unstable tendencies which is caused by subcultural cleavages. This awareness is important, especially at the crucial stage of the initial establishment of consociational practices, and it remains, important in later critical periods. Lijphart believes that once the precedent has been set, subsequent applications of consociationalism are facilitated because they tend to become habitual and not to depart from established practices. Secondly, there must be "commitment to system maintenance". The leaders need to have a certain degree of willingness to make an effort to prevent the disintegrative tendencies of the system, though a high degree of solidarity is not necessary. After all, without such minimum commitment, consociational democracy will not even be attempted in the first place. The third prerequisite is the "ability to transcend subcultural cleavage at the elite level". The leaders must be able to establish mutual understanding, effective contacts and communication across subcultural cleavages among themselves. The last, but the most important and difficult prerequisite is that the segmental leaders must have the "ability to forge appropriate solutions for the demands of the subcultures". They

must be able to develop both institutional arrangements and rules of the game to accommodate their differences. The six conditions favourable to consociationalism are: distinct lines of cleavages between subcultures; a multiple balance of power among the subcultures; popular attitudes favourable to government by grand coalition; external threats; moderate nationalism; a relatively low total load on the system. These are discussed below in the context of their further development by Lijphart into nine factors conducive to the establishment of consociational democracy.

His consociational model in *Democracy in Plural Societies: A Comparative Exploration* has two primary features: (1) overarching elite co-operation; and (2) stable non-elite support (Lijphart 1977, 1, 53-54). The first feature is the essential element of consociational democracy and it includes in it the elite behavioural attributes which are stated above. The elite must be willing to cooperate and be committed to the maintenance of the system, recognises the need and importance of cooperation, have the ability to rise above the cleavages in the system, and develop the arrangements and rules for such co-operation. At the same time they have to retain the support of their followers. The elite must continually perform a difficult balancing act between being co-operative with other ethnic group leaders and at the same time being able to carry their followers along. Followers here, according to Lijphart,

does not refer primarily to the mass public, which tend to be rather passive and apolitical almost everywhere and therefore does not present a great danger to the possibilities of elite accommodation, but it refers more specifically to the middle-level group that can be described as subelite political activists (Lijphart 1977, 53).

In this theory, the leadership plays a crucial role and it assumes that

political elites enjoy a high degree of freedom of choice, and that they may resort to consociational methods of decision-making as result of a rational recognition of the centrifugal tendencies inherent in



plural societies and a deliberate effort to counteract these dangers (Lijphart 1977, 165).

Since the leaders of the segments have to reach political accommodations with other leaders, while at the same time they have to maintain the support of their rank and file, consociationalism requires what Nordlinger calls "structured elite predominance" (as cited in Lijphart 1977, 49-50), a term which will be discussed in the next section in this chapter.

Lijphart also identified some conditions that are conducive to co-operation and stable non-elite support. These are multiple balance of power among the segments; segmental parties; a small country; overarching loyalties; segmental isolation; prior tradition of elite accommodation; and the presence of cross-cutting cleavages.<sup>2</sup> They are, according to him, *helpful* factors but are "neither necessary nor sufficient conditions" (Lijphart 1977, 55-103 and 165).

In 1985, Lijphart explicitly listed nine factors "that may make the establishment and maintenance of a consociational democracy in a particular country more or less likely".<sup>3</sup> Generally, he said that a factor that is favourable for the establishment of a consociation would also be a positive condition for its maintenance. Firstly, none of the segments of the plural society comprises a majority of the population. He considered this to be the most important factor favouring a consociation since a majority segment will always be tempted to revert to majoritarian methods (Lijphart 1985, 119). Secondly, it is conducive to have segments of about the same size which "facilitates negotiations among segmented leaders." Thirdly, Lijphart thought that it is "helpful if a plural society is not divided into too many segments" because bargaining becomes more complicated as the number of participants in negotiation increases. The optimal number then appears to be between three and five (*ibid.*, 123).

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<sup>2</sup> The last factor may be of subsidiary importance to consociationalism. Lijphart admitted that it is rather weak and ambiguous (Lijphart 1977, 75-81).

<sup>3</sup> The favourable conditions in his earlier formation which have not been included here are attitudes favourable to government by grand coalition; moderate nationalism; the presence of cross-cutting cleavages.

A fourth factor is the size of a population. In Lijphart's words,

It is striking characteristic of all the successful consociations that they are relatively small countries. In small countries political leaders are more likely to know each other personally than in larger countries, the decision-making process is less complex, and such countries generally do not conduct a very active foreign policy. On the other hand, in very small countries - such as Cyprus, with its population of less than one million - the supply of political talent may be very limited (*ibid.*, 123).

A fifth condition is external threats, since external danger may increase internal unity, provided that it is perceived as a common threat by all segments. A sixth favourable factor is overarching loyalties. For Lijphart, it is helpful for consociationalism if the divisions among the segments are counterbalanced to some extent by an overarching sense of belonging together. A seventh favourable factor is socio-economic equality among the various segments of society. In a situation where there are large socio-economic differences among the segments, the poorer segments will likely feel discriminated against and the more prosperous ones may feel threatened. This will result in tensions which may endanger the viability of a consociation. However Lijphart adds that "it is important not to exaggerate this problem into an insuperable obstacle to consociationalism" for "it can be improved by deliberate political action, including preferential treatment for the disadvantaged segments" (*ibid.*, 124-5).

An eighth conducive factor to a consociation is geographical concentration of segments. If the segments are concentrated in clearly separate areas of a country, their relative mutual isolation will then prevent latent hostilities from turning into conflict, and segmental autonomy can have a firm basis by means of federalism and decentralisation. Finally, as a ninth factor, Lijphart also considers it to be helpful to a consociation if it is supported by "long-standing traditions of settling disagreements by consensus and compromise" (*ibid.*, 125-6). The application of these factors to Malaysia are considered later in the chapter.

Lijphart acknowledges the correlation between levels of economic development and democracy, but he adds that “to the extent that it indicates a causal relationship it may well be that democracy rather than economic development is the cause” (Lijphart 1977, 230). Hence he argues that

At most, economic underdevelopment can be considered an unfavorable factor for consociational engineering; it does not render it impossible. Instead of writing off consociational engineering in economically underdeveloped countries altogether, it is more constructive to take the requirements of economic modernization into account when a consociational democracy is engineered in an underdeveloped country (Lijphart 1977, 231).

Lijphart therefore assumes that economic development or wealth is not a pre-requisite for consociational democracy even though “it is more constructive” to take the requirements of economic development into account when a consociational democracy is engineered. Nevertheless, he is of the opinion that it is not impossible to have a consociational democracy without economic development.

### 1.5 Conflict-regulation

Nordlinger's study in *Conflict Regulation in Divided Societies* deals with social conflict and conflict regulation in deeply divided societies with open regimes. Like Lijphart, he recognises the survival of democratic institutions in certain divided societies without social homogeneity, consensus, crosscutting divisions, and feelings of social trust among the communities (Nordlinger 1972, 2). Because of communal divisions that inhibit consensus or mutual understanding among the communities, one would expect to find political disorder and instability in countries with deeply divided societies. But the absence of disorder and instability in some of those countries leads Nordlinger to suggest that:

... nonmanipulable cultural, social, and economic conditions may go a long way in accounting for the emergence of an intense conflict but once it has

become severe, its successful or unsuccessful regulation will be largely dependent upon the purposeful behavior of political elite. The regulation of intense conflicts therefore constitutes an extremely important and meaningful dimension of political performance (Nordlinger 1972, 4).

He defines conflict as intense when the issues involved are thought to be overwhelmingly important by the group members such as "the segment's social identity, its most sought after material rewards, its most cherished cultural values, or its perceived inalienable rights". A conflict is also intense when "at least one segment views another according to highly unflattering stereotypes" or when a large number of group members "manifest strongly held antagonistic beliefs and emotions" toward the rival group. Conflict-regulating practices are those decision-making procedures, political arrangements and behavioural rules which are able to accommodate antagonistic segments to one another. Using a survey of common practices used by a number of deeply divided societies to regulate their conflicts, Nordlinger suggests that when conflict regulation succeeds, one or more of the six conflict regulating practices are implemented in the countries involved. One of them is the "stable government coalition between political parties". This coalition, involving conflict organisation, is similar to Lijphart's concept of a grand coalition of segmental political leaders. The other four conflict-regulating practices are the "principle of proportionality" in allocating governmental position appointments and resources among the segments, the "mutual veto", "compromise" and the "concession" are equivalent to the methods used in consociational democracy. The sixth practice, which Nordlinger labels as "purposive depolitization" is absent in Lijphart's consociational devices. It is a situation where political leaders "agree not to involve the government in public policy areas which impinge upon segment's values and interests". They also agree not to raise communal issues in public places or during election campaigns as a measure to contain intense conflict in divided societies.

Nordlinger further explains that in each case of conflict-regulating practice, it was the leaders who played the critical role in taking the initiative to work out the various conflict-regulating practices and putting them into operation to produce a conflict-regulating outcome. The focus of conflict-regulating theory on the skill and power of the conflict group leaders to influence conflict-regulating practices is similar to the deliberate efforts of the elite to cooperate in a grand coalition to govern the country in consociational democracy theory. Both theories in this sense place great importance on elite behaviour to stabilise the system. But Nordlinger goes further by explaining the motives which influence the conflict group leaders to employ conflict-regulating practices. Based on his observation of six cases --- Belgium, the Netherlands, Austria, Switzerland, Lebanon, and Malaysia --- he identifies four common conflict regulating motives that appear among the elite of these countries. The first motive derives from "an external threat or danger". But the effect of external pressures on elites is not the same for all the states. Conflict-regulating motives which springs from external threat are more likely to be found among the elite of small states than large states, since the weakness of the small states enhances the importance and need for national unity to fend off the stronger states' pressures. A second conflict-regulating motive is the belief that "intense conflict and its actual or possible consequences will detract from the economic well-being of the leaders' segment or conflict group". This economic motive arises out of the thought that economic prosperity is threatened or that economic growth is impossible because of the consequences of conflict, i.e. political disorder and instability. Thus, to safeguard their own economic well-being or the members of conflict groups, political leaders are motivated to engage in conflict-regulating behaviour. Conflict-regulating practices are also motivated by the desire of "acquisition or retention of political power" among the elite. In open regimes, most conflict groups give rise to political parties which are led by politicians who want governmental office and power that are usually accompanied by high financial and social status. In certain states, this desire leads political party leaders of conflict

groups to regulate conflict and dampen the conflict's intensity to maintain themselves in power. Finally, the fourth regulating motive results from the high value the elite place upon the "avoidance of bloodshed and suffering" within their own groups. This motive may be due to the genuine concern of the leaders for the safety of their segments and their desire to avoid the risks and unknown dangers of uncontrolled violence and political disorder. The avoidance of bloodshed is also more likely valued by the leaders who believe that civil strife is a real possibility, particularly in countries where societies have already suffered widespread violence or are experiencing riots and civil strife (Nordlinger 1972, 42-53).

Due to the critical role of elites in conflict regulation theory, Nordlinger further focuses on the political culture of elites. He proposes that conflict group leaders who subscribe to conciliatory attitudes tend to engage in conflict-regulating efforts more readily than leaders who do not have such attitudes. These conciliatory attitudes permit leaders to deal with each other less antagonistically and more effectively. The presence of such attitudes also makes it more probable that regulatory efforts will be translated into effective conflict-regulating practices. Based on a psycho-historical model of attitude formation, Nordlinger proposes that the emergence of conciliatory attitudes among elites may be explained in terms of three concepts: stimulus, behaviour and reward. To illustrate this proposition, he uses one of the four previously discussed regulatory motives. He said that for instance,

... when the distribution of power between opponents (which need not be conflict groups) is roughly equal and stable, the elite are most likely to act upon their desires for governmental office and power. The presence of this particular power distribution, in which no one group predominates, acts as part of the stimulus to bring about conciliatory behaviour, which may be rewarded if governmental office and power are attained (Nordlinger 1972, 59).

Conciliatory behaviour must be rewarded in order for the same behaviour to be repeated. The long-term practice of constantly rewarding such behaviour will

lead to the formation of conciliatory attitudes which will continue to influence the behaviour of elites during succeeding generations.

Another explanatory behaviour which may provide an explanation for elite conflict-regulating behaviour is the top leaders' political security. Nordlinger defines political security in terms of the relationship between the first- and second-rank leaders and the conflict groups' top leaders. The top leaders are politically secure when they are not faced with significant challenges to their leadership positions and to their authority by these first- and second-rank leaders. According to Nordlinger, there are four connections between the top leaders' political security and regulatory behaviour. The first begins with a common belief among political actors that incumbent leaders are indispensable when partisan battles are raging. Self-serving leaders may purposefully exacerbate the conflict to strengthen their positions. Politically secure leaders, in contrast, "need be relatively unconcerned with their own 'fall', allowing them to engage in regulatory behaviour with considerably less fear of weakening their positions" (Nordlinger 1972, 65). Secondly, insecure leaders who are "motivated toward conflict regulation are reluctant to act upon their motivations when they believe that such actions may result in a deep split within their conflict group or conflict organization, or an embarrassing failure to gain the necessary support for their regulatory initiatives" (*ibid.*, 66). In other words, insecure leaders cannot take the same level of risks as secure leaders.

Thirdly, using social psychology, Nordlinger says that feelings of insecurity can foster anxiety which in turn produces hostility that is commonly directed at readily available targets, i.e., the opposing conflict group, rather than the actual source of insecurity which are the challenges within the leader's own group. Lastly, Nordlinger argues that since the problems are multiplied in the first attempt at conflict regulation, "the relevant practices must be worked out *de novo*". It requires the leaders' ability to work out, and a willingness to accept, innovative conflict-regulating practices. Anxiety generally inspires an attachment to the status quo as a means of relieving psychic insecurity; change is rejected because it represents an

uncertainty. Thus he suggests that politically secure leaders are more able to depart from past behaviour, concomitantly initiating, working out, and accepting innovative changes, than are insecure leaders who may reject innovations because of this anxiety-dictated rigidity (*ibid.*, 68).

Nordlinger also notes that the probability of regulatory outcomes is increased when there is a form of structured relations between leaders and non-elites in which the leaders are predominant and their demands regularly fulfilled. Leaders have independent authority to take actions and make commitments and at the same time can, within reason, guarantee that their followers will accept a conflict-regulating agreement. "Structured elite predominance" is important not only because it is a necessary condition for conflict regulatory outcomes but also because it enhances the political security of top conflict group leaders. Nordlinger gives four conditions of structured elite predominance. He proposes that the presence of one or more of these four conditions is necessary to structural elite predominance in deeply divided societies. The first is that non-elites are "apolitically quiescent". What he means by this, is the absence of ideological currents of political activism, engagement, equalitarianism, and mass democracy which appeared in nineteenth century Europe. In this situation, elites are able to initiate and apply conflict-regulating practices "without having to give more than a fleeting thought to the problem of bringing along their followers". Secondly, elites predominate over their followers because of non-elites' "acquiescent attitudes toward authority". In some societies, there is a normative belief that the leaders are expected to lead while the followers are expected to follow. The non-elites give their leaders extensive independent authority to act in a way which they think best, and unquestionably accept the decisions made by their leaders. The third condition is when leaders and their followers stand in a patron-client relationship to each other. It is a relationship in which clients or followers offer patrons their leaders social deference, economic obedience and political support. The leaders, in exchange, confer them with highly valued concrete benefits such as jobs, money, loans, food, certain rights and



political influence in general. Finally, the fourth condition in which leaders may predominate over non-elites is the existence of a mass political party. In modern politics, "mass parties with extensive organisational capabilities" will be able to provide for structural elite predominance. These mass parties with linkages between local, regional, and national bodies, and well-subscribed ancillary organisations

... allow the leaders to engage in extensive communication with conflict group members; provide a set of political identities and loyalties that places some constraints on possible nonelite tendencies to stray away from the leaders; place the elite in regular contact with the nonelite through the local and regional leaders; and provide nonpolitical benefits, along with the social constraints imposed by membership in ancillary organisations, which gives the members much reason to pause before rejecting the leaders' directions (Nordlinger 1972, 82).

In sum, even though Nordlinger limits his analysis to only those societies with segments embroiled in an "intense conflict", and Lijphart analyses societies with segmental divisions with no particular reference to the intensity of conflict involved, both of them focus on the significant and crucial role of elites in stabilising a system. Both emphasise the importance of deliberate efforts of conflict group elites to engage in a certain type of behaviour to manage conflict and maintain political order and stability. In this respect, the consociational democracy and conflict-regulating perspectives seem to overlap. Both theories can be seen as complementary to each other in that the explanatory variables of conflict-regulating motives, conciliatory attitudes and the top leaders' political security which are not dealt with by the former can further enrich the discussion of the elite role in establishing and maintaining an orderly government.

## 1.6 Consociationalism and Conflict Regulation in Malaysia ?

Assimilation<sup>4</sup> has neither occurred in Malaysia nor has it been the government's policy. It seems that different Malaysian ethnic groups have been integrated into the political system by mechanisms of accommodation. Von Vorys notes that "by necessity and choice, Malaysian (Malayan) leaders" have established "a democratic system not based on a national community", rather "on the co-operation of discrete communal groups". He further elaborates the main features of the system:

First, the relationship of citizens within the same group would continue to be managed through a semi-autonomous communal hierarchy. Second, the relationship of citizens across communal boundaries or to the government would be regulated through terms agreed to by an inter-communal Directorate at the highest level. Third, the terms of inter-communal relations would be promulgated in a constitutional contract, then implemented and when necessary augmented by policies secretly negotiated. Fourth, the members of the Directorate would have to possess dual qualifications. They would have to be the leaders of the political organisation (party) of their community most capable of mobilizing mass support behind the government in democratically conducted elections. No less important, they would also have to be men who could maintain the confidence of their colleagues by keeping the negotiations within the Directorate secret and by refraining from *ever* mobilizing their external communal mass-support to bring pressure on the secret negotiations (Von Vorys 1975, 14-15).

This mode of politics, which enables the political authority to operate in a divided society, is labelled as "democracy without consensus" (Von Vorys 1975). In commenting on "democracy without consensus", Zakaria Haji Ahmad explains that

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<sup>4</sup> Milne and Mauzy observed that while the Chinese are successfully integrated to some extent in Thailand, the same attempt is not so easy in Malaysia due to a number of reasons (Milne and Mauzy 1978, 4). To begin with, the proportion of Chinese in Malaysia is much higher than in Thailand: more than 33% in Malaysia and less than 5% in Thailand. Moreover, the Chinese are racially closer to the Thai than to the Malays. The fact that practically all Malays are Muslims and only few of the Chinese are Muslims also makes assimilation difficult. Although this observation on racial patterns in Malaysia was made by Milne and Mauzy while writing in the 1970's, not much has changed since then.

there were problems arising from the model put forth by Von Vorys in practice, as developments and changes in socio-economic status and political expectation took place in Malaysia (Zakaria 1986, 229). But the model is important as it highlights the element of accommodation rather than assimilation in resolving communal problems in Malaysia, working through the intercommunal nature of a coalition government by its Directorate. Starting from the Alliance with three parties --- UMNO, MCA and MIC --- representing the major communal groups, the Directorate model was later expanded to include other political parties in the Barisan Nasional (National Front).

In 1977, in his analysis of consociational democracy in non-western plural societies, Lijphart testified that Malaysia is one of the reasonably successful examples of consociational democracy for the period of 1955-1969. The nature of its society and the kind of consociational institutions it developed differ though from Lebanon and the European cases (Lijphart 1977, 150). For instance, the segments of Malaysian society are fewer in number but more different from each other than the Lebanese sects. Malaysian society is pluralistic in character and the segments are separated from each other by mutually reinforcing cleavages of language, religion, culture, and race. According to Lijphart, the Alliance is the all-important consociation device of Malaysia in which the principal Malay, Chinese and Indian political parties formed a grand coalition. Lijphart views the Alliance

... to have adhered to the rule of proportionality only if the political and economic spheres are considered together. The original agreement that created the Alliance regime was a trade-off: political and government superiority for the Malays and continued economic hegemony for the Chinese. This bargain was advantageous to both parties... (Lijphart 1977, 151).

Lijphart also examined the favourable and unfavourable conditions for consociationalism in Malaysia. For instance, Malaysian Independence was achieved without a struggle but consociationalism was aided at one point by an external

threat when in the 1964 elections, the voters rallied behind the Alliance in response to the military danger posed by the Indonesian "confrontation". Besides that, the formation by the colonial authorities of the Communities Liaison Committee (CLC) consisting of six Malays, six Chinese, one Indian and three other minority representatives (Ceylonese, Eurasian, and European) set up in 1949 also provided valuable experience for the intersegmental bargaining of the Alliance some years later (Lijphart 1977, 155). Another analyst of Malaysian politics observed that

First, the CLC itself represented a new awareness on the part of some of the top ethnic leaders of the need for inter-ethnic compromises. Second, the CLC demonstrated to these leaders the possibility of arriving at inter-ethnic agreements and solutions despite the strong divergence of views and positions. Third, it appears to have encouraged the British authorities to believe that political advancement in Malaya was possible through inter-ethnic collaboration. Fourth, the CLC was the first inter-ethnic experiment to use the technique of conducting the sensitive bargaining by semi-secret negotiations. Fifth, the idea of communal rolls and reserved seats to protect minority was dismissed and never again very seriously considered. Sixth, the legitimacy of the principle of inter-ethnic co-operation to improve economic condition of the Malays was accepted. Finally, the CLC apparently significantly influenced the thinking of Dato Onn, and this in turn was to affect the history of UMNO and the country (Mauzy 1983, 13).

In addition, Lijphart also asserted that precolonial traditions can serve as a firm foundation for consociational democracy. Using Michael Haas's argument (as cited in Lijphart 1977, 167), he viewed a typical "Asian Way" of decision-making based on such ideas as *muafakat*, a Malay term for the "principle of unanimity built through discussion rather than voting" to be helpful to consociational democracy.

On the other hand, Lijphart considered that conditions in Malaysia are less favourable for a multiple balance of power since the Malay segment has majority status in Peninsular Malaysia and a near-majority in Malaysia as a whole. This imbalance between the near-majority Malays and minority segments also account

for the politically dominant role of the Malays in the Alliance and the government. This imbalance of power, however, may be improved by counterbalancing external forces. The Malays and Chinese have been held together partly by the fear that they may become a submerged minority if the Federation dissolved: "the Malays through the turn of the Chinese to Singapore and China: the Chinese through the turn of the Malays to Indonesia" (Geertz 1963, 115-116 as quoted by Lijphart 1977, 171). There is also Malay nationalism and the fact that all the official symbols in Malaysia derive from Malay culture but are meaningless to the other segments; and the economic condition which mutually reinforces segmental cleavages. Finally, there was hardly any social communication or interaction among the Malaysian segments. He concluded that although there are only a few propitious factors for consociationalism, they are overwhelmingly favourable and that the consociational experiment in Malaysia, from the period of 1955-1969, should be considered to be a reasonable success. Even so, he noted that the political domination of the Malays in the Alliance and in Malaysian government "throws some doubt on the consociational character of the Malaysian regime..." Then after 1971, "because of the limitation of the freedom of expression and the increasing political discrimination in favour of the Malays", he thought it was doubtful that Malaysia could be regarded as either fully democratic or fully consociational (Lijphart 1977, 153-157). Here Lijphart questioned two aspects of the Malaysian political system. One is whether it is democratic and the other is whether it is consociational. Mauzy noted that Lijphart has the right to link consociation and democracy for some practical reasons, since the former may be useful for providing legitimacy for the political elite and consociational approach. But she also argued that these are two analytically separate concepts and consociational attitudes and practices can be viewed independently of democracy, since there may be some countries which would not "qualify" as democracies, and yet consociationalism could work as "a method of conflict management" (Mauzy 1978, 31).

As regards the second aspect, which concerns the consociational character of the Malaysian government, Lijphart concluded that the country is not fully consociational because of increasing government policies favouring the Malays. This Malay political dominance might lead to unconsociational behavioural attitudes and practices. Mauzy, however, argued that this need not be the case, since a dominant segment can maintain a consociational type of system when it does not assume all political power and impose majority rule solutions; does not exclude the other segments from access to the government; and is willing to share power and engage in genuine bargaining and accommodation (Mauzy 1978, 30). In her thesis, Mauzy found out that in Malaysia, the political elite of both the Alliance and National Front have responded in a consociational manner and have employed consociational practices. Despite their political dominance, the Malay political elites have been willing to share government power with non-Malays, and to bargain and compromise on many divisive issues. To gain broad-based non-elite support, the Alliance, whose support had declined by the late 1960's, was replaced by the National Front, which includes other parties as well as the original pact in the Alliance. The practice of the mutual veto, however, has not been formally instituted. But the principle of compromise, consensus, and unanimity have helped protect some of the interests of each community. Proportionality has operated in the allocation of Cabinet appointments, access to government decision-making, patronage posts, and the allocation of electoral seats. An important change in proportionality, if the political and economic spheres are considered together, is the replacement of the "bargain" with the New Economic Policy (NEP). Finally, segmental autonomy in the form of Federalism has not had much effect in Malaysia because the ethnic groups are geographically intermingled and there has also been government intervention in areas of minority interests such as educational and cultural activities (Mauzy 1978, 374-81).

In his later works, Lijphart changes his opinion on democracy in Malaysia after the inter-ethnic riots in 1969. He seems to be satisfied with Von Vorys'

description of Malaysia as a successful “democracy without consensus” (Von Vorys 1975, 12) and reinstates Malaysia as one of the examples of consociational democracy. In his words,

The other six cases<sup>5</sup> can be counted as consociations that have maintained peace and democracy for long periods: Austria from 1945 to 1966, Belgium since the end of World War I and (as far as its linguistic-ethnic differences are concerned) especially since 1970, the Netherlands in 1917-67, Switzerland since 1943, Lebanon from 1943 to 1975, and Malaysia since 1955 - in spite of a temporary democratic breakdown in 1969 (Lijphart 1985, 89).

Regarding his list of nine favourable factors for the maintenance of peace and democracy, he ranks Malaysia on a five point scale along with South Africa, Belgium, Cyprus, Lebanon and Switzerland which are plural societies and have ethnically based cleavages.<sup>6</sup> Among these countries, Switzerland has by far the highest score and is treated by Lijphart as a highly successful example of consociationalism while Cyprus has received the lowest score which would explain its failure of consociationalism in 1960-63, resulting in civil war. On the first factor, which is having no majority segment, Malaysia receives an unfavourable rating, the same as Belgium and Switzerland. This is because the Malays are a majority in Peninsula Malaysia and are very close to a majority in Malaysia as a whole.<sup>7</sup> On the second favourable condition, segments of equal size, the rate is also unfavourable for Malaysia because the major ethnic groups are not about the same size. For the third factor, small number of segments, Malaysia receives a very favourable rate and appears to have the optimal number of segments for consociationalism, which is between three and five. Similarly, for the fourth factor, the size of a population, Malaysia receives a very favourable rate (Lijphart 1985, 119-23).

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<sup>5</sup> Cyprus is not counted here because “the Cypriot attempt to operate a consociational system 1960-63 quickly ended in civil war and must therefore be regarded as a failure” (Lijphart 1985, 89).

<sup>6</sup> Austria and the Netherlands which are often considered as consociations are not included here because their cleavages are mainly religiously based.

<sup>7</sup> See also Lijphart 1977, 154.

On the fifth factor, external threats, Lijphart sees foreign threats as neither a favourable nor unfavourable factor for all countries, including Malaysia. On the sixth factor, overarching loyalties, apart from Switzerland and South Africa to some extent, such a commitment "does not exist unequivocally" in three of the countries, including Malaysia which receives neither a favourable nor unfavourable rating. On the seventh favourable factor, socio-economic equality, Malaysia receives a very unfavourable rating as does South Africa. On the eighth factor, geographical concentration of segments, the condition in Malaysia is unfavourable since the segments are largely intermixed in the country as a whole. Lastly, on the ninth factor, traditions of accommodation, Switzerland and Lebanon have been particularly favoured while in Cyprus it has been of negligible importance. Malaysia and Belgium are in an intermediate position (Lijphart 1985, 124-6).

Like Lijphart, who proposed that political stability depends on the deliberate action of elites, Nordlinger also testifies that the success of conflict regulation depends on the "purposeful behavior of political elites". He observes that the Alliance adhered to one of the six effective conflict-regulating practices --- the stable government coalition. Such coalitions are usually formed between political parties before elections for the purpose of conflict regulation. Malaysia is one of the examples given by Nordlinger since the Malays and Chinese are known to have been engaged in an intense conflict involving "linguistic, religious, symbolic, citizenship, educational and economic issues". They also exhibit "mutually hostile, envious, and contemptuous attitudes" toward each other and yet they managed to form a coalition before Independence in 1957. UMNO and MCA, and later MIC, established "a joint consultative executive" which was the Alliance and formed a common electoral slate for the elections. It was also an arrangement to work out a "common position on crucial racial and constitutional issues" (Nordlinger 1972, 21-22).

Referring to Milton Esman's "avoidance model", in which sensitive communal issues are avoided in public discussion, Nordlinger notes that the



Malaysian elite have been regulating communal conflict using the practice of "purposive depoliticization". Public discussion of sensitive conflict-laden communal issues is avoided, including during election campaigns. This step is taken for fear that any discussion on communal sensitive issues may lead to uncontrollable passions among the members of conflict groups. The practice may obviously be effective in containing the communal conflict at a particular level and perhaps may help to dampen it (Nordlinger 1972, 26-27).

The "bargain" arrived at by the Alliance leaders on the eve of Independence is what Nordlinger considered to be the type of compromise most conducive to conflict-regulation. It involved an extensive set of trade-offs between the Malays and non-Malays, particularly the Chinese, on issues dividing the conflict groups. Although outcome of the "bargain" did not satisfy either group, neither is "sufficiently unhappy to render the outcome unacceptable" (Nordlinger 1972, 27-28).

Nordlinger also points out that elites need to have conflict-regulating motives for conflict regulation to succeed. In Malaysia, economic motives have played an important role in regulating the Chinese-Malay conflict.

The Chinese political leaders have been concerned with the maintenance of Chinese economic predominance which, given the Malays' political predominance, necessitated mutual adjustment. The Malay leaders, for their part, have been trying to open up economic opportunities in the modern sector for the economically underprivileged Malays. Short of more drastic measures which would intensify the conflict, such as nationalizing Chinese businesses, the only way for the Malays to gain their economic goal is by co-operation with Chinese businessmen-politicians, that is, by trading a share of political power for economic values (Nordlinger 1972, 47).

Hence the pressing need of the Malays for the achievement of their economic goals and the concern of the Chinese for the maintenance of their economic predominance

have partly caused them to yield to each other's demands and facilitate mutual adjustment.

Furthermore, the "acquisition or retention of political power" promoted conflict-regulation in a number of ways in Malaysia. The UMNO-MCA coalition was formed just before the 1952 municipal elections, which MCA was fully expected to win, since the Chinese constituted majorities in most cities. Nordlinger views this expectation of Chinese success as partly prompting UMNO leaders to form the electoral coalition, which was later translated into a governing coalition. Moreover, the Malays were motivated to ally themselves with the Chinese because they needed the wealthy Chinese business community to finance the electoral campaign fund. The Chinese, in turn, were motivated to cooperate with the Malays because the leaders knew that no exclusively Chinese party could win a legislative majority on its own (Nordlinger 1972, 48).

Finally, another reason which may motivate the political leaders to engage in conflict-regulatory behaviour is the high value they place upon the "avoidance of bloodshed and suffering" within their own groups. The likely possibility of "major outburst of inter-communal violence" and their genuine concern for the safety of their communities prompted both Malays and Chinese leaders to form the Alliance (Nordlinger 1972, 51). Besides that, both groups also acknowledged each other's capability of inflicting considerable damage and suffering on one another should communal violence break out in the country.

### Conclusion

The concept of the plural society is important in understanding Malaysian society, since Malaysia today is not only a multi-ethnic but also a multi-cultural country. In Peninsular Malaysia, where three major ethnic groups reside --- Malays, Chinese and Indians --- a common culture which could unite them has never evolved. Hence the task of national integration is left to the ruling elites of the

country. Since Independence, the government has been making efforts to forge integration and unity among these different ethnic groups.

For the purpose of this thesis, an approach based on ethnicity rather than class is used for the very reason that the ethnic cleavages and the tension produced by them are more dominant than those resulting from class differences. Furthermore, it appears that group interests are more likely to be united in communal terms rather than class terms.

Despite the diversity in ethnicity, culture, religion and language, however, Malaysia has enjoyed political stability and order (with the exception of the riots in 1969) as well as economic development since her Independence. Since assimilation has never happened in Malaysia, there must have been other mechanisms by which various ethnic groups are integrated into the political system. The review of the literature on pluralism in Malaysia in this chapter suggests that ethnic problems in this country are resolved through a strategy based on accommodation, bargaining and conflict management. Since the theories of consociationalism and conflict regulation are based on these practices they become relevant to the Malaysian case. With the notion that politics are about the way scarce resources, in its widest sense of meaning, are distributed within a human community, the focus of this thesis will be on some economic issues which are considered to be important by the ethnic groups. The subsequent chapters in this thesis will analyse the actual working of the system and the theories of consociationalism and conflict regulation will be assessed to see whether or not they are able to explain the practices followed by the elites in Peninsular Malaysia.

## CHAPTER TWO

### HISTORICAL BACKGROUND

#### 2.1 Early Malaysian History

The prehistory of the Malay region is still a subject for debate and so is its chronology of human habitation. But one of the oldest finds of modern man dating from 35,000 years ago was discovered in Gua Niah in Sarawak. At one time, there was a belief that the Malay archipelago was peopled by "waves" of immigrants from south China or Yunnan, namely Proto-Malay and Deutero-Malay. Another belief proposes that there had been a slow filtering of peoples into the archipelago over a long period of time combined with movements between islands and along coasts and rivers. Two of the *orang asli* (indigenous people) groups, Negrito and Senoi, speak Mon-Khmer related languages of the Austroasiatic family found in the southern Indochina while the other indigenous languages, including Malay, belong to the Austronesian family which probably originated in a region of south China. From there, they moved down to maritime Southeast Asia via the Philippines and eastern Indonesia, western Borneo and Sumatra to the Malay peninsula. In the slow process of social development, environmental adaptation, the language, appearance, and culture among these people became varied from each other. But they had shared certain societal traits for they had also been responding to a similar physical environment and held a common belief in animism and ancestor worship.

The Malay archipelago was located on the convergence of two major sea routes between India and China. The hinterland of the archipelago was rich with its jungle products such as aromatic woods, resins, and rattans, and its soil yielded gold and tin, while the coast lines produced a rich harvest of sea products. Because of its strategic geographical position and richness in natural resources, trading activities had flourished to and within the archipelago. During this period, Malay settlement

had developed along the coasts and rivers while the ancestors of today's *orang asli* dwelt in the hinterland. Malays were responsible for the eventual sale and distribution of the local products while the ancestors of *orang asli* were the gatherers of these forest products. Tin fields were extensively located on the peninsula. Local people could pan tin from nearby rivers without having to venture into the interior since tin was abundantly deposited on the beds of coastal rivers and plains.

It was estimated that the growth of trade between the Malay archipelago and India began at least 1,700 years ago. These trading activities brought the coastal peoples of the archipelago into contact with Buddhism and Hinduism as well as with concepts of political power which were established in India. This centuries-old relationship between the Malay world and the sub-continent eventually led to the merging of the two cultures. In later centuries, trade with China brought a wide range of objects into the local way of life and introduced some technological skills to the Malay world. But the relationship with India was deeper and richer since it provided the locals with more refined versions of fundamentally similar religions and political systems (Andaya and Andaya 1982, 15).

The fifth century AD saw the rise of ports and kingdoms in numerous places in the Malay archipelago due to the flourishing trade and the increasing use of the sea to transport goods between Western Asia and China as well as within the archipelago itself. One of such kingdoms was Srivijaya which arose in Palembang area in Sumatra in the late seventh century. Between 1079 and 1082, the centre of Srivijaya emporium moved from Palembang to Melayu, located in the Jambi River area. Srivijaya's rise and success were due to its special relationship with Chinese emperors and its abundant supply of local products. Besides that, it was able to command the loyalty of *orang laut* (coastal peoples) to provide safe routes for traders.

Its prestige was also owed to its rulers' success in creating a society which was cultured and civilised by the standards of that time. The wealth gained from

commercial activities enabled the rulers to sponsor religious studies and Srivijaya became the learning centre of Mahayana Buddhism. It was able to maintain its dominance over the coasts of Sumatra and the Malay peninsula because the harbour chiefs recognised that allegiance was to their advantage.

Srivijaya had to compete with the Sailendra Dynasty in Java, Chola in south India, and the Siamese in maintaining its trading supremacy.<sup>8</sup> The thirteenth and fourteenth centuries saw the decline of Srivijaya influence in the region and the rise of Majapahit. This prompted a number of efforts in Srivijaya to reassert its former status. Among them was Parameswara, a Palembang ruler who later fled to Temasik (present day Singapore) when he lost to Majapahit.

After a short stay in Temasik, Parameswara moved to Johor and arrived at a fishing village which was later known as Melaka. He decided to build his new kingdom there and declared himself as a ruler.<sup>9</sup>

Melaka was chosen because it was located at the convergence of the sea routes between India and China. Its harbour was deep and sheltered, free of mangrove swamps. Melaka river provided access to a trans-peninsula trade route via Muar and Pahang and enabled forest products and gold to be brought to the port of Melaka. But most important of all, there was Melaka hill which could serve as a defence should attack occur.

In 1404, a relationship was established between Melaka and China, in which the former received vassal status from the latter and gained assurance of protection

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<sup>8</sup>Due to the commercial environment, rivalry grew up between the different parts along the long coastlines competing for trading supremacy. Periodically, one would succeed in establishing itself as a regional entrepot and controlling its neighbours as collecting points feeding the entrepot. When vassals questioned the benefits of their relationships with the overlords, the hegemonism weakened and the region then broke up into small kingdoms. They would again compete for supremacy until one of them succeeded in doing so. This ebb and flow of power is a characteristic of the Malay archipelago and has also been called the 'rhythm' of Malay history (Wolters 1970, 39-48).

<sup>9</sup>According to a famous legend, while Parameswara was resting under a tree near a river, he saw his hunting dog chasing a white deer. Suddenly, the deer retaliated and kicked his dog into the river. Parameswara thought that the incident was a good sign for him to build a new kingdom at that place. So he named the new kingdom Melaka, taking the name of the tree he was resting under at that time.

and respectability from the latter in return. Hence it provided protection from the dominance of Thais and Majapahit at the beginning of its establishment.<sup>10</sup>

The successive rulers of Melaka were able to develop Melaka into a very important entrepot in the region. Like its predecessor Srivijaya, Melaka rulers pursued the policy of expansion up to the Portuguese attack in 1511; the dominance of Melaka covered the whole Malay peninsula areas on the east coast of Sumatra and the islands approaching the Melaka Straits. Most important of all, Melaka gained control of the Melaka Straits, a vital sea-way for traders from Western Asia and China.

To be recognised as a successor of the Melayu-Srivijaya, Melaka continued the well-established institutions of its predecessor while adopting new ones to keep up with the changing environment. Its reputation for security, warehouse facilities, a collecting point for spices and a redistributing centre for Indian textiles as well as a well-ordered government created conditions conducive for safe and profitable trade.

The Melaka government was organised and hierarchical in structure. At the apex was the sultan or ruler. The *Bendahara* (an official likened to a Prime Minister) was the highest minister, who dealt with foreign traders, as an arbiter in disputes among the peoples from different ethnic background. He was also responsible for policy-making. The *Penghulu Bendahari* (Chief Treasurer) was head of all the *bendahari* (treasurer) and *Syahbandar* (harbour master) and controlled all state revenues. The *Temenggung* (a minister in charge of defence, justice and palace affairs) was charged with Melaka's security for police, followed by the *Hulubalang Besar* (an army General) and the *Laksamana* (Admiral of the fleet), who both headed the military administration. The former was responsible for the army while the latter commanded the navy. Below them were various other titled nobles whose individual functions were little known but were regarded as men worthy of consultation by Melaka rulers in important decisions affecting the people.

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<sup>10</sup>After around 1433, China changed its policy and no longer became directly involved in the south-east-Asia region.

There was an assembly or a form of council constituted of these men which was established for the purpose of meeting and discussion or *mesyuarat bicara* (Andaya and Andaya 1982, 47). All views and opinions could be heard in the council and decision would be taken by consensus or *muafakat*. This process of collective decision-making helped to prevent arbitrary acts by the rulers and would guarantee the implementation of the resolutions taken by the council. The ability of the council to reach consensus is impressive because the ruling elite of Melaka consisted of many men of wealth, ambition and ability. Some of the ruling elites found their ways to circumvent decisions made by the council, but in most cases, this form of decision-making process, also found in later Malay states, functioned well. There were also concepts of unquestioning loyalty to one's leader and *derhaka* which means 'treason to the ruler'. The belief was propagated that a ruler possessed special force which would strike down the subject who was guilty of treason.

By the ninth century, Southeast Asia was already known to Arab Muslim traders but it was not until the thirteenth century that the spread of Islam in this region became more evident. This was generally attributed to the influx of Indian Muslim traders from Gujerat, Malabar, Coromandel coasts in south India and Bengal into the ports in this region. Melaka was no exception and some time in early fifteenth century, it had embraced Islam.

Andaya and Andaya (1982) suggest that the spread of Malay cultural heritage did not originate in the fifteenth century but was built upon an earlier tradition of Srivijaya's cultural influence. Because of the prestige and commanding position of Srivajaya, smaller kingdoms would have adopted Srivijaya's lead, including the use of Malay language. "Melaka's main contribution to this ongoing Malay court culture", according to Andaya and Andaya, "was the incorporation of Islamic ideas". Islam "became so closely identified with Malay society in Melaka" that by the mid-fifteenth century, to become Muslim was said "to *masuk Melayu*", which means "to enter [the fold of the] Melayu" (Andaya and Andaya 1982, 54-55 and 301). Throughout the fifteenth century, Melaka became a religious and



commercial centre. Because of its growing prestige and commercial success, it stood as an example to be emulated by other kingdoms and reinforced the process of Islamization in Southeast Asia. Its style of government, literature, dance, music, dress, games and titles as well as the use of Malay language as the language in court were all imitated by other kingdoms.

In the late fifteenth century, Portugal became interested in establishing a new spice route for itself and as looking for a port in this region for this purpose. Melaka became the prime target of Portugal. In 1511, Melaka was captured by the Portuguese and Sultan Mahmud, the Melaka ruler, fled to safety. His son later established a royal residence in Johor and became the ruler of Johor. The Portuguese in Melaka were later ousted by the Dutch in 1641.

The fall of Melaka to Portuguese in 1511 however did not mean the end of Malay history in the region. Other kingdoms which had earlier emulated Melaka's prestige in commerce and religion arose in prominence. In addition, there were also kingdoms on the peninsula which were ruled by direct descendants of the Melaka line which carried on Malay Melaka's customs and traditions.

By the eighteenth century, international trade in the archipelago increased with the participation of European traders who had been filtering into the region for tin and spices which were sent back to Europe and used as a medium of exchange for the inter-Asian trade, primarily tea from China. The Portuguese were followed by the Dutch who set up their United Netherlands Chartered East India Company (VOC) and used Batavia in Java as their centre in Asia. The VOC had been involved in Malay politics, taking the part of any ruler who could give sufficient economic offers, especially in tin trading, in return.<sup>11</sup> Nevertheless the Dutch didn't attempt to change the political system or the hierarchical structure of the Malay government.

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<sup>11</sup>The VOC had earlier sought the assistance of Johor to seize Melaka from Portuguese and in return, Johor was assured of Dutch protection against its rival, Aceh, and was granted certain trading privileges in Melaka.

The sea commercial activities attracted a large number of non-Malays to the Malay peninsula. Among them were Indian Muslim traders from the Coromandel coast. Some of them were incorporated into Malay courts, became interpreters and played an important role in commerce. Another group was the Arabs, who because they were of the same race as the Prophet Muhammad, had been granted commercial privileges by the locals. There was also a large number of migrant Chinese adding to the small existing Chinese communities whose predecessors could be dated back to the Melaka period. Some had intermarried with Malays and produced the so-called Baba society with its own distinct characteristics. In earlier times, most of these migrant Chinese were involved in trading but later ventured into mining and agriculture as well. There were also two major groups from the archipelago who migrated to the peninsula. One was Minangkabau from Sumatra who settled in Rembau, Naning, and Sungai Ujung in Negeri Sembilan. Another was the Bugis from south Sulawesi whose settlements were mostly in Selangor. Throughout the eighteenth century, there had been cultural misunderstandings among the Malays, Bugis, and Minangkabau but distinctions between their ruling classes became blurred when the last two began to adopt Malay culture and Malay honorific titles. This was because from time to time, political alliances were made among these three groups and sealed with extensive marriages. Their conflicts thus cannot simply be classified as ethnic in nature but more like family feuds.

Due to the flourishing international trade, more economic opportunities developed in the Malay peninsula which in turn produced unforeseen political and social problems. Where there was no clear-cut territory boundary establishing the limits of political control, disputes arose when valuable gold or tin mines were located in areas between two states since the rulers were entitled to a certain percentage of mining profit. Local revenues from the maritime growing commercial activities of these territories enabled ambitious chiefs to act independently and ignore the rulers. There are many instances of challenges to political authority which caused tensions in the existing societal structure in general. But when the

challengers were Malays, there were elements of a shared language, religion, belief system and traditional ruler-subject relations involved which might help to reconcile matters. On the other hand, the above-mentioned elements didn't exist in the same way for non-Malays whose population was growing in line with expanding economic opportunities in the peninsula.

The British East India Company (EIC) was established by the British traders in 1600. By the second half of the eighteenth century, the EIC had already built their establishment in a few places in India and were beginning to have a control over Indian textiles. As the trade with China was growing, the British were looking for a place along the trade route which could serve as their trading port and military base.

At about the same time, the rulers in the northern Malay states were pressured by Burmese and Siamese demands and this prompted one of them, Sultan Abdullah of Kedah, to offer the British an island offshore of Kedah to be leased. The offer was made in return for British protection against any future attacks from Burma or Siam and uprisings by his own relatives.

In August 1786, Francis Light, a country trader who was entrusted by the EIC with the negotiations, formally took possession of Penang Island in the name of King George III of England (Tregonning 1965, 37-40). This was followed by another piece of land, the district of Prai in Kedah, opposite Penang leased by the Kedah ruler to the EIC in 1800 in return for an increased pension.<sup>12</sup> Later in January 1819, a treaty was signed between Sir Thomas Stamford Raffles with the Temenggung of Riau-Johor, the territorial chief of Singapore, that gave the right to the British to establish a factory on the island. A few years earlier, when Sultan Mahmud, the ruler of Riau-Johor kingdom, died in 1812 leaving two sons, there had been disputes over the succession. The Bugis faction favoured the younger

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<sup>12</sup>By adopting delaying tactics, Light was able to evade Sultan Kedah's demand for the guarantee of British protection. So, in 1791, when Sultan Kedah was preparing to recapture Penang, Light took the offensive and forced Sultan Kedah to sign a second treaty giving the lease of District of Prai to the British. The land was later used by the British for plantation, primarily rice, and served as a buffer zone should attacks occur from Malay rulers on the peninsula.

brother, Raja Abdul Rahman, while the Malays supported the elder one, Raja Husain. In 1818, the Dutch, favouring the younger, signed a treaty with Raja Abdul Rahman, recognising him as sultan in return for the re-establishment of the Dutch post on Riau.

After the treaty was signed between Raffles and the Temenggung of Riau-Johor in 1819, another formal treaty was also signed between Raffles and Sultan Husain, the elder brother, together with the Temenggung in the same year. By signing the last treaty, the British had recognised Sultan Husain as sultan and imparted legality to the rights Raffles had acquired on Singapore. Hence there were now two sultans of Riau-Johore kingdom; Sultan Husain, the elder brother, who was recognised by the British lived in Singapore, while Sultan Abdul Rahman, the younger one, was recognised by the Dutch and lived in Riau.

Under the British, Singapore thrived, and became a prosperous entrepot. Unlike Penang, which was located up north, Singapore was situated in the middle of the major trade route via the Melaka Straits. Because of its strategic location and British free trade policies, commerce was drawn away from Batavia, the Dutch port in Java.

British acquisition of Singapore from Sultan Husain infuriated the Dutch who viewed Singapore as under the Dutch influence. The British on the other hand, were not willing to give in to the Dutch demands, because of the rapid development in Singapore. An agreement was finally reached between the British and the Dutch in settling the matter. In 1824, the Anglo-Dutch Treaty was signed in which they agreed to partition the Malay world through the Melaka Straits. Islands south of Singapore, including Riau, Java and Sumatra, were to remain under the Dutch, while others north of Singapore, were to remain under the British sphere of influence.<sup>13</sup> A treaty was signed to prevent any future disputes between the two powers and by doing so, they irrevocably divided the Riau-Johor kingdom and

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<sup>13</sup>The partition resulting from the 1824 Anglo-Dutch Treaty later served as the basis for the contemporary boundary between Malaysia and Indonesia.

severed the cultural unity of east coast Sumatra and the Malay peninsula. In 1826 Singapore, Melaka, Penang and Province Wellesley were formed into a single administration unit called the Straits Settlements under the control of British authorities in India. Then after 1867, the administration was transferred to the Colonial Office in London and the Straits Settlements became a Crown Colony.

The period also saw the Straits Settlement government's emphasis on the elimination of piracy in the archipelago in their desire to safeguard seaborne trade. Traditionally, piracy in the Malay world had served as a means of forcing trade into local ports or as an important source of revenue for princes and chiefs.

The Malay princes and chiefs had authority over the *orang laut* groups or sea and riverine people who lived along the coasts of the peninsula and islands and owed their prestige to their reputation as fearsome pirates. By the early nineteenth century, *orang laut* piracy had become a seasonal occupation. From February to May, they collected sea products for the China trade and in June, when the monsoon began, they moved up to the Melaka Straits attacking passing vessels. Thus the success of a European anti-piracy campaign by the 1870's in the Melaka Straits was not only a serious blow to some Malay princes and chiefs but it also reduced the proportion of native shipping, for a native could be both a trader and a pirate as seasons changed (Trocki 1979, 85-7). Many of the *orang laut* groups had also been relocated on land and forced to abandon their maritime activities. The introduction of steamships in the mid-nineteenth century eventually eliminated the extensive participation of Malays and the *orang laut* in maritime trade.

## 2.2 Malay and Chinese Societies

Before the nineteenth century, Chinese traders had been attracted to Singapore mainly by the marine and forest products but by the early nineteenth century the Chinese as well as the British turned to commercial agriculture and tin mining to enable them to service the China trade and the growing European markets. By the late nineteenth century, small Chinese mining communities were

found scattered through the peninsula. Planting and mining became Chinese-dominated areas for a number of reasons. One of them was an available labour force from China, due to steady continued migration caused by unsettled political conditions and poverty in China. Other reasons were their access to capital and their concept of business organisation. Both the Baba Chinese society in Melaka and Penang and the later migrants acquired their wealth from land speculation and trading profits. Through their *kongsi* system, they held shares in co-operative ventures such as mining. The *kongsi* system, which joined together individuals from the same dialect group and the same region of China, was a network which tied together members in all commercial centres in Southeast Asia and was very well-established. The Chinese thus had a great advantage in competition with Malays who lacked both the capital and business organisation. There were however, a few Malays who were able to take advantage of the situation by working with the Chinese in a true partnership. One instance in mining was Raja Jumaat, son of a Riau prince, who had been granted the district of Lukut by Sultan Muhammad of Selangor in 1846 and Chee Yam Chuan, a fifth-generation Baba Chinese from Melaka (Andaya and Andaya 1982, 139). Another example was in Johore, where extensive Chinese cultivation of pepper and gambier had been encouraged by Temenggung Ibrahim since the mid-1840's and later by his son, Abu Bakar (Trocki 1979, 90-117).

The absorption of this increasing number of Chinese migrants into the Malay political and social system was however hindered by the secret societies or *hui* which were based on clan or dialect. The societies provided protection and assistance to all new arrivals in an unfamiliar environment. In return, the members who sometimes were forcibly recruited, had to render their services to the societies, particularly in conflicts with rival societies.<sup>14</sup> These secret societies also had a strong relationship with the Chinese business communities or *kongsi*.

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<sup>14</sup>Examples of known names used by the societies were Ghee Hin, Hai San, Kien Tek, Ho Seng, and Chun Sim. For further details on Chinese secret societies in Malaya, see Blythe (1969) and Leon Comber (1961) and in general, Fei-Ling Davis (1971).

Fights over succession and territorial rights among the princes and chiefs had been common in the Malay world. But in the nineteenth century, the character of Malay conflicts changed when local non-Malays also became involved in such disputes, particularly in Perak, Selangor, and Negeri Sembilan and the Straits Settlements. The Malay princes who fought for political control, prestige and revenue, were financially backed up by the Chinese and British merchants who were determined to ensure the victory of the Malay faction they backed in order to protect their commercial interests. The supply of money, arms and fighting men among the Chinese societies prolonged the fights to the extent that they disrupted all commercial activities in these states. At the same time, Straits merchants lobbied for a greater British supervisory role in the Malay states.<sup>15</sup> In 1874, Raja Abdullah wrote to Andrew Clarke, the governor of the Straits Settlements, inviting him to send a Resident to Perak and asked in return for his recognition as sultan of Perak. This offer resulted in the Pangkor Treaty of 1874 in which Raja Abdullah was recognised as sultan of Perak and in return accepted a British Resident. The Pangkor Engagement provided that the British Resident would advise the Sultan on all matters, except those related to Malay religion (Islam) and custom.

### 2.3 Federated Malay States and Unfederated Malay States

By the end of 1874, Perak, Selangor and part of Negeri Sembilan (Sungai Ujong) had each accepted a British Resident. The installation of the residents in these states marked the beginning of British indirect rule in the Malay peninsula. Theoretically, British indirect rule was maintained by the institution of a State

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<sup>15</sup>Tregonning argues that many reasons were responsible for the changes in the British policy of non-interference to intervention in the later period in the peninsula. Among them was to safeguard the Straits Chinese merchants' interests in the Malay states since should these Chinese investments collapse, the British firms associated with them would also suffer for "The two were (and are) inextricably linked together, like threads in a carpet, in all their enterprises". Other reasons for intervention were the fear of other European powers' expansion that might threaten the China trade route, piracy activities from Selangor, and also an infusion of fresh blood into the Colonial Office in London such as Lord Kimberley who became the Minister in 1870 with a new approach towards British overseas interests. All these factors led to the British intervention in the peninsula (Tregonning 1964, 143-148).

Council which was a legislative body, consisting of a small group of people such as the ruler, selected princes and chiefs, representations of the Chinese community and the Resident.<sup>16</sup> The Council provided a constitutional basis for the government of a protected state under the Residential system. In practice however, the council's influence on legislation was limited since it became as a rubber stamp to decisions which had already been made by the resident and the Governor. In 1888, Pahang also had to accept a resident following the murder of a Chinese British subject in Pahang. Later in 1896, the four states --- Perak, Selangor, Negeri Sembilan and Pahang --- were grouped into a federation, partly to lessen the development of differences between Pahang and the other states in the west coast of the peninsula. The capital of these four Federated Malay States (FMS) was in Kuala Lumpur, the heart of a tin mining region, and it was headed by a Resident-General. The Resident-General had jurisdiction over all the Residents and represented the Federation's interest to the Singapore Governor who became High Commissioner for the Malay states. By a process of centralisation, departments of police, posts, telegraph and railways were placed under a single director and a unified civil service was set up to ensure uniformity. In 1909 a Federal Council, headed by the High Commissioner was also created to assume the financial and legislative powers previously under the state councils. Besides the High Commissioner, the Federal Legislative Council consisted of the Resident General, the Rulers and the Residents of the four states and four unofficial members. In the same year, the Bangkok Treaty was signed between Siam and Britain, leading to the transferral of the northern Malay States of Perlis, Kedah, Kelantan, and Terengganu, which were previously under Siam suzerainty, to Britain. Each of the four states accepted a British Adviser whose advice had to be asked and accepted in all matters except

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<sup>16</sup>At the beginning, the Perak Council only consisted of British officers and five Malays of the royal blood. Later, the idea of a council was extended to all states under the Residential System and representatives from the Chinese were included. In 1877 the mixed councils met for the first time. The Perak council began with eight members -- four Malays, two Chinese, and two Europeans; the Selangor Council with seven -- four Malays, one Chinese and two Europeans (Sadka 1962, 89-199).



religion and Malay customs. Johor, the last state to be under British control also had to accept a British Adviser in 1914 (Lotfi Ismail 1988, 162-85). These states were known as the Unfederated Malay States and differed from the FMS because the British share in the administration in these states was less than in the FMS. The Rulers of these states had no wish to join the FMS because this would have resulted in the loss of some of their independence and their finances would have been subjected to decisions taken in Kuala Lumpur. Thus, there was much more of a Malay administration with British guidance in these states compared with the largely British administration, with certain Malay prerogatives, in the FMS. Furthermore, the Rulers of these states had the advantage of British advice and could recruit British professional and technical assistance while retaining a considerable measure of self-government (Kennedy 1970, 248).

To sum up, before the Second World War, the Malay peninsula was governed by the British under three distinct administrative units: the Straits Settlements (Singapore, Melaka and Penang), the FMS (Perak, Selangor, Negeri Sembilan and Pahang), and the Unfederated Malay States (Perlis, Kedah, Kelantan, Terengganu and Johor).

In 1927, the Federal Legislative Council was altered by the British in their move to win the support of the Malays and to induce the Unfederated Malay States into joining the Federation. The four Rulers --- each from Perak, Selangor, Negeri Sembilan and Pahang --- in the Council withdrew from it, permitting them to discuss their states' affairs among themselves in a 'Durbar'. With the withdrawal of the Rulers, the Council was re-created by adding five official and three unofficial members to become thirteen official and eleven unofficial members. The latter were nominated by the High Commissioner.

Unlike the Straits Settlements which were under the direct control of the Colonial Office in London, the FMS and the Unfederated Malay States were under indirect British rule. The British were able to rule these Malay states, not through direct authority, but through a compliant Malay aristocracy by means of treaty

arrangements, often reached by the threat of the imposition of military force on the latter. This practice of indirect rule had several important consequences on the later development of social, economic and political conditions in the peninsula. First, it granted *de jure* recognition to the traditional Malay sultans' suzerainty over their land and their subjects, the Malays. The British recognised that the land belonged to the Malays. In the words of Mills,

...it [Britain] had twinges of conscience since it had never intended that the Malays should be pushed into the background in their own country. It felt that it had a special responsibility to them, since they alone were the genuine "people of the country" from whom Britain had taken over control at their request and not by conquest. For this reason the Malays were granted special privileges. Reserves were created where only they could obtain ownership of the land; rice growing was confined to them; special attention was paid to their education; and only Malays and European British could be appointed to the Malay [Malayan] civil service which carried on the administration of the whole country (Mills 1958, 6).

This form of government tended to perpetuate the hierarchical nature of Malay traditional social structure and minimise Western culture among the Malays. It also imposed restrictions on non-Malays from acquiring land which in turn resulted in keeping the Malays rooted to the soil while forcing the majority of non-Malays, particularly the Chinese, to pursue non-agrarian economic activities in urban settings.

#### 2.4 Society in 'British Malaya'

The British were interested in developing the resources of the Malay peninsula for their own home market but realised that the small Malay community either could not or would not furnish the workers needed. Hence shortage of labour prompted the British to encourage the importation of a great number of Chinese indentured labourers mainly from mainland China to work in Chinese-or British-owned tin mines. This was later followed by a massive influx of Indian labourers

either by the indentured or *kangani* systems. The *Kangani* or overseer functioned as a recruiter who signed up men from his village in India and was paid a commission for each labourer.

According to the census of the population for the whole of Malaya including Singapore, in 1911 the Malay majority was reduced to 51 percent, while the Chinese were 33 percent and the Indians 11 percent of a population of 2,672,000. Ten years later, in 1921, the Malays were 49.2 percent, the Chinese 35 percent, and the Indians 14 percent. By 1931 the Malays became 44.7 percent, while the Chinese were 39 percent and the Indians 14.2 percent of a population of 4,385,346. In the post-war period, in 1947 the Malays were reduced further to only 43.3 percent while the Chinese were 44.9 percent and the Indians 10.4 percent out of a population of 5,808,000 in the whole of Malaya. In the Malay states, the Malays were, however, still the largest group, with 49.2 percent as against the Chinese 38.9 percent. But in Singapore, 77.4 percent of the population were Chinese and only 12.1 percent Malays (as quoted in Mills 1958, 13).

There were many factors which served to reinforce cultural, economic and demographic divisions between the Malays and the Chinese. Firstly, unlike the majority of Malays who had remained in their traditional life of farming in small rural villages, the Chinese had become an urban group since it was in those mining areas which were dominated by the Chinese that new towns were developing.

Table 1 shows that in 1931, only about 9 percent of the Malays lived in urban areas while 39 percent of the Chinese and 26 percent of the Indians lived in urban areas. These figures rose to 11 percent for the Malays, 43 percent for the Chinese and 34 percent for the Indians in 1947. In 1931, the Malays constituted about 19 percent of the total urban population of the Federation of Malaya while the Chinese constituted 60 percent and the Indians 18 percent. Then in 1947, the Malays were 21 percent of the total population in urban areas while the Chinese constituted 62 percent and the Indians 14 percent. Thus during the period between

1931 and 1947, the pattern was established where the Malays dominated the rural areas while the majority of the non-Malays dominated the urban areas.

TABLE 1

ETHNIC COMPOSITION AND GROWTH OF THE URBAN POPULATION OF THE FEDERATION OF MALAYA, 1931 AND 1947.

	1931	1947
<hr/>		
<u>Malay</u>		
Population	1607300	2162031
Urban Population	-	274618
Percentage Urban	8.6	11.3
Percentage of Total Urban Population of Federation of Malaya	19.2	21.1
<hr/>		
<u>Chinese</u>		
Population	1284888	1884534
Urban Population	-	811520
Percentage Urban	38.8	43.1
Percentage of Total Urban Population of Federation of Malaya	59.6	62.3
<hr/>		
<u>Indian</u>		
Population	570987	530638
Urban Population	-	179434
Percentage Urban	25.9	33.8
Percentage of Total Urban Population of Federation of Malaya	17.8	13.8

Source: Tufo, M.V. Del. 1949. *Malaya: A Report on the 1947 Census of Population*. London: Crown Agents for the Colonies: 40-47.

Secondly, since the early days of their rule, the British had to depend on the co-operation of leaders of secret societies to maintain law and order. Kapitan Yap Ah Loy, the headman of the Hai San society in Selangor was an example of such

leaders who were recognised by the British as the channel of communication between the government and the Chinese.<sup>17</sup> Later in 1877, a Chinese Protectorate, headed by William Pickering, was set up in Singapore which became the medium between the government and the Chinese (Comber 1958, 247-254). Unlike his Malay partner, the Chinese was expected to appeal to his 'protector' rather than to his District Officer.

The lack of meaningful contact between the two ethnic groups led both groups to become bound by stereotyped perceptions of each other. While the Malay villagers viewed the Chinese as shopkeepers or moneylenders, to whom they were indebted, the Chinese saw Malays as a race which was submerged by others who were more energetic and sophisticated. Both disliked one another but any animosity between them was latent at this time.

The British dual administrative system had not helped to lessen ethnic divisions between the Malays and the Chinese, and they didn't do any better with the Indians either. During the early days of British rule, Indians from India were employed in the public service in minor posts and police because of their fluency in English and administrative experience, since India had been under the British long before Malaya. But Indian immigration in significant numbers to the peninsula really began with the development of plantation industries and infrastructure. Most of them came from the Tamil areas of South India. They were employed as workers in European plantations, public works, municipal services and road and rail construction. But unlike those during the Melaka period, who found their way up in high places in Malay court, these new Indian migrants had little chance to venture outside the boundaries imposed by their social and economic status. The life of an Indian estate labourer for instance was confined to the estate life where he worked. There were a number of Indians who became urban merchants and traders who were better off than the estate workers but their number was small.

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<sup>17</sup>Kapitan China was the title traditionally given by Malay governments to the headman of a resident Chinese community. The Kapitan was recognised both by the community and the host government as the mediator between them.

During the early colonialization period, there were only minimum ethnic relations, confined to a few in the upper echelon. The society had been compartmentalised to an extent that the majority of Chinese were found in mining dwellings, the Indians in rubber estates and plantations, and the Malays in rice-growing fields in rural areas. This early period was thus characterised by the indifference of the different groups toward each other. The indigenous Malays for instance, were indifferent towards the immigrant groups because the latter were regarded as transients; whereas the immigrants remained aloof from local customs and the natives. Only few among the Chinese and Indians who came to Malaya had any intention of staying. The Chinese merely wanted to gain economic advantage in unexploited resources and markets, send most of their earnings to their families in their country of origin, and eventually return home. Likewise the Indians stayed in Malaya for a few years and after they had acquired enough money, they returned to India.

But as time passed by, the immigrants found themselves increasingly physically separated from their communities in their homeland. As the number of immigrants increased, so did the number of those who "by fate or by choice" decided to make the peninsula their permanent residence.<sup>18</sup> Political turmoil in their homeland for instance, was among the reasons which compelled them to stay in Malaya. The invasion of China by Japan in 1937, followed by the Second World War and the civil war which was won by Mao Tze Tung, made it very difficult for the Chinese to return to China. As a result, many of them now decided to make Malaya their permanent home. In the absence of Malays oriented to the marketplace and well-equipped with skills in commerce and industry, many Chinese and Indians later found a place in urban economic activities in the peninsula.

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<sup>18</sup>Since both the Chinese and the Indians at first had not considered Malaya as their home, they didn't feel the need to adapt themselves in any way to their temporary environment. Also because they were conscious of their differences, they kept themselves apart from the Malays. This would not have mattered if they all left the country and returned to their homeland, but when increasing numbers of them decided to stay, problems arose. As Parkinson notes, "the inter-racial problem began, not when people arrived, but from the date when they began to settle" (Parkinson 1954, 18).

Malays and the immigrants began to be involved in increasing contacts with each other in this first decade of this century due to a number of factors (Mohamad 1983). Pushed by the economic depression of the thirties, the Malays began to migrate to urban centres to seek jobs. Likewise some of the immigrants, in the face of unemployment, moved away from the towns into the rural areas. The Chinese, particularly, started to return to their traditional peasant economy of China by growing their own food in rural areas. The censuses for 1921, 1931 and 1947 showed the declining percentage in the number of Chinese males occupied in mining, from 20 percent in 1921 to 18 percent in 1931 and 7 percent in 1947 of the total Chinese male population with 'gainful occupations'. On the other hand, there was an increasing percentage in the number of Chinese males in agricultural occupations, from 35 percent in 1921 to 38 percent in 1931 and 42 percent in 1947 (as quoted in Loh 1975, 93).

Meanwhile, the Malays, aware that the immigrant groups were increasingly controlling their economic fate, became resentful that the immigrant groups were also the ones who were improving their standard of living. Before the Second World War, however, the antagonism among most of the Malays to the Chinese was latent except for a small group of English-educated Malays who opposed the Straits Chinese when the latter started to demand admission to the Malayan Civil Service that was reserved only for the Malays and British.

## 2.5 Colonial Education Policy

By the early twentieth century, the three major ethnic groups in the peninsula were readily identified with certain economic vocations. The Malays were predominantly a subsistent rice-planting peasantry while the Chinese formed the bulk of industrial urban workers, traders and shopkeepers and the Indians were the rubber tappers, railway workers and government clerks. Due to this reason, and the fact that the Chinese and the Indians were at first viewed as transients, the British administration felt that no long-term policy was necessary and they adopted a

laissez-faire policy towards education among the Chinese and Indians (Haris Md. Jadi 1990, 14-16; Enloe 1970, 15-47). Chinese education at first remained in the hands of the Chinese themselves. The vernacular Chinese schools were run by Chinese district committees, clan associations, families and individuals. School texts and other teaching materials were oriented towards China, and a pride in and awareness of being Chinese was reinforced by the schools. No reference to Malaya was included in the curriculum. Because the schools were so much oriented to China, they were influenced by political and intellectual trends in China.<sup>19</sup> In the late 1920's Chinese schools in Malaya became battlegrounds of two ideologies: the Kuomintang (KMT) which was the government in power in China, and the Chinese Communist Party (CCP) which was the opposition. Though the British tried to introduce certain changes to Chinese education they were not very successful. It was difficult to remove a Chinese suspicion and distrust towards British involvement in their education, since the latter had for so long been unconcerned about the Chinese education.

Indian education in Malaya was first started by the missionaries and then in 1900 the British opened Tamil schools in states such as Perak and Negeri Sembilan. But the missionary societies and the coffee and rubber estates were expected to be responsible for Indian education. Just as Chinese education was oriented to China, Indian education in Malaya was oriented to India. Textbooks were from India and a knowledge of India's culture, history and geography was taught, but nothing of Malaya (Andaya and Andaya 1982, 222). Only after the Second World War did the government begin to show an interest in these Tamil schools.

Unlike their stand of no long-term policy towards Chinese and Indian education, the British had formulated a long-term policy for Malay vernacular

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<sup>19</sup>During the interwar period many Chinese in Malaya supported the Kuomintang Party under Chiang Kai Shek in China. Chiang Kai Shek declared that any person of Chinese descent was a citizen of China no matter where he lived and he refused to accept the British position that any Chinese born in the Straits Settlement was a British subject by birth. This strengthened the Chinese attachment to China and heightened their nationalism. But many Chinese used whichever nationality was more convenient to them at that time.



education. But like their attitudes towards Chinese and Indian education, the British attitudes towards Malay education conformed to their view of that particular group's role in 'British Malaya'. Their aim was to teach Malay commoner children to be contented with their position in the colonial society. It is a well known fact that the purpose of Malay education during that period was to 'make the Malays better peasants and fishermen than their fathers'. The government opened Malay schools but they were only limited to the primary level until the early twentieth century when the Sultan Idris Training College (SITC) was founded in 1922. The college was established to train Malay teachers in gardening and elementary agriculture so that they could introduce practical agricultural education into villages. Ironically the SITC later became a centre of Malay literary activity which, through its publications and teacher trainees, created a new awareness among Malays of their economic and social problems in colonial society. Besides that, another type of school which also helped to reinforce a sense of Malay consciousness was the *pondok* or 'hut' school.<sup>20</sup> The teachers were normally Arabic-educated Malay scholars returned from the Middle East and their teachings reinforced the sense of being a Muslim and Malay at the same time, which had long been an essential element that distinguished the Malays from other groups in the peninsula.

The vernacular type of educational system in Malaya during colonialization therefore emphasised the distinct ethnic culture and history of each ethnic group and further preserved each group's separate identity. The only type of school in which the participation of all ethnic groups could be found was English schools set up by the government. But this was available only to a privileged few who would later gain positions in government or in European firms. The exclusiveness of English education bred an elite that were bound together by the shared educational background regardless of their respective ethnicities. But for the rest of the

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<sup>20</sup>The school system is named in such a way since the students studying under a renowned religious scholar would usually build huts wherever the scholar taught.

population, their vernacular type of education helped to reinforce their distinctiveness and kept them further apart from each other.

## 2.6 Japanese Occupation

During the Japanese occupation of Malaya from December 1941 to August 1945, the Chinese received the harshest treatment among the three ethnic groups from the Japanese. The Japanese brutally treated the Chinese in order to punish them for financially and morally supporting the Chinese who had been at war with them in China since 1937. This gave rise to an underground movement, the Chinese-dominated Malayan Peoples Anti-Japanese army (MPAJA), which was a military wing of Malayan Communist Party (MCP), to resist the Japanese. There were also Malays in the MCP but their number was negligible.<sup>21</sup>

The Indians were not treated as harshly as the Chinese because of the participation of some Indians in the Indian National Army and other Indian nationalist organisations which were anti-British.

The Malays didn't received good treatment from the Japanese either, but they were generally treated better as a group than the Chinese. One reason for this was that during the Occupation, the Japanese tried to encourage Malay nationalism among the Malays to gain their co-operation for Japanese economic and military plans. The Japanese also used paramilitary units, which were composed mainly of Malays, to fight Chinese resistance groups including the MPAJA.

Following the unexpected Japanese surrender in August 1945, there was no immediate authority to maintain order and Malaya fell into chaos. The opportunity was seized by the MPAJA, the only armed and organised group during that time, to take revenge on old enemies and collaborators. Because of the prominent role given by the Japanese to the Malays during the Occupation, many Malays were regarded as collaborators by the MPAJA. The violence which was initiated by communist

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<sup>21</sup>Non-Chinese membership of the MCP and its ancillary bodies never exceeded 10 percent (Short 1975, 19).

ideology thus turned into inter-ethnic killings and further deepened the feeling of animosity between the Malays and the Chinese.

## 2.7 From Malayan Union to the Federation of Malaya

When the British returned to Malaya in September 1945, they were faced with the pressing need of dealing with the sensitive and delicate relations between the Malays and the non-Malays. In their attempt to solve the problem, the British proposed the Malayan Union. The Labour Government in Britain sent Sir Harold MacMichael to Malaya in October 1945 to negotiate new treaties with the Sultans to abolish the legal sovereignty of the Sultans, thus giving the British a free hand in establishing constitutional reforms (Means 1970, 52). Immediately after that, a White Paper on the Malayan Union proposal was issued. The document proposed a more unified and centralised government in a union which would include all the Malay states and the Straits Settlements excluding Singapore. In the controversial question of the political rights of the immigrants, the White Paper proposed that

... citizenship could be acquired by having been born locally (in Malaya or Singapore), or having resided locally for a certain period of time. Application for citizenship could be made after a shorter period if an oath of allegiance were taken. The provisions were to be the same whether for Chinese, Indians, and others, or for Malays (Milne and Mauzy 1977, 27).

The response among the Malays was hostile, of course. The Malays feared that they would lose their homeland to "other" people. To them, equality and political participation would mean giving a decisive advantage to the Chinese because the Malays, who were generally less aggressive and less skilled, would stand little chance in competing with the Chinese, especially in the economy. Thus they felt that "if that was democracy, it certainly was not justice" (von Vorys 1975, 67).

The Malayan Union proposal came as a great shock to the Malays for it was contrary to the British pro-Malay policy before the Second World War. The

proposal would grant equal rights to all persons domiciled in the country and recognised the right of the non-Malays to share in the public affairs of Malaya, including the holding of posts in government service, which before the war had been exclusive only to the Malays and British. The proposal, therefore, from the Malay point of view, had denied the national identity of the Malays, and the concept of Malaya as a nation, and Malaya as belonging to the Malays. It was not surprising then that the Malays' main criticism against the Malayan Union was the citizenship laws which would grant equal rights to non-Malays. In order to coordinate Malay opposition to the Malayan Union plan, an all-Malay organisation, the United Malays National Organization (or UMNO) was formed in March 1946. For the first time in modern Malay history, a formidable cross-state Malay organisation with a mass base had been created.

There was an absence of serious challenges from the non-Malays, save for some organisations such as the left wing Malayan Democratic Union who protested because the non-Malays had not been consulted on the proposal. The Indians were fully absorbed in political developments in India while the Chinese were preoccupied with intra-communal feuding. Furthermore, the Communist Chinese were more interested in overthrowing the British than discussing the "minute details of citizenship" (von Vorys 1975, 74; Milne and Mauzy 1978, 29).

Faced with the opposition,<sup>22</sup> mainly from the Malays, the British gave up the aims of the Malayan Union Proposal, and substituted it with the Federation of Malaya Agreement of 1948. The new agreement strengthened the Malay Rulers by ensuring their positions as constitutional monarchs. They would constitute a 'Conference of Rulers' for the Federation as a whole. Any proposed changes in immigration laws and public officers salary or government organisation would have to be submitted to the 'Conference of Rulers' for discussion before enactment.

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<sup>22</sup>There was even "communal debate" over the name of the country (Wan Hashim Wan Teh 1983, 43). The non-Malays and the British suggested the name "Malaya" indicating that the country belonged to all races. The Malays on the other hand maintained it should be named "Tanah Melayu" or "Land of the Malays".

Whereas the citizenship provisions gave the Malays and some others automatic citizenship, the qualifications required for non-Malays to be citizens under the Federal Agreement were stricter than they had been under the Malayan Union. In brief, those who could automatically become citizens were:

1. Subjects of the sultan of any state (who were mostly Malays).
2. British subjects born in the Straits Settlements of Penang and Melaka who had resided anywhere in the Federation for fifteen years.
3. British subjects born anywhere in the Federation whose father had been born there or lived there for fifteen years.
4. Any person born in the Federation who habitually spoke Malay and conformed to Malay custom.
5. Any person born in the Federation whose parents were born there and had resided there for fifteen years.

An alien could become a citizen by naturalisation if:

1. He had been born in the Federation and resided there for eight of the twelve years preceding his application.
2. He had resided in the Federation for not less than fifteen out of twenty years preceding his application.

The applicant also had to be of good character, have a adequate knowledge of English or Malay, and declare his intention of permanently residing in the Federation (*The Federation of Malaya Agreement 1948*, Clause 124). These requirements were not easily met, particularly the language requirement, since a large number of Chinese and Indians did not know English and spoke only a little Malay. In 1949, it was estimated that approximately 500,000 of the Chinese residents in the Federation, which was less than twenty percent, had become federal citizens (Milne and Mauzy 1977, 30-31).

In sum, the Federation of Malaya Agreement was largely in favour of the Malays, but it also recognised the presence of the non-Malays in this country since,

along with the Malays, they were also to be consulted in the future governing of the country.

## 2.8 The State of Emergency (1948-60)

The MPAJA was disbanded after the return of British to Malaya, and the MCP began to get involved in legal activities such as establishing the General Labour Unions (GLU) in Singapore and Malay States. In 1947, the GLU was renamed the Pan-Malayan Federation of Trade Unions (PMFTU) which controlled 80-90 percent of the unions in Malaya. The trade unions under the MCP were encouraged to use violence in voicing their demands and continuing murders of European planters on estates finally forced the British to proclaim a State of Emergency throughout Malaya beginning on 18 June 1948. During the Occupation, Chinese squatter settlements, principally in remote areas, had been providing the MPAJA with food, shelter, and recruits. This aid was continued by the same settlements throughout the Emergency to the MCP guerrillas, either in gratitude or through fear or both. Land hunger among the Chinese which resulted in illegal occupation of land had been a problem before the war but the problem intensified after the Japanese Occupation. This was due to the lack of food in towns and the 'grow more food' policy of the Japanese during the Occupation, permitting indiscriminate and illegal land acquisition. As a result, after the war, Chinese squatter settlements could be found scattered all over the countryside extending over what were once Forest Reserves, Malay Reservations, Mining or Agricultural land, and private estates. The squatter problem was a serious problem for the government. A British Adviser reported,

the Mentri Besar and the Malay authorities were getting restive about the passive attitude adopted towards squatters because nearly all land in Kedah is in Malay reserve and apart from resenting the contempt of the authority of the State, they feel that the Chinese, who already hold the commercial life of

the State in their hands, are becoming also a resident peasantry (Short 1975, 179).

In its aim to regulate the society and destroy any Communist support, the government began to relocate these squatter settlements away from Communist influence into 'New Villages'.<sup>23</sup> Under the Briggs Plan, it was reported that a total of 573,000 persons were transferred to 480 New Villages during the Emergency. Of the total population of these New Villages, 86 percent were Chinese, 9 percent Malay, 4 percent Indians, and 1 percent 'others' including Siamese, Javanese and *orang asli* (Sandhu 1973, xli).

The resettlement of Chinese squatters, strict food controls, effective intelligence, and, finally, the announcement by the British that they would grant independence to Malaya, had all made it very difficult for the Communists to obtain support from the masses. By the end of 1958, the Communist armed threat had effectively ceased and the State of Emergency was ended on 31 July 1960.

It is also important to note that during the Emergency, in 1952, an amendment was made to the provisions of the 1948 Federal citizenship. Because of the restrictive qualifications for federal citizenship, and the fact that many of them could not easily become citizens, the Chinese had looked upon these citizenship qualifications as a great grievance. The British hoped that they could make concessions to the Chinese on this point to win the support of the Chinese in their battle against the communists. In order to do that, the British needed to have the consent of the Malays but they had to be very careful so as not to receive renewed opposition from the Malays, as had happened when the Malayan Union was promulgated, and thus lose Malay support in their efforts against the communists. Eventually the Malays were persuaded by the British to agree to a compromise on

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<sup>23</sup>The New Villages were surrounded by barbed-wire fences and guarded by police. Food rationing and curfews were imposed to prevent the villagers from supplying food to the communists as well as to protect them. They were provided with benefits such as village schools, community centres, piped water, electricity and a lease of a small farm for each family with agriculture assistance. With all these benefits given to the New Villages, the livelihood inside the New Villages seemed to be so much better than outside that some Malay villages protested that they, who had supported the government, were being given far fewer benefits than the squatters who had helped the communists.

the issue of federal citizenship. The amendment to the Federation Agreement, as one Malay member of Council put it, was "a tremendous sacrifice by allowing members of other races to share the rights of Malays; but the interests of the country as a whole, he said, were foremost in their minds" (Short 1975, 341).

The Federation of Malaya Agreement (Amendment) Ordinance 1952 and the State Nationality laws came into force on the 15th September 1952. Clause 125 of the *Federation of Malaya Agreement 1948* (with amendments) provided that the persons who shall be citizens of the Federation of Malaya by operation of law are any subject of His Highness the Ruler of any State (Clause 125(a)). The subjects of the Ruler as provided by Section 4 of the State Enactment are any person belonging to an aboriginal tribe of Malaya; any Malay born in the State; any person born in the State, one of whose parents was also born in the Federation of Malaya; any person who was not a citizen of the United Kingdom and Colonies who was either born in the State and acquired Federal citizenship under the 1948 Agreement or even though not born in the State had acquired Federal citizenship by application under the 1948 Agreement (as cited in Sinnadurai 1978, 73). Other persons who qualified the Federal citizenship by operation of law were any citizen of the United Kingdom and Colonies born in either of the Settlements (Clause 125(b)); or born in the Federation of whom one of the parents was born in the Federation (Clause 125(c)); or a citizen of the United Kingdom and Colonies, wherever born, but if born before February 1948 whose father was born in the Settlements and had at the time of such person's birth resided for a period of fifteen years (Clause 125 d(i)); or if born after February 1948, whose father was born in either of the Settlements and was at the time of such person's birth a Federal citizen under the Agreement before February 1948 or was a citizen of the Federation of Malaya (Clause 125 d(ii)). Citizenship by operation of law was also given to any citizen of the United Kingdom and Colonies wherever born, whose father was a Federal citizen under the 1948 Agreement or a citizen of the Federation of Malaya by registration (Clause 125 (e)); or any person who was a Federal citizen before February 1948 (Clause 125 (f)); or any person



who has become a citizen of the United Kingdom and Colonies under the British Nationality Act 1948 and who has fulfilled certain residential requirements (Clause 125 (g)).

Gullick (1963) notes that under the 1952 rules, the most significant relaxation of the 1948 citizenship requirements was that a local-born Malayan, who was not a Malay or a British subject, had now to establish that only one of his parents had also been born in the Federation and had resided there for a long period to qualify citizenship automatically. Previously, in 1948, a Malayan would have to prove that *both* his parents as well as he himself had been born in the Federation (Gullick 1963, 225-26). As a result of this amendment, it was estimated by General Templer that between 50 to 60 percent of the Chinese and 30 percent of the Indians had become citizens by operation of law (General Templer's speech to the Federal Legislative Council on 19 November 1952, as cited in Purcell 1955, 192-196).

## 2.9 Toward Self-Government

In March 1946, UMNO had been created in order to defend Malay rights against the Malayan Union. In February 1949, Tan Cheng Lock --- the most eminent representative of the interests of the Chinese community in Malaya --- formed the Malayan Chinese Association (MCA). This new organisation was designed to protect Chinese interests during the difficult period of the Emergency, and provide the Chinese community with a focus of loyalty in opposition to the Malayan Communist Party its ancillary organisation. In essence, the MCA provided an elite link for bargaining purposes with the British administration and the Malay political elite of UMNO.

In January 1952, before the Kuala Lumpur Municipal Council elections, a joint declaration was made between the Selangor branches of UMNO and the Malayan Chinese Association (MCA) to contest the elections in a common front. A number of reasons have been given for this unexpected turning-point in Malayan political development (Means 1970, 133-134; von Vorys 1975, 108; Horowitz

1989, 27). But one obvious explanation is that it was a "cleverly calculated maneuver" designed by both parties to increase their voting strengths in the elections and to compete with the multi-ethnic Independence of Malaya Party (IMP). The IMP was led by Dato Onn Jaafar and was well organised throughout the peninsula. Dato Onn Jaafar, who founded UMNO in 1946, had earlier resigned as the UMNO leader because UMNO refused to accept non-Malay members.

A common list of candidates was drawn up by UMNO and MCA for the municipal elections. Constituencies with Chinese majorities were reserved for MCA candidates, while those with Malay majorities were reserved for UMNO candidates. As a result, this recently founded 'UMNO-MCA coalition' was successful in Kuala Lumpur and elsewhere. Their success stimulated them to collaborate further in elections and finally set up a national Alliance organisation in 1953, which was later joined by the Malayan Indian Congress (MIC). The Alliance then won all but one of the parliamentary seats in the first national elections in 1955.

It is important to mention that although the Chinese could vote in municipal elections in 1952, many of them couldn't vote in the national elections in 1955 because their lack of citizenship status, which prevented them from voting in non-local elections. It should be noted that the citizenship provisions contained in the Federation Agreement were more complex and stricter for non-Malays than those in the Malayan Union Plan. The Chinese and Indians had to fulfil certain requirements of birth and domicile, have an adequate knowledge of Malay or English language, and be declared as permanently residing in the Federation. These requirements could not easily be met by some non-Malays. In 1949, approximately 500,000 of the Chinese residents in the Federation, which was less than twenty percent, had become Federal citizens (Milne and Mauzy 1977, 30-31). However, as mentioned earlier, in 1952, a significant change was made to the citizenship provisions which gave citizenship by operation of law to any locally born non-Malays with only one locally born parent. The number of the non-Malays eligible for citizenship increased but many still couldn't vote in the first national elections in 1955 due to their failure

to fulfil citizenship requirements. As a result, UMNO had been able to dominate the selection of parliamentary and legislative seats.

Before 1955, Chinese and Indians were subject to the citizenship provisions in the Federal Agreement. Only after the Alliance won the Parliamentary elections in 1955 was a solution found within the Alliance to solve the problem of citizenship. This solution, among other issues, was later proposed by the Alliance to the Reid Commission, which was a constitutional commission chaired by Lord Reid to prepare a constitutional framework for an independent Malaya. The Alliance's proposal on the citizenship issue endorsed the principle of *jus soli* for all those who were born after independence in 1957. Those who were born outside the country needed to reside in the country for eight out of 12 years and the language requirement would be waived for one year after independence for those who were aged over 45 years. This Alliance proposal on the citizenship issue was accepted by the Reid Commission and later incorporated into the constitution. The Reid Commission pointed out

Many different proposals have been submitted to us in memoranda and in evidence with regard to qualification for citizenship of the Federation. We have carefully considered them all and we have come to the conclusion that the best proposals for dealing fairly with the present situation are those put forward by the Alliance. The parties of the Alliance have given full consideration to this matter and apart from a few minor points they have reached agreement. We are satisfied that this agreement is a reasonable and proper compromise between the views of the parties, each of which has the most widespread support from the race which it represents, and we are further satisfied that this agreement is a better way of doing justice between the race than any other that has been suggested or has occurred to us (*Report of the Federation of Malaya Constitutional Commission 1957*, par. 36).

Thus it was only with the implementation of these provisions after Independence in 1957 that most Chinese and Indians were finally able to acquire citizenship in Malaysia.

#### 2.10 Roads Not Taken: Alternatives to 'Elite Compromise'

In the 1920's, when they were making an effort to gain a foothold in Malaya, Communist elements learned soon that there were differences in the relative receptiveness of the Malays, Chinese, and Indians to the idea of revolution. The Malay community largely rejected Communism because they found that its ideology contradicted the teachings of Islam and also because of their strong tradition which enabled them to find personal contentment in their existing way of life (Pye 1956, 47-50). The Malayan Communist Party (MCP) was formed in 1929 with the aim of overthrowing the Malayan Administration and establishing a Communist-controlled democratic republic (Jackson 1991, 7). By this time, it discovered that the best prospects for recruiting members lay in the non-Malay communities, particularly the Chinese. At first, its efforts to influence the Chinese was not very successful because of the competition with the traditional Chinese secret societies (*ibid.*, 53-55). But later, as discussed earlier, the MCP, along with its military wing, the Malayan Peoples Anti-Japanese Army (MPAJA), became the champion of the Chinese community in their struggle against the brutality of the Japanese during the Second World War. After that, in May 1946, the MCP issued its nine-point-programme which included:

1. The establishment of self-rule in Malaya.
2. The establishment of an elected All-Malayan National Assembly, the right to vote, and the introduction of a democratic constitution;
3. The realisation of democratic government and guarantees for basic civil rights such as freedom of speech;

4. The reorganisation of the national economic structure;
5. Improvement in salaries and wages, and reduction in unemployment and excessive taxation;
6. Reorganisation of the system of education;
7. Institution of an eight-hour day and improvement in working conditions of workers and peasants;
8. Equality of rights for women in politics and society;
9. Solidarity with "oppressed peoples" of the Far East (Hanrahan 1954; reprint 1971, 93-4, as quoted in Cheah 1979, 26).

These nine points of the MCP appealed to all groups and classes. They even fought for the vote to be given to everyone regardless of race, class, political party, religion and sex. The MCP wanted to be seen as a party associated with the struggle of the people and even as a 'democratic' party, to some extent, and not as a party fighting for the interest of any particular ethnic group.

This programme enabled the MCP to form alliances with some other parties and organisations but not with UMNO. They could not work with UMNO and rejected this Malay organisation because of "their connections with Malay aristocracy and their preparedness to work with the British colonial authorities to safeguard Malay political rights and the sovereignty of their Rulers" (Cheah 1979, 57). UMNO, on the other hand, was suspicious of the MCP because of the MCP's attempt to infiltrate UMNO by wooing UMNO's rank and file members to support the Communist cause when the MCP could not influence the UMNO leaders.

After the Malays opposed the Malayan Union scheme, the British set up a plan to replace it with the Federation of Malaya. During the process, the non-Malays rallied with the Pusat Tenaga Rakyat and the All-Malaya Council of Joint Action or the PUTERA-AMCJA coalition in which the Malayan Democratic Union (MDU), one of the MCP's front organisations, acted as secretary (*ibid.*, 136). The PUTERA-AMCJA constitutional campaign, among other things, demanded

immediate self-rule and this was rejected by the British. Then in May 1948, the MCP resorted to armed struggle against the British which led the British to declare the Emergency. The MCP guerrilla force, however, failed for several reasons, principally because of its failure to attract Malays, its failure to overcome a sophisticated anti-guerrilla campaign by Britain, its own internal problems, and the program of resettling the "squatters" in protected New Villages. As a result, the MCP turned to terrorism which was even less likely to win it general support. During this period, the MCA was founded, and through this party, the British had a better chance of obtaining co-operation from the Chinese to end the Emergency. The party also gave the Chinese an alternative to the MCP in "promoting communal solidarity so as to enhance the chances of improving their status under the new Constitution" (Ratnam 1965, 153). With the formation of the Alliance in the 1950's and its successful efforts in gaining Independence for Malaya, the MCP's influence on the people declined and became insignificant. After the 1957 Independence, many MCP members surrendered to the government and the threat of Communist terrorism in the country ended when its leader, Chin Peng, finally gave up the fight in late 1989.

In their attempts to gain support from the people in Malaya and later, Malaysia, the MCP had been appealing to the masses on the basis of its struggle for self-rule and equality of rights for all citizens regardless of ethnicity and sex. Their purpose was to unite people through their fight against colonialism, and their emphasis on class struggle. But they failed in their attempts to woo many Malays into their camp because the Malays largely identified the communists with the Chinese and anti-Islamic activity. As a result, the MCP effectively remained a party with a Chinese outlook fighting against British Forces who enjoyed Malay support.

There were many factors which shaped the trend of party politics prior to the 1952 Kuala Lumpur Municipal election, such as the compartmentalisation of the society into Malays and non-Malays, and the uncertainties of the future policies of the country. During this period, besides the communal parties such as UMNO, the

MCA and MIC, there was also the Independence of Malaya Party (IMP) which emerged out of Dato Onn's failure to get non-Malays admitted into UMNO. The IMP was a non-communal party and was created to provide some basis for an effective understanding between the different ethnic groups. The eight points in the IMP's programme were:

1. Self-government within ten years.
2. Democratic elections to local government by 1953 and the Central Legislature based on adult suffrage by 1955.
3. Free and compulsory elementary education for all between the ages of 6 and 12 by 1955.
4. Malayanisation of the Civil Service and creation of a Malayan Service as opposed to the Colonial Service.
5. Improved social services, in the rural areas in particular.
6. Subsidies and guaranteed prices to cultivators.
7. Full fruits of their industry to workers.
8. Reform of the feudal system in the Malay States (Silcock and Aziz 1953, 334).

The IMP, however, was short-lived because of its failure in getting popular support from either the Malays or the Chinese. This forced the party to dissolve itself in 1953 and Dato Onn to launch the Malayan National Conference which later became Party Negara in 1954 (*ibid.*, 158-59). The experience of the IMP showed that the ethnic groups wanted to protect their separate cultural identities: bargaining for their separate communities in an alliance seemed to be the best way to do this.

### CHAPTER THREE

#### A KEY POINT IN ETHNIC-ELITE COMPROMISE: THE COMMUNITIES LIAISON COMMITTEE

Political developments in 1948 seemed to cause society in Malaya to be more divided than ever before. First, there were the citizenship regulations of the 1948 Federation Agreement which were considered to be too stringent by the Chinese. Second, there was an out-break of Communist insurrection in mid 1948 which further complicated and worsened ethnic relations in Malaya. It was a very tense situation since the community that joined forces in fighting Communist terrorism alongside the British were the Malays while most of the Communists, their supporters and sympathisers were the Chinese. Therefore, the Communist insurrection could easily be seen as an inter-ethnic clash.<sup>24</sup>

On 31 December 1948, a group of twenty-one communal leaders met at Dato Onn's home in Johor Bahru. The leaders had been invited by Dato Onn to an informal gathering to discuss the sources of inter-ethnic friction and to find ways of eliminating them (Ishak Tadin 1960, 79-80). This was followed by another informal meeting which was initiated by the British Commissioner General, --- responsible for guiding British policy in Malaya, Singapore, and the dependencies of Brunei, Sarawak and British North Borneo --- Malcolm MacDonald, at Penang in January 1949. This informal group became known as the Malay-Chinese Goodwill Committee. According to Malcolm MacDonald's letter sent to the Secretary of State for the Colonies in London on 30 January 1949, the Malay and Chinese leaders who attended the talks had agreed that representatives from other communities should also be invited to their meetings in future.<sup>25</sup>

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<sup>24</sup> There was always a possibility that violence originating from Communist ideology would eventually turned into an ethnic conflict such as had happened after the Japanese Occupation (see Chapter Two).

<sup>25</sup> The information used in this chapter for the discussion of the Communities Liaison Committee (CLC) meetings is based on copies of letters which were sent by Malcolm MacDonald, the Commissioner General for Southeast Asia in Singapore, to the Secretary of State for the Colonies



After that, this committee met in a series of meetings between February 1949 and May 1950.<sup>26</sup> In the meetings held in early February 1949, the members elected Thuraisingham, a Ceylonese Federal Legislative Councillor, who had been invited to join the committee, as chairman.<sup>27</sup> Before these meetings, the Malay and Chinese representatives had asked Malcolm MacDonald to be the chairman of the committee, but he refused on the grounds that he was not a member of the committee and that "the discussions and decisions of the committee should be wholly the responsibility of the unofficial community leaders". However, he said that he would attend the meetings "at their invitation as an observer, with the right to take whatever part seems helpful in the discussion, but without any commitment to the decisions of the committee". (CLC: CO 717 183, MacDonald, 15 February 1949). The committee members agreed to invite a leading European, Indian and Eurasian to join the committee so that it would become "a working body of leading representatives of all the major communities in Malaya". The members, then, decided to call their body the 'Communities Liaison Committee' (*ibid.*). The purpose of the formation of this Communities Liaison Committee (CLC) was to examine the problem of ethnic conflict,

to maintain a happy understanding between the communities and to suggest ways and means of strengthening it through the testing days of the present and the future (CLC: CO 717 183, *Press Statement by the Communities Liaison Committee (Ipoh)*, 15 March 1949).

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in London which are now kept in Public Record Office at Kew, Surrey. They will be indicated in the text as CLC (Communities Liaison Committee): CO 717 183, MacDonald, relevant dates.

<sup>26</sup>The dates of the meetings were 9 and 10 February 1949 (Johore Bahru); 18 and 19 February 1949 (Kuala Lumpur); 14 and 15 March 1949 (Ipoh); 1 and 2 April 1949 (Kuala Lumpur); 19 and 20 April 1949 (Kuala Lumpur); 12 May 1949 (Kuala Lumpur); 13 and 14 August 1949 (Kuala Lumpur); 14, 15 and 16 September 1949 (Johore Bahru); 29, 30 and 31 December 1949 (Penang); 10 and 11 February 1950 (Kuala Lumpur); 21 February (Kuala Lumpur); and 6 May 1950 (Kuala Lumpur).

<sup>27</sup>Someone had earlier proposed Dato Onn to be the committee chairman but Dato Onn declined because he said that he wanted to be free to take a full part in the discussions without inhibitions of the chairman's role of having to reconcile the differences in the members' views (CLC: CO 717 183, MacDonald, 15 February 1949).

Its membership eventually consisted of six Malays, six Chinese, and one representative each from the Indian, Ceylonese, Eurasian and European communities.<sup>28</sup> Malay members were led by Dato Onn and the Chinese by Tan Cheng Lock. Both men were the most prominent members in their respective communities. Even though the members did not formally represent any organisation, they were "individuals of influence in their respective communities".

The CLC was an unofficial committee and its members had

... no power to reach decisions binding on any organisation, council or authority. They offer the results of their deliberations as a sincere contribution to inter-communal harmony, and to the happiness and prosperity of the peoples of Malaya (CLC: CO 717 183, *Press Statement by the Communities Liaison Committee (Ipoh)*, 15 March 1949).

The emphasis on the unofficial nature of the committee and the fact that it was without "power to reach decisions binding on any organisation, council or authority" helped to lessen tension between the members, and it was hoped to create a relaxed atmosphere which would be conducive to friendly and frank discussions between them.

Early in February 1949, when the first CLC meeting began, the Penang Secessionists announced their intention to move a Resolution in favour of Secession at the meeting of the Penang Settlement Council on 10 February 1949.<sup>29</sup> Dr. Lee Tiang Keng, one of the Chinese members of the CLC, had been invited to second

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<sup>28</sup>Among the committee members and non-members who attended the earlier CLC meetings (on 14 and 15 March 1949) were: Dato Onn Jaafar (Malay); Panglima Bukit Gantang (Malay); Zainal Abidin Haji Abas (Malay); Mohamed Salleh Hakim (Malay); Raja Haji Kamaruzaman (Malay); Tuan Haji Mohamed Eusoff (Malay); Tan Cheng Lock (Chinese); S.B. Palmer (European); E.E.C. Thuraisingham (Ceylonese); Leong Yew Koh (Chinese); Toh Eng Hoe (Chinese); Dr. Ong Huck Chye (Chinese); M.N. Cumarasamy (Indian); E.A. Moissionac (Eurasian); Malcolm MacDonald ("observer"); Yong Shook Lim (Joint Secretaries); and Tuan Syed Abdul Kadir Mohamed (Joint Secretaries) as listed in *Press Statement by the Communities Liaison Committee (Ipoh)*, 15 March 1949, pg. 4.

<sup>29</sup>The Penang Secession Movement was a separate issue. Nonetheless, it was feared that this incident would disrupt and destroy efforts to get the co-operation of the members of different communities to work in the CLC, because the proposal for Penang Secession was largely being opposed by the Malays in Penang and throughout the Federation, and thus, it was likely to lead to inter-ethnic conflict.

the Resolution in the Settlement Council. This particular member accepted the invitation and declined to come to the next CLC meeting despite the pleas from other Chinese members on the committee.<sup>30</sup> This in turn, caused the Malay members to question the sincerity of some of the Chinese on the committee and "made the Malays wonder whether there was any point in the Committee proceeding with its work" (CLC: CO 717 183, MacDonald, 15 February 1949). The Penang Secession Committee debate which took place had a negative effect on the CLC meeting in Johore Bahru. It indicated to the Malays that "there was little goodwill on the part of individuals in other communities towards a movement for inter-communal co-operation" and hence, "they [the Malays] must reserve their position, and have time to consider whether they should continue as members of the Liaison Committee" (*ibid.*). The Penang 'incident' caused the Malays to have second thoughts about their membership on the CLC while at the same time, it put the Chinese members in a difficult situation.

Despite the Penang incident, the CLC survived and continued with its meetings. But it was not without a lot of debate and argument between those who attended that first CLC meeting in early February 1949. Malcolm MacDonald wrote that

I intervened in the discussion, urging that this was an unreasonable and unfair attitude [the Malays' reservation of their membership on the CLC] and that the Committee should continue its Meetings regardless the Penang "incident". I need not trouble you with my arguments. Considerable discussion followed, and in the end it was agreed that... the whole Committee should meet in Kuala Lumpur on the 18th, 19th and 20th of this month, as planned (CLC: CO 717 183, MacDonald, 15 February 1949).

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<sup>30</sup>After Dr. Lee's resignation (due to his obligations to the Secession Committee in the Settlement), his membership on the CLC was taken over by Dr. Ong Huck Chye, a Straits-born Chinese who was an anti-Secessionist (CLC: CO 717 183, MacDonald, 25 February 1949).

Although the initial objective of the formation of the CLC was to alleviate the immediate causes of inter-communal conflict, its purpose soon broadened to include all political matters. The issues which the CLC intended to discuss were

[First] the economic position of the Malays, with a view to seeing what help the Chinese might give towards (a) the greater employment of Malays in industry, etc. and (b) the assumption by Malays of positions of responsibility in business affairs... [Second] political relations between the Malays and the non-Malays, i.e. the introduction of non-Malays into Administration Services, the qualifications for Federal Citizenship, etc. ... [Third] the problem of education, with a view to children in Malaya all being brought up as Malaysians with a sense of Malayan citizenship and patriotism, instead of a narrow, communal Malay, Chinese, Indian, etc. outlook on Malayan affairs (CLC; CO 717 183, MacDonald, 15 February 1949).<sup>31</sup>

As discussed in Chapter Two of this thesis, during the interwar period, society in 'British Malaya' was compartmentalised to the extent that there were clear cultural, economic and demographic divisions between the major ethnic groups. The majority of Malays remained as traditional farmers in rural areas while the majority of Chinese were found in urban areas, particularly mining areas, and the Indians dominated the estates. By the time the British returned to Malaya in September 1945, after the brief period of Japanese Occupation, there was already an awareness among the Malays of their economic condition vis-a-vis other immigrant communities. This awareness among the Malays that the immigrant groups were the ones who were controlling their economic fate created fear among the Malays that one day, they would be swamped by the latter. The strong Malay rejection of the

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<sup>31</sup>According to Malcolm MacDonald, they had intended to discuss the economic position of the Malays and how the Chinese could help them, and the political relations between the Malays and the non-Malays during the first two meetings of the CLC in early February 1949, but because of the Penang 'incident', these discussions were postponed (CLC: CO 717 183, MacDonald, 15 February 1949). It was during the second CLC meetings on 18 and 19 February 1949 that these issues were discussed by the members. By that time, Malcolm MacDonald commented that "the Malays had somewhat recovered from their anger at the Penang Secessionists' conduct at the time of the earlier meetings of the Committee, and discussion of the Committee's Agenda proceeded according to plan" (CLC: CO 717 183, MacDonald, 25 February 1949).

Malayan Union proposal was also partly due to this reason. The Malays' concern at their economic situation could be seen during the CLC discussions. Dato Panglima Bukit Gantang, a Malay member, pointed out that the Chinese were no longer content with their dominance in the modern sector of the economy and now they were gaining control of the economic life of the rural areas. It was alleged that

Rural transport was passing into their [Chinese] hands; they [the Chinese] were even pushing the Malays out of the fishing industry. By their "strangulation methods" they seized hold of retail trade in the kampungs; by illegal timber felling, they produced soil erosion and irrevocably injured the Malay farmer (Minutes of CLC meeting, February 9-10, 1949, as quoted from von Vorys 1975, 97).

Perhaps sensing the urgency of these matters, Malcolm MacDonald, who seemed to be facilitating the Committee discussions (although he had stated earlier that he was there as an "observer"), decided that they discuss economic matters first, before proceeding to political issues. In his letter to the Secretary of State for the Colonies, he wrote that

If the Malays feel assured, as a result of these discussions [on economic problems], that the Chinese and other communities are in earnest in their desire to improve the economic positions of the Malays, and that practical results are likely to follow from the Committee's deliberations in this field, then I think the Malays will be ready to be fairly forthcoming in the political discussions. They realise that it will then be for them to make some concessions to the non-Malay communities .... the non-Malay communities ... will also have to do some giving, e.g. on the question of "undivided loyalty to Malaya" (CLC: CO 717 183, MacDonald, 25 February 1949).

Thus the CLC began to examine the problem of "economic adjustment" between the ethnic groups in Malaya. During the talks, the Committee members engaged in a spirited debate and they "spoke quite frankly about the other communities, and no-one took offence at this" (CLC: CO 717 183, MacDonald, 25 February 1949). According to Malcolm MacDonald, the members

agreed unanimously on a resolution to the effect that it is of "paramount" importance that the non-Malays should, by co-operation amongst themselves and with the Malays, help in every possible way to improve the economic position of the Malays and enable them to take a full share in the economic life of the country (CLC: CO 717 183, MacDonald, 25 February 1949).

The committee later asked the Commissioner General to draft a statement on the purposes of the CLC for the public and the 'agreed view' above was included in the statement.<sup>32</sup> He was so impressed by the co-operation shown by the CLC members that he wrote,

... I had expected that both the Malays and the Chinese would question various sentences in it [the Press Statement], and would asked for a postponement of the discussion so that they could consider amendments. Instead the Committee unanimously agreed to the draft with the alteration of only one word. *This is the first time in the history of Malaya that the principal leaders of all the communities have signed a joint statement on relations between the communities* (CLC: CO 717 183, MacDonald, 18 March 1949, emphasis is added).

It should also be noted, however, that even though the Chinese members seemed willing to help the Malays in improving their economic position, they were not very sympathetic with the latter's situation. This is clear from a personal note written by Tan Cheng Lock on the back of one of the Minutes of the CLC meeting (his private set) (von Vorys 1975, fn. 43, 96 and 97). In Tan Cheng Lock's words,

Those, who, while desiring what others possess put no energy into striving for it, are either incessantly grumbling that fortune does not do for them what they would not do for themselves, or overflowing with envy and ill will towards those who possess what they would like to have (as quoted in von Vorys 1975, 97).

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<sup>32</sup>See CLC: CO 717 183, *Press Statement by the Communities Liaison Committee (Ipoh)*, 15 March 1949, released by Office of the Commissioner General for the UK. in South East Asia, Phoenix Park, Singapore.

Although the note above was written by one man, it nevertheless reflected the general view of the Chinese toward the Malays. The Chinese thought that they deserved their eminent position in the economy because they had worked to get to the place where they were in now, and that the economic problems of the Malays was brought up by the CLC Malay members because the Malays were jealous and resentful of the economic achievement of the Chinese. It might be true that the Chinese agreement to help the Malays in the economy was due to the clear evidence of widespread poverty among the Malays, especially in rural villages on one hand, and of rapidly expanding Chinese ownership of property and capital on the other (von Vorys 1975, 98). But more importantly, the Chinese members showed a readiness to help the Malays to participate in the economy because they knew that without a willingness on their part to help improve the economic situation of the Malays, the CLC discussion would not proceed to the next subject on the Meeting Agenda, which was the question of granting more political privileges to the Chinese such as the inclusion of non-Malays in the administration of the country and the broadening of qualifications for Federal citizenship; both of which were important to those Chinese who had decided to stay in Malaya. Thus, this readiness on the part of the Chinese to help the Malays in the economy could be considered as an effort by the Chinese to show other members that they were sincere and were making concessions to the Malays in the economic field. It worked, and, as Malcolm MacDonald observed, "the Malays were impressed with this [the concessions made by the Chinese] and lost something at least of their suspicions of the bona fides of the non-Malays on the Committee" (CLC: CO 717 183, MacDonald, 25 February 1949).

Following the 'agreed view' between the members that the non-Malays should help the Malays in improving their economic position, the CLC then considered its implementation. They discussed bribery and corruption in government and the Malay members alleged that Chinese bribery had enabled the Chinese to get licences for business and trade. But the Malays, who generally did

not have either the means or will to bribe, had not been able to get licences. As a result, they claimed that the Malays were at the disadvantage compared to the Chinese. The committee thus drafted a resolution inviting the government to tighten up legislation on this matter. Then the committee examined the major economic activities "to see what help could be given to Malays to ensure that they achieve 'economic parity' with the non-Malays" (CLC: CO 717 183, MacDonald, 25 February 1949). Among the major economic activities discussed in the committee were road and river transport, tin mining, the planting industry and trading. According to Malcolm MacDonald, during discussions on economic relations, the members were seen to be working together as "an extremely good and friendly team" and their discussions were "business like and thorough". Everyone spoke with "complete frankness" and there was a "unanimous agreement" on the proposals produced (CLC: CO 717 183, MacDonald, 18 March 1949, 2). When discussing road transport, the committee, for instance, agreed that new routes opened in future in predominantly Malay areas should be the preserves of wholly Malay companies. In other words, new licensed firms should be owned by Malays. In predominantly Malay areas, only companies which were controlled by Malays and those in which non-Malays owned not more than 49 percent of the stock were allowed to operate. For companies serving in areas where the Malays were in the minority, Chinese and other non-Malays would hold 51 percent of the stock and the rest would have to be transferred to Malays (CLC: CO 717 183, MacDonald, 18 March 1949, 2; and Minutes of CLC meeting, February 19-20 1949 as cited in von Vorys 1975, 99). In other activities such as the planting industry (the processing of agriculture products), the committee members considered the possibility of developing co-operative manufacture and marketing amongst smallholders producing rubber and other suitable products (CLC: CO 717 183, MacDonald, 22 April 1949).

These economic proposals which were "unanimously agreed" by the committee, were then sent to the government for consideration. But at this point, none were to be published because the members wanted to wait for the completion



of their examination of other aspects of inter-communal relations so that they could present a report with "a comprehensive and balanced picture of their conclusions" (CLC: CO 717 183, MacDonald, 22 April 1949, 1). With these economic problems out of their way, the members started deliberations on the all-important political questions on the CLC Agenda. Discussions on the political aspects of relations between the different communities was the most difficult task of the CLC because of the delicacy and sensitivity of the issues involved. In fact, Malcolm MacDonald had noticed "a certain amount of nervousness, amongst some of the members, about these impending political discussions" (CLC: CO 717 183, MacDonald, 16 May 1949, 1). Even when the committee began to discuss the political issues in August 1949, there was a note of warning in his letter to the Secretary of State for the Colonies in London. He wrote that

... it was agreed that no member of the Committee need feel finally bound by his agreement to any of these conclusions until the complete set of conclusions have been reached, and the political picture can be viewed as a whole. This was a necessary proviso, so as not to frighten any of the community leaders into feeling that they were being hustled prematurely into difficult decisions (CLC: CO 717 183, MacDonald, 19 August 1949).

This was important so as to lessen the tensions and anxieties among the committee members, in the hope that they would be able to talk and discuss in a more relaxed and friendly atmosphere.

In September 1949, the committee issued a *Press Communiqué* which was to be published by the media on 18 September 1949.<sup>33</sup> The substance of the five 'Agreed Views' was as follows:

1. The aim in the Federation of Malaya was self-Government and Sovereign status, with a Malayan nationality for the citizens therein.
2. As a first step toward that end preparation should be made for the introduction of elections to the

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<sup>33</sup>This report may be found in *Straits Times*, 18 September 1949, pp.1 and 3.

various legislatures in the Federation, as soon as practicable in the light of local conditions in each case.

3. So that experience of elections might be gained by stages, they should take place first in municipalities and such States and Settlements as were ready for them. Subsequently, they should be introduced for the Federal Legislative Council, and as the preparation of the electoral law would necessarily take a considerable time, the present legislature should give early consideration to the subject.

4. The franchise in elections should be based on Federal citizenship, though this question should be settled finally in each case by the authorities concerned.

5. Malay and English should be taught as compulsory subjects in all Government and Government-aided primary schools (CLC: CO 717 183, *Federation of Malaya, Political Report No. 11 for September, 1949, 1*).

The CLC also issued a memorandum, accompanying the 'Agreed Views' above, which constituted their "unanimous views" on the means of developing a united Malayan nation. The memorandum stated that there were two aspects of the problem of loyalty. Firstly, there was the psychological aspect which consisted of training school children and all others to think of and conduct themselves as Malaysians,<sup>34</sup> not as people who owed their allegiance to other foreign countries. Secondly, there was the political aspect which consisted of creating conditions in the Federation that would make "people of all races feel that they enjoyed equality of status, rights and obligations with each other". The important role of education in creating a real Malayan nationality was greatly emphasised in the memorandum, particularly the need to establish increasing numbers of Government or Government-aided schools where children from the various communities should attend and learn together, and where the medium of instruction would be Malay and English. As such schools increased, the numbers of communal schools should then

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<sup>34</sup>The term 'Malaysian' here is used by the memorandum to refer to the inhabitants of the Federation of Malaya.

be progressively reduced. Furthermore, the memorandum included proposals on matters such as a National Anthem, a National Flag, memorial days and the display in schools of photographs of Their Majesties and of the nine Rulers (CLC: CO 717 183, *Federation of Malaya Political Report No.11 for September 1949*; and CLC: CO 717 183, *Communities Liaison Committee Press Communiqué*, 16 September 1949, 1-3).

Even though the CLC was able to agree on the 'views' incorporated in its report, the discussions on these political matters were, however, not without arguments between the members. When political questions were raised during the discussions, it was the Malays' turn to make concessions to the Chinese. But, as in the earlier discussions and despite the agreement that the Chinese would help the Malays to participate in the economy, the Malays still feared that any further relaxation of citizenship regulations would increase the number of non-Malay citizens, and they would be swamped politically in the same way as in the economic field. When it was agreed that all Federal citizens should enjoy equality of status, privileges and opportunities, irrespective of race, Dato Onn, at some point, "indicated that the members of the Committee should not be hustled too fast into such important decisions" and was "anxious to ensure that the Committee does not propose that so many non-Malays should become Federal citizens that the Malays are swamped" (CLC: CO 717 183, MacDonald, 19 August 1949). In Tan Cheng Lock's view,

With the usual strong and unqualified support and encouragement of the British Commissioner General, Mr. Malcolm MacDonald, practically all the Malay members of the CLC, with the exception of Dr. Mustafa of Kedah, throughout kept a running fire of hostile and unjustifiable criticisms of the Chinese Community as a whole (Letter written by Tan Cheng Lock to Yong Shook Lin, 17 January 1950, quoted in von Vorys 1975, 99, fn. 49).

When the committee considered what should be the qualifications for Federal citizenship, the question of "loyalty" was naturally raised by the members. The

Malay members, in particular, argued the "loyalty" to Malaya was not quite enough and it was later 'unanimously agreed' that the conception of "*undivided* loyalty" to Malaya should be "a proper guide in considering a person's claim to citizenship" (emphasis added). Then, when the question of *jus soli* was brought up in the discussion, the Chinese urged that all non-Malays who were born in the Federation and permanently domiciled there should become citizens automatically. The Malays, however, did not oppose the proposal. Dato Onn stated that

... whereas the Malays would not... have considered for a moment any such suggestion three years ago, Malay opinion on the matter had advanced some way since then... and the Malay accept the idea that everyone, irrespective of race, who really owes undivided loyalty to Malaya and really regards the country as his permanent home, where he will live and die, should be admitted to Federal Citizenship (CLC: CO 717 183, MacDonald, 19 August 1949).

Although Dato Onn seemed to be sceptical about the strength of the loyalty of some of the immigrant community and had earlier indicated that the Malays must have time to consider the proposal carefully, his statement was also an indication that the Malays' attitude now was more conciliatory than it had been before. The reason for this change of behaviour on the part of the Malays was unclear but it might be due to the informal and friendly atmosphere of the CLC itself.

On the issue of elections, the members 'unanimously agreed' to propose the introduction of legislation for elections in stages. It was generally agreed that elections in at least some of the States and Settlements and in Municipalities should precede elections to the Federal Legislative Council. This would give the people some experience in popular elections at local level before elections for the Federal Legislature (CLC: CO 717 183, MacDonald, 19 August 1949). They also proposed that the franchise in elections should be based on Federal citizenship, but at this point the Report did not specify the conditions of Federal citizenship yet. It should also be noted that the committee rejected reserved communal seats and communal electoral rolls which were suggested by a number of people who wanted to

guarantee a proportionate communal representation in the Legislative Council (Means 1970, 123). It is not entirely clear why communal electoral rolls were rejected by the committee. It is likely, however, that the members thought that it would be contrary to the CLC's idea of maintaining and strengthening inter-ethnic co-operation in the future.<sup>35</sup>

The CLC members agreed 'unanimously' that the Malays would have "a special position" because of

the fact that for centuries Malaya has been their sole home, and that the country includes nine Malay States with Rulers in Treaty relationship with the King, the Rulers and States also being internationally recognised. The Committee agreed that this special position of the Malays should be safeguarded, the purpose being to ensure that they are not politically dominated in their country, and that as time goes on they also take an increasingly important part in the economic life of the country (CLC: CO 717 183, MacDonald, 19 August 1949).

This agreement of the "special position" of the Malays between the members served as an indication of the non-Malays' recognition of the legitimacy of the Malays' claim that Malaya belonged to them as well as the right of the Malays to play an important role in the economic field which had traditionally been dominated by the Chinese.

Another subject which cropped up during the committee discussions was the issue of language. It was pointed out again and again during the discussions that it was necessary for the people of different ethnic groups to speak a common language if a "real nation" was to develop in Malaya (CLC: CO 717 183, MacDonald, 19 August 1949). The Malays, of course, insisted on Malay language as the common language or the "national" language of the Federation. The Chinese,

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<sup>35</sup>The issue of communal rolls was taken up again in 1953 when a Federal Council Committee was established to investigate the idea. However, it was again rejected on the grounds that it was inconsistent with the agreed objective of promoting national unity (Ratnam 1965, 175-76). Then after the May 13 ethnic riots in 1969, this idea of communal rolls was one of the alternatives presented for discussion at the top level policy meetings but it was again rejected (Mauzy 1978, 96). Since then, the issue of communal rolls has never again been considered.

naturally, resisted this idea and this had already been reflected in Tan Cheng Lock's speech on Educational Policy in Malaya which had been made over a decade before at a meeting of the Legislative Council held in Melaka on 12 February 1934. He then stated that

... I hope and presume that the term "Malayanization" does not at all imply that the Government has the least intention in view ... to attempt the mixing ethnologically of the various races living in Malaya, so that the product of this race mixture will be a homogenous amalgamation of the component races in whom the Malay characteristics will predominate, or to make non-Malaya adopt the Malay language as their own and assimilate the so-called Malay civilisation and culture. If there is any suspicion that such an attempt is going to be made, it would be most energetically resisted by the non-Malays as something most obnoxious and baneful to their well-being and would be foredoomed to failure (Tan Cheng Lock 1947, 96).<sup>36</sup>

This speech, made by a Chinese leader, remained the general view of the Chinese as a whole on the concept of 'Malayanization'. They were strongly against any attempt of 'homogenising' Malayan society as well as assimilation. Even the proposal of the Malays to make Malay language as the "national" language was seen by some of the Chinese as an attempt "to make non-Malays adopt the Malay language as their own". There were many arguments on this language issue and the education policy of the country. But the committee finally "unanimously agreed" that the teaching of Malay should only be compulsory in Government and State-aided primary schools. However, it was also agreed that there should be a "progressive elimination" of these communal schools and it was hoped that the "central schools" would be attended by children of the various races. It had also been suggested that Malay would be the medium of instruction in rural areas, and English in urban areas (CLC: CO 717 183, MacDonald, 19 August 1949). It was obvious that the reason why the teaching of Malay could not be imposed on all primary schools --- Government,

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<sup>36</sup>This statement was also included in Appendix A of the Notes of CLC meeting, September 14-15, 1949, as Tan Cheng Lock's declaration. See von Vorys 1975, pg. 102.

State-aided and private --- was because of the strong opposition from the non-Malay members, especially the Chinese. As Tan Cheng Lock had put it in his 1934 speech in Melaka:

... I think English should be the best common basic language to serve as a bond between the different sections of our permanent population, because Malay, the language of the people of this country, is totally inadequate and unsuitable for the purpose, especially in so far as the locally born non-Malays are concerned, and locally born non-Malays slightly outnumber the Malays in the Colony... [Further] it is absolutely unnecessary to go to a Malay school to gain a good working knowledge of spoken Malay, which every locally born Chinese, Indian, Eurasia and European invariably acquires without ever attending a Malay school... it would be sheer and cruel waste of precious time for a Chinese or an Indian boy to spend three or four years in a Malay school to study literary Malay, which can be of no conceivable use to him in after life (Tan Cheng Lock 1947, 97-98).

Thus, only by proposing that the teaching of Malay should be compulsory in all Government and State-aided schools only that the committee was able to get the agreement of the Chinese members since this meant that most Chinese schools would not be affected since they were private. It would also save a large number of Chinese pupils from having to formally study Malay language and literature , both of which were viewed to be unnecessary, a waste of time and with "no conceivable use" in their lives. The suggestion that in "central schools", Malay should be the medium of instruction in rural areas and English in urban areas, was probably made by some members as a compromise between Malay demands and Chinese resistance since most rural areas were populated by Malays whereas the urban areas by non-Malays. It would also satisfy a section within the Chinese community which demanded that they should receive their elementary education at the expense of the government with English as the medium of instruction.<sup>37</sup>

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<sup>37</sup>Tan Cheng Lock, for instance, had earlier pointed out that "... the Straits-born Chinese with perfect logic and justice demand they should receive their elementary education at the expense of the State in the language of the Imperial ruling power [English], which is also the official, commercial and common written language of the country..." (Tan Cheng Lock 1947, 100).

Malcolm MacDonald also pointed out that there was strong agreement among the Chinese members when he urged that "the display of pictures of Sun Yat Sen, Chiang Kai Shek and Mao Tse Tung should be prohibited in Chinese schools, and that they should be discouraged also from hanging up the Chinese flag" (CLC: CO 717 183, MacDonald, 19 August 1949). This agreement indicated that the Chinese accepted the importance and the need to show their allegiance to the Federation and not to China in return for citizenship. This also complemented the committee's unanimously agreed view that "undivided loyalty" should be the guide in considering a person's claim to citizenship.

At the end of 1949 and in early 1950, the Committee discussed the issue of citizenship and its requirements. The difficulty faced by the members during deliberations on this issue was reflected in Malcolm MacDonald's letter when he wrote, " their discussions on Citizenship and Nationality have been so important, and have taken such courage on the part of many of the members" (CLC: CO 717 183, MacDonald, 15 February 1950). After making concessions in the area of economy, the Chinese members pressed for the relaxation of the citizenship requirements. The Malay leaders agreed with the Chinese that the citizenship provisions of the Constitution needed revision so as to include in the citizenship provisions many non-Malays who were at that time excluded. But the members decided to take their time in discussing this matter because they felt that they should not rush this question of revising citizenship provisions (CLC: CO 717 183, MacDonald, 17 September 1949).<sup>38</sup> It was not until April 1950 that the Committee finally managed to issue the statement regarding Federal Citizenship provisions. But at the same time, the Committee also made proposals for aiding the Malays. The CLC's Statement said that

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<sup>3838</sup> In September 1949, Dato Onn reported to the Committee that "the Malays are generally are coming round more and more to the view that a Malayan Nationality should be established, and that all true Malayans of whatever race should be welcomed into it" (CLC: CO 717 183, MacDonald, 17 September 1949). But they also decided to wait and see the public reactions to their published memorandum in September before committing themselves further in this matter (*ibid.*).



It is urgent that practical steps should be taken by the Government to improve the social and economic well-being of the Malays, with the object of ensuring their full participation in the economic life of the Federation.

For this purpose, organisations should be set up and provided with the necessary finance:

(i) to improve the kampungs and to provide housing, transport, communications, health and educational requirements therein;

(ii) to encourage, assist and provide training for Malays;

(iii) to plan and aid in the development of Malay industrial, agricultural and economic life (reproduced in *The Straits Times*, 19 April 1950, 8).

This was followed by the citizenship proposals which suggested that anyone of Asian or Eurasian parentage born in a State and with one parent born in the State should be a subject of the Ruler of the State. The committee recommended that all subjects of the Rulers should be Federal citizens. The "unanimously agreed views" of the Committee stated that "after prolonged and very careful consideration the Committee recommends that Part 12 of the Federation of Malaya Agreement should be repealed", and that

... from and after an appointed day<sup>39</sup> the following persons should be Federal Citizens:

(1) any subject, including a naturalized subject of the Ruler of a Malay State provided that such subject is permanently resident in any part of the Federation;

(2) any citizen of the United Kingdom and the Colonies, as defined in the British Nationality Act, 1948, who was born in any part of the Federation;

(3) any person who has acquired Federal Citizenship by application under the present Part XII of the Federation of Malaya Agreement (reprinted in *The Straits Times*, 19 April 1950,8).

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<sup>39</sup>The 'appointed day' would be the day when legislation proposed by the CLC came into force (*The Straits Times*, 19 April 1950, 8).

Regarding the issue of loyalty of the citizens, the Committee said that

... every Federal Citizen shall owe loyalty to the Federation in addition to the allegiance which he owes to his Majesty or to one of Their Highnesses or otherwise.

... all Federal Citizens shall not only enjoy the rights but also assume the responsibilities towards the Federation... (reproduced in *The Straits Times*, 19 April 1950, 8).

The Committee put great emphasis on this matter of loyalty and warned that any Federal citizen who was proved "to have been disloyal to the Federation or to have broken any Oath of Allegiance or Oath of Loyalty should forfeit his Federal Citizenship" (*ibid.*). In its Introduction to its proposals, the Committee said that

All peace and progress in Malaya depend on a sincere endeavour being made to reconcile the complex and sometimes conflicting interests of the multiple communities inhabiting the country and on common-sense patriotism to Malaya (*ibid.*)

According to the Statement, the members of the CLC "have therefore attempted to find bases of agreement on which the Malay and non-Malay communities may proceed in concord together to achieve ever broader economic, social and political well-being for the country's population" (*ibid.*).

It is important to note that the Statement of these new proposals for Federal Citizenship began with the proposals to take practical steps in improving the economic well-being of the Malays by establishing the necessary organisations for that purpose. This could be considered another concession to the Malay leaders for agreeing to the relaxation of the citizenship provisions as well as a promise to the Malays so as to allay their persistent fear of being swamped by the non-Malays when the citizenship door was opened wide. It was also to ensure the Malays that they would soon be competing with the non-Malays on an equal footing.

Despite the Committee's effort to show that the compromise which was worked out in the Committee was for the good of Malay and non-Malay

communities and that both communities would have to make concessions to one another, there was confusion and mixed reactions among the public when these 'agreed views' of the CLC were published by the media. The Committee's proposals, for example, failed to satisfy all sections within the Malay community. It was reported that there were Malays who were doubtful of the CLC's proposals and felt that

... there should be no going back on concessions to non-Malays regarding citizenship or nationality, and that such concessions would mean a sacrifice by Malays of the means of safeguarding their position without any worthwhile guarantee that other communities would not insist on absolute equality of opportunity before the Malays could face up to equal competition (CLC: CO 717 183, *Political Report No.11 for September, 1949*, 3).

Malcolm MacDonald commented that

... it has not been sufficiently appreciated by the Malays and indeed by others that within the present constitution, which itself provides self-government, there is room for a steady democratic advance without any loss of British protection or change in their own special position. Nor perhaps have the Chinese and Indians realised that they have much to do before they provide evidence of their allegiance to Malaya, and of their readiness to fulfil the obligations of Malayan nationality (CLC: CO 717 183, *Political Report No.11 for September, 1949*, 4).

When the CLC finally published its proposals on the Federal Citizenship with the assurance that assistance would be given to the Malays in helping them to participate in the economy of the country, the Malays generally were still doubtful of the Committee's agreement. In order to convince the Malays to accept the CLC's proposals for the extension of the Federal citizenship to non-Malays, the British decided to outline plans for the establishment of a Rural and Industrial Development Authority and made a statement on the outlook of Malay education.<sup>40</sup> A letter

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<sup>40</sup>One of the reasons why the British were anxious for the Malays to accept the CLC's proposals on Federal Citizenship was because of Communist terrorism in Malaya; by extending citizenship to non-Malays, they hoped to gain the non-Malays' co-operation in fighting the Communists in

containing these matters was sent to Dato Onn by Henry Gurney, who was the British High Commissioner at that time, as "an indication of the Government's intentions regarding the Communities Liaison Committee's somewhat vague proposals for the economic development of the Malays" (Citizenship: CO 717 186 52243, Gurney, 3 June 1950). In another letter, Gurney said that it was very important for the British to inform the Malays about what had been done for the Malays during the last two years and what they planned to do for them in the economic development of the country (Citizenship: CO 717 186 52243, Gurney, 5 June 1950). Thus, the Rural and Industrial Development Authority was an organisation which was part of an efforts to assist the Malays in improving their economic situation, as envisaged in the CLC's proposals for Federal Citizenship.

To sum up, the Malays were reluctant to accept the proposals on the extension of Federal citizenship to non-Malays because of three main reasons. First, they doubted the non-Malays' loyalty to Malaya. Second, they were afraid that they would lose their special position and privileges. Third, they feared that if the door of Federal citizenship was opened wide to the non-Malays, the Malays would not be able to compete on an equal footing with non-Malays and the Malays would forever be at a disadvantage. The Chinese, on the other hand, felt that they should be given citizenship since they had played an important role in the development of the economy in Malaya, and thus, they should also be recognised as having the right to participate in the administration and political life of the country.

### Conclusion

Right from the beginning, the members of the CLC claimed that they "have no power to reach decisions binding on any organisation, council or authority", and they were just an unofficial group of individuals who represented only themselves. Their 'proposals' had no binding authority, and were only guidelines for future

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return. Thus, even though the British did not want to be accused of giving Malay birthrights to the Chinese and antagonising the Malays, they also needed to persuade the Malays to accept the CLC's proposals ( Citizenship: CO 717 186 52243, Gurney, 3 June 1950).

concrete decisions. Nevertheless, the Committee was an important body since it signified the first inter-ethnic co-operation between Malays and non-Malays in Malaya. The establishment of the CLC caused the leaders of the ethnic groups to think seriously about nation-building and the problems associated with it. For this purpose, the Committee meetings were held behind closed-doors, beyond the view of the media, so as to give the members opportunities to voice their thoughts. This is important because the issues discussed by the members were very delicate and sensitive.

Despite some developments outside the Committee which might have jeopardised the whole effort of inter-ethnic co-operation, such as the Penang Secession Movement --- a movement that rapidly lost momentum in 1949 --- and the decision of the Malayan Chinese Association --- formed in February 1949 by Tan Cheng Lock --- to open its membership to very large number of Chinese whose loyalties to Malaya were doubted by the Malays (CLC: CO 717 183, MacDonald, 22 April 1949), the CLC meetings went on as planned. In fact, the Committee managed to discuss the issues which it had intended to discuss. The Committee's discussions helped to highlight issues which were considered to be important by the different communities. Among these CLC discussions, there were some points which were crucial for the future of a Malayan multi-ethnic society, and which needed to be taken into serious consideration should Malaya gain its independence from the British. Firstly, since the Malays made it clear that Malaya was their homeland, any future policy regarding the citizenship of the country has to take into account the Malays' special position and privileges as the indigenous people of Malaya. This included their insistence on making the Malay Language as the national and commonly spoken language of the country. Secondly, it is also necessary to comply with the demands of the Malays that they should be given economic assistance to help them to compete with the Chinese on an equal footing. Thirdly, there was a very clear indication that any kind of assimilation would not be successful in Malaya because the Chinese declared that they wanted to retain their

language, religion and culture and strongly resisted any kind of assimilation. Given this Chinese anxiety to retain their separate identity and culture --- while giving their full loyalty to a united Malayan nation --- it was clear that any future negotiations would have to take into account this distinction between *political* and *cultural* loyalty.

This delicate balance between the aspiration for national unity on one side, and the desire to maintain cultural and communal diversity on the other, could command the support of the main ethnic group, both at the elite and grass-roots level. This helps explain why Dato Onn's attempt to create a mass multi-racial party in September 1951 --- the Independence of Malaya Party (IMP) --- failed so completely. It was the Alliance forged between the all-Malay party, UMNO, under the leadership of Tunku Abdul Rahman, and the Chinese MCA, under Tan Cheng Lock, that was able to command the loyalty of the respective community elites and ethnic populations. Between 1952 and 1955, the Alliance gained an undisputed dominance over the political system in Malaya, and led Malaya into independence in 1957. In this sense, the structure and methods of the CLC, with its emphasis on inter-elite ethnic bargaining and compromise, set the pattern for Malaya's future.

Decisions which were made by the CLC members were brought to the Federal Legislative Council for further consideration. These policies which were made following consensus reached by the CLC were to have great impact in future, foreshadowing the New Economic Policy which will be discussed later in this thesis.

Lastly, despite their division and differences, the Committee members shared the same wish for gaining Independence from the British and the desire for self-government. This became a unifying factor which helped to speed up the process of negotiation between the members, because they knew that the quicker they reached an agreement, the quicker they would gain Independence from the British.

## CHAPTER FOUR

### THE INDEPENDENCE 'CONTRACT'

#### 4.1 The 1957 "Contract"

After the Alliance victory in the 1955 federal elections, Tunku Abdul Rahman was installed as Chief Minister with his cabinet composed of six Malays, three Chinese and one Indian. In January 1956 preparations were made to send a Malayan delegation to the London Conference to discuss the continued advance toward Independence. Tunku Abdul Rahman proposed that instead of flying directly, the delegation should proceed together to London by ship to Karachi, where they could board a plane. The delegation was composed of four representing the Malay Rulers: the Menteri Besar of Perak and Selangor, the deputy Menteri Besar of Johore, a former Menteri Besar of Kelantan; and four representing the ruling party: Tunku Abdul Rahman, Colonel H.S Lee, Dr. Ismail and Dato Abdul Razak. The idea of leisurely travelling by ship was to enable the representatives to spend time together so that they could reconcile any possible differences of views among themselves before arriving in London.<sup>41</sup> The London Conference lasted three weeks and a number of matters relating to the final period of transition and the future relationship between Britain and independent Malaya were discussed. But the most important issue was the agreement that the constitutional commission requested by the Malayan delegation would be appointed, and the date of independence was set for August 1957.

The constitutional commission that was appointed to draw up a draft constitution consisted of Lord Reid, an English judge, as chairman, and one member each from Britain, Australia, India, and Pakistan. It is generally known as the Reid

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<sup>41</sup>Confirmed with Datuk Alex Lee, son of Colonel H.S. Lee in an interview on 23 August 1993.

Commission.<sup>42</sup> It began the first of a total of 118 sessions in late June. This preliminary work in Malaya involved travelling about the country, conferring with individuals, soliciting memoranda from organisations, holding hearings and conferences. By the end of October, the commission had compiled a large volume of evidence including 131 written memoranda from organisations and individuals. After that it left Malaya and reconvened in Rome to prepare its report which was represented in February 1957 (*Report of the Federation of Malaya Constitutional Commission 1957*, 5-10). It is worth noting that the memorandum submitted by the Alliance to the Commission had an "exceptional importance in view of its prospective role as the future government" compared with other organisations (Milne 1967, 37).

The Report made recommendations on matters related to the legislative powers of the central government and the states; the position of the Malay Rulers; nationality for the whole of the Federation; and the special position of the Malays as well as the legitimate interests of other communities. The proposals in this Report, however, were not accepted in their entirety. Changes were made as a result of consultations between the British government, the Malay Rulers and the representatives of the Alliance. For instance, in the parts relating to the special position of the Malays, the Article in the Constitution dealing with the reservation of quotas for certain appointments in the public services, permits, etc. was redrafted so that "Yang di-Pertuan Agong should have the responsibility of safeguarding the special position of the Malays and the legitimate interests of other communities" on the advice of the Cabinet (*Federation of Malaya Constitutional Proposals 1957*, par. 54, 17). The Commission recommended that the Malay privileges should be reviewed after fifteen years. But the Constitution did not include this provision (*ibid.*, par. 55, 18). Modifications were also made in regard to Malay reservations of land. Firstly, amendments to the existing status of Malay reservations was made

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<sup>42</sup>They were Sir Ivor Jennings, a British expert on Commonwealth constitutional law; Sir W. McKell, a former Governor General of Australia; B. Malik, a former Chief Justice of Allahabad Court; and Justice A. Hamid of the West Pakistan High Court.



difficult by the requirement that an enactment shall only be passed by a two-thirds vote in the State Legislative Assembly and a similar two-thirds vote in each House of Parliament. Secondly, in order to protect the interest of other communities, it is required that only land which has not been developed be declared as a Malay reservation provided that an equal area of similar land is also made available for general alienation (*ibid.*, par. 56, 18). Besides that, three changes were also made regarding the national language. First, no person shall be prohibited or prevented from using, teaching or learning any language. Second, the Federal and State Governments shall have the right to preserve and sustain the use and study of any language. Third, the Constitution did not accept the recommendation of the Commission that gave permission to use Chinese and Indian languages in Legislatures for a period of ten years (*ibid.*, par. 61, 19).

As a result of this procedure of subjecting it to review by amending and adapting, the Federal Constitution which came into force on Independence Day (31 August 1957) became an "indigenous" document despite the absence of any Malayan member on the Constitutional Commission (Groves 1962, 268-73). When Independence was proclaimed on 31st August 1957, the Constitution adopted generally resembled that of Britain or of India (Milne and Mauzy 1977, 36-40). It has a parliamentary, as opposed to a presidential system and there is a non-political Head of the State, the Yang Dipertuan Agung, elected among the sultans or rulers. In most cases, he acts on the advice of his Ministers. This system works perfectly well because it helps to fit the Malay Rulers into the constitutional democratic government through the method of selecting the Yang Dipertuan Agung and the establishment of a Majlis Raja-Raja (Conference of Rulers). Unlike Britain, but like India, Malaysia has a federal government. The Constitution of Malaysia divides legislative power between the federation and the individual states. It specifies very clearly those federal subjects for which the Federal Government is responsible and Parliament may make law, and those state subjects for which State Governments are responsible and the State Legislative Assembly make law. In addition, the

Constitution also specifies the subjects which either Parliament or a State Legislative Assembly may make law. Hence Parliament may legislate only on those subjects specified in the Constitution such as defence, education, civil and criminal law, internal security, foreign affairs and the like while in matters concerning state subjects such as Muslim Law, land, agriculture and forestry, and local government outside the Federal Territory, Parliament is not supreme. Any law made by it on state subjects may be declared void by the courts.<sup>43</sup> More important is, of course, the carefully negotiated compromise that was reached by the Alliance political leaders which become special features of the Constitution that are not found in other countries --- the compromise on issues such as language, religion, citizenship, and ethnic rights. The Constitution designated Bahasa Melayu (Malay Language) as the national language. The Reid Commission proposed that Malay should be established as the national language, but English was to continue as an official language for a period of at least ten years in view of the fact that a substantial number of non-Malays were not fluent in Malay. The Commission didn't say anything about preserving or sustaining the use of other languages in the country because it didn't feel that the other languages should be given an official status. As it stated in its Report,

This [recommendation of languages other than Malay to become official] has not been found necessary in the past and we think that it might lead to great inconvenience. But in the past it has been found desirable that many notices, announcements and other documents should be published in Chinese and Tamil as well as in Malay and English and we think that this will continue to be desirable for some considerable time (*Report of the Federation of Malaya Constitutional Commission 1957, 74*).

The Constitution which emerged agreed with the first part of the Commission's recommendations, that the establishment of Malay as the national language and the continued use of English as an official language for a period of ten

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<sup>43</sup> For details on the distribution of Federal and State Legislative powers see first, second and third lists in the ninth schedule of the Constitution.

years from Merdeka Day, and thereafter until otherwise decided by the Parliament. But at the same time, it also allowed a continued use of other languages. Article 152 of the present Federal Constitution specifies that from 1967, Malay becomes the sole official language but it also lays down two conditions:

(a) that no person shall be prohibited or prevented from using (otherwise than for official purposes), or from teaching or learning, any other language; and

(b) nothing in this clause shall prejudice the right of the Federal Government or of any State Government to preserve and sustain the use and study of the language of any other community in the Federation.

Islam became the religion of the country<sup>44</sup> but the Constitution guaranteed the freedom of everyone to practice his own religion in peace and harmony.

It also safeguarded the 'special position' of the Malays and other indigenous people and at the same time protected the legitimate interests of other ethnic groups. The 'special position' of the Malays was included in two Articles in which the legitimate interests of other groups were also safeguarded.

Firstly, Article 89 (1) enforced the continuing status of any land which had been declared as Malay reservations before Independence but clause (2) also stated that after Independence, whenever any undeveloped or uncultivated land is declared as Malay reservation, an equal area of land in that state which has not been developed or cultivated should also be made available for general alienation. Furthermore, clause (4) prohibited the declaration of Malay reservation on any land which is owned or occupied by a person who is not a Malay.<sup>45</sup>

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<sup>44</sup>Even though the Constitution specifies Islam as the religion of the Federation, it does not provide that the Yang Dipertuan Agung should be the head of Islam throughout the Federation. The headship of Islam in each state instead is occupied by the Ruler. Islam became a state issue and only states had legislative and executive authority over it (Tun Mohamed Suffian bin Hashim 1976, 245-9). States had a jurisdiction over Muslim matters such as Muslim law and personal family law for Muslims, Muslim wakafs, Malay custom, Muslim revenues, punishment of offences by Muslims against precepts of Islam, and Muslim courts. The State legislation enacted was concerned only with the regulation and administration of Muslim matters and Muslim courts established had jurisdiction only over Muslims for offences against the precepts of Islam but not over non-Muslims.

<sup>45</sup>"Malay reservation" in this Article is defined as reserved for alienation to Malays or to natives of the state in which it lies and "Malay" includes any person, under the law of the state in which

Secondly, Article 153 deals with matters specifically relating to the public service, the economic field, and education. In each case, whenever something is given to the Malays, it is at once provided that the legitimate interests of the other ethnic groups should be protected; so that whenever something is given to Malays nothing is taken away from others.

Under clause (2) of Article 153, it is the responsibility of the Yang di-Pertuan Agong, on Cabinet advice, to ensure the reservation for Malays of such proportions he may deem reasonable of positions in the federal public services. For this purpose he may give general directions to any service commission established by the constitution and they have to comply with his directions. But in doing so, he may not deprive any person of any public office held by him, and all persons of whatever race in the same grade in the federal public service must, subject to the

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he is resident, is treated as a Malay for the purpose of the reservation of land. A Malay is defined differently in the various state enactments. In the former Federated Malay States, namely Negeri Sembilan, Pahang, Perak and Selangor, Malay means (F.M.S Cap. 142) a person belonging to any Malayan race who habitually speaks Malay language or any Malayan language and professes the Muslim religion. The Kelantan Enactment (No.18 of 1930) defines a Malay as a person belonging to any Malayan race who speaks any Malayan language and professes the Muslim religion. The Kedah and Perlis enactments (Kedah No.63 and No.7 of 1353) include Arabs among Malays. Each enactment defines a Malay as a person belonging to any Malayan race or a person of Arab descent who habitually speaks the Malay language or any Malayan language and professes the Muslim religion. (A Siamese agriculturist permanently resident in the state may also own land in a Malay reservation). The Johor Enactment (No.1 of 1936) defines a Malay as a person belonging to the Malay or any Malaysian race who habitually speaks the Malay language or any Malaysian language and professes the Muslim religion. The Terengganu Enactment (No.17 of 1360) defines a Malay as a person belonging to any Malayan race who habitually speaks the Malay language or any Malayan language and professes the Muslim religion. Regarding the use of different words — Malay, Malayan and Malaysia — in the definitions above, Tun Mohamed Suffian Hashim points out that these words have changed in meaning in the last few decades. Before the World War II, Malaya meant the Malay States and Straits Settlements. Before 1963, the word Malaysia referred to the geographical area covering Malaya, Singapore and Indonesia but after the formation of Malaysia in 1963, the same word means the political unit known as Malaysia. Hence the state enactments also provide that if there is any doubt as to whether a person is a Malay, the case may be referred to the Ruler of Council to be decided (Tun Mohamed Suffian Hashim 1976, 292, fn. 9). During the early colonisation period, the activities of the capitalistic economy opened ways for virgin land to be developed. When suitable lands became scarce, the capitalists turned toward Malay land, much of which was still undeveloped. Allured by a high price offered, the Malays were prompted to sell their lands to the Chinese. Furthermore, during the Depression, the Malays were in constant debt and there were many occasions where lands mortgaged for loans from Indian 'chettier' or money lenders ended up being forfeited. As a result, a large number of parcels of lands owned by the Malays had changed hands to the non-Malays before the creation of Malay Reservation Enactment 1913. For further discussion on the transfer of land from Malays to non-Malays and the origin of the implementation of Malay Reservation Enactment see Syed Husin Ali (1975). For general development of land laws in the Federated Malay State, the Unfederated Malay States, Penang and Melaka, see Sihombing (1989) and Tan Sri Mohamad Zahir (1989).

terms and conditions of their employment, be treated impartially. It was agreed by the representatives of the major ethnic groups who drafted the Constitution that the number of Malays in the public service should be increased (Tun Mohamed Suffian Hashim 1976, 295). This was because for a long time there had been comparatively few of them in government employment since the British had tended to fill the top posts with officers from Britain, and other ranks with Indians and Ceylonese who had come under British control long before the Malays, and provided a ready supply of English-educated clerks. Malays on the other hand were agriculturists and fishermen living mostly in rural areas and partly because of cultural and religious prejudice they were slow to realise the economic advantage of English schools in urban areas. As a result, government departments had been mostly staffed by non-Malays.

Clause (6) of Article 153 provides that

where by existing federal law a permit or licence is required for the operation of any trade or business, the Yang di-Pertuan Agong may exercise his functions under that law in such manner, or give such general directions to any authority charged under that law with the grant of such permits or licences, as may be required to ensure the reservation of such proportion of such permits or licences for Malays ... as the Yang di-Pertuan Agong may deem reasonable; and that authority must comply with those directions.

But at the same time, the legitimate interests of other ethnic groups must be safeguarded. Clause (9) states that: the Parliament has no power "to restrict business or trade solely for the purpose of reservations for Malays" and Clause (7) expressly protects the legitimate interests of other ethnic groups by stating that when the Yang di-Pertuan Agong exercises his responsibility under clause (6) to favour Malays and other natives, he cannot deprive "any person of any right, privilege, permit or licence accrued to or enjoyed or held by him or to authorise a refusal to renew to any person any such permit or licence". In a case when the permit or licence holder dies or disposes of his permit or licence, His Majesty may

not refuse to grant to his "heirs, successors or assigns of a person any permit or licence when the renewal or grant might reasonably be expected in the ordinary course of events". While it is lawful for Parliament to make, after Independence, federal law requiring permits or licences for the operation of any trade or business and providing for the reservation of a proportion of such permits and licences for Malays,<sup>46</sup> clause (8) explicitly safeguards the legitimate interests of other ethnic groups by stating that no such law for the purpose of ensuring such a reservation may

(a) deprive or authorise the deprivation of any person of any right, privilege, permit, or licence accrued to or enjoyed or held by him; or

(b) authorise a refusal to renew to any person any such permit or licence or a refusal to grant to the heirs, successors or assigns of any person any permit or licence when the renewal or grant might in accordance with the other provisions of the law reasonably be expected in the ordinary course of events, or prevent any person from transferring together with his business any transferable licence to operate that business; or

(c) where no permit or licence was previously required for the operation of the trade or business, authorise a refusal to grant a permit or licence to any person for the operation of any trade or business which immediately, before the coming into force of the law he had been *bona fide* carrying on, or authorise a refusal subsequently to renew to any such person any permit or licence, or a refusal to grant to the heirs, successors or assigns of any such person any such permit or licence when the renewal or grant might in accordance with the other provisions of the law reasonably be expected in the ordinary course of events.

Besides the public service and economic fields, the leaders who drafted the constitution were also aware that special facilities in the field of education should

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<sup>46</sup>After the formation of Malaysia in 1963, when the Borneo states of Sabah and Sarawak were incorporated into the federation, the provision also included natives of Sabah and Sarawak as the group of people who were entitled to these reservations of permits, services, scholarships etc.

also be made available to Malays to enable them to compete with other citizens on equal terms. Thus clause (2) of Article 153 provides that the Yang di-Pertuan Agong ,in exercising his functions to safeguard the special position of Malays and other natives may ensure the reservation to them of "scholarships, exhibitions and other similar educational or training privileges or special facilities given or accorded by the Federal Government". Clause (3) provides that for this purpose the Yang di-Pertuan Agong may give directions to "any authority charged with responsibility for the grant of such scholarships, exhibitions or other educational or training privileges or special facilities; and the Commission or authority, shall duly comply with the directions". As in public service and economic areas, Article 153 again protects the legitimate interests of other groups. Clause (4) expressly provides that in favouring Malays and other natives, the Yang di-Pertuan Agong may not discontinue "any scholarship, exhibition or other educational or training privileges or special facilities" enjoyed by any person.

The protective provisions in the constitution for the Malays are not meant to hinder the advancement of the non-Malays but to secure the advancement of the Malays and other natives who, through no fault of their own, have educationally, socially, and economically lagged behind other ethnic groups. The non-Malay leaders consented to these provisions in return for the generous citizenship terms. The non-Malays, particularly the Chinese, had been granted citizenship rights by the relaxation of citizenship provisions and by virtue of *jus soli* for those born after Independence, which enabled a large number of them to become citizens. As mentioned in chapter two, the idea of a common citizenship came from the British Malayan Union Plan which never actually came into effect because of Malay opposition to the plan itself. When the British finally gave up the idea of Malayan Union for the Federation of Malay Agreement, the citizenship terms were stricter but they indicated a recognition of the legitimacy of the non-Malays presence in the country. The first federal citizenship law was contained in part XII of the Federation of Malaya Agreement. Then, in 1952, these provisions were amended, and at the

same time state nationality enactments were introduced in the Malay states. The law became largely based on the concept of state nationality. On 31st August 1957, when Malaya gained its Independence, the Federation of Malaya Agreement was repealed but the citizenship terms were repeated with modifications in the present constitution.<sup>47</sup>

When the principle of *jus soli* was embodied in the 1957 Constitution, which provides that every person born in the Federation on or after Merdeka Day (Independence Day) became a citizen by Operation of Law (Article 14(1)(b)), this unqualified principle of *jus soli* was for the first time applied in the Federation.<sup>48</sup>

Article 16 provides that persons born in the Federation before Merdeka Day are entitled to be registered as citizens if they resided in the Federation for an aggregate of five years during the seven years immediately preceding the application; intended to reside in the Federation permanently; were of good character and had an elementary knowledge of the Malay language.<sup>49</sup>

The Reid Commission was sympathetic towards those who were residents in the Federation on Merdeka Day but were not born there. Hence they recommended that such persons should also be entitled to citizenship 'as of right' but on somewhat

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<sup>47</sup>Since 1957, when the citizenship laws were first incorporated into the Constitution, four amendments have been made to the provisions relating to citizenship: two of which dealt with the formation of Malaysia in September 1963 when Singapore and the Borneo states of Sabah and Sarawak were incorporated into the federation and, subsequently, with the separation of Singapore from the federation. The other two were made in 1962 and 1976 to take into account changes in policy or to eradicate certain anomalies which were present (Sinnadurai 1978, 69-100). It should be noted that the new citizenship provisions in the present constitution did not recast the law embodied under the 1957 Constitution. In fact, the provisions of the 1957 Constitution were re-enacted with the necessary amendments throughout the years.

<sup>48</sup>Then in 1962, this principle of *jus soli* was amended by a constitutional Amendment (Act 14 of 1962). The new amendment provided that children born within the Federation, whose parents were not citizens of the Federation or permanent residents would not become citizens by Operation of Law. This provision however only applied to all persons born within the Federation after September 1962.

<sup>49</sup>In drafting the constitution the Reid Commission received representations that the principle of *jus soli* should be given retrospective effect to all persons born in the Federation even before Merdeka Day. But the Reid commission was satisfied that such extension was not possible or desirable and thus special provision should be made in the constitution to obtain citizenship by Registration (*Report of the Federation of Malaya Constitutional Commission 1957*, par.38). One of those provisions was provided in Article 16 in the 1957 Constitution and it is unamended except for certain minor modifications (Sinnadurai 1978, 83).



different terms from those born in the Federation (*Report of the Federation of Malaya Constitutional Commission 1957*, par.41). They stated that

Those to whom this recommendation applies are very numerous, and, in order that a sense of common nationality should develop, we think that it is important that those who have shown their loyalty to the Federation and have made it their permanent home, should participate in the rights and duties of citizenship. The only differences between the conditions which apply to applicants under this head and those which apply to applicants under the immediately preceding head, are that under the immediately preceding head, are that under this head: (i) the applicant must have resided in the Federation for eight out of the previous 12 years (Art.17(c)) and (ii) that the language test should only be waived if the applicant is over 45 years of age (Art.17(e)). It might be unreasonable in some cases to expect persons over 45 years of age to learn Malay, and it might also be unreasonable in some cases to expect younger people to have an extensive knowledge of Malay. We therefore think that we are justified in recommending that the test should be waived entirely for those who apply promptly and are over 45, and that others should have to show only an elementary knowledge of the language (*Report of the Federation of Malaya Constitutional Commission 1957*, par.41).

This recommendation by the Reid Commission was later accepted by the drafters of the Constitution to a large extent (Article 17) but they felt that such persons should not be entitled to citizenship 'as a right' and that the government should have discretion in the granting of citizenship to them (*Federation of Malaya Constitutional Proposals 1957*, par.9, 3-4).<sup>50</sup>

For people who could not acquire citizenship either by Operation of Law or Registration, the other means of obtaining citizenship was through Naturalization. Under Article 19, an applicant must comply with certain conditions: he must have

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<sup>50</sup> In 1972, however, Article 17 was repealed (Act 14 of 1962) but without prejudice to any application for registration under the Article made before 1st July 1963. The government pointed out that Article 17 was only intended as a transitional rule and that ample time and opportunity had been given to persons wishing to take advantage of the provision for four years. Hence they were of the opinion that this special provision should be repealed (*Parliamentary Debates*, Dewan Rakyat January 1962, Vol.III, 3rd Session, Col.4769-70).

attained the age of 21; that he must have resided in the Federation for an aggregate of not less than ten years in the twelve years immediately preceding the date of the application for the certificate, which includes the twelve months preceding that date; and must intend residing permanently in the Federation (Article 19 (3) and (1)(a)(i));<sup>51</sup> must be of good character, (Article 19(1)(b)); and he must have an adequate knowledge of the Malay language (Article 19(1)(c)).

Even though the laws of citizenship have occasionally changed through different stages of the constitutional development, the amendments made were because of policy changes, or were designed to eradicate certain provisions which became irrelevant as time passed by. Furthermore, the provisions relating to citizenship as well as those relating to religion, Islamic law, or custom of the Malays and natives, and language, are to a certain extent entrenched under the present constitution. Article 150 (6A) provides that even if a Proclamation of Emergency is declared by the Yang di-Pertuan Agong under Article 150, no law shall be passed that is inconsistent with the provisions of the Constitution relating to citizenship, religion, or language.

Although the Constitution itself does not indicate in any way that certain provisions of it are the result of the compromise reached by the representatives of the major ethnic groups, the historical accounts show the provisions relating to the national language, religion, citizenship and ethnic rights, as discussed above, are indeed the "bargain" that was arrived at during the talks leading to Independence.

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<sup>51</sup>Article 19 of the 1957 Constitution was amended by the Constitution (Amendment) Act 1962 to add a further qualification to the application of citizenship by Naturalization. Besides the existing qualifications in the 1957 Constitution, any applicant for a Certificate of Naturalization made after 1st October 1962 has to show that he had resided continuously in the Federation for a period of not less than one year immediately preceding the date of application. Under Article 20 of the 1957 Constitution, the normal qualifications for Naturalization were modified in favour of members of Federation Forces who were at the time of application serving in prescribed Armed Forces of the Federation or who applied within five years. In such cases, the applicant must have served satisfactorily in any such Forces for three years of full-time service or four years of part-time service and must intend to reside permanently in the Federation if the certificate was granted (Article 20(1) (a) and (b) as quoted by Sinnadurai 1978, 79). Act 20(1) provides that the Federal Government shall grant a certificate of Naturalization, Article 20 was later repealed by the Constitution (Amendment) Act 1962 which came in force from 1 February 1964 as it was felt that it was obsolete since the five-year period for which the provision was made had expired (Sinnadurai 1978, 79).

In sum, the "bargain" or the *quid pro quo* package deal reached by the political leaders of the major ethnic groups within the Alliance may be explained on two levels. In general terms, the unwritten bargain was the establishment of the political rules of the game: Malay political supremacy in return for unhindered Chinese and Indian pursuit of economic interests and their dominant role in business (Milne and Mauzy 1977, 37-9). In specific terms, the "bargain" was worked out in the Alliance memorandum to the Constitutional Commission of 1957 which was substantially incorporated into the 1957 Constitution. The essence of this bargain which was embodied in the constitution was that the non-Malays gave due recognition to the special privileges of the Malays without any limit of time and also to the official symbols of a Malay state which are Islam as the religion of the country, the Malay Rulers and Malay language as the official language. In return, the Malays made substantial concessions with respect to citizenship regulations, especially the provision of *jus soli* to everyone born in the country after Independence while those who were not, could also become citizens through Registration if qualified. By doing so, the Malays recognised the right of non-Malays to participate in the politics, government and administration of the country. In the words of Tun Tan Siew Sin,<sup>52</sup> a Chinese political leader within the Alliance,

The draft Constitution has not satisfied any community completely. No single community has obtained all that it has asked for or what it thinks it should get... but at the same time I humbly suggest that no community will be adversely affected by this constitution or by its implementation (Federation of Malaya, Legislative Council, *Official Report of the Second Legislative Council*, Oct. 1956 to August 1957, Col.2868).

The compromise arrived at by the leaders of major ethnic groups within the Alliance, which was embodied in the 1957 Constitution and reflected in the present

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<sup>52</sup>Tun Tan Siew Sin confessed that he was very touched by the willingness of the Malay leaders in giving way on two of the most important issues, namely the liberal citizenship provisions and the detailed clarification of the special position of the Malays, that he decided to call the 1957 Constitution a "fair compromise" when he seconded Tunku Abdul Rahman's motion in the Federal Legislative Council for the adoption of the Constitution of an independent Malaya (Morais 1981, 39-40).

Malaysian Constitution, thus became the first "contract" binding the different ethnic groups in the country.

#### 4.2 Political and Economic Development in the 1950's and 1960's

As we have seen in previous chapters, during the interwar period, the different ethnic groups in the peninsula were compartmentalised in such a way that certain groups became identified with certain vocations. This situation persisted when Independence was announced in 1957 and years afterwards. Most Malays lived in small villages and were rice farmers, rubber tappers, fishermen or landless agricultural workers. There was an increasing number of them who moved to the cities and were employed in the civil service, the military, the police or as unskilled labourers. These were the only urban occupations opened to them, since the Chinese and Indians who formed the business communities in the cities preferred to hire members of their own ethnic groups. The Chinese in the cities were mainly involved and employed in business and industry while those in the rural areas dominated commerce in smaller towns or engaged in tin mining, and vegetable and rubber cultivation. The urban Indians were mostly engaged in small scale commerce or were employed in the civil service, while the bulk of rural Indians worked on rubber estates.

After Independence, the Alliance government's appeal to the voters was based on its dedication to development. In 1954, a large World Bank mission visited the country and made important institutional recommendations which were subsequently acted upon.<sup>53</sup> A Planning Secretariat was also set up in the Prime Minister's Department which later became the Economic Planning Unit in 1961. The establishment of these new institutions led to a more active government role in the development of the country than it had before. But there was no direct government

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<sup>53</sup> Among the recommendations made were the establishment of an Economic Committee of the Executive Council, an Economic Secretariat, a Technical Advisory Committee of high-level civil servants which was later known as the National Development Planning Committee, a Central Bank, and an industrial credit institution which was later known as Malayan Industrial Development Finance (*International Bank for Reconstruction and Development 1955*)

intervention in the economy of the country at first, other than initiatives taken to facilitate the growth of the economy. The colonial policies of liberal capitalism were continued during the early years after Independence.

The Alliance government however also launched a new broad programme of rural development based upon the programmes created by older programmes.<sup>54</sup> The Federal Land Development Authority or FLDA and later FELDA, was formed in 1956 as a co-ordinator and financier of land established development schemes carried out by state governments. It was responsible for distributing land to those without land for the planting of cash crops. Subsequently, it became the principal direct implementing agency for federal land development schemes. This rural development programme seemed to be advantageous to the Alliance government in its hope of safeguarding its support among the rural Malays, since it could benefit the Malays without directly challenging urban Chinese interests.

In the 1955 election, a large number of votes were cast for UMNO and the Alliance had an overwhelming victory in the election. By 1959, however, the situation had changed, since immediately after Independence, the 1957 "contract" came into force. The non-Malay part of the bargain was initially implemented. The franchise had been broadened considerably as a result of the liberal citizenship provisions in the 1957 Constitution. Malays were now only 57 percent of the electorate, compared to 84 percent in 1955.<sup>55</sup> The Alliance proportion of votes fell from 79.6 percent in 1955 to 51.8 percent in the 1959 election. However, the Alliance won 74 seats out of 104 because of the scattering of the opposition among different parties and different areas. The Alliance was defeated by the religiously-oriented Pan-Malayan Islamic Party (PMIP) in the predominantly Malay, traditional

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<sup>54</sup>Prior to Independence, the Rural and Industrial Development Authority (RIDA) was established in 1950 with Dato Onn as its first chairman to stimulate the economy of the rural Malays. It was formed after Dato' Onn urged the British High Commissioner to take effective action to help improve the economic development of the predominantly rural Malay population. It was responsible for loans for productive projects and for carrying out various self-help schemes. However in 1966, RIDA was dissolved and its role was taken over by Majlis Amanah Rakyat or Council of Trust for the Indigenous People (MARAB).

<sup>55</sup>For popular vote shares and detailed analyses of the 1955 and 1964 elections see Ratnam and Milne (1967).

and underdeveloped states of Kelantan and Terengganu. But it did fairly well in mainly non-Malay urban areas in other states. In general, the 1959 election was a qualified success for the Alliance.

During the period after the 1959 election and the mid 1960's, there had been continued rural development, the expansion of the educational system, and an emphasis on public infrastructural investments. In rural development, RIDA and FLDA were able to resettle the landless peasants into new land schemes. During the period from 1956-60, FLDA had opened 25 land development schemes in nine states. Other rural programmes, which were rapidly expanded during the late 1950's and early 1960's, were irrigation for rice land, co-operatives, rural road construction, water supplies and social services to rural areas. The number of children in school grew rapidly and access to education was liberalised. In 1960, the number of primary and secondary enrolments was 974,354 and 96,328 respectively. By 1963, the numbers increased to 1099,787 and 164,343 respectively (*Interim Review of Development in Malaya under the Second Five-Year Plan 1963*).

Structural changes were introduced in the educational system which resulted in the rapid establishment of both Malay and English language secondary schools. In 1964, the Secondary School Examination was abolished, leading to more rapid secondary school enrolment growth in later years.<sup>56</sup>

#### 4.2.1 The Issue of Malaysia

In the early 1960's, the 'Malaysia' scheme became an important issue. This plan was to unite the disparate remaining areas of British responsibility, namely Singapore, Sarawak, North Borneo (later Sabah) and Brunei into a Malaysian Federation. After extensive negotiations, however, Brunei withdrew from the plan.

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<sup>56</sup>Patterned after the British model, the Malaysian educational system promoted students into the secondary schools on the basis of scores achieved in the Secondary School Examination which was a nation-wide examination administered by the end of the pupil's final year in the primary school (standard six). Its abolishment was to alleviate the problem of large numbers of 12- and 13-year olds dropping out from schools to seek employment but it was viewed by many non-Malays as a government ploy to facilitate the educational mobility of Malays (Takei, Bock and Saunders 1973, 11).

On 16th September 1963, all the above states, except Brunei, became members of the newly formed 'Malaysia'.<sup>57</sup> The inauguration of Malaysia, however, was delayed two weeks due to the opposition by President Sukarno of Indonesia. The Philippines also joined Indonesia in its non-recognition of Malaysia. Subsequently, Sukarno launched his 'Crush Malaysia' campaign leading to the 'Confrontation' between Indonesia and Malaysia. The consequences of this confrontation were more political than military or economic. There were unsuccessful Indonesian parachute drops and landings in Johore in 1964 and an ineffective trade embargo on Malaysia. But Sukarno was seen as 'confronting' Malaysia largely to divert the Indonesians from their domestic miseries at home.

In Malaysia, the Indonesian confrontation became the main feature of the 1964 election. The troubles with Indonesia turned Malaysians' attention away from domestic differences, and national security became the central issue. The election has been described as something like a referendum on this particular issue, for it would decide whether or not the Alliance government had a mandate to continue with its policies in dealing with the Indonesian confrontation (Ratnam and Milne 1967, 110-57). The Alliance chose loyalty to Malaysia as its rallying cry besides stressing its development achievements and plans, especially in the rural areas. The result of the 1964 election was a victory for the Alliance. It was returned with an overwhelming mandate of 58.5 percent of the votes, compared to 51.8 percent achieved in 1959. It did better in urban and quasi-urban constituencies and managed to poll as many non-Malay votes as all the opposition parties combined. It won 89 of the 104 seats in the peninsula (*ibid.*, 365-76). Lijphart described the Indonesian confrontation as an aid to the consociational system in Malaysia, since voters rallied behind the Alliance parties in response to an external threat (Lijphart 1977, 154).

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<sup>57</sup>For details on the formation of Malaysia, see Hanna (1964), Osborne (1964), Tilman (1963) and Means (1963).

The 1964 elections in the peninsula were separate from the elections in Singapore which had taken place earlier in late September 1963.<sup>58</sup> Nevertheless, the Singapore People's Action Party (PAP) entered the 1964 election and challenged the MCA for Chinese loyalty. Even though the PAP had promised that it would not attack the Malay leadership of UMNO, it viewed the MCA as incompetent and vowed to replace it (Osborne 1964, 77-83). The PAP's theme of "Malaysian Malaysia" implicitly attacked Malay special rights as entrenched in the Constitution. This frightened and agitated the Malays and led directly to the Tunku's sudden announcement of the separation of Singapore from Malaysia on 9th August 1965.

The Indonesian confrontation came to an end not long after the gradual downfall of Sukarno and the changing of leadership in Indonesia. Hence, with the ending of the confrontation and the removal of Singapore with its threat of a Chinese-dominated Malaysia, Malaysians were able to look at their domestic affairs once more. With the separation of Singapore, it was thought that the political and ethnic relations in Malaysia would improve. But the situation created by the PAP in the 1964 election with its slogan "Malaysian Malaysia" was not easily forgotten. The remnants of the PAP members in the peninsula later formed the Democratic Action Party (DAP).

A new five-year plan, the First Malaysia Plan (FMP), was published in 1965 for 1966-70. An amount of \$3,713 million was allocated for planned development expenditure compared to \$2,651 million realised in 1961-5 (FMP 1965, 69-70). The plan was a mixture of forward movement and caution. The pattern of investment was an attempt to move from the Malayan Second Five-Year Plan's emphasis on infrastructure to directly productive facilities in land development (\$335 million) drainage and irrigation (\$319 million), education and defence. The policy was continued of leaving mining, industry and commerce almost entirely to the private sector. The caution of the FMP was caused by renewed balance of payments

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<sup>58</sup>In the Singapore elections in 1963, the PAP emerged as the winner and managed to secure a majority of thirty-seven seats in the fifty-one member Legislative Assembly (Means 1970, 334).



difficulties, since the high export prices of 1965 were not expected to last, and the politically sensitive issue of the size of the public sector. Federal revenue had grown from 14 percent of GNP in 1958 to 19 percent in 1965 and the political forces within the Alliance could not agree on the levelling-off point of the revenue. It was principally accepted that Chinese and foreign private enterprise should be taxed to finance public expenditure largely for the benefit of the rural Malays but it was difficult to decide how much should be transferred. The compromise was to have a relatively large development expenditure target, but with actual expenditure of the money largely conditional on a much greater use of foreign loans and grants than there had been in the past (Snodgrass 1980, 52).

Special programmes intended to benefit the Malays during the FMP period such as *Majlis Amanah Rakyat* (MARA) or Council of Trust for the indigenous People (previously RIDA), were supplemented by establishing an Institute of Technology in 1967. In banking, Bank Bumiputra was launched to break the Chinese-foreign monopoly, and a Federal Agricultural Marketing Authority (FAMA) was established to solve the problem of exploitation by middlemen, who was held to be responsible for the reduction in Malay farmers' income.

Aside from these efforts however, the general policy outline remained that of *laissez-faire* and the economic planning of FMP, like its predecessors---the two Malayan Five Plans (The First and Second Malayan Plans) --- was largely financial and administrative. It was neither based on social criteria nor did it change the conditions of the time, where the majority of Malays were still farmers, while the non-Malays dominated urban jobs, with exceptions in public administration and a few low-skill jobs. It could be argued that not enough progress was made by the government to correct and solve the special problems of Malaysia. Fisk (1964) characterises the presence of substantial non-indigenous minorities dominating commercial and industrial life of the economy as a complicating factor in programming for economic development for many south-Asian countries. Malaysia was no exception. However, apart from the special programmes designed to benefit

the Malays as mentioned before, the FMP took no other substantial steps to correct "the special development problems of a plural society" (Fisk 1964, 88-108).

During this period, Malaysian exports continued to depend on primary commodities, and manufacturing constituted only 10 percent of GNP in 1966. The economy was characterised by a dualism between agriculture and the other sectors. Within agriculture, there was another dualism: a modern estate sector largely dominated by foreign commercial interests with high productivity; and a traditional smallholder sector with low productivity and low incomes. Then, there was a decline in the price of rubber in the mid 1960's leading to low GNP growth rates. Along with this, disenchantment was growing among all groups of the population. The rising unemployment rate was one of the reasons. In a survey conducted by Department of Statistics in 1962, 6 percent of the labour force was found to be unemployed. By 1967-8, unemployment rates increased to 6.9 percent in the peninsula. Open unemployment became a problem among the young and well-educated, due to the spread of post-primary education. While Chinese and Indians were harder hit by unemployment because of their higher levels of urbanisation, a greater number of Malays were faced by involuntary under employment (Snodgrass 1980, 53).

In 1967, when the agreement in the 1957 "contract" which designates Malay as the national language and English as a second official language came to an end, language again emerged as an issue. There were two aspects to the language issue. First, there was criticism from the Malays, particularly the Pan-Malayan Islamic Party (PMIP), which argued that the Alliance government had not done enough to promote Malay as the national language, expand Malay educational facilities and abandon English as a second official language. Secondly, the Chinese were anxious about the treatment given to Chinese education in the Chinese language. They wanted to see Chinese included into the national educational system in order to ensure its preservation, development and recognition (Ratnam and Milne 1967, 126-33; Haris Md.Jadi 1990, 103).

At this point, non-Malays were already unhappy with the implementation of the 1960 *Rahman Talib Report* which limited Chinese (or Tamil) as a medium of instruction in primary schools, and recommended that all national secondary schools must teach only in Malay or English. This meant that all Chinese secondary schools must either change their medium of instruction to be accepted as national schools or continue using Chinese as the medium of instruction and forego all government assistance to become private schools. The majority of these schools did change their medium of instruction to English.<sup>59</sup> The National Language Bill which was passed in August 1967 was a compromise, allowing for the use of English for some official purposes, and the "liberal" use of Chinese and Indian languages for non-governmental and non-official purposes. However, language became an issue again during the 1969 election campaign along with the related issue of education. During the campaign, the Chinese opposition parties, especially the DAP, proposed the establishment of a Chinese-medium university along with the appeal for a "Malaysian Malaysia"---the slogan originally propounded by Lee Kuan Yew and the PAP.

On the other hand, a large proportion of Malays were dissatisfied with their economic position which did not seem to have substantially improved in the way that had been promised in the years after independence. They saw that development was benefiting only the non-Malays. During the 1969 election campaign, in Chinese-dominated areas, PAS appealed to Malay voters with the assertion that UMNO had sacrificed the 'Malayness' of the country for the sake of a multi-racial

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<sup>59</sup>The national education policy was first formulated in 1956. It was contained in the *Report of the Education Committee 1956*, usually referred to as the *Razak Report* after the Chairman of the Committee, which enabled Chinese schools using Chinese as the medium of instruction to receive a full government subsidy. It also stated that all students from all language streams would follow the same syllabus and sit for a common final examination. There was no controversy over the ambiguity of provision at the time when the report was published. But in 1959, dissatisfaction arose among the Chinese when it was decided that the common final examination mentioned by *Razak Report* would be an examination conducted in the same language, Malay, since the Chinese thought that students from the Chinese stream would sit for the same examination in their own language. Then in 1960, it was officially defined that all students would sit for their final examination in either Malay or English but this interpretation failed to receive full support of non-Malays (Ratnam and Milne 1967, 127).

concept in which the Malays got the poorest deal. Cities such as Kuala Lumpur seemed to prove the point. Malays would feel alien walking along Jalan Tunku Abdul Rahman, which ran through the heart of Kuala Lumpur and was full of Chinese shops and signboards. They also faced a situation where educational opportunities were mainly in English and employment opportunities were limited by Chinese control of the commercial sector. This frustration meant that a large number of Malays were no longer willing to accept their economic inferiority.

#### 4.3 The Election of 1969 and the May 13 Riots.

Under these circumstances, the 1969 election was held. On the Malay-side of the political spectrum, there was Partai Islam Se Malaysia (PAS) or the Pan-Malayan Islamic Party (PMIP), which appealed for support on the basis of commitment to Malay supremacy and Islamic principles. PAS or PMIP's historical roots can be traced back to several sources, linked by Islam and Malay nationalism. In February 1950, at an UMNO-sponsored meeting of Islamic leaders in Johore Bahru, a body called Persatuan Ulama-Ulama Sa-Malaya (Association of the Religious Scholars in Malaya) was formed within UMNO. Its ties with UMNO were, however, lessened by the split of Dato' Onn from UMNO. The body was later dominated by a radical Malay nationalist group (Milne and Mauzy 1978, 142-5). By the early 1950's, it had expanded and become an organisation known as PAS. Then in 1955, disillusioned and angry at UMNO's concessions to the non-Malays, particularly over the *jus soli* issue, PAS became a political party in order to protect Malay rights. From 1956, it sought to create a theocratic state, institute Malay immediately as the national and only official language, ensure a recognition and extension of Malay rights, place restrictions on the citizenship rights of non-Malays and curtail non-Malay immigration, and begin the elimination of foreign military and economic influences. In 1969, it called for programmes to aid Malay peasants and proposed new laws to strengthen Islam and expand Malay special rights.

At the other end of the political spectrum, there was the DAP, the non-Malay-dominated political party. It was formed as an offshoot of the People's Action Party in Singapore, but later, changed its name and ended its affiliation with the PAP when Singapore was expelled from Malaysia. The party grew rapidly after 1965, recruiting followers from the Labour Party. The Labour Party had been a member of the Socialist Front, which professed to be a non-communal left-wing opposition to the Alliance. However, since its Malay-based member, Party Ra'ayat, failed to get mass Malay support, the Socialist Front had to rely on its Chinese-based member, the Labour Party, for its mostly Chinese and Indian supporters. When DAP came onto the political scene, Chinese supporters of the Labour Party defected to the DAP, leaving the Socialist Front, which later became defunct. The DAP professed to be a non-communal left-wing opposition to the Alliance campaigning to ensure equal treatment for Malay, English, Chinese, and Tamil languages and educational systems. Even so, it was controlled by the non-Malays and support for the party came primarily from urban Chinese. Its objective was to create 'a free, democratic and socialist Malaysia, based on the principles of racial equality and social and economic justice, founded on the institutions of parliamentary democracy' (Means 1991, 4). In the 1969 election campaign, the party stressed its slogan of creating a "Malaysian Malaysia" which attacked the system of Malay special rights incorporated in the Constitution. It argued that these Malay special rights only benefited the Malay capitalist class, not the Malay peasants or the urban poor. It said that it was willing to accept Malay as the national language as long as other languages were not suppressed.<sup>60</sup> But at the same time, it demanded that the Chinese, Tamil, and English languages to be given official status and their free use in legislative debates, public notices, government

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<sup>60</sup>The DAP took the view that the interpretation of Clause 152 of the Constitution that concerns Malay as the national language and the preservation and sustenance of other languages, "need not, and should not, mean that the other major languages in in the country, namely Chinese, Tamil and English, are not accorded even a subsidiary official status and use" in Malaysia (*Speech by Lim Kit Siang, Parliamentary Debates on the Constitution Amendment Bill 1971, 1972, 15*). In other words, besides Malay, the DAP also wanted all these languages to become official languages in Malaysia.

correspondence and as a medium of instruction in schools (von Vorys 1975, 270-71). It further demanded the review of the Internal Security Act and a development of a multi-racial national defense force. The DAP, therefore, did not concede the constitutional contract or the 'bargain'. Although it did not expect to replace the Alliance government, it nevertheless called upon the voters to deny the Alliance its two-thirds majority in Parliament that enabled the Alliance to amend the Constitution.

During the campaign, the candidates from these two prominent opposition parties reflected and exploited ethnic grievances and sentiments to challenge the decisions and policies that were the result of the 'bargain' within the Alliance.

A more moderate social reform party, Gerakan or Gerakan Rakyat Malaysia (Malaysian People's Movement), tried to avoid communal issues and stressed instead social reform and civil rights. The party's appeal however was restricted to university-educated elites and some groups of urban supporters in Penang and Kuala Lumpur. Like DAP, Gerakan was also dominated by the non-Malays.

Close to the middle of the political spectrum was the Alliance with its components of UMNO, the MCA, and the MIC. While defending the 'bargain', and the system of Malay special rights, it also promised that its policies would not 'deprive anyone of opportunities for advancement' (*Alliance Manifesto 1969*, 5, 11-2).

When the election results were announced, the Alliance won easily but the results were also a setback for it. In the parliamentary elections, the Alliance won 48.5 percent of the popular vote in Peninsular Malaysia and 66 of 103 seats. UMNO won 51 of the 67 seats it contested, the MCA 13 out of 33, and MIC 2 out of 3 seats. Among the oppositions, DAP won 13 seats, PAS 12, Gerakan 8 and the People's Progressive Party (PPP) 4. In the state elections, the Alliance won a total of 162 of the 277 seats, failed to recapture Kelantan from PAS, lost Penang, nearly lost Terengganu, and failed to have a majority in Perak (19 out of 40 seats) and Selangor (14 out of 28 seats). On May 12, 1969, a day after the election results

were complete in the peninsula, the DAP and Gerakan held a joint "victory" celebration parades through the streets of Kuala Lumpur. Some supporters staged relatively disciplined marches in accordance with police requirements. But others got out of hand and entered some Malay areas shouting phrases which were meant to insult the Malays.<sup>61</sup>

The next day, May 13, Tun Tan Siew Sin announced the MCA's withdrawal from participation in the Alliance government since the "Chinese in this country have rejected the MCA to represent them in the government..." (*Straits Times*, May 14, 1969). This announcement, coupled with the impending UMNO procession in Kuala Lumpur, produced confusion and panic throughout the city. The situation became explosive even before the procession started. Some Malays who were on their way to the assembly point at the Selangor Menteri Besar's residence for the procession were taunted by groups of Chinese and Indians. This situation immediately turned into stone and bottle-throwing incidents between the groups. This led to a rampage of ethnic clashes and violence throughout the city.<sup>62</sup>

The May 13 riots resulted in the declaration of an Emergency from May 14, 1969 to January 20, 1971 in Malaysia. During that time, Parliament was suspended and the country was governed by a National Operations Council (NOC) under the directorship of Tun Razak, the then Deputy Prime Minister (*Straits Times*, May 15, 1969). The director was required to act on the advice of the Prime Minister but all executive and legislative powers belonged to and were exercised by the NOC. By convention, the cabinet and the Ministerial system continued to exist, but their responsibility was to the Prime Minister and the Director of Operations, not to Parliament.

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<sup>61</sup>Among the phrases which were shouted were "Malays get out", "return to the jungle", and "this country does not belong to the Malays, we want to chase out all Malays" — phrases which provoked and evoked fears among the Malays. For accounts of the 13 May violence, see Reid (1969); *Report of the National Operations Council* (1969); Tunku Abdul Rahman (1969); Slimming (1969); von Vorys (1975, 308-44)

<sup>62</sup>According to the government statistics relating to the Emergency throughout the country from 13 May to 31 July 1969, the total number of people killed is 196. This figure breaks down into 25 Malays; 143 Chinese; 13 Indians and 15 others (*Report of the National Operation Council* 1969, 88).

#### 4.3.1 "Causes" of the May 13.

The combination of the election results, the ethnic riots, the declaration of an Emergency and the establishment of the NOC left many people emotionally shattered. Malay discontent was vocalised by groups of Malay university students and some UMNO members known as the 'ultras'. They put the blame on Tunku Abdul Rahman for being indirectly responsible for the riots after the election. Tunku was accused of having agreed to too many Chinese demands and not doing enough to help poor Malays. They called for his resignation and for retaining the NOC. Within UMNO, the crisis over the Tunku's leadership broke open when Dr. Mahathir Mohamad, who was an UMNO Supreme Council member at that time, sent a controversial letter to the Tunku.<sup>63</sup> He accused Tunku of being too generous to the Chinese and of always giving in to the demands of the Chinese. This in turn, he said, had angered the Malays and had given the Chinese an impression that the Prime Minister and the Alliance government were weak and could be pushed around. He called for the retirement of the Tunku as both the Prime Minister and President of UMNO. In an interview in 1969, Dr. Mahathir Mohamad stated that Malay feelings against the Chinese had been rising since the Alliance came into power, mainly because of appeasement of the Chinese on language and education issues. Also, in the economic field, implementation of aid for the Malays had not had the expected results. This could have been tolerated by the Malays, if they had not been frightened by the opposition parties who said that they would deprive the Malays of their privileges if they came to power (*Far Eastern Economic Review (FEER)*, 18 Sept. 1969, 69). In *The Malay Dilemma*,<sup>64</sup> which was published approximately one year after the May 13 riots, Dr. Mahathir proposed several reasons for the riots. He said that the "harmony" that existed in the country was neither real nor deep-rooted, and

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<sup>63</sup>See a copy of the letter from Dr. Mahathir Mohamad to Tunku Abdul Rahman in Appendix A. Dr. Mahathir was expelled from UMNO in July 1969 but was later readmitted to the party in March 1972 (*Straits Times* (Malaysia) March 8, 1972).

<sup>64</sup>Up 'till 1983, this book was banned in Malaysia as an 'undesirable' publication. After Dr. Mahathir's appointment as Prime Minister, the ban was lifted.



What was taken for harmony was absence of open inter-racial strife. And absence of strife is not necessarily due to a lack of capacity to bring about open conflict (Mahathir Mohamad 1981, 5).

He further explained that both communities, the Malays and the Chinese might live as neighbours and meet each other in their daily business. But after that, they retired into "their respective ethnic and cultural sanctum" and in "their own world their values are not merely different, but are often conflicting" (*ibid.*). Another reason was that UMNO members were held together by a system of "patronage and disguised coercion based on Government rather than party authority" but not because of any particular political ideology. Support for UMNO was not based on its political ideology or programme, but on a 'top-down' system of patronage. This patronage from above made UMNO leaders believe that they no longer needed to listen to their supporters. Thus when the UMNO leaders chose to appease the Chinese and disregarded criticism within UMNO, the old Malay fears of losing out to the Chinese awakened (*ibid.*, 9-10). Dr. Mahathir also pointed out that the Malays had formed the first effective governments in Malaya long before colonialism and the arrivals of the immigrants, that their states had been internationally recognised since the beginning of Malayan history, that the Malays had been the real and original rulers, the owners of Malaya and the "definitive people" of the country. By right then, they had a certain say in language, immigration, national education and citizenship. But because of their tolerance and their desire "not to be unpleasant and a source of embarrassment", the Malays had not asserted this right. Instead, they generously gave various concessions to other communities. The first of these concessions was their abandonment of the Arabic-based script which they had evolved as their national script known as *Jawi*. He said that "on the surface this seems trivial, but if it is compared to the resentment that the Malayan Chinese would evince at any abandonment of Chinese characters, the sacrifice can be considered to be of some magnitude" (*ibid.*, 145). Further, the Malays permitted the free usage of other languages and this was guaranteed by the

Constitution. But, he said, the Malays' generosity was not acknowledged, and was taken as a matter of course by other communities. He also pointed out that the immigrants could not be absorbed until they had abandoned their languages and culture and adopted Malay language and culture. But since the chance of achieving a homogeneous society had been missed as a result of the Malays' tolerance, the communal divisions would continue.

He viewed the hardship which the Chinese had endured in their homeland China, and the Chinese custom which prohibited marriages within the same clan had helped to produce a 'hardy' Chinese race. On the contrary, the bounty of the Malay peninsula --- where food was plenty and life was relatively easy --- which the Malays were used to, and the Malay custom which encouraged marriages between first cousins, had produced a weak Malay race. His solution to these environmental and hereditary effects on the Malays was not the removal of all protection, which would have the effect of leaving the Malays to fight for themselves in order to survive; but it lay somewhere in between in what he called "constructive protection" (*ibid.*, 31).

Members of PAS seemed to share the same view with these Malay 'ultras' on the causes of the inter-ethnic violence in the country. Instead of directly attacking any particular individual, however, PAS put the blame on the coalition party, i.e., the Alliance itself. Dato' Haji Mohd Asri Haji Muda, the PAS leader, was of the opinion that the fault lay in the compromise reached by the former leaders on the eve of achieving Independence. He said that the Alliance had committed a mistake by "giving too much of the political rights of the Malays to non-Malays" but getting "less than what should be appropriate" (*Speech by Dato' Haji Mohd Asri Haji Muda in Parliamentary Debates on the Constitution Amendment Bill 1971, 1972, 58*). He further elaborated that,

... the good deed delivered in the form of political rights had not been reciprocated equally with the economic rights promised to the Malays, although the special rights of the Malays have to be enshrined in

the constitution .... On the other hand... the non-Malays who have been given citizenship feel that they are second class citizens with the existence of the special rights of the Malays in the Constitution (*Speech by Dato' Haji Mohd Asri Haji Muda in Parliamentary Debates on the Constitution Amendment Bill 1971, 1972, 58*).

On the other side of the political spectrum, the DAP also blamed the Alliance for the May 13 riots, but for different reasons. While denying the allegation of exploiting racially sensitive issues during the elections in 1969 as the cause for the subsequent riots, Lim Kit Siang, the DAP leader, without specifically naming any particular group, accused a number of people who didn't want to share political power as those who started the riots. He said that,

... May 13 racial riots started because there were people who were not prepared to accept the verdict of the people at the polls on May 10, 1969, which returned an unprecedented number of Opposition candidates in both State and Parliamentary elections (*Speech by Tuan Lim Kit Siang in Parliamentary Debates on the Constitution Amendment Bill 1971, 1972, 18*).

Another opposition party which held the same view of the causes of the riots was the Peoples' Progressive Party (PPP). In Parliament, its leader, Dato' S.P. Seenivasagam<sup>65</sup> claimed that the May 13 riots had to do with the political imbalance in the country. He asserted that

... the Malays are not prepared to share political power with the non-Malays. That is the root of the whole trouble in this country, and we should embark upon a propaganda campaign to teach everybody in this country that this is the country of Malaysians. It is immaterial who wins an election so long as he is a Malaysian. That, I say with all sincerity, was the

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<sup>65</sup>S.P. Seenivasagam was one of two lawyer brothers who founded the PPP which was first named as Perak Progressive Party in 1953 (*Information Malaysia 1994 Yearbook, 460*). The PPP and the Alliance were recognised as bitter enemies. The former's program appealed to the non-Malay vote for it championed Chinese and Tamil education and languages and rejected Malay special rights. However, in 1972, the PPP formed a coalition government with the Alliance in Perak and subsequently, in the following years, it joined the Barisan Nasional. It has, however, recently lost much of its political ground.

cause of the trouble on May 13. When the Malays found that they were losing their supporters in Parliament, that their partners, the MCA, were losing their seats, then the Malays became hostile to the non-Malays and that is the root of the whole thing (*Speech by Dato' S.P. Seenivasagam, Parliamentary Debates on the Constitution Amendment Bill 1971, 1972, 42*).

Various causes have been suggested by scholars for the May 13 riots. In his analysis, Goh Cheng Teik proposed that the riots happened because of the state and federal results of the 1969 elections, which gave rise to anxiety and a fear among UMNO members and sympathisers that political power was shifting from the indigenous population to immigrant groups. At this stage, doubts began to arise as to the ability of the democratic system to guarantee the maintenance of the special status of the Malays (Goh Cheng Teik 1971, 7-17). According to this view, any challenge to dominant Malay political control could lead to anxiety among the Malays and could in turn threaten the political stability of the country. The electoral and democratic system would only work when it does not bring any challenge to the Malay hold on political power. But when it does, the anxiety and fear which arises as a result of this challenge will lead to a loss of confidence in the democratic system itself. From the time of Malaya's independence until the formation of Malaysia, the Alliance had dominated the power structure, and political leadership had always been in the hands of the Malays through UMNO as the leading partner in the Alliance. The results of the 1969 elections were thus seen to be an erosion of UMNO's basis of power and a sign of the transfer of this power to the immigrant oppositions.

In this delicate situation, insults and abuse hurled at UMNO and the Malays by unruly Opposition supporters during their post-election victory processions ignited an overflow of racial emotion and riots (*ibid.*, 18-26).

Von Vorys on the other hand uses the concepts of *vertical* mobilisation and *horizontal solidarity* in analysing the political system in Malaysia. *Vertical* mobilisation refers to the approaches taken by the governing elites to gain mass

support. In the parliamentary democratic system, *vertical* mobilisation would determine whether the governing elites could continue to govern the country, and election results become decisive tests of the confidence of the population. *Horizontal solidarity*, on the other hand, is the cohesion of the political leaders who have agreed to share political power and govern the country. Both concepts are inter-related. In multi-ethnic society, *horizontal solidarity* would weaken when the leaders have to yield to the conflicting demands of supporters from their respective ethnic groups. Likewise, agreement reached by the top political leaders could lead to the deterioration of popular support for the leaders (von Vorys 1975, 143-198).

In his study, von Vorys shows that between 1957 and 1969, the Alliance party had constantly found difficulty in maintaining *vertical* mobilisation as well as *horizontal solidarity*, due to tensions created by language, culture, and education issues. These, coupled with the lack of success of the economic policy significantly to improve Malay access to economic controls, left not only the general population, but also intermediate leadership elements in both the Malay and Chinese communities dissatisfied and increasingly alienated. Thus the May 13 riots were seen by von Vorys as the consequence of a failure of the Alliance to accomplish simultaneously the *vertical* mobilisation of the Malay, Chinese, and Indian communities and the *horizontal solidarity* of the Malay, Chinese and Indian political leaders (*ibid.*, 199-250).

Unlike Goh Cheng Teik and von Vorys, Jomo sees the root of the riots in the complexity of ethnic dimensions of the Malaysian socio-economic class structure inherited from the colonial period. There are two important aspects of the colonial policy that are seen as contributing to this class structure (Jomo 1985;1988). Firstly, the ethnic composition and the structure of Malayan society was changed as a result of the expanding economy and British labour policy. Indians (mostly Tamils) and Chinese immigrants were brought in to be employed as labourers since it was difficult to induce the Malay peasants who had land, which they could till, to work for wages. While most Chinese became workers, as did

most Indians, many Chinese entrepreneurs were able to seize profit-making opportunities in the growing economy to become capitalists. Meanwhile, perhaps fearing peasant resistance, the British sought to insulate the indigenous Malay population from such capitalist development by consolidating them as a rice-planting peasantry.

Secondly, political leadership was seen to be transferring from the old Malay aristocracy to the middle echelons of the old colonial apparatus. The Alliance which inherited power from the British was actually a coalition between Chinese capitalists and the "administrative-aristocracy" of the UMNO political leaders. Thus it gave an impression that the Malays had political control while the Chinese had economic power. According to Jomo, however, political and economic controls were in fact in the hands of small groups of Malays and Chinese respectively, whereas the vast majority of the Malays and Chinese didn't have access to either the political or economic controls of the country. The May 13 events were thus caused by the failure of Alliance policy to fulfil the aspirations of the lower classes of all ethnic groups to get full advantage of the fruits of economic development. This was also fuelled by the frustrated ambitions of the emerging Malay middle class who, though enjoying some political control, saw British economic hegemony gradually giving way to Chinese capitalist dominance after Independence.

Jomo asserts that the inter-class tensions were primarily perceived in racial terms because of political mobilisation along ethnic lines. Malay resentment against domination by capital was expressed against the Chinese who made up the bulk of businessmen, while non-Malay frustrations were directed against the Malay dominated state machinery identified with UMNO as the dominant partner in the ruling coalition. Thus the May 13 incident occurred as 'racial riots' because non-racial issues such as economic problems had been perceived in racial terms (Jomo 1990, 9-10).

Among the government leaders, two main trends of thought emerged on the underlying causes of the riots (Milne and Mauzy 1978, 79-84). First, there was an

opinion that questioning the Constitutional provisions or the first "contract" agreed upon by the ethnic leaders during the election campaign contributed to the riots afterwards. Second, the underlying cause of the riots was thought to be an economic one, and sometimes the two trends of thought were combined. Tun Dr. Ismail argued that "it is the persistent harping on these issues by political leaders behaving like rogues, gangsters and thugs at political rallies that inevitably spark off communal feelings into racial conflagration" (*Speech by Tun Dr. Ismail, Parliamentary Debates on the Constitution Amendment Bill 1971*, 181). Tun Tan Siew Sin concluded that the 1969 elections had shown that the easiest way to gain votes was to play up sensitive racial issues and thus there had to be a change in the rules of the game, before returning to parliamentary rule, in order to safeguard fundamental policies and principles from being questioned (*Straits Times*, 5 August 1969).

Tun Razak stated that,

The election campaign in April and May 1969 provided these irresponsible elements with the opportunity to arouse racial emotions to a pitch. These elements created fear and anger by questioning and ridiculing the provisions of the Constitution relating to Bahasa Malaysia and the special positions of the Malays, which further exacerbated the growing sense of insecurity felt by the Malays when they see the widening gap between them and the non-Malays particularly in the economic and educational spheres. Some of these irresponsible elements created dissatisfaction by deliberately and exaggeratedly misrepresenting the implementation of these provisions and also by advocating their deletion from the Constitution. Yet others created fear and mistrust that the legitimate interests of the non-Malays as provided for in the Constitution would be eroded (*Speech by Tun Razak in Parliamentary Debates on the Constitution Amendment Bill 1971*, 2).

Poverty and economic imbalances between the ethnic groups were thought to be the second underlying cause of the riots. Poverty was more pronounced in rural areas where the majority of the population were Malays. Furthermore, in the

rural areas, Malay occupations tended to be concentrated in the most backward economic sectors; such as coconut and rubber smallholders, single-crop padi or rice farmers, tenants and sharecroppers in padi and rubber cultivation, and inshore fishermen. In 1970, the mean monthly income of Malay households was \$179 while that of Chinese and Indian households was \$387 and \$310 respectively. The average Malay household income was thus about half the average non-Malay household income. Malay households also accounted for nearly 85% of all households in the lowest income range of below \$100 compared to that of Chinese and Indians which was 9.6% and 4.9% respectively (*Mid-term Review of Second Malaysia Plan 1973*, 1-9). In 1970, the share capital ownership of Bumiputera in limited companies accounted for just 2.4% (1.6% for Bumiputera individuals and 0.8% for trust agencies), compared with 27.2% owned by the Chinese, 1.1% by the Indians and 63.4% by foreigners (*Laporan Majlis Perundingan Ekonomi Negara (Report of the National Economic Consultative Council) 1991*, 56). An ethnic imbalance also exist in the Malaysian employment structure. Malays were predominant in agriculture sector, while the Chinese dominated the mining, manufacturing, construction and commercial sectors of the country. Table 2 shows that total employment in Peninsular Malaysia in 1970 was about 2.8 million, with Malays accounting for about 51%, Chinese 37% and Indians 11% in line with the ethnic composition of the population. But the sectoral distribution of employment did not reflect this ethnic composition. Malays accounted for about 68% of the total employment in agriculture and only 25% in mining and quarrying; 29% in manufacturing; 24% in commerce, and 22% in construction. On the other hand, the Chinese constituted 21% of those employed in agriculture; 66% in mining and quarrying; 65% in manufacturing; 72% in construction, and 65% in commerce. Indian employment was 10% in agriculture; 8% in mining and quarrying; less than 6% in manufacturing and construction, and 11% in commerce. In addition to that,



TABLE 2  
EMPLOYMENT BY SECTOR AND ETHNIC GROUP, 1970  
(000)

Sector	Malays	Chinese	Indians	Others	Total
Agriculture	925.4	293.0	138.3	12.3	1369
Forestry & Fisheries (%)	67.6	21.4	10.1	0.9	100.0
Mining & Quarrying	21.1	56.1	7.1	0.7	85
(%)	24.8	66.0	8.4	0.8	100.0
Manufacturing	84.4	191.0	15.5	1.2	292
(%)	28.9	65.4	5.3	0.4	100.0
Construction	16.9	56.2	4.7	0.2	78
(%)	21.7	72.1	6.0	0.2	100.0
Electricity Water & Sanitary	10.2	3.8	6.8	0.3	21
(%)	48.5	18.0	32.3	1.4	100.0
Transport Storage & Communications	49.0	45.5	19.7	0.8	115
(%)	42.6	39.6	17.1	0.7	100.0
Commerce	69.3	192.6	31.6	1.5	295
(%)	23.5	65.3	10.7	0.5	100.0
Services	256.1	188.5	73.9	9.5	528
(%)	48.5	35.7	14.0	1.8	100.0
Total	1432.4	1026.7	297.6	26.5	2738
Employed (%)	51.5	26.9	10.7	0.9	100.0
Labour Force	1557.0	1108.9	334.4	26.0	3026
(%)	51.5	36.6	11.1	0.8	100.0
Unemployed	124.6	82.2	36.8	-	243
(%)	8.0	7.4	11.0	-	8.0

Source: *Mid-term Review of Second Malaysia Plan 1971-1975*, Table 4.4.  
Sector by Ethnic Group, 1971.

Table 2 also shows that the incidence of unemployment among the ethnic groups was unequal, with 11% of the Indians unemployed, followed by 8% of the Malays, and 7.4% of the Chinese. Restructuring of the employment pattern was crucial, because the agriculture sector of the country in which the Malays were predominant produced the lowest output per worker, while the mining, manufacturing and commercial sectors in which the Chinese dominated, accounted for about double to triple the productivity of that in the agriculture sector. Thus the concentration of Malay employment in the low productivity sector led to a difference of about 20% between average Malay and non-Malay incomes per worker (*Mid-term Review of Second Malaysia Plan*, 76).

There was also very low participation of Malays in urban activities, which included sectors such as manufacturing, mining, construction, commerce and transportation. In 1970, in the industrial sector --- which included manufacturing, mining, and construction --- about 87% of the fixed assets were owned by the corporate sector while only 11% were owned by the non-corporate sector. More than half of the fixed assets of the corporate sector, or 50%, were owned by foreigners, while 94% of the fixed assets of the non-corporate sector belonged to the Chinese. Malay and Indian ownership in this non-corporate portion of the industrial sector was only 4.7% of the total. Taken together, the Malay and Indian share of fixed assets in the non-corporate industrial sector amounted to \$20.5 million which was only 4.1% of the \$500.3 million in Chinese-owned establishments (*Principal Statistics on Ownership and Participation in Commerce and Industry, Malaysia 1970/1971*, 13-16).

Of all the non-agricultural industries, manufacturing was considered to be the most important. In 1970, Bumiputera owned 111 (3.5%) of the manufacturing establishments in the country, compared with that of the Chinese which was 2,478 (77.6%), and the Indian 70 (2.2%). Bumiputera-owned establishments produced about 0.8% of the total output, while Chinese-owned ones produced about 38%, and the Indian 0.4%. In the mining industry, the number of mines owned by

Bumiputera was 26 (1.7%) while those owned by the Chinese and Indians were 1,290 (85.7%) and 4 (0.3%) respectively. Bumiputera-owned mines produced about 1.5% of the total value output, while those which belonged to the Chinese produced 43.2%, or about two-fifths, and the Indians 0.07%. In the construction sector, Bumiputera owned 25 establishments, while the Chinese owned 797 and the Indians 15. The Bumiputera share of construction establishments was 2.8% compared to that of the Chinese which was 89% and the Indian 1.7%. About 13% of the total value output in this sector came from the Bumiputera establishments while 84.7% came from the Chinese and less than 1% from the Indian (Economic Planning Unit, Malaysia). From these figures, it can be concluded that the Bumiputera share of ownership in the industrial sector was significantly small compared to the Chinese, whose share far exceeded their proportion to the total population. Besides that, Bumiputera participation in this sector of the economy was small by any standard, since their output amounted to only 13% in construction and less than 2% in manufacturing and mining. Chinese participation on the other hand was pronounced in this sector, particularly in construction, where more than four-fifths of the total output was from Chinese-owned establishments.

The other sectors of urban activities were commerce and transportation. Table 3 shows that in 1971, Bumiputera wholesalers made up 2.5% of total wholesale trade while the Chinese formed 78.5% and the Indians 4% in the same year. Because of their large portion of ownership of the total number of wholesale establishments, the turnover of the Chinese as a whole was about 66% or two-thirds of the total turnover, compared to less than 1% for the Bumiputera and 2.5% for the Indians.

In the retail trade, the percentage of Chinese control of retail establishments was about 75% while that of the Malays was 13% and the Indians was about 7%. Like the wholesale trade, because of their ownership of the greatest number of retail establishments, the Chinese share of turnover was the largest among the groups. It

amounted to about 81% while those of the Bumiputera and Indians was 35% and 7% respectively.

**TABLE 3**  
**OWNERSHIP OF SELECTED COMMERCIAL AND SERVICES SECTOR BY ETHNIC GROUP, 1971.**

Sector (%)	Bumiputera	Chinese	Indians	Others <sup>1</sup>
Wholesale Trade	2.5	78.5	4.0	15.1
Turnover	0.8	66.2	2.5	30.6
Retail trade	13.0	74.6	8.4	4.0
Turnover	3.0	81.2	7.3	8.6
Tourism & Travel	19.2	46.2	5.8	28.9
Turnover	20.5	46.5	1.4	31.7
Real Estate	8.1	48.4	27.4	16.2
Turnover	6.8	33.7	19.0	40.5
Stock & Commodity	3.8	73.1	0.0	23.1
Turnover	0.6	79.9	0.0	19.5
Professional Service	7.9	69.9	12.6	10.6
Turnover (Revenue)	4.4	57.0	10.4	28.1
Transport (Bus)	17.8	50.4	7.0	24.8
Turnover	18.4	54.7	3.4	23.4
Road Transport	7.8	66.7	2.7	12.8
Turnover	15.2	70.9	4.2	9.7

Source: Economic Planning Unit, Malaysia.

Note: <sup>1</sup> Include foreigners.

Table 3 also shows that the Bumiputera share of tourism and travel agencies was about 19%, compared to that of the Chinese and Indians which was about 46% and 6% respectively. About 21% of the total turnover of this sector came from the

Bumiputera agencies while about 47% came from the Chinese and less than 2% from the Indian.

In the real estate sector 48%, or nearly half of the total number of the real estate agencies, belonged to the Chinese, while about 27% and 8% belonged to the Indians and Bumiputera respectively. The Chinese share of turnover in this sector was 34% while that of the Indians was 19% and the Bumiputera 7%.

Table 3 indicates that the Bumiputera share of the stock and commodity brokers was very small, --- about 4% --- compared to that of the Chinese which was 73%. There was an absence of Indian participation in this sector however. Again, because of their ownership of the greatest number of establishments, the Chinese share of turnover was 80% of the total turnover while the share of the Malay-owned establishments was less than 1%. Like other sectors in commerce, this sector was also dominated by the Chinese, with their control of more than two-thirds of the stock and commodity brokers, and Chinese-controlled firms accounted for four-fifths of the total turnover for this sector.

In professional services, operated by practitioners, which included lawyers, dentists, architects, engineers, accountants, surveyors and doctors, the Chinese share of these services amounted to 70%, while the Bumiputera share was 8% and the Indian share 13%. About 57% of the output or revenue of this sector come from the Chinese-owned establishments. The Bumiputera proportion was only a little over 4% and the Indian proportion about 10% of the total. The Chinese were again the most prominent group in this sector with their ownership of the largest number of these professional services, while the next in importance were the Indians, followed by the Bumiputera.

In the transport sector, such as bus services, Table 3 shows that about 50% of the number of such services was owned by the Chinese, compared to 18% by the Bumiputera and 7% by the Indians. The Chinese share accounted for 55%, while the Bumiputera share was 18%, and the Indian share about 3% of the total turnover. In other road transportation such as taxis and trucks, the Chinese

proportion was 67%, while the Bumiputera share was 15% and the Indian share 4% of the total ownership of such services. As in the bus service, the Chinese share of the total turnover was the largest. About 71% of the turnover accruing to this service came from the Chinese-owned establishments, while 15% came from the Bumiputera and 4% from the Indians.

Consequently, among the ethnic groups, the Chinese were the prominent group in the commercial sector, as well as in manufacturing, mining, and construction. They dominated these sectors of the urban economy because of their large control of the establishments and services in the cities and their large share of turnover or revenue in these sectors. On the other side, Bumiputera participation in these sectors was very small due to their low percentage of both the ownership of these establishments, and of the output or turnover accruing to the sectors involved.

As a result of the May 13 incident, long-term changes were made in government policies. A Constitutional Amendment Bill was passed by the Parliament restricting the questioning of certain provisions of the Constitution and the 'bargain'. Besides that, efforts were made to improve the economic position of the Malays not only in the limited ways provided in Article 153 of the Constitution but on broader scope by implementing a New Economic Policy.

### Conclusion

There have been many interpretations and various causes suggested by different sections of the society for the May 13 riots. But all of them point to the same source, that is, the basic problem of ethnicity in Malaysia. The animosity and hatred are mainly between the Malays and the non-Malays, especially the Chinese. Even before the 1969 election, there had already existed a widespread feeling among the Malays, who considered themselves as indigenous, that the Chinese, the immigrant group, were depriving them of the economic wealth of their country. The Malays also felt that they were getting less than what they should have got. The Chinese on the other hand, thought that the Malays were abusing their political

power to deprive the Chinese community of their cherished culture and identity. The general perception of both communities that their condition was worse off than the other led them to distrust and hate each other. This was then easily exploited by the party candidates in the 1969 election to get political support. As a result, there was a shift in political support away from the Alliance to the opposition, giving an unprecedented victory to the opposition, though a limited one.

The subsequent victory celebration by the non-Malays and their insults about the Malays provoked the latter who had already felt that not only had they lost their economic but also their political control of the country to the Chinese as well. This frightened the Malays and the provocation by the non-Malays was countered by the former with their own victory celebration which got out of hand and led to inter-ethnic violence.

The developments in Malaysia which led to the May 13 riots seem to be consistent with the arguments put forward by Huntington discussed in Chapter One in this thesis. He said that in developing countries, the gap between social mobilisation and economic development can generate social frustration and dissatisfaction. Both Malays and non-Malays were frustrated with their situation and dissatisfied with government policies. According to Huntington, the presumptive stability of Malaya was higher than Thailand because there was a coalition party in the former but not in the latter. However, later, there were also new groups coming into politics which were not part of the single party that consisted of "a plurality of ethnic groups" which had earlier been "woven" by traditional leaders. These new groups, which consisted of the extremists on both sides of the political spectrum, created an imbalance between political participation and political institutions. The political system could no longer cope with the demands and pressures exerted upon it and this resulted in political instability.

The May 13 riots proved that the Alliance formula which had some aspects of consociational democracy could not work very well in the Malaysian situation. One obvious reason is that, unlike some Western Europe countries, such as

Holland, where there is a common language, a single race, and the general acceptance of a European culture and Christian beliefs, Malaysia is a multi-ethnic and multi-cultural country. The three major ethnic groups in Peninsular Malaysia are different from each other in almost every aspect of their lives. The common reference point which exists in some Western European countries is lacking in Malaysia. In a democratic system where there is no limitation to open competition, any government policy which did not completely meet the demands of one group, was easily outbid by the opposition. The first 'contract' or the racial bargain which was made between the previous leaders, representing the major ethnic groups, was left opened to criticism from the extremists at both ends of the political spectrum. As a result, it was attacked from both sides. PAS accused the Alliance as selling out the Malay birthright to the non-Malays, while the DAP accused the Alliance as selling the non-Malays short. Therefore, in the case of Peninsular Malaysia, it had not been possible for consociationalism to operate without some form of restraint to regulate political competition between the different ethnic groups that are also different in culture, language and religion.



## CHAPTER FIVE

### THE NATIONAL CONSULTATIVE COUNCIL AND ITS OUTCOMES

#### 5.1 The National Operations Council

After the May 13 riots started, the government took rapid action to restore order. Two days after the outbreak of the violence, acting on the advice of the Cabinet under Article 150 of the Constitution, the Yang Dipertuan Agung proclaimed a state of Emergency (Essential Powers) Ordinance, 1969, giving himself wide powers for securing public safety, defence and the maintenance of public order, supplies and services. He suspended meetings of Parliament and of State Legislative Assemblies as well as elections in Sabah and Sarawak. Two days after the promulgation of the first ordinance, the Yang Dipertuan Agung promulgated a second ordinance delegating the executive authority of the Federation to a Director of Operations who was Tun Razak, the then Deputy Prime Minister, appointed by the Yang Dipertuan Agung. Tunku Abdul Rahman could have been the chairman of the National Operations Council (NOC) if he had wanted to, but he preferred not to be on the Council. However, he and Tun Razak were "in daily communication" with one another and "no major decisions were made by the Council without the Prime Minister's consent" (von Vorys 1972, 345-46). Even though Tunku Abdul Rahman was not the chairman of the Council through his own choice, this can also be seen as a sign of the transferring of power from the Tunku to his successor, Tun Razak. This shift of power was not unexpected because, under the circumstances at that time, the Tunku's type of political approach was no longer seen as appropriate and his style had become very unpopular among the younger generation.

The Director of Operations was given very wide powers. He alone was made responsible for exercising executive authority of the Federation. But he had to

act on the Prime Minister's advice and was to be assisted by the NOC, whose members were appointed by himself. At the same time, provision was made to establish in each state a State Operations Committee and in each district a District Operations Committee; the Director of Operations appointed their members and directed their functions (Tun Mohamed Suffian Hashim 1976, 228-29).

Besides Tun Razak, the other NOC members included Tun Tan Siew Sin; Tun Sambanthan; Tun Dr. Ismail, the Minister of Home Affairs; Datuk Hamzah Abu Samah, the Minister of Information and Broadcasting; General Tengku Oswan Tengku Mohamed Jewa, the Armed Forces Chief of State; Tan Sri Mohamed Salleh Ismael, the Inspector General of the Police; Tan Sri Abdul Kadir Shamsuddin, the Director of Public Services; Tan Sri Ghazali Shafie, the Permanent Secretary at the Ministry of Home Affairs; and Lieutenant-General Dato Ibrahim Ismail was named as Executive Officer (*The Sunday Times*, 18 May 1969). There are two points which could be made about the membership of the NOC. First, since the members were from different backgrounds --- politicians, army, police and civil service --- it was a combination of the whole state apparatus that governed the country. Second, since the majority of the members on the NOC were Malays and there was one member each from the Chinese and Indian parties within the Alliance, the Council was, apparently, controlled by the Malays. Nevertheless, the Malays seemed not to completely abandon the idea of consulting other communities since there were still two non-Malay representatives on this powerful governing-body; had they preferred they could have chosen to appoint only Malay members.<sup>66</sup> Thus, even during the Emergency, the idea of proportionality in governing the country was still observed by the Malaysian elites to some extent.

The aim of the NOC was to co-ordinate government, army and police activities in order to establish and maintain security and order. It differed from the Cabinet in that it had to deal with what was largely a security situation and had to

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<sup>66</sup>Mauzy noted that in an interview, a former minister said that "in effect, Tun Razak, Tun (Dr.) Ismail, and Tun Tan Siew Sin ran the country" (Mauzy 1978, 161, fn.2).

meet more frequently than the Cabinet's once-a-week meeting. At first it had to meet daily, later twice weekly (Milne and Mauzy 1978, 85-86).

During the Emergency, the long-term plans of the NOC, which extended beyond the immediate attainment of law and order, took shape. Among them were the creation of the National Consultative Council (NCC) and the Department of National Unity (DNU). The NCC, which will be discussed later in this chapter, consisted of members of all ethnic groups and all political parties, except for leaders who refused an invitation from the government to serve, and was set up to discuss the causes of the riots. The DNU was assigned to formulate a new approach to national problems, specifically the ethnic conflict. Tan Sri Ghazali Shafie became its head and was responsible for setting the parameters of its activity. The DNU was to help the government in "galvanising the country and guiding it towards national unity" (Tan Sri Ghazali Shafie, *Straits Times*, 16 July 1969). The department originally had two main divisions, the Research Division, which used data on ethnic relations collected from various sources such as Malaya University, and the Operation Division. The DNU was assisted by a Research Advisory Group, drawn from various government departments, the university and the professionals, which met regularly (*Straits Times*, 28 January 1970). The department was intended to be the government's "think tank" by advising the government in its implementation of national programs.

One of the department's important duties in its early existence was to draft the Rukunegara or "The Pillars of the Nation" which, after being approved by the NCC and the NOC, was proclaimed by the Yang Dipertuan Agung on 31 August 1970. The principles and interpretations of Rukunegara will be discussed later in this chapter. The department was also intended to provide standards and measures to ensure that all policies and actions of the government were in accordance with the Rukunegara's principles in achieving national unity (Tan Sri Ghazali Shafie, *Dewan Masyarakat*, August 1969).

Another institution which was created during the Emergency was the National Goodwill Council (NGC) with a membership drawn from all classes, communities and political parties. The NGC was not so much a direct result of NOC strategy. Rather, it originated from Tunku Abdul Rahman's efforts to restore goodwill and some kind of friendly inter-ethnic relations after the riots by touring the country. Under the NGC, there were thirteen State Councils and numerous local communities throughout Malaysia. Its membership consisted of fifty-three people nominated by the Tunku, who was its chairman. These included the Menteri Besar or Chief Ministers of the thirteen states and representatives of the Press, judges, the Chinese, Malay and Indian communities, academics, chambers of commerce, religious groups, the civil service, political parties, and women. The membership was broad-based, since the Tunku wanted it to be a multi-racial and an all party affair (*Straits Times*, 14 January 1970; *Malaysian Digest*, 28 February 1970, 8). Even though the NGC only played a minor role in the future political reconstruction of the country compared to those of the NCC and DNU, the goodwill efforts of the Tunku did however generate some confidence among the Chinese and Indians that they were not being totally excluded from policy-making and that their interests would not be carelessly violated by the government (von Vorys 1975, 388-89).

## 5.2 The National Consultative Council

During the Emergency, there were public hearings with interested individuals and organisations suggesting and proposing various formulas for the political reconstruction of the country. One such proposal was made by Professor Syed Hussein Alatas, the then National Chairman of Gerakan, in his address to the Annual General Meeting of the National Union of Teachers in Johore Bahru on 5 July 1969 (Syed Hussein Alatas 1971, 800-8). He proposed the setting up of a consultative body representing the views of significant sections of the population to advise the government on ways to overcome national problems.

Meanwhile, the top government officials already had been considering a substantial break with past policy. Shortly after the May 13 riots, Tun Razak with his close associates, Tun Dr. Ismail, Tan Sri Ghazali Shafie and Khalil Akasah as secretary, decided that although the Alliance policy had been good in the past, it was no longer enough just to "respond to communal pressures without having a firm policy" (Mauzy 1978, 182-84). Recognising the urgent need to discuss the problem of the riots and to have national guidelines in areas of politics and socio-economy for the future of the country, they decided to invite leaders of all communities to a council for the discussion, since the Parliament was suspended at that time.<sup>67</sup> The Report of the NOC was published on 9 October 1969, Tun Razak, the Director of the Council announced that,

It is intended after the publication of this Report to invite representatives of various groups in the country--- political, religious, economic and others --- to serve on a Consultative Council, where issues affecting our national unity will be discussed fully and frankly. In this way it is hoped to reach an understanding and agreement on these national issues that would ensure the future peace, security and unity of our country and that the May 13 tragedy would not recur (The National Operations Council 1969, vi).

Invitations by the NOC were subsequently sent to all major political parties to participate by representation on the NCC. All political parties except for the DAP agreed to participate (*Straits Times*, 13 January 1970). The DAP nominated Lim Kit Siang, its secretary-general, who was under detention at that time, and Dr. S. Seevaratnam as its representatives to the Council. It made it a condition that unless Lim Kit Siang was accepted, the party's other nominee, Dr. S. Seevaratnam would not take part. The government, however, could not accept the former's nomination and thus there were no DAP representatives on the NCC.

Originally, there were sixty-five representatives named for the NCC with Tun Razak as its chairman. The membership included representatives from political

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<sup>67</sup>Interview with Tan Sri Ghazali Shafie (8 October 1993).

parties, the federal and state governments, Sabah and Sarawak, religious groups, professional bodies, the Press, public services, trade unions and employers' associations, teachers and minority groups. Two more members, P.G. Lim and Aishah Ghani, were later added to the Council's membership as representatives from women.<sup>68</sup> But one of the political parties, Parti Rakyat, then withdrew its representative (*FEER*, 5 February 1970, 5). The total number of the NCC representatives thus became sixty-seven including the Chairman, Tun Razak. The approximate ethnic breakdown of the Council membership was as follows: Malays 29, Chinese 17, Indians 8, and others 11 (bumiputera and non-bumiputera).

Since the NCC membership was broad-based, it became a widely representative body in terms of ethnicity, politics, occupation and territory. It included the leaders of the two states held by the opposition, Kelantan and Penang.

All ethnic groups were fairly represented on the Council except for the section within the Chinese community that regarded the DAP as its spokesman. Being such a representative body, the Council, enabled the government to claim that it had established "a dialogue with people".

The purpose of the establishment of the NCC was stated by Tun Razak as

The way... for the people to make a positive contribution to finding permanent solutions to our racial problems to ensure that the May 13 tragedy does not recur and that there will be uninterrupted peace and stability in this country (Tun Razak, *Straits Times*, 13 January 1970).

The aim of the NCC was to succeed in "establishing positive and practical guidelines for inter-racial co-operation and social integration" (*ibid.*). Its task was to assist the government to find permanent solutions to ethnic problems, but it was not to be concerned with administrative problems and the daily tasks of the government.

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<sup>68</sup>According to P.G. Lim, women members were added after the *Straits Times*' editor had commented on the lack of women representatives on the Council (Interview with P.G. Lim, 6 December 1993).

Even though there were representatives from the Malay, Chinese and English language press on the Council, the deliberations were conducted behind closed-doors. There was no published public record of the proceedings, except for occasional official statements released to the Press. It was under Tun Razak's direction that the NCC meetings were being held in secret sessions, for a number of reasons. First, he wanted the members to discuss issues leading to ethnic conflict "frankly and fully in a friendly and informal manner". Tun Razak was committed to this idea of frankness during the deliberations, since he recognised the urgency and importance of such efforts when he said the May 13 riots "showed that these racial issues could no longer be swept under the carpet but must be confronted squarely and solutions decided upon sincerely and courageously." This confidentiality would also allow members to "speak their minds without fear" (Tun Razak, *Straits Times*, 18 January 1970).<sup>69</sup> Furthermore, Tun Razak did not wish the frank views expressed by the NCC members to filter out of the Council and influence the sentiments and emotions of people outside (Tun Razak, *Straits Times*, 28 January 1970).

This idea of getting people to talk and discuss behind closed-doors to reach an agreement is similar to that of the CLC. In a way, it seems that informal and secret discussions had become an important means to get the Malaysian elites to compromise on issues which otherwise would be difficult to resolve.

The inaugural meeting of the NCC was held on 27 January 1970 in the Senate Chamber of Parliament House. On 17 September 1970, after approximately nine months, it was dissolved. During that period, both the government and the opposition for the first time had opportunities to establish a dialogue beyond the traditional sphere of political conflict: "issues hitherto discussed in public only with

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<sup>69</sup>The confidentiality was indeed a distinct advantage for the NCC, as observed by one of its former representatives: "members, including those of the opposition were more relaxed, indeed more uninhibited, and therefore more appropriate to the service of values transcending their political parties, their races and even their individuality" (Tan Sri Ghazali Shafie, *Parliamentary Debates on the Constitution Amendment Bill 1971*, 196),

embarrassment and misunderstanding between communities were thrashed out meaningfully" (Syed Hussein Alatas 1971, 800-808).

The NCC's private discussions involved subjects outlined by the NOC. They included issues related to the May 13 riots and how to avoid such incidents in the future as well as how to preserve and nurture national unity. The NCC was thus divided into sub-committees: the Political Committee and the Economic Committee. Council members therefore had opportunities to voice their opinions and discuss the issues both during the meetings of their respective committees and the Council plenary sessions.

The Political Committee was entrusted with the task of deliberating a number of drafts on the Rukunegara, the drafting of which was based on the Constitution, which would reflect the whole 'national ethos' of Malaysia. The representatives on the Council had long discussions on the concepts, formulation and the broad principles of the Rukunegara. They also deliberated on the actual form of words of the document and, with some amendments, their draft of the Rukunegara was finally accepted and approved by the NOC and subsequently adopted by the country.

As suggested by its name, the Economic Committee was responsible for discussing the relationship between the economic problems of the country and national unity. Because of the nature and the composition of Malaysian society as well as the identification of particular ethnic groups with certain economic vocations and geographical locations, the main problem which naturally arose during the Council's discussions was that of economic imbalances among the ethnic groups. One of the former Council members has stated that they "were there to discuss how to bring back normal life to the country on the basis of economic progress".<sup>70</sup> They were deliberating under the shadow of the May 13 violence and were psychologically affected by the incident. There was an agreement among the members on the poor economic condition of the Malays and the need to improve

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<sup>70</sup>Interview with a former Chinese member of the NCC (4 October 1993).



that situation for the harmony of the nation. This would be pursued by expanding the economic cake so that no other groups would feel deprived. They were also in agreement that in future, Malays and other indigenous peoples would own 30 percent of the total commercial and industrial activities of the country, while non-Malays and foreigners would own 40 percent respectively.

In sum, besides its representativeness and confidentiality, consensus was another feature of the NCC. This is not to say that there were no differences of opinion among the Council representatives, but these differences were frankly expressed during the discussions in order to "clarify thinking" on many issues. Agreements were reached during deliberations and discussions, not just because Tun Razak wanted an "undivided council", but because there was a sense of seriousness among the representatives about the tasks entrusted to them, and also a genuine concern about the condition of the country at that time and the problems at hand, as well as the future of the nation. This in turn had made it possible for the NCC to finally base a new agreement on the New Economic Policy, the Rukunegara, and the amendments to the Constitution.

When the Parliament reconvened in February 1971, the role of the NCC ended. The NCC and the NGC were amalgamated to form the National Unity Council, a multi-racial advisory body set up by the government. With the resumption of Parliament, also, the nation was no longer under the rule of the NOC. The NOC was not dissolved, however, but continued as the National Security Council under the Prime Minister. Its role since then has been in the formulation and planning of a comprehensive national security policy. It has also been responsible for co-ordinating the operations of various government security agencies.

### 5.3 The Rukunegara

The Rukunegara which was proclaimed on the anniversary of Merdeka Day, on 31 August 1970, by the Yang Dipertuan Agung, is a document of approximately

20,000 words. It is divided into three parts: an introduction, a declaration, and a commentary.

The introduction states that there are various divisions in Malaysian society: a diversity of social, cultural and economic values; identifies certain economic vocations with particular racial communities and geographical locations; and points to a distinct generation gap. The task of nation-building was thus not without problems. From time to time latent racialist attitudes and prejudices were exploited by destructive elements leading to racial incidents including the riots on 13 May 1969. Therefore there was a need for the country to rededicate itself towards certain goals or ends. In doing so, it was to be guided by certain principles. These ends and principles constitute the declaration of the Rukunegara that reads as follows:

### **PERISYHTIHARAN**

**BAHAWASANYA NEGARA KITA MALAYSIA** mendukung cita-cita hendak mencapai perpaduan yang lebih erat di kalangan seluruh masyarakatnya; memelihara satu cara hidup demokratik; mencipta satu masyarakat yang adil dimana kemakmuran negara akan dapat dinikmati bersama secara adil dan saksama; menjamin satu cara yang liberal terhadap tradisi-tradisi kebudayaannya yang kaya dan berbagai corak; membina satu masyarakat yang progresif yang akan menggunakan sains dan teknologi moden;

**MAKA KAMI**, rakyat Malaysia, berikrar akan menumpukan seluruh tenaga dan usaha kami untuk mencapai cita-cita tersebut berdasarkan atas prinsip-prinsip yang berikut:-

Kepercayaan kepada Tuhan  
Kesetiaan kepada Raja dan Negara  
Keluruhan Perlembagaan  
Kedaulatan Undang-Undang  
Kesopanan dan Kesusilaan

### **DECLARATION (English translation)**

**OUR NATION, MALAYSIA, being dedicated**

to achieving greater unity of all her peoples;  
to maintaining a democratic way of life;  
to creating a just society in which the wealth of the nation shall be equitably shared;  
to ensuring a liberal approach to her rich and diverse cultural traditions;  
to building a progressive society which shall be oriented to modern science and technology;

WE, her peoples, pledge our united efforts to attain these ends guided by these principles:-

Belief in God

Loyalty to the King and Country

Upholding the Constitution

Rule of Law

Good Behaviour and Morality

The last part is a commentary on these five objectives and five principles which explains their meaning in more detail. The following extracts are an explanation of the five principles:

1. This nation has been founded upon a firm belief in God... Islam is the official religion of the Federation. Other religions and beliefs may be practised in peace and harmony and there shall be no discrimination against any citizen on the ground of religion.

2. ... The loyalty that is expected of every citizen is that he must be faithful and bear allegiance to His Majesty the Yang Dipertuan Agung ... Loyalty constitutes the soul of our nationalism. It is inherent loyalty to King and Country which binds together our various races into single, united Nation, Loyalty to other countries is inconsistent with undivided loyalty to this Nation.

3. ... It is a duty of a citizen to respect and appreciate the letter, the spirit and the historical background of the Constitution. This historical background led to such provisions as those regarding the position of the Malays and other Natives, the legitimate interests of the other communities, and the conferment of citizenship. It is the sacred duty of a citizen to defend and uphold the Constitution.

4. Justice is founded upon the rule of law. Every citizen is equal before the law. Fundamental liberties are guaranteed to all citizens. These are liberty of the person, equal protection under the law, freedom of

religion, rights of property and protection against banishment.

The Constitution confers on a citizen the right of free speech, assembly and association and this right may be enjoyed freely subject to limitations imposed by law...

5. Individuals and groups shall conduct their affairs in such a manner as not to violate any of the accepted canons of behaviour which is arrogant or offensive to the sensitivities of any group. No citizen should question the loyalty of another citizen on the ground that he belongs to a particular community... (Rukunegara, 1970).

It should be noted that the second principle puts great emphasis on 'Loyalty to King and Country'. The notion of this "loyalty" or *kesetiaan* in Malay is stressed here because it is a word of great significance in Malay tradition. It also expects that every Malaysian gives his "undivided loyalty" to the country; the notion which had been urged over a decade earlier by the Malay members in the CLC which has been discussed earlier in this thesis. The Malays had always been suspicious of the Chinese and doubted the Chinese loyalty to Malaysia. Thus the question of "undivided loyalty" had long been the major Malay argument against the Chinese. Because of this suspicion among some Malays, the fifth principle of the Rukunegara insists that no one should offend another person by questioning his loyalty on the ground that he belongs to a particular ethnic group. The Malays, therefore, have no right to question the loyalty of the Chinese just because they are Chinese and not Malays.

Its third principle, 'Upholding the Constitution', highlights the need to respect the Constitution and appreciate its historical background. It includes the provisions relating to the National Language, the special position of the Malays and other indigenous groups as well as the legitimate interests of other communities. It also re-states the primary status of the Malays and the same time protects the interests of other communities. In sum, most of the objectives and principles of the Rukunegara are already in the Constitution. But the Rukunegara spells them out in

more understandable terms for everyone, and emphasises a number of important elements which had not been clearly stated in the Constitution. The principles embodied in the Rukunegara are in essence interpreted favourably for both Malays and non-Malays.

Here, the informal ethnic "bargain" which had been agreed upon by the major ethnic leaders before Independence, and which the Constitution was based on, was now being put on record. The first 'contract' which used to be understood as an informal agreement between the ethnic leaders now became a national agreement. The Rukunegara set down the principles which had already been in the Constitution, so that they should be learned and appreciated by the new generation.<sup>71</sup>

#### 5.4 .The Constitution (Amendment) Act, 1971

One outcome of the NCC discussions which had a direct effect on the Constitution and was complemented by the Rukunegara, was the 1971 amendment to the Constitution. The conclusion which the members of the Council arrived at resulted in the Constitution (Amendment) Act that was assented to on and effective from 10 March 1971. When the Parliament reconvened, the Constitution (Amendment) Act was debated and passed by the necessary two-thirds majority. Even though the government did not have a two-thirds majority in the Lower House, some opposition members voted with the government to maintain peace and order in the country.<sup>72</sup>

Since it was concluded that one of the causes of the 13 May riots was the questioning of those Constitutional provisions which constituted the "bargain" during the election campaign, certain measures were taken to prevent such incidents

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<sup>71</sup>School pupils, for instance, are taught about the Rukunegara in schools and the Declaration of the Rukunegara can be found printed at the back of some school exercise books.

<sup>72</sup>When the vote was taken on the Constitution (Amendment) Bill after the debates from 23 February to 3 March 1971 in Dewan Rakyat, the government was supported by Gerakan and PAS as well as political parties from Sarawak: Sarawak United People's Party (SUPP) and Sarawak National Party (SNAP). Only the DAP and PPP opposed it. The majority was 126:17 (*Straits Times*, 4 March 1971). The Bill was later passed by the other House, Dewan Negara, unanimously.

from recurring . In an interview, Tun Dr. Ismail asserted that the younger generation or the new voters among the non-Malays, tended to forget the basis on which Independence was won for Malaysia. He said that,

The only solution I can see is to make them [the non-Malays] understand fully why these special rights and privileges should continue, and to urge them to co-operate with Malays... The Malays [on the other hand] must have absolute confidence that in a Malaysian Malaysia they will not be relegated to unimportant spheres of activity... we should isolate every communal problem from the body politic... and try to redress every imbalance between the various races (Tun Dr. Ismail, *Malaysian Digest*, 14 May 1970).

The elements which comprise the "bargain" before Independence are those provisions which are considered to be "more basic than others" and therefore, are entrenched in the Constitution. They

... represent binding arrangements between the various races in this country... If these entrenched provisions are in any way eroded or weakened, the entire constitutional structure is endangered, and, with it, the existence of the nation itself (*Report of the National Operations Council 1969*, 82-85).

The entrenched provisions included:

- (i) *the whole of Part III* which are provisions relating to citizenship; and even after the Proclamation of Emergency it is provided in Article 150 (6A) that provisions in this Part shall not be suspended or modified;
- (ii) *Article 71* which provides for a Federal guarantee of the Constitution of each State and the rights and prerogatives of the Malay Rulers;
- (iii) *Article 152* which provides for the Malay language to be the National Language and ultimately to be the sole official language;
- (iv) *Article 153* which provides for the responsibility of the Yang Dipertuan Agong to safeguard the special position of the Malays and legitimate interests

of other communities in accordance with the provisions of that Article;

(v) *Article 159* which provides *inter alia* that any amendment to the provisions relating to the Malay Rulers (Article 38, 70 and 71) and the special position of the Malays (Article 153) shall not be passed without the consent of the Conference of Rulers (*Report of the National Operations Council* 1969, 82-83).

The Constitution (Amendment) Act 1971 contained proposals which reflected "not only the thinking of the Emergency Government, but also bear the imprint of the frank and careful deliberations among the members of the National Consultative Council" had two objectives (*Parliamentary Debates on the Constitution Amendment Bill* 1971, xi). The first was to remove sensitive issues or those provisions which are "more basic than others" from the realm of public discussion, and the second was to redress the social imbalance in certain sectors of the nation.

To serve the first purpose, Article 10, which deals with freedom of speech, was amended to give Parliament the power to pass laws prohibiting the questioning of any matter, right, status, position, privilege, sovereignty or prerogative established or protected by the provisions of Part III of the Constitution (citizenship), Article 152 (the National Language), Article 153 (the special position of the Malays and the legitimate interests of other communities), or Article 181 (the sovereignty of the Rulers). Until Parliament actually passed such a law, the Sedition Act as amended during the period of Emergency Ordinance No.45 of 1970, was to apply. By it, the questioning of these subjects made it a "seditious tendency" and it applied to everyone, including members of the legislature questioning the substance of these Articles in Parliament or any State Legislative Assembly.

These changes in the Sedition Act were intended to widen the scope of the offence of sedition and also to exclude the need to prove 'intention'. The prosecution had only to prove that the actions or words had a seditious tendency (Tan Sri Abdul Kadir Yusof, *Malaysian Digest*, 14 Nov. 1970, 2-3).

The Act, however, did not prevent any public discussion of the *implementation* of these provisions since it was not the details of Malay privileges, or the National Language policy, that the government wanted to remove from the debate, but the *principles*, as well as the ethnic conflict which may have resulted from the debates.

To achieve the second objective of the amendments, that is to redress certain "social imbalances" in certain sectors, specifically those that disadvantaged the Malays and other natives in admission to universities, Article 153 of the Constitution was altered to empower the Yang Dipertuan Agung to give directions to any university, college or other post secondary educational institution to reserve such proportions of places for Malays as were deemed reasonable. The intention was to reserve places in those selected areas, such as engineering, medicine and science, where the numbers of Malays and natives were disproportionately small.<sup>73</sup>

Finally, alterations were also made to Article 159, which provided for the amendment of the Constitution in order to avoid a recurrence of the attacks on, and misrepresentation of, some important and sensitive provisions of the Constitution such as had happened during the 1969 election campaign. It was provided that the proposed amendment to Article 10 and any law made thereunder and Articles 63, 72, and 152 as amended should not be modified without the consent of the Conference of Rulers. Similarly, Clause 5 of Article 159 which entrenched these rights and privileges was itself entrenched and could not be modified without the consent of the Conference of Rulers.

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<sup>73</sup>Clause 8A of Article 153 reads that "Notwithstanding anything in this Constitution, where in any University, College and other educational institution providing education after Malaysian Certificate of Education or its equivalent, the number of places offered by the authority responsible for the management of the University, College or such educational institution to candidates for any course of study is less than the number of candidates qualified for such places, it shall lawful for the Yang Dipertuan Agung by virtue of this Article to give such directions to the authority as may be required to ensure the reservation of such proportion of such places for Malays and natives of any of the States of Sabah and Sarawak as the Yang Dipertuan Agung may deem reasonable; and the authority shall duly comply with the directions".



About three weeks before Parliament reconvened, the government issued a White Paper entitled *Towards National Harmony*<sup>74</sup> which spelt out and explained these amendments and outlined the conditions for the end of the Emergency and for the restoration of Parliament (*Straits Times*, 23 January 1971).

### 5.5 The New Economic Policy's Provisions and some of its elements

It was another year after the Report of the Economic Committee had been approved by the NCC that the new Economic Policy (NEP) was publicly announced by the government. The NEP was spelt out in the *Second Malaysia Plan* which was submitted to Parliament in July 1971.

The *Second Malaysia Plan (SMP)* amounted to a substantial departure from its predecessors in terms of national priorities. Fiscal responsibility and economic policies and development continued to be acknowledged as essential goals of planning, but they were subjected to the political criteria formulated by the DNU and guided by the principles of the Rukunegara. The Plan proclaimed that

Under the New Economic Policy, development will be undertaken in such a manner that in the process of growth and expansion, it makes the maximum contribution to the achievement national unity (*SMP* 1971, 3).

Even though the NEP was a "product of the thinking of the Rukunegara", it became more important than the Rukunegara itself since it became the foundation and the yardstick of all economic and social policy of the government up to 1990. Specifically, the policy called for a two-pronged approach,

(a) eradicating poverty by raising income levels and increasing employment opportunities for all Malaysians, irrespective of race. This is to be achieved by programmes aimed at raising the productivity and income of those in low productivity

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<sup>74</sup>It stated that "If important sections of the Constitution — sections pertaining to the delicate compromises among the major races -- are attacked- it will certainly arouse fears and emotions... these vital clause must, in the national interest, be protected from the kind of debate that questions the very principle on which the nation was founded... In order to ensure that in the future the democratic process will not be used to arouse racial feelings..." (Government of Malaysia 1971).

occupations, the expansion of opportunities for inter-sectoral movements from low productivity to higher productivity activities and the provision of a wide range of social services especially designed to raise the living standards of the low-income groups;

(b) accelerating the process of restructuring Malaysian society to correct economic imbalance, so as to reduce and eventually eliminate the identification of race with economic function. Programmes for this purpose include the modernisation of rural life, the rapid and balanced development of urban activities, the establishment of new growth centres and the creation of a Malay commercial and industrial community in all categories and at all levels of operation. The objective is to ensure that Malays and other indigenous people will become full partners in all aspects of the economic life of the nation (*Mid-term Review of the SMP 1973*, 1).

The first prong of the NEP made an inter-ethnic appeal with its promise to eradicate poverty regardless of race. In the spirit of the 1957 "contract", the policy in its second prong pledged that the process of restructuring Malaysian society in order to eliminate the identification of race with economic vocation would take place in an ever expanding economy. To quote Tun Razak in his foreword to the SMP, this was to ensure that "no one will experience any loss or feel any sense of deprivation of his rights, privileges, income, job or opportunity". In this regard, the NEP was not intended for the Malays at the expense of non-Malays. In his speech in Senate on 2 August 1971, Tan Sri Ghazali Shafie asserted that,

During the course of the Plan, the economy will grow at a rapid pace. The dynamics of this growth will provide the resources and the means for the new opportunities for those now without them. There is neither the intention nor the need to rob Peter to pay Paul (Tan Sri Ghazali Shafie, "The Second Malaysia Plan" 1971).

The two prongs of the NEP were not far apart from one another. They were, in fact, inter-dependent and mutually reinforcing in many respects. For instance, measures to improve the economic situation of the Malays whose household income

in Peninsula Malaysia in 1970 was lower than the non-Malays were likely also to help the eradication of poverty in general and in the correcting of ethnic economic imbalances.

The *Second Malaysia Plan (SMP)* pledged the government's commitment to achieve an economic balance which would be conducive to the development of a just and harmonious Malaysian nation. 'Economic balance' here refers to the equitable and legitimate sharing of the rewards --- principally in terms of growing income --- and responsibilities of economic development. The Plan further explains that 'balance' also means

... that those members of the Malaysian society who have benefited relatively little from past development must now be assured ample opportunities to gain a fairer share of the increased goods and services that development brings (SMP 1971, 41).

The second prong of the NEP was to accelerate the process of restructuring the society to correct the economic imbalance. Assessment of the NEP economically is beyond this paper however, since the purpose of this study is to look at some of its elements which had political implications. These elements include: ownership of capital and control of assets; measures to produce Malay managers and other relevant professionals; increasing the number of Malays in other types of employment, including education; and considering the question of Malays and urbanisation.<sup>75</sup>

The target set by the government for Malays and other indigenous people in management and ownership of total commercial and industrial activities in all categories and scale of operation was 30%. This was to be achieved within a period

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<sup>75</sup>The Plan gives three kinds of economic imbalance which are significant when the Malays and other indigenous people are compared with the non-Malays. They exist in the pattern of ownership and control of economic activity, in distribution of income as well as in employment (SMP 1971, 36-41). According to Snodgrass, this might be regarded as "rhetorical redundancy" since jobs and ownership and control of wealth could be considered significant only for the income which they provide. However, the heavy emphasis placed on bringing Malays into modern sector employment in which they have been lightly represented in the past and on carving out a significant Malay share in the ownership and control of wealth suggest that this is not the case. There appears to be strong political motivations which in fact make employment, and the ownership and control of wealth, as significant criteria of economic inequality in their own right (Snodgrass 1980, 66).

of twenty years. The economic imbalance as regards ownership was particularly obvious when the NEP was formulated. This ownership of total commercial and industrial activity was related to the corporate sector and referred to ownership of the share capital of limited companies. In 1970, the total amount of the share capital of limited companies in Peninsula Malaysia was about 63% of the GDP. It was expected that the stock of equity capital would increase at a faster rate than the growth of GDP and those sectors accounting for significant increases would be mining; manufacturing; construction and commerce. The Perspective Plan for the period of 1970 to 1990 specified that in order to attain a more balanced pattern of share ownership, the ratios would be 30% for the Bumiputera, 40 % for the non-Bumiputera and 30% for foreigners by 1990. This was to be achieved by a very high rate of overall growth so that in absolute terms there would be large increases in ownership for each group. The Plan also projected that Bumiputera ownership should amount to 9% by 1975; 16% by 1980; 23% by 1983; and 30% by 1990 (*Mid-term Review of SMP*, 81-88).

The target ratios of 30% and 40% for Bumiputera and non-Bumiputera ownership respectively were to be attained at the expense of foreign ownership. The 64.4% held by foreign interests in 1970 would be steadily reduced to 30% by 1990. Even so, since the process of restructuring was to be undertaken in the context of a rapidly growing economy, and the amount of shares owned by foreigners would still grow at a relatively high rate and would lead to a share capital held by them in 1990 about five times more than in 1970. The growth targets of the Perspective Plan would enable it to expand by about 8% per year during the twenty year period, while the non-Bumiputera ownership of share capital would expand by nearly 12% per year and increase its share of the total to over 40% by 1990, nine times more than the 1970 in absolute terms. Thus in the process of bringing the Bumiputera share to 30%, the government assured the non-Bumiputera that there would be no deprivation of their rights or prospects, and the process would be achieved in the context of an expanding economy (*Mid-term Review of SMP 1973*, 83).

Restructuring of the employment pattern was crucial, because the agriculture sector of the country in which the Malays were predominant produced the lowest output per worker, while the mining, manufacturing and commercial sectors in which the Chinese dominated, accounted for about double to triple the productivity of that in the agriculture sector. Thus the concentration of Malay employment in the low productivity sector led to a difference of about 20% between average Malay and non-Malay incomes per worker (*Mid-term Review of SMP*, 76).

Since it was believed that economic growth itself would not significantly change the 1970 employment pattern in the future, governmental efforts were needed to facilitate inter-sectoral and geographical mobility as well as the acquisition of the necessary skills among Malaysians to bring about an employment balance. The Government statistics showed that in the manufacturing sector in 1970, there were only 7% of Malays in the professional and managerial group compared to 68% Chinese, 4% Indians and 18% foreigners. Additionally, about 46% of Malays in this sector were unskilled compared with 26% and 34% of Chinese and Indians respectively. A similar pattern was also found in the mining and construction sectors (*Mid-term Review of SMP*, 10).

The reconstruction of a balance of employment structure needed to be achieved so that the proportion of the various ethnic groups in employment in the major sectors reflected that ethnic composition of the labour force. In line with the premise of the NEP that the restructuring of society should be undertaken in a manner so that no particular group experienced any loss or sense of deprivation, the Plan projected that as a result of the economic growth, the increase in employment within various sectors --- except mining --- would be sufficient to absorb workers of those particular ethnic groups which were underrepresented within those sectors of the economy. Hence increase in Malay employment in manufacturing and commerce, the sectors in which Malay were underrepresented in 1970, could take place along with increases in employment opportunities for other groups as well.

As regards occupational classification, the Malay share of the professional and technical category was 47%, while the Chinese was 40% and the Indian was 11% in 1970. In the administrative and managerial category, Malays constituted 24% compared to the Chinese who formed 63% and Indians 8% of the total employment in this category. The majority of the Malays were in the agricultural sector and they made up 72% of the total workers in this category while the Chinese and Indians were 17% and 8% respectively (*Fourth Malaysia Plan 1981-1985 (FMP)*, 1981, 59). It should be noted, however, that the professional and technical category included not only the fully professional and technically qualified workers such as doctors, lawyers and engineers but also the sub-technical categories such as laboratory assistants and draughtsman as well as teachers and nurses. Even though there was a high percentage of Malays in this category, the majority of them were teachers and nurses. Thus the relatively high proportion of Malays in this category did not mean that the majority of them were in high-earning professions.

In terms of membership of professional groups in both the private and public sectors, which included professionals such as architects, accountants, engineers, dentists, doctors, veterinary surgeons, surveyors and lawyers, in 1970, there were only 225 (4.9%) Malays who were registered as such professionals compared to 2,793 (6.1%) Chinese and 1,066(23.3%) Indians (*FMP*, 1981, 60). Thus the largest membership of these professional groups came from the Chinese, while the Indians came in second, followed by the Malays. The figures also show that the Malay share of these professional fields was far below their proportion of the total population. The shares of Chinese and Indians of all these professional groups, on the other hand, greatly exceeded their proportions of the total population.

Education and training was one of the key elements of the government strategy to achieve economic balance. As mentioned above, when the NEP was formulated in 1970, the percentage of Malays in the managerial, professional and technical category was relatively low compared to the percentage of non-Malays.

This was due to the educational imbalance, particularly at degree level, that "restricted" the potential supply of Malay managerial, professional and technical personnel. Recognising the crucial role of education and training in this regard, the government proposed to increase the proportion of Malays pursuing courses in science, technology, economics, and business administration and other professional courses (*Mid-term Review of SMP*, 13). This effort was consonant with the Constitutional provision in Article 153 which has been discussed earlier in this chapter.

Before the formulation of the NEP, the responsibility of the Yang Dipertuan Agong to favour disadvantaged Malays and natives of Borneo, provided for by the provision in Clause (2) Article 153, had extended principally to the giving of educational facilities in schools. There had been many Malays getting into schools, but it was later realised that not many of them were getting into university. By law, a university at that time was autonomous and its authorities had the power to decide whom they should admit and whom they should not, when the number of applicants exceeded the number of places available. They made this decision solely on the basis of examination results and did not concern themselves with the effect of their policy on the country (Tun Mohamed Suffian bin Hashim 1972, 312-13). When the NCC was established by the government as a result of the 1969 May 13 riots, the issue of the education imbalance was also brought up by the members of the Council. The imbalance between Malays and non-Malay students in specific courses of studies at institutions of higher learning was discussed by the representatives during the Council's last session. They finally recommended that the Constitution should be amended so that the government would be able to direct the higher learning institutions to admit more Malays and other indigenous people. Thus when Parliament reconvened in 1971, the Constitution (Amendment) Act, 1971 was passed, adding a new clause (No.8A) to Article 153 which, among other things, empowered the Yang Dipertuan Agong to direct universities to admit more Malays and natives of Borneo.

While the country was under NOC rule after the 1969 May 13 riots, a committee under the chairmanship of Tan Sri Dr. Abdul Majid Ismail, who was then the Director of Planning and Research at the Ministry of Health, was appointed on 14 August 1969 to enquire into university affairs and other related problems at the University of Malaya.<sup>76</sup> The results of the Report reveal that in 1959-1960, out of 332 students at the University of Malaya, there were only 62 Malays. Five years later, in 1964-1965, out of 2,225 students, there were only 543 Malays and ten years after that, in 1969-1970, out of 6,672 students, there were 2,373 Malays (*Abdul Majid Ismail Report*, 1971, Table 1, pg.31, as cited in Haris Md. Jadi 1990, 159). Even though there had been an increase in the percentage of Malay students within this ten year period, the increase was very small and did not reflect the proportion of the overall ethnic groups in the country. The results of this Report became more disturbing to the Malay leaders when an analysis was made of the percentages of ethnic groups in each faculty. For instance, according to the analysis, during 1959-1970, there were 6,351 or 42.3% Malays studying in the Arts faculty, compared to 57.7% non-Malays in the same faculty (*Abdul Majid Ismail Report*, 1971, Table 11, pp.32-33, as cited in Haris Md. Jadi 1990, 159). These percentages certainly did not reflect the proportion of the ethnic groups in the country, and their situation was worse in other faculties. In the Science faculty, during 1959-1970, there were only 1,269 Malays out of 12,221 Science students, and in the Engineering faculty, there were just 56 Malays out of 2,847 Engineering students. In both faculties, i.e., Science and Engineering, Malay students constituted only small percentages of the total population at the University of Malaya, i.e., 10.4% and 2% respectively (*ibid.*, 160-61). In addition, the figures also indicated that the Malays were overwhelmingly concentrated in the Arts faculty while the Chinese were in other faculties such as Science and Engineering.

Many factors had contributed to the imbalances between the total numbers of Malay and non-Malay students in the University of Malaya. One of them was the

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<sup>76</sup>The Report is also referred to as *Abdul Majid Ismail Report*.



continuity of the usage of English as a medium of instruction at the university level in the 1960's, which had indirectly discriminated against a large number of Malay students who were from vernacular schools with Malay language as the medium of instruction (Haris Md. Jadi 1990, 158). As a result, the University of Malaya had benefited the non-Malays, many of whom were educated in English schools, more than the Malays.

A key objective of education and training was to provide opportunities for those in the low income group to find employment in better paying occupations and enable them to move up the social ladder (*Fifth Malaysian Plan 1986-1990*, 1986, 189-90). In 1970, the number of Bumiputera enrolled at tertiary level at local universities and colleges was 3,084 which was about 40% of the total enrolment compared to that of the Chinese which was 3,752 (49%) and the Indian 559 (7%) (*Report of the National Economic Consultative Council 1991*, 80). The proportion of Bumiputera enrolment at tertiary level in 1970 thus did not reflect their proportion of the total population.

Since a relatively high proportion of Bumiputera were in the low income group, measures were taken by the government to accelerate their rate of participation in education at various levels by granting them financial assistance such as scholarships and loans. This was in line with the first prong of the NEP that was to eradicate poverty for all Malaysians. Besides that, since the Bumiputera were underrepresented in managerial, professional and technical categories, a certain proportion of university places in the country were reserved for them to rectify this imbalance in employment.

The NEP also aimed to encourage a rapid and balanced growth in urban activities. Measures were to be undertaken to speed up the development of modern commercial and industrial activities in existing rural areas. Malays and other indigenous peoples were to be assisted to participate in urban activities in the towns through a number of governmental institutions. These efforts were essential in order to create an economic balance between the urban and rural areas and to eliminate

the identification of race with vocation and location (*SMP* 1971, 45-46). The increase of Malay participation in urban activities was important in order to create a Bumiputera commercial and industrial community, so that they would also have the opportunity to have their share of modern urban economic life just like other groups. As Tan Sri Ghazali Shafie explained, a Malay would feel "somewhat alienated, somewhat an outsider, simply because he sees so few Malays in shops, restaurants and factories" when he visited the cities. It was therefore important for the Malays to become a visible part of the urban scene so that they would feel a sense of belonging and a sense of participation in the cities and towns in particular and in the modernisation and the development process in general (Tan Sri Ghazali Shafie, *Financial Times Supplement (London)*, 10 February 1971).

Finally, in line with the second prong of the NEP which was to eliminate the identification of race with economic function, the Bumiputera were to be assisted to increase their participation in urban activities. Since the Bumiputera were underrepresented in all sectors of modern economy, measures were to be taken by the government so that the Bumiputera would also have their share of these growing sectors of the economy. How the NEP had dealt with this problem during its given period of time will be discussed in the next chapter.

## Conclusion

As a response to the May 13 ethnic riots, a number of measures were taken by the Malaysian leaders in their efforts to restore public order. The National Consultative Council was set up by the government to find solutions to the pressing ethnic problem faced by the country. After a series of deliberations, the ethnic group representatives of the Council found a general agreement on the Rukunegara, the amendments to the Constitution and the New Economic Policy. The purpose of the Constitutional amendments was to remove sensitive issues from public discussion and criticism. These constituted the provisions in the Constitution which are related to issues of citizenship, national language, the special position of the Malays and the

legitimate interests of the other communities, and the sovereignty of the Rulers. By these amendments, freedom of speech was curtailed and even members of the Legislature were not immune from being prosecuted under the sedition Act for questioning the principles of any matters which are protected by Constitutional provisions. These particular issues are in fact, a written version of the 1957 "contract" or bargain struck by the ethnic group leaders on the eve of Independence. As has been discussed earlier in the previous chapter, the British, before transferring power, insisted that the major ethnic groups should find an agreement on the Constitution. It was not drafted by the representatives of only the Malays but also of the Chinese and Indians. The essence of their bargaining and discussion, during which they had to give and take and compromise, was later spelled out in the Constitutional provisions that constitute the essence of the ethnic bargain are an indication that the non-Malays recognised the special privileges of the Malays as the indigenous group and the latter, in return, gave recognition to the right of the former to participate in the politics, government and administration of the country. Because of this recognition of the non-Malays' participation in the country's politics, government and administration, changes took place in the development of the country since Independence. One of them was the increase in the number of non-Malay voters who had been able to become citizens by the relaxation of the citizenship regulations after Independence, as part of the 'bargain'. With this, came political parties which tended to represent the interests of the non-Malays. The removal of the sensitive issues, which was part of the 'bargain', from the realm of public discussion, was designed to prevent both Malay and non-Malay extremists from harping on about them, especially during election campaigns. It is an irony that the very 'bargain' which had enabled so many non-Malays to have the right to participate in politics, needed also to be protected from the non-Malays who, in a way, had benefited from it. This removal of sensitive issues from public discussion was one of the practices discussed by Nordlinger, a device used by a number of deeply divided societies to regulate their conflicts. In the case of

Malaysia, the Alliance, which comprised UMNO, MCA and MIC or the parties that were involved in the drafting of the Constitution, and a number of opposition parties agreed to the above practice so as to prevent any groups from harping on these issues in future.

A more rigorous step was also decided upon by the leaders to correct certain "imbalances" between ethnic groups in certain sectors of the economy. As a result, an important change took place in the unwritten part of the first bargain, i.e., Malay political supremacy (as the indigenous people of the country) in return for unhindered Chinese and Indian pursuit of economic interest and their dominant role in the economy. This part of the bargain, according to Lijphart, was an example of proportionality --- one of the complementary consociational devices followed by the Alliance --- when political and economic spheres are considered together. After the May 13 incident, however, this part of the bargain was replaced by the NEP under which targets were set to be achieved by each ethnic group in its acquisition of the country's wealth, i.e., the Malay share was set at 30%, non-Malay 40%, and foreign 30%.

The leaders' efforts to improve the social and economic conditions of the Malays also led to the reservation of university places for Malay students in order to increase their number in certain sectors of employment. It is a form of positive discrimination to help the Malays, the majority of whom were the poorest group. Consequently, the matters which were agreed upon by the members of the National Consultative Council, such as the Constitutional amendments which were later passed by the Parliament and the NEP, and which were later formulated by the bureaucrats, were in a way, a promise to the people that the first ethnic 'bargain', especially on the Malay part, would be carried out by the Alliance government and at the same time, nothing would be taken away from the non-Malays.<sup>77</sup>

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<sup>77</sup>For discussion of how this promise was fulfilled, in education, see Chapter Six.

## CHAPTER SIX

### THE RULING COALITION AND THE NEW ECONOMIC POLICY

#### 6.1 The Ruling Multi-Ethnic Coalition Party and Malay - Non-Malay Differences

Approximately six months after the Parliament reconvened, Tunku Abdul Rahman officially stepped down in favour of Tun Razak. Tun Razak knew that he could no longer depend on the old Alliance to guarantee stability after the May 13 event. Thus, he proposed a larger alliance to include the main opposition parties to ensure a broader base of support for the government. Under the leadership of Tun Razak, the period between 1970 and 1974 saw an extensive coalition-building effort in Malaysia.<sup>78</sup> The Sarawak United People's Party (SUPP) was brought into the Alliance after elections resumed in Sarawak in 1970. Then the Gerakan and the Alliance agreed to form a coalition in Penang. A similar process took place with the People's Progressive Party (PPP) in Perak. Later PAS was also incorporated into the coalition. On 1 June 1974, the Barisan Nasional was given a certificate of registration by the Registrar of Societies and hence became a legal functioning party (*The Star*, 2 June 1974). But there were reports which said that discussions between Tun Razak and the leaders of the coalition parties had been held earlier in the same year to work out a strategy and platform for the next general election (*Straits Times*, 18 January, 16 and 17 February, 15 and 23 March 1974).

There were nine political parties in the Barisan Nasional when it was formed: UMNO, MCA, MIC, PAS, PPP and Gerakan in Peninsular Malaysia and the SUPP, Parti Pesaka Bumiputera Bersatu (PBB) and Sabah Alliance Party in Sarawak and Sabah. The 1974 General Election was viewed as a test of people's support for the Barisan Nasional. On the nomination day on 8 August 1974, 47 Barisan parliamentary candidates and 43 state candidates were returned unopposed (*Straits Times*, 9 August 1974). When the results of the elections were announced,

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<sup>78</sup>For detail account on this coalition-building, see Mauzy (1983), 55-74; (1978), 200-42.

the Barisan had passed its test. Table 4 shows that at the parliamentary level, it had won 104 of the 114 seats, while 9 seats went to the DAP and 1 to Pekemas. The Barisan majority in Parliament was overwhelming. It won 59% of the popular vote, but this figure would have been higher because no votes were tallied for the 47 seats it won uncontested (Mauzy 1978, 278). This success cemented the component parties together for a time. On the opposition side, the DAP won 18.3% of the popular vote (Means 1991, 34). The results of the elections shows that the

TABLE 4  
RESULTS OF PARLIAMENTARY ELECTIONS, 1974

Party Parliamentary	No. of Seats	No. of Seats	% of Total
	Contested	Won	Seats
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Barisan Nasional for Peninsular Malaysia			
UMNO	61	61	39.6%
MCA	23	19	12.3%
MIC	4	4	2.6%
Gerakan	8	5	3.2%
PPP	4	1	0.6%
PAS	14	14	9.19%
Peninsular Total	114	104	67.5%
Barisan Nasional Total	154	135	87.7%
-----			
The Opposition for Peninsular Malaysia			
DAP	46	9	5.8%
Pekemas	36	1	0.6%
Peninsular Total	82	10	6.5%
Opposition Total	106	19	12.3%
-----			
Independent/Others	56	0	0.0%
-----			
Total Parliamentary Seats		154	100.0%

Sources: Means, Gordon P. 1991. *Malaysian Politics: The Second Generation*. Singapore: Oxford University Press, p.34; Leong, Choon Heng. 1991. Late Industrialization along with democratic Politics in Malaysia. Ph.D diss., Harvard University, p.118.

Malays gave their total support to the Barisan when both UMNO and PAS managed to win all the seats they contested (61 and 41 seats respectively).

On 14 January 1976, Tun Razak died of acute leukaemia and Tun Hussein Onn, the Deputy Prime Minister, was sworn in as the third Malaysian Prime Minister the next day (*New Straits Times*, 16 January 1976). Tun Hussein Onn later named Dr. Mahathir Mohamad as his Deputy on 5 March 1976 (*New Straits Times*, 6 March 1976). The choice was unexpected because Dr. Mahathir was behind Encik Ghafar Baba, one of the UMNO vice-presidents, in party seniority and had been stereotyped as a Malay radical by many non-Malays. Dr. Mahathir had been expelled from UMNO in 1969 for criticising Tunku Abdul Rahman for giving in too much to the Chinese, and not doing enough for the Malays. His return and rise through the party and government ranks had the effect of "bruising to the sensitivities of some of the 'old guard' in UMNO" (Milne and Mauzy 1978, ch. 7). The new Cabinet retained its essential representativeness, and the MCA, MIC and PAS each gained a new full Minister.<sup>79</sup> The Barisan Nasional partners in 1976-1977 went through the process of "adjusting to one another" as well as adjusting to the change of leadership (Mauzy 1978, 335). But in December 1977, following a crisis in Kelantan State Assembly, PAS announced that it considered itself expelled from the Barisan and has ever since been in opposition.

As regards the non-Malay components of the Barisan Nasional, the MCA and MIC in 1970's assumed their traditional position as the major non-Malay partners in the Alliance and were fully reconciled to the Barisan Nasional. With the implementation of the NEP, the parties concentrated on the economic issues, particularly on plans to ensure that the non-Bumiputera achieved the figure target of 40% share of economic wealth by 1990.

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<sup>79</sup>The breakdown of the Cabinet under Tun Razak was: UMNO 12, MCA 3, MIC 1, PBB 1, SUPP 2, USNO (Sabah Alliance) 2, and Gerakan was given a deputy ministership (*New Straits Times*, 6 September 1974). Under Tun Hussein Onn, the Cabinet breakdown was: UMNO 12, MCA 4, MIC 2, SUPP 1, PBB 1, PAS 2, USNO 1 and Gerakan 2 Deputy Ministerships (*New Straits Times*, 6 March 1976).

The Malay - non-Malay relationship within the coalition was not without unhappiness, however. Dissatisfaction between Malays and non-Malays, particularly between Malays and Chinese, arose primarily over government policies. Extremists among the youth groups in UMNO and PAS often felt that even under the NEP, the economic progress of the Malays was still slow while the non-Malays on the other hand were increasingly uneasy over government intervention in the economy to help the Bumiputera. They were concerned with the implementation of the ICA and the government-run business organisations, which they saw as encroaching on their traditional domain of commerce. In education, dissatisfaction among the non-Malays grew because of the limits on the number of places in local higher institutions for the non-Malays due to the increased intake of Malay and other Bumiputera.

These dissatisfactions were reflected in the resolutions passed by several MCA divisions in the late 1970's urging the national leadership to fight harder to protect Chinese educational and economic interests. At the MCA's twenty-fifth General Assembly in August 1977, Datuk Lee San Choon, the MCA president declared that extremism had no place in the country, and added that the continuing concern of the MCA was whether the common sense and goodwill displayed by Tunku Abdul Rahman and Tun Razak in the past, and Tun Husein Onn at the moment, would continue to prevail with the future national leadership. Tun Husein Onn, who delivered his address to the assembly the following day, reaffirmed the government's intention to fulfil its promise to the people and that it was trying to be as fair as possible to every community. But he added that in a multiracial country, each community often felt that it was neglected and discriminated against and such perceptions caused distrust and conflict (*New Nation*, 29 August 1977 as quoted in Ismail Kassim 1979, 18).

The general elections of 1978 were held on 8 July. On the opposition side, only the DAP and PAS stood out as credible opponents to the Barisan. As in the 1974 general elections, the DAP was handicapped because of the prohibition of any



discussion of sensitive issues such as indigenous special rights, and this put constraints on its campaigning style.

The DAP manifesto theme was that unity had not been achieved and that democracy was being subverted by the Barisan. It also announced DAP support for Merdeka University, a controversial issue which will be discussed later in this chapter, and attacked the falling standard of education, the lack of opportunities for higher studies, and the insecure future of the Chinese and Tamil languages. It also attacked the MCA as ineffective in representing the Chinese community in the government (Ismail Kassim 1979, 51-3).

Knowing well that the opposition would attack along communal lines, the Barisan Nasional in its manifesto pledged that it would, in line with the NEP, with its two-pronged strategy of eradicating poverty and restructuring society, give special attention to the padi planters, smallholders, fishermen, estate and mining workers, residents of New Villages, rural and urban poor, agricultural workers and shifting cultivators, and petty traders and hawkers. It also promised to expand employment and give additional provision of low-cost housing. In answer to non-Malay discontent at the policy which favoured the Bumiputera in student intake into local educational institutions, the programme pledged that it would continue to improve the quality of education and expand the opportunities for education at all levels. In brief, the Barisan Nasional programme seemed to appeal to all ethnic groups (*Barisan Nasional Manifesto* 1978).

Table 5 shows that the Barisan won 94 out of 113 seats contested at the Parliamentary level in Peninsular Malaysia, only 10 seats less than when PAS was in the coalition in 1974. UMNO was responsible for the overall victory of the coalition since it managed to secure 69 of the 74 seats it contested, while the MCA won 17 of the 27 seats; Gerakan 4 of the 6 seats and MIC 3 of the 4 seats. The Barisan won 57.5% of the parliamentary votes; the DAP won 19.2% and PAS won 15.5% of the votes (Crouch 1982, 58). Not unexpectedly, the non-Malay partners

TABLE 5

## RESULTS OF PARLIAMENTARY ELECTIONS, 1978

Party Parliamentary	No. of Seats	No. of Seats	% of Total
	Contested	Won	Seats
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Barisan Nasional for Peninsular Malaysia			
UMNO	74	69	44.8%
MCA	27	17	11.0%
MIC	4	3	1.9%
Gerakan	6	4	2.6%
PPP	1	0	0.0%
Non-party	1	1	0.6%
Peninsular Total	113	94	61.0%
Barisan Nasional Total	154	131	85.1%
-----			
The Opposition for Peninsular Malaysia			
DAP	53	16	10.1%
PAS	89	5	3.2%
Pekemas	1	0	0.0%
SDP	1	0	0.0%
KITA	1	0	0.0%
PPM	1	0	0.0%
Peninsular Total	146	21	13.6%
Opposition Total	179	22	14.3%
-----			
Independent/Others	93	1	0.6%
-----			
Total Parliamentary Seats		154	100.0%

Sources: Means, Gordon P. 1991. *Malaysian Politics: The Second Generation*. Singapore: Oxford University Press, p.68; Leong, Choon Heng. 1991. Late Industrialization along with democratic Politics in Malaysia. Ph.D diss., Harvard University, p.118.

within the Barisan suffered setbacks at the hands of the DAP, whose victories were because of the Chinese dissatisfactions over the NEP implementation, which was seen as favouring the Malays, particularly over the issue of places in the local universities.

During the UMNO Assembly held between 15 and 17 September 1978, Datuk Musa Hitam announced that the Government had rejected the proposal of the Chinese community to establish Merdeka University, which was seen only to cater for one group, namely, students from Chinese medium schools.<sup>80</sup> Datuk Musa explained that the delay in announcing the decision after the elections was a deliberate attempt to avoid it from being turned into a political issue during the election campaign. The non-Malay parties in the Barisan were caught in a dilemma by this public announcement and none had yet come out with a clear-cut stand on the issue. Tun Hussein Onn's agreement to give the issue a full parliamentary debate later in October however helped to ease the tension a little. But the planned debate never took place, since the DAP withdrew its resolution. By that time, the MCA however was clear in its stand on the issue. Datuk Lee San Choon announced that the MCA opposed the establishment of the Merdeka University and that it would try to ensure the Chinese more opportunities for higher education. This issue of Merdeka University will be discussed further later in this chapter.

In May 1981, Tun Hussein Onn, while recovering from illness, announced his intention to step down as Prime Minister and UMNO president (*FEER*, 8 May 1981, 10-11). Then in July the same year, Dr. Mahathir became the fourth Prime Minister after the resignation of Tun Hussein Onn. The early 1980's also saw conflicts between Malay and non-Malay interests when non-Malay organisations came into competition with government organisations in acquiring foreign corporations. Basically, it was frequently argued by Malays that new Chinese investment was contrary to the NEP on the grounds that the figure target of 40% for the non-Malays had already been fulfilled by 1980, whereas the Chinese maintained that a continuing extension of their investment was necessary to retain their overall 40% share in the expanding economy of the country.

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<sup>80</sup>There have been non-Chinese students studying in Chinese medium schools in Malaysia but their number has been very small.

On 22 April 1982, general elections were held and the Barisan Nasional adopted the slogan of "clean, efficient and trustworthy government". This slogan featured prominently in the '2-M' Administration, a term which referred to the partnership of Dr. Mahathir and the deputy premier, Datuk Musa Hitam. Just as in the previous general elections in 1974 and 1978, the election campaigning period

TABLE 6  
RESULTS OF PARLIAMENTARY ELECTIONS, 1982

Party Parliamentary	No. of Seats	No. of Seats	% of Total
	Contested	Won	Seats
-----			
Barisan Nasional for Peninsular Malaysia			
UMNO	73	70	45.5%
MCA	28	24	15.6%
MIC	4	4	2.6%
Gerakan	7	5	3.2%
Berjasa	2	0	0.0%
Peninsular Total	114	103	66.9%
Barisan Nasional Total	154	132	85.7%
-----			
The Opposition for Peninsular Malaysia			
DAP	63	9	5.8%
PAS	82	5	3.2%
SDP	1	0	0.0%
PSRM	4	0	0.0%
Pekemas	1	0	0.0%
PUSAKA	2	0	0.0%
Peninsular Total	153	14	9.1%
Opposition Total	164	14	9.1%
-----			
Independent/Others	61	8	5.2%
-----			
Total Parliamentary Seats		154	100.0%

Sources: Means, Gordon P. 1991. *Malaysian Politics: The Second Generation*. Singapore: Oxford University Press, p.89; Leong, Choon Heng. 1991. Late Industrialization along with democratic Politics in Malaysia. Ph.D diss., Harvard University, p.119.

was short, only fifteen days. This was clearly designed to reduce the danger that campaign rhetoric would increase inter-racial antagonism. The government also banned all public election rallies to reduce potential election violence, but allowed *ceramah* or discussion meetings in private homes or semi-public places. "Sensitive issues" were not directly raised by the opposition because of the restrictions of the Sedition Act. Table 6 shows the results of the 1982 Parliamentary election. The distribution of seats at Parliamentary level was as follows: Barisan Nasional managed to secure 103 seats for Peninsular Malaysia, which included 70 seats won by UMNO, 24 by the MCA, 5 by Gerakan, 4 by the MIC; on the opposition side, PAS won 5 seats, the DAP 9 seats, and Independents 8 seats. In terms of the popular vote, the Barisan obtained 60.5% of the votes cast; the DAP won 19.6% and PAS won 14.5% (Crouch 1982, 58). Thus, the 1982 election results again provided an unequivocal mandate for the Barisan Nasional to form a new government.

In the mid 1980's, Malaysia began to feel the impact of the world recession. Because of the lack of expansion in the economy, there was a scarcity of those resources which had been cushioning the ethnic conflicts and grievances that had been faced by the country since Independence. The sluggish economy prompted Dr. Mahathir to state that the NEP would be "held in abeyance". This statement, coupled with the imminent expiry of the NEP in a few years' time, led to public concern about the future direction of post-1990 policy.

In addition, critics of the Government policy became more vocal. In order to stifle dissent, more coercive measures were used against government opponents. Besides the Sedition Act, among other legislation which has been most criticised as infringing individual rights is the Internal Security Act, 1960 (ISA), which was revised and amended in 1972 and 1975. It gives the Minister of Home Affairs powers to impose preventive detention for up to two years without trial for anyone 'acting in a manner prejudicial to the security of Malaysia'. Police are given powers

to arrest without warrant and detain almost anyone for a maximum of 60 days. The offences under this Act are non-bailable. Other legislation which was criticised as censorship by the government over the press were the Printing Presses and Publication Act of 1984 and the Official Secrets Act of 1984.<sup>81</sup> The former gave powers to the Minister of Home Affairs to grant or withdraw a printing licence without cause, and the only appeal was directly to the Yang Dipertuan Agung who was subject to the advice of his ministers. The Official Secrets Act of 1984, which amended an earlier act of 1972, defined as a secret any information entrusted to a public official in confidence by another official. It covered all Government activities and no official information was allowed to be communicated without permission and that official information could not be 'used' or 'retained' by any unauthorised persons.

The second general election under the leadership of Dr. Mahathir was held on 2 and 3 August 1986, with a nine day campaign period. During campaigning, among other things, the DAP attacked the Barisan on the unfair distinction made in policy between Bumiputera and non-Bumiputera and called for the termination of the NEP and its policy of Bumiputera quotas in 1990. It called the voters to deny the Barisan Nasional its two-thirds majority so as to restore democracy and fundamental rights in Malaysia. It promised to fight for the repeal of the "repressive laws" such as the ISA, the Official Secrets Act, the Printing Presses and Publications Act and the Universities and University Colleges Act. It also called for the repeal of Section 21(2) of the 1961 Education Act, which provided for conversion of Chinese and Tamil schools to national type schools which use Malay language as the medium of instruction. It also asked for more universities and the approval for the establishment of private universities, and called for a multicultural policy that would reflect the cultural diversity of the country (*DAP Manifesto* 1986). The Barisan Nasional on the other hand stated that it needed a two-thirds majority in Parliament in order to ensure stability in a multi-racial Malaysia and to

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<sup>81</sup>For some criticism of these statutes, see *Human Rights in Malaysia* (n.d.).

TABLE 7

## RESULTS OF PARLIAMENTARY ELECTIONS, 1986

Party Parliamentary	No. of Seats	No. of Seats	% of Total
	Contested	Won	Seats
-----			
Barisan Nasional for Peninsular Malaysia			
UMNO	83	83	47.2%
MCA	32	17	9.7%
MIC	6	6	3.4%
Gerakan	9	5	2.8%
Hamim	2	1	0.6%
Peninsular Total	132	112	63.6%
Barisan Nasional Total	180	148	84.1%
-----			
The Opposition for Peninsular Malaysia			
DAP	54	19	10.8%
PAS	95	1	0.6%
SDP	19	0	0.0%
Nasma	4	0	0.0%
PSRM	4	0	0.0%
Peninsular Total	176	20	11.4%
Opposition Total	193	25	14.2%
-----			
Independent/Others	1	0	0.0%
Independent Total	40	3	1.7%
-----			
Total Parliamentary Seats		176	100.0%

Sources: Means, Gordon P. 1991. *Malaysian Politics: The Second Generation*. Singapore: Oxford University Press, p.186; Leong, Choon Heng. 1991. Late Industrialization along with democratic Politics in Malaysia. Ph.D diss., Harvard University, p.119.

bring the country out of the present recession. The Barisan manifesto emphasised moderation, inter-communal consultation and benefits for all groups. It condemned extremism and balanced the demands of the different ethnic groups. It pledged to expand and improve existing opportunities and learning institutions at every level and suggested that the Chinese and Tamil schools would be allowed to continue to

exist. It also pledged that whatever was worked out for the post-1990 era would be worked out only after "the fullest consultation of all segments of society" and that it would be the outcome of the widest national consensus (*Barisan Nasional Manifesto* 1986). Even though the Barisan manifesto stressed moderation, the campaigning itself concentrated heavily on ethnically-sensitive issues such as the future of Chinese education and the NEP.

Table 7 shows that in the 1986 Parliamentary elections, the Barisan won a two-thirds majority with 112 seats in the peninsula: UMNO won 83, MCA 17, MIC 6, Gerakan 5, Hamim 1; and 36 seats for Barisan components in Sabah and Sarawak. On the opposition side, the DAP won 19 seats and PAS 1. UMNO did very well and managed to capture 47.2% of the seats but the MCA did poorly and was able to secure just 9.7% of the seats. The Barisan won 55.82% of the votes cast in the National Parliamentary Election as compared to 60.5% in 1982. The DAP obtained 20.4% as compared to 19.6% in 1982 and PAS won 15.1% as compared to 14.5% in the previous elections (Ramanathan and Mohd Hamdan Adnan 1988, 53). The overall results of the elections shows the popular vote for the Barisan declined from the previous elections while the performance of the DAP and PAS, on the other hand, improved.

The UMNO-MCA relations has been bumpy --- what the media called "sporadic snowballs" --- since the 1986 general elections (*Malaysian Business*, 16 August 1987). This long-standing relationship has been marred by disputes over a series of issues which have taken on ethnic overtones. Datuk Najib Tun Razak has admitted that,

It's [UMNO-MCA relations] been a running battle in a sense. The MCA has upset the grassroot members of the Youth and, by extrapolation, the feelings of the Malays themselves, by harping on issues that are sensitive to us. Three things especially --- the New Economic Policy, the pribumi issue and the recent DTC thing. The latter issue was in bad taste ... (An interview with Datuk Najib Tun Razak, *Malaysian Business*, 16 July 1987, 12).



The formation of Deposit Taking Co-operatives (DTCs) was promoted by the MCA as a strategy to increase Chinese investment in the economy. The money saved by the Chinese in these DTCs could then be invested in the many business ventures and money-making schemes that were being promoted through the MCA's corporate empire managed by Multi-Purpose Holding Berhad (MPHB). The downturn of the economy in the 1986, coupled with massive financial losses and fraud associated with Tan Koon Swan case, had caused the MPHB to be reorganised and depositors received about \$ 0.41 for every ringgit invested. In addition, after the 1986 elections, 23 of the DTCs which were sponsored by the MCA were suspended for insolvency. By early 1987, 35 DTCs had their deposits frozen. By the time they were suspended, these DTCs had collected deposits of M\$ 1.5 billion and the directors of the DTCs were found out to have somehow managed to lose M\$ 673 million of that sum before the central bank, Bank Negara, had stepped in (*FEER*, 5 March, 54-5 and 2 April 1987, 22-3).

The depositors understandably wanted a full ringgit-for-ringgit refund of their deposits. The MCA was insistent that the Government provide some bail-out to save the investments of the depositors who were rank-and-file Chinese and included many thousands of its supporters.<sup>82</sup> The MCA brought up the issue of how the government had rescued Bank Bumiputera and Bumiputera Malaysia Finance when they lost over \$2.5 billion Malaysian Ringgit in the Hong Kong property market, as well as Perwira Habib Bank and Bank Rakyat which lost the government guarantee of their financial protection to depositors. They argued that the same assistance which had been provided for these Bumiputera institutions should also be given to the Chinese institutions (Means 1991, 207).

The MCA proposed to the Cabinet a ringgit-for-ringgit rescue scheme which would have involved \$1.4 billion Malaysian Ringgit in government loans to be transferred to the DTCs to secure the funds of the 588,000 depositors, almost all of

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<sup>82</sup>It was also said that since one out of every three Chinese households was involved, every political party that needed Chinese electoral support climbed on the "bandwagon" (*Malaysian Business*, 16 July 1987, 7).

whom were MCA members (*FEER*, 9 July 1987, 13-14). Friction occurred between the MCA and UMNO Youth leaders, who called for the expulsion of Datuk Lee Kim Sai, the MCA deputy president and Labour Minister, whom they had identified as the key 'troublemaker' (*Malaysian Business*, 16 July 1987, 7-10). Agreement however was reached on the broad outlines of a rescue package which provided for depositors to be guaranteed some refunds by 1990. The existing assets were to be refinanced in such a way that funds would be recovered gradually as the stock assets held by the DTCs recovered their value. The government extended concessionary soft loans and tax credits and arranged a reorganisation of the 13 DTCs with the biggest deficits so that the depositors could receive about 50 percent of their deposits in cash by 1990. Incentives were also offered to the depositors to keep their investments with the DTCs in expectation of greater returns later (*FEER*, 16 July 1987, 83, 11 February 1988, 52).

In late 1987, another contentious issue added to the tension between Malays and Chinese. This was a result of a dispute between the Education Ministry and a powerful Chinese education lobby over the decision of the Ministry to send administrators who did not have any formal Chinese education qualifications to some Chinese schools as senior assistants (*Keesing's Contemporary Archives*). Many Chinese saw it as a violation of the 1986 election manifesto pledge and also as a move to change the character of the Chinese schools and possibly eliminate Chinese-medium primary schools. When the dispute couldn't be resolved, both sides, the Malays and Chinese, resorted to an exchange of warnings and threats. The MCA decided to join forces with the DAP and fifteen Chinese associations over the issue. A meeting attended by some 2000 people was held on 11 October 1987 and speeches delivered at the meeting threatened a Chinese school boycott in four west coast states between 15 to 17 October if the Education Ministry did not withdraw its decision by 14 October.<sup>83</sup> To resolve the issue, the Deputy Prime

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<sup>83</sup>An MCA leader and a Labour Minister Lee Kim Sai also joined the rally and among the Chinese associations attending the rally were the United Chinese School Teachers Association (UCSTAM) and United Chinese School Committees Association (UCSCAM).

Minister Encik Ghafar Baba, acting for the Prime Minister who was abroad, chaired the weekly cabinet meeting on 14 October and set up a five-man committee. The committee was headed by Anwar Ibrahim, with leaders from the MCA and other component parties as members, in order to find a solution. No specifics were offered but it was agreed that the matter would be "ironed out" by the end of the year. The MCA called off the school boycott the same evening. But the Chinese educationists in Penang voted to go through with the boycott which lasted for two days. An UMNO Youth rally was organised and took place at Jalan Raja Muda stadium with the participation of 15,000 Malays on 17 October 1987 (*FEER*, 29 October 1987, 14 and 21; 19 November 1987, 14-15). Another bigger rally was also planned by UMNO on 1 November 1987 to put pressure on Dr. Mahathir not to make any concession to those who defended non-Malay interests. However, on 27 October 1987, 63 people<sup>84</sup> were arrested under the ISA because, as explained by Dr. Mahathir, "The government cannot wait until riot flares up before taking action" (*FEER*, 5 November 1987, 14). The UMNO rally which was scheduled on 1 November was banned and the number of detainees under the ISA was increased to 106. Among them were 16 leaders from DAP, 9 from PAS, 8 from the MCA, 5 from Gerakan, 3 from UMNO and 1 from the PSRM (*FEER*, 12 November 1987, 12-14; 19 November 1987, 16). By December however, of the original 106 ISA detainees, 55 had been released, eight were placed under restricted residency, two were banished from their district and eight were under investigation, while those who remained were given extended detention sentences and accused of inciting ethnic and religious unrest (*FEER*, 7 January 1988, 13-14).

The government also banned three newspapers --- *The Star*, an English language daily, *Sin Chew Jit Poh*, and *Watan*, a Malay language bi-weekly. The three newspapers were noted for a degree of independence in reporting and

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<sup>84</sup>On the night of the arrests, the MCA sent the controversial Labour Minister Lee Kim Sai on extended leave, and he flew to Australia. This was seen as an effort to remove one of the contentious personalities from the scene, since the minister's resignation had been demanded by the UMNO because of his stand on Chinese education (*FEER*, 5 November 1987, 14).

sometimes for their criticism of the Government. By late March 1988, however, the Home Ministry issued new publishing licences to these three newspapers which it had earlier banned for having allegedly incited ethnic tension (*FEER*, 24 March 1988, 12-13, 7 April 1988, 36-7).

A month after the ISA arrest and the ban of the newspapers, Dr. Mahathir explained that

... people were saying things that were racist in character. That is not damaging so long as the audience is small. But --- pardon my saying so --- the newspapers play up these things. Certain newspapers concentrate almost exclusively on racial issues. When you write and publish such things, you are bound to cause tension. Action invites reaction and it goes all the way through. The thing escalates. In the past, other papers had been careful to avoid such journalism. But thinking they were missing out they joined the fray and got racist as well. So it mounted (*New Straits Times*, 1 January 1988).

The year 1987 also saw a battle between two groups within UMNO contesting for the party top leadership. In the UMNO General Assembly of April 1987, the two contending factions were dubbed as 'Team A' headed by Dr. Mahathir and 'Team B' led by Tengku Razaleigh.<sup>85</sup> When the result was announced, Dr. Mahathir had won by 761 to 718 votes over Tengku Razaleigh, with a 43-vote margin for the UMNO Presidency. Ghafar Baba from Team A had defeated Musa Hitam with a vote of 739 to 699 and a 40-vote margin for the party Deputy Presidency (*FEER*, 7 May 1987, 12-15; *New Straits Times*, 24 and 25 April 1987).

Later, a suit was made by 11 UMNO members representing Team B who claimed that 78 delegates to the 24 April UMNO elections had been involved in voting illegalities and that 53 UMNO branches were unregistered. The plaintiffs sought to have the court nullify the last UMNO election and order new elections. After several unsuccessful negotiations between the factions, by 19 October 1987, Team B plaintiffs decided to continue their suit for a final court judgement (*New*

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<sup>85</sup>For further study of UMNO, see Ahmad Fauzi Mohd. Basri (1993).

*Straits Times*, 20 October 1987). The court, however, did not, as Team B hoped, merely nullify the UMNO election and order new elections, but declared UMNO an 'illegal society' for having unregistered branches. Therefore, it dismissed the suit of the UMNO 11 (*New Straits Times*, 5 February 1988). Later in the same month, however, Dr. Mahathir announced that a new party, UMNO 'Baru' or 'New' UMNO had been registered (*New Straits Times*, 17 February 1988; *FEER*, 3 March 1988, 14-15).

The 1990 general elections were held on 21 October in Peninsular Malaysia while those in Sabah and Sarawak were on 20 and 21 October (*Keesing's Contemporary Archives*). The Barisan manifesto emphasised its past record of producing stability and harmony between the ethnic groups and stressed the moderate stand taken by the component parties in the developing nation. The national interest had been given priority over demands by small sections of the society, and it highlighted several achievements made by the government such as the 9% economic growth attained after the recession in 1985-1986. It pledged to increase job opportunities and incomes, continue to develop rural areas including estates and New Villages, and guarantee that Chinese and Tamil schools would continue as they were. It also reminded the electorate that it was not easy to govern a nation with different ethnic groups, religions, languages and cultures but that the Barisan had had a past record and experience in successfully governing Malaysia. Thus, voting Barisan would mean a continuity of peace, stability and prosperity (*Barisan Nasional Manifesto 1990*).

The Opposition was grouped into 'Gagasan Rakyat' or 'People's Might' and 'Angkatan Perpaduan Ummah' (APU) or 'United Community Force'. A key and connecting role in the opposition forces was played by 'Semangat 46' ('Force 46'), which comprised members of 'Team B' of old UMNO, which had effectively become defunct since 1987.<sup>86</sup> Gagasan Rakyat comprised Semangat 46, DAP,

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<sup>86</sup>The title 'Semangat 46' (Force 46) reflected the assertion of the 'Team B' leaders of UMNO (see pg.182 above) that they represented the true spirit of the original UMNO that had been formed in 1946.

PRM, and two other small parties --- the All Malaysia Indian Progressive Front (AMIPF) and the Malaysian Solidarity Party (MSP) --- with Tengku Razaleigh Hamzah, president of Semangat 46, as its leader. APU on the other hand consisted of Semangat 46, PAS, Berjasa and Hamim. Unlike the partners in the Gagasan Rakyat who let Semangat 46 play the leadership role, PAS regarded Semangat 46 as an equal partner in APU (Khong Kim Hoong 1991, 10). Despite their differences, the opposition parties managed to produce their coalition manifesto by agreeing on common issues. They called on the voters to 'Save Malaysia' by not voting the Barisan Nasional for a change for the better. They claimed that in the past, there had been an abuse of power by the Barisan, and blamed the ruling coalition for the sufferings of the people, authoritarian rule and violations of human rights, corruption and indulgence in money politics, disunity, and manipulation of religious differences in the country (The Opposition Manifesto 1990). Among their promises to the voters were to: abolish corruption and money politics, prohibit political donations by businessmen and business investments by political parties, repeal all repressive laws, lower repayments for FELDA settlers, increase subsidies for rice farmers, increase allowances for civil servants, repeal the ICA, eliminate highway tolls, road tax and TV license fees, provide greater access to education generally, increase the opportunities for getting higher education in the country, advance the Malay language as the national and common language and ensure that the other languages were well taught and developed (The Opposition Manifesto 1991).

The Opposition's programme did not say very much about ethnic compromise except in the areas of education and language. Even here their promises --- to increase places for higher education in the country, and to advance the use of the Malay language as the official and common language while ensuring the development of other languages --- did not differ markedly from what had been done by the Barisan Nasional government. The alliance of the opposition parties can

thus be said to be an electoral pact rather than a party that proposed any basic debate on ethnic issues.

TABLE 8  
RESULTS OF PARLIAMENTARY ELECTIONS, 1990

Party Parliamentary	No. of Seats	No. of Seats	% of Total
	Contested	Won	Seats
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Barisan Nasional for Peninsular Malaysia			
UMNO	85	70	38.9%
MCA	32	18	10.0%
MIC	6	6	3.3%
Gerakan	9	5	2.8%
Peninsular Total	132	99	55.0%
Barisan Nasional Total	166	127	70.6%
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The Opposition for Peninsular Malaysia			
DAP	40	18	10.0%
PAS	30	7	3.9%
Semangat 46	60	8	4.4%
PRM	3	0	0.0%
Peninsular Total	133	33	18.3%
Opposition Total	179	53	29.4%
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Independent/Others	16	0	0.0%
Independent Total	65	0	0.0%
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Total Parliamentary Seats		180	100.0%

Source: *Information Malaysia 1994 Yearbook*. 1994. Kuala Lumpur: Berita Publishing Sdn. Bhd., pp. 440-53; *Report on the Malaysian General Election 1990*. 1992. Malaysian Government, pp. 41-44.

Table 8 shows that in the 1990 Parliamentary elections, Barisan won 127 parliamentary seats: UMNO managed to secure 70 seats, MCA 18 seats, MIC 6 seats and Gerakan 5 seats. Other component parties in Sabah and Sarawak 27 seats.

On the Opposition side, Semangat 46 won 8 seats, DAP 20 seats, PAS 7 seats, Parti Bersatu (PBS) 14 seats and Independents 4 seats. The Barisan obtained 53.8% of the valid votes cast in the Parliamentary Elections; the DAP won 17.62%; PAS won 6.72% and Semangat 46 won 15.06% (*Report on the Malaysian General Election 1990 1992*, 46). Even though the Barisan obtained lower percentage of the popular vote than in the previous election, it again managed to secure its two-thirds majority in the Parliament.

In most ethnically divided societies, there is always a presence of disintegrative elements which could eventually lead to political disorder and instability. In Malaysia, the instability which could have resulted from these disintegrative forces was prevented by maintaining the 'balance'. This 'balance' has been maintained via a number of factors. Firstly, there was the Barisan Nasional --- a coalition of the political parties representing the major ethnic groups in the country --- which helped to include members of different ethnic groups to govern the country. Secondly, there was a presence of consensus (to some degree) among the Malaysian elites from different ethnic groups. This, for instance, can be seen in certain bodies such as the National Consultative Council, whose recommendations have been incorporated in government policies. Thirdly, there was a 'balance' via the Constitution which recognises the rights of both Malays and non-Malays. The Constitution ensures that when something is given to the Malays and other indigenous people, nothing should be taken from the non-Malays. Fourthly, there have been a number of political mechanisms designed to avoid ethnic-related disturbances and violence. Among them were the amended Sedition Act to "depoliticize" sensitive issues, especially during election campaigns, and the noticeably short campaign period --- approximately two weeks or less --- in Malaysia. Finally, this 'balance' seemed to have been maintained while UMNO, the dominant partner in the ruling coalition, has been in control. This is because even though UMNO has had the capability --- by majority vote --- of forming a solely Malay government to govern the country, it nevertheless has been willing to share



the power with the non-Malay parties and rule the country with other ethnic groups in the Barisan Nasional.

## 6.2 A Road Not Taken: An Alternative to 'Elite Compromise'

A party which can be considered to be playing an important role in the Malaysian political system is PAS. Its goal is to establish an Islamic State in Malaysia. The State, on the other hand, has recognised Islam as the official religion of the country since Independence in 1957. The Constitution gives Islam a recognition of its premier status in the evolution of the Malaysian polity while at the same time it gives freedom of worship to non-Muslims. The official status of Islam in Malaysia, however, does not, in any way, suggest that the country is an Islamic State. PAS maintained that the laws, policies and the political and administrative system of the country should be based upon the Quran and Sunnah (the way of the Prophet Muhammad). In other words, PAS diverged from the 'elite compromise' because it adhered to the concept of an Islamic State, which endured as the fundamental party policy regardless of changes in its programme or outlook which might make it appear to be at times Malay chauvinist. Therefore, PAS and its concept of an Islamic State provides an alternative to the 'elite compromise' or the existing system for the Malaysians, Muslims or non-Muslims.

This will become clearer if we consider the party's formation and its development. PAS was formally known as the Pan Malayan Islamic Party (PMIP). It emerged from the Persatuan Ulama-Ulama Sa-Malaya which was a body within UMNO. PMIP was formed on 24 November 1951. The main reasons for its formation at this stage are not clear but it is most probably because the party was considered to be the means by which members of the Persatuan Ulama-Ulama Sa-Malaya could achieve their objective to centralise Islamic administration in the country. They could not achieve this objective as long as they remained under the control of UMNO, "a party whose laws were not based on the Koran and Hadith" (Funston 1980, 92-93). Detail on the development of PAS is beyond this paper but

suffice it to say here that the party, in its early years, was influenced by 'anti-UMNO' groups who presented "Malay demands in an extreme form"; the party asserted that "God had decreed to each race (*bangsa*) its own country, hence, championing Malay nationalism was consistent with Islam" (*ibid.*, 143-44). The party's belief system was that "Malaya belongs to the Malays" and it sought a theocratic state, "Malay as the only official language and nationality, recognition and extension of Malay rights, restrictions on the citizenship of non-Malays and curtailment of non-Malay immigration, and the elimination of foreign military and economic influences" (Milne and Mauzy 1977, 143-44). Its main concerns were championing the Malay language and restricting the citizenship law. At this stage of PAS's development, the concept of an Islamic State served to project the party as the defender of Malay nationalism.

PAS joined the Barisan Nasional in 1972 but it returned to the Opposition side in 1978. Since then, the views of the party leadership of PAS have tended to change. After 1982, for instance, there was a shift in its leadership, from leaders of the older generation such as Datuk Asri Muda and Abu Bakar Hamzah, to leaders of the younger and religiously more radical generation such as Haji Hadi Awang, Fadzil Noor, Haji Yusuf Rawa and Mohd Nakhaie Ahmad. These post-1980 leaders were "more conscious of the universalism of Islam" than the past leaders. PAS through them equated fighting for nationalism to '*asabiyyah*' or "sectarianism of whatever kind", and fighting for nationalism was rejected by the party because '*asabiyyah*' would result in "loyalty to the sect superseding loyalty to Allah". One of the leaders opined that it was because of the practice of *asabiyyah* in an oppressive manner that the Malays have become backward. Yet another leader clarified the same point in a different way. Among others, he said that Islam did not restrict anyone helping their community as long as it was done in a just and truthful manner. But love of one's community should not reach the extent of legitimizing oppression in the name of protecting one's own community, denying the rights of others and becoming the standard and measure for determining right and wrong

(Chandra Muzaffar 1987, 56-57 and 90). Because of this change in the leadership of the party and the desire to get support from non-Malay voters, PAS formed a Chinese Consultative Committee (CCC) in 1986 (Means 1991, 184).<sup>87</sup> During the 1986 election campaign, PAS declared their intention to form a government based upon Islamic principles and universal values; to uphold freedom and equality and reject an approach based on ethnicity or favouritism to any particular group; to guarantee an independent judiciary and social justice for everyone regardless of his ethnic group and religion; to eliminate repressive laws that infringed on fundamental rights; and to uphold Islam as the *ad-deen* (a system of living based upon good values such as truth, justice, freedom etc.) and freedom of religion in the country (*PAS Manifesto 1986*). In the area of education and culture, PAS promised to create an education system based upon Islam; to advance Malay language in the country; to ensure the development of the language of Al-Quran (Arabic) as well as other languages; and to guarantee the freedom of every race to develop its own language, education and culture (*ibid.*).

Perhaps, the most publicised point made by PAS was on the question of the Malay 'special position'. According to the PAS leaders, since Islamic rule guaranteed justice for everyone, there would be no need for the Malay 'special position'. Moreover, in their view, a 'special position' for any ethnic group was against the teachings of Islam, since there is no ethnic bias and discrimination in social justice in Islam (Chandra Muzaffar 1987, 100-101). Thus, the Malays would not be entitled to any 'special position' or rights in this Islamic state. In the 1990s, the party chose '*Membangun bersama Islam*' or 'Develop with Islam' as its theme, and asserted their commitment to '*Iqamatud Deen Wasiyasatud Duniya bih*' which means 'Upholding Islam as *ad-Deen* and administrating worldly matters under the guidance of Islamic values' (*PAS Manifesto 1990*).

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<sup>87</sup>The CCC was not a political party, but it acted as a "bridge between PAS and the Chinese community" (Ramanathan and Mohd. Hamdan Adnan 1988, 33). In 1982 and 1986, PAS also tried to establish an Opposition Front with other small parties but the DAP refused to joint this Opposition Front because PAS did not want to abandon its idea of establishing an Islamic state.

In contrast to its past concept of the Islamic State which was a defender of Malay nationalism, PAS's present concept of the Islamic State is concerned with the universalism of Islam. There are two main reasons for this change. First, as mentioned earlier, it is because the new PAS leaders in post-1982 period are more conscious of the universalism of Islam than those in the past. Secondly, PAS knew that it would be impossible to change the country into an Islamic State through a revolution. Therefore, it had to work through the electoral process. Given the fact that the non-Malays constitute a large proportion of the voters, PAS needed the support of the non-Malays or non-Muslims as well as the Malays to achieve its goal through the electoral process. As we have seen, PAS leaders have been making efforts to woo the non-Malay voters, including the formation of the CCC in 1986, though this was abandoned before the end of the year because it did not prove to be successful. While explaining the positive aspects of an Islamic State to the voters, such as Islam guarantees justice for everyone, gives freedom to pursue economic activities and to develop cultural activities as long as these do not threaten Islam, makes available equal educational opportunities for all deserving students, and ensures that there would be no discrimination in employment or the award of scholarships; PAS leaders also admitted that in their State, important political, administrative and judicial positions would be reserved for Muslims. They argued that in a State based upon Islam, that is, based upon the Quran and Sunnah, it is "logical" that those who lead, guide and direct the State should be those who subscribe to the Islamic ideology. In other words, they must be Muslims. The non-Muslims would be prohibited from presiding over an Islamic State. However, if non-Muslims embrace Islam, they would be allowed to assume any such positions regardless of their ethnicity (Chandra Muzaffar 1987, 90-91). Thus, on one hand, PAS may appear to have given up promoting Malay interests in the present concept of an Islamic State with its concern with the universalism of Islam. On the other hand, however, the party may be seen to continue promoting Malay interests because of the characterisation of ethno-religious situation in Malaysia, i.e. the

Malays are all Muslims while the non-Malays are predominantly non-Muslims. Unless, of course, if the non-Malays decide to choose for mass adoption of Islam. But this is very unlikely because the Chinese and Indians have long established and cherished religions and cultures in Malaysia.

Moreover, "PAS regards the denial of important public roles to non-Muslims as a minor matter since they can still take part in politics". After all, according to one of its leaders, "during the epoch of Islamic glory between the eighth and twelfth centuries, non-muslim minorities living in Muslim lands were quite happy with their political and civil rights". It has been pointed out by the MCA, DAP and other Chinese groups that in an Islamic State, the non-Muslims would be unequal. This was based on their argument that the non-Muslims would be politically subordinate to the Muslims and that their destinies would also be decided and determined by Muslim theologians and legislators. The apprehensions which were articulated by these parties and organisations struck a responsive chord in a substantial segment of the Chinese community (Chandra Muzaffar 1987, 92). This is not surprising given the fact that the non-Malays are overwhelmingly non-Muslims.

We have seen that since its formation, PAS has retained the concept of an Islamic State as their goal. So, how does the 5-year period when the party was in the coalition fit in? There were a number of reasons why the party joined the coalition. Mauzy (1983), suggests that the motives of PAS in doing so were complex. First, after the 1969 riots, there were the Sedition Act, 1971, the Constitution (Amendment) Act 1971, and the 1972 Elections (Amendment) Act, which restricted PAS from campaigning on "some of the issues which in the past the party had found great appeal with the rural Malay electorate", such as championing tighter citizenship regulations for non-Malays. Second, the party was beginning to worry about a decline in its power in Kelantan, and the defections of some of its branches in other northern states to UMNO. Third, the Kelantan State Government was "tightly squeezed for money and badly needed an inflow of federal funds". During the period of 1971 to 1972, the Kelantan's financial situation became

worse than usual because of "some land leasing decision" made by the Kelantan State Economic Development Corporation (SEDC). Fourth, "PAS had been politically isolated in Kelantan for a long while, and many in the party favored getting into the mainstream and securing a share of power nationally". That is, to gain the rewards of federal office --- posts, committees, government bodies and overseas delegations. Datuk Asri, the PAS leader, also seemed to be "attracted to the idea of becoming a Federal Minister" even if it meant that he would have less actual power than as a Menteri Besar. Fifth, there was a leadership crisis in Kelantan and Datuk Asri's position as Menteri Besar was unstable. PAS Kelantan was divided into two main factions and another smaller one. Thus it was "believed" that Datuk Asri was in "serious danger of losing his power position in Kelantan at some point, and the coalition was viewed as a way for him to preserve his leadership". Sixth, "there were allegations of corruption in Kelantan". Enquiries were made into the activities of the Kelantan SEDC and it was thought that they "might have had some effect in influencing the attitude of the Kelantan PAS leadership in favor of the coalition". Finally, there was the "strong emotional appeal which the prospect of Malay unity held for both PAS and UMNO", which, in turn, was "probably the most convincing pro-coalition argument employed to convince the PAS rank-and-file" (Mauzy 1983, 71-73). However, PAS was forced out of the Barisan in early 1978. The crisis that led to the break involved Kelantan State Assembly. In 1974, Datuk Muhammad Nasir was appointed as the Menteri Besar of Kelantan at the "insistence" of Tun Razak, against the wishes of Datuk Asri. The controversy over the Menteri Besar became a crisis when Nasir began to clean up the Kelantan state government. He froze logging land, repossessed timber concessions and pressed for investigations into land deals which had been made by previous PAS state governments (Mauzy 1983, 113 and Chandra Muzaffar 1978, 157). This was just what Datuk Asri and a number of other PAS leaders had wanted to avoid and one of the reasons which prompted them to join the Barisan in the first place. After a couple of unsuccessful attempts in persuading Nasir to step down,

PAS expelled Nasir from the party and in 1977, he was defeated in a vote of no-confidence in the Kelantan State Assembly. PAS then announced that it considered itself expelled from the Barisan in December 1977 (Alias Mohamed 1978, 178 and Mauzy 1983, 115-16). Finally, during the years when PAS was in the Barisan, it had not abandoned its concept of an Islamic State. This was reflected by Datuk Asri's deflection of various criticism of PAS's participation in the Barisan. He placed a "new stress" on the "party's spiritual objectives", among others, "by justifying coalition in terms of assisting the cause of Islam and national security" and "by asserting that coalition did not compromise the party's independence" (Funston 1980, 245). Thus, while the coalition enabled UMNO to share power with PAS in Kelantan, it provided the PAS leaders the opportunity to sit in the Cabinet and gain other federal posts.

### 6.3 The NEP's implementation and ethnic reactions

Before Independence and long before the formulation of the NEP, RIDA was established in 1950 in the government's attempt to create a Malay capitalist class by providing loans to Malay contractors and taxi drivers as well as by conducting training courses. But because of financial constraints, it failed to effectively serve its purpose of giving aid to state governments, corporations, co-operatives and individuals and hence, it didn't make much impact on the commercial development of the Malays (Hua 1983, 133). Another organisation which was part of the government's development programme was FELDA, which was responsible for distributing land to landless people and establishing new settlements. The work of these statutory bodies was supplemented by the establishment of State economic Development Corporations (SEDC's). Apart from the support given to these statutory bodies in trying to ensure that more economic opportunities were given to the Malays to improve their situation, the government in the 1960's, however, followed the laissez-faire economy and was committed to its non-intervention policy in the economy of the country. One of the reasons for this was that at the

time of Independence, foreign companies, particularly the British, and to a lesser extent the Chinese, had dominant control over the economy. It was believed at that time that, as a developing country, Malaysia still required those foreign supports, and that any attempt to limit their dominance would have negative effects on the economy. In addition to this, Tunku Abdul Rahman had also reached an "unwritten accord" with the British that after Independence, his government would ensure the protection of British commercial interests in Malaysia (Funston 1980, 12). Another reason for this non-intervention in the economy was the 1957 "contract" arrived at by the ethnic group leaders which gave the Malays political and administrative dominance with special assistance to improve their education and economic position, while giving Chinese citizenship rights with freedom from interference in their commercial and trade activities.

Unlike the agreement on citizenship rights, which had an immediate beneficial effect on the Chinese, the progress of improving the economic position of the Malays was very slow and ineffective. This was primarily due to the Malays' lack of financial resources and the necessary capital and expertise to compete with the more established foreign and Chinese enterprises. In 1965 and 1968, the First and Second Bumiputra Congresses were held to discuss the economic condition of the Malays. Members of the Congresses pointed out that the Malays were so disadvantaged in competition with the non-Malays that they would be lost without institutional help. Thus they called for the reorganisation of the economic system, where the government would participate more actively in helping the economically weak Malays by accumulating wealth on behalf of Malays and later transferring the resources to them.

As a result of such pressure from the Malay elites, the government had to modify its previous policy of non-intervention in the economy and began to engage directly in commercial and industrial activities, particularly in the corporate sector of the country. Majlis Amanah Rakyat (MARA) and Bank Bumiputera, a Malay bank, were established by the government. MARA, which was a reorganised



version of RIDA created in 1966, provided Bumiputera training and education, including scholarships, managerial and technical advice, and credit facilities. It was also responsible for setting up small business projects in trade, industry and transportation in the hope of encouraging greater Malay participation in these fields by selling these companies to the Malays when they become viable. Bank Bumiputra was established to provide financial assistance to the Malays through its credit facilities and soft loans. These efforts helped to create a small number of Malays involved in the urban sector of the economy but the majority of Malays remained in rural areas. This situation, coupled with government development plans in the period before 1970, which were constructed to achieve economic growth but failed to recognise the uneven and unequal development of rural and urban areas, led to slow overall economic progress among the Malays.

As discussed in the previous chapter, the NEP was formulated in response to the May 13 ethnic riots. Under the NEP, the government formulated a series of five-year plans. The NEP was incorporated into the Outline Perspective Plan which covered a twenty-year period, from 1970 to 1990. Since the aims of the NEP were to reduce and ultimately eradicate poverty among all Malaysians regardless of ethnic origin, and concurrently to restructure the society so as to eliminate the identification of ethnicity with economic function, the Outline Perspective Plan spelt out specific targets to be attained by 1990. Firstly, employment opportunities were to be generated at a rate sufficient to bring about full employment. Secondly, the ownership of the economically productive assets in the country were to be distributed such that by 1990, Bumiputera would own or operate at least 30% of the total, and would be involved in industrial activities in all categories and scales of operation. The restructuring objective was also extended to employment, so that the labour force would reflect the ethnic composition of the population in a full-employment situation by 1990 (*Economic Report 1975/6*, 111).

TABLE 9

AVERAGE ANNUAL GROWTH RATE (%) IN GROSS DOMESTIC  
PRODUCT (GDP) AT CONSTANT PRICES 1971-1990

Year	1971-75	1976-80	1981-85	1986-90
1	10.0	11.6	6.9	1.2
2	9.4	7.8	6.0	5.4
3	11.7	6.7	6.2	8.9
4	8.3	9.3	7.8	8.7
5	0.8	7.4	-1.1	9.8
Average	8.0	8.6	5.2	6.8

Source: Bank Negara Malaysia, *Annual Report*, various issues.

The second prong of the NEP, which was the restructuring of the society economically to ensure a more equitable distribution of corporate wealth among the ethnic groups, became the feature that was most identified with the NEP. To raise the Bumiputera share of corporate equity from its low level of 2.4 % in 1970 to its target figure of 30% by 1990, public enterprises were used by the government to accumulate capital on behalf of the Bumiputera. The restructuring policy would be implemented in a situation where the economy is growing. Table 9 shows that the growth momentum was at average of 8 percent during the 1971-75 and reached its peak to 8.6 percent during the 1976-80. The rate of economic expansion slowed down in the early 1980's due to a global recession and structural weaknesses in the economy. The period which was seriously affected by the recession was in the mid 1980's when there was no growth at all. However, the rate of economic growth started to pick up again after 1987 so that there was as average of 6.8 percent growth rate during the 1986-90.

The public enterprises which were to buy corporate shares and to acquire control of industries and enterprises on behalf of Bumiputera were known as Bumiputera Trust Agencies. Among them was Perbadanan Nasional (PERNAS) which was incorporated as a public company in 1969 but was later invigorated during the NEP and became a large government-owned business conglomerate which was to play an important role in acquiring investments in key economic sectors to hold in trust for the Malays. Its subsidiary companies covered insurance, construction, trading, properties, engineering and securities. Another organisation was the Urban Development Authority (UDA) which facilitated the provision of commercial premises, hotels and offices for Malays. Originally, its activities were confined mainly to Kuala Lumpur, but later, it spread out to other areas. The UDA's function was to get more Malays to own property so that they can participate in urban commercial and industrial activities. It also went into joint-ventures with domestic investors including private developers, statutory bodies and state governments as well as foreign investors for the construction of large commercial buildings (*Malaysian Business*, October 1977, 35-37). For regional development, organisations such as the Muda Agricultural Development Authority (MADA), Southeast Pahang Development Authority (DARA), Kemubu Agricultural Development Authority (KADA) and Central Terengganu Development Authority (KETENGAH) were established. In addition to these, new agencies like the Credit Guarantee Corporation and the Bumiputera Assistance Unit in the Malaysian Industrial Development Finance organisation (MIDF) were set up to promote Malay businessmen. Besides establishing new organisations and agencies, existing ones such as MARA and the SEDCs were also invigorated. The budget allocation for MARA, with its function of promoting Malay business, was increased considerably. SEDCs exist in every state and the range of their activities depend on needs, resources and the initiative of the state's Chief Minister. Their various activities include agricultural crops, manufacturing, provision of industrial estates,

business and office premises and housing, trading, transport and other commercial activities.

All of these organisations have an important role in expanding opportunities in the modern commercial and industrial sectors in the creation of a Bumiputera commercial and industrial community. These government efforts have not gone unnoticed by other ethnic groups. These developments prompted the Chinese and the Indians alike to reassess their future role in the Malaysian economy.

As part of the NEP strategy to boost the individual Bumiputera share ownership, a national unit trust scheme (*Amanah Saham Nasional*) was officially launched on 20 April 1981 (*Keesing's Contemporary Archives*). It was linked to Permodalan Nasional Berhad (PNB) or the National Equity Corporation,<sup>88</sup> whose holdings were substantially increased in early 1981 when the Government transferred to it some \$552,000,000 Malaysian Ringgit shares in a number of leading public companies in various sectors including banking, mining and plantations which had previously been acquired by various Government agencies. From April 1981, individual Bumiputera had the chance to get a share of the country's corporate sector by an initial investment of just \$10 Malaysian Ringgit under the national unit trust scheme. After this initial investment, Bumiputera were able to purchase the shares of restructuring companies at the price of \$1 Malaysian Ringgit per unit up to 50,000 units (*Malaysian Business*, February 1981).

The role of the Chinese in the NEP was discussed at the MCA-sponsored Economic Congress held in March 1974. Various speakers at the Congress were of the opinion that Chinese businessmen should pool their financial resources and set up viable corporations which could withstand competition from other big firms. They emphasised that it was essential to establish large corporations in order to

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<sup>88</sup>In order to accelerate the process of transferring wealth to the Bumiputera mass, the Government in April 1978 established a Bumiputera Investment Foundation with paid-up capital of \$200,000,000 Malaysian Ringgit which was first headed by Dr. Mahathir (then Deputy Prime Minister and Minister of Trade and Industry) and was responsible for purchasing shares in public companies with view to establishing unit trusts. The holdings of this Foundation's investment management subsidiary or its operating arm was PNB (*Keesing's Contemporary Archives; Malaysian Business*, February 1981).

move beyond the wholesale and retail trade, which had traditionally been the Chinese stronghold (*New Straits Times*, 4 March 1974). Such large corporations were important for the Chinese, not only to enable them to participate more actively outside their traditional specialisation of wholesale and retail trade, but also to meet the non-Bumiputera proportion target of 40% of corporate ownership by 1990. Even though in 1970 the Chinese owned about 27% of total corporate wealth, Chinese leaders feared that the structure of Chinese business operations would inhibit growth. In order to meet their target in the face of government enterprises and foreign multinational companies, the Chinese thought that they also had to create large organisations. This was because many of Chinese businesses were family-run businesses, and some of their establishments were small<sup>89</sup> and could not be expected to meet the 1990 target unless they restructured themselves.

Recognising the importance of such corporations, the MCA itself led the way by setting up the MPH<sup>90</sup>, a giant investment corporation (*New Straits Times*, 30 May 1975). Even though the MPH share offer was not confined exclusively to the Chinese, it was obvious that the new company was meant primarily for the latter.

In response to the NEP, the Indians, led by the MIC, produced a "blueprint" evaluating the position of the Indians compared to other ethnic groups (*Dasar Ekonomi Baru dan Malaysian Indian: Rantindak MIC* 1974). In the case of the Indians, particular attention was given to the relatively high rate of unemployment among the Indians. The principle of proportionate allocations for the Indians was also recommended in such spheres as land settlement schemes and admission to university. Besides that, efforts were made by the MIC to encourage more Indians

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<sup>89</sup>Small businesses refer to a general classification of businesses and industries which employ less than fifty persons and have fixed assets of less than \$250,000. Small Chinese business establishments tended to remain small because of financial and managerial as well as psychological restrictions. Their individualistic and independent nature kept these businesses within the family or if shared, among the members of the same dialect group. Because of their suspicions and mistrust of outsiders, these small businesses thus restricted themselves from the expertise and financial resources needed for expansion (*Malaysian Business*, July 1982, 13).

<sup>90</sup>MPH was incorporated in 1975 but the shares were issued to the public in May 1977. For detailed accounts of the establishment of MPH, see Gale (1985).

to hold shares in business by organising a unit trust. MIC Unit Trust Berhad, a management company, was set up by the MIC for this purpose. Similar to the objective of the MCA, the MIC established the unit trust to enable the Indians to have their share in the ownership of the corporate wealth. In 1970, the Indian proportion of the corporate wealth was about 1% and the target was to increase this percentage to 10% by 1990. The MIC Unit Trusts Berhad launched its first fund, the MIC Investment Fund One, in July 1977 with large support coming from the Indians in estates and the rural areas (*Malaysian Business*, February 1981). Participation in the investment was opened to all groups but like MPH, which appealed to the Chinese, the MIC Unit Trust Berhad was meant for Indians. Another investment arm of the MIC is Maika Holdings. It was incorporated on 13 September 1982 and began its business on 31 January 1983. In 1986, it had a total number of 66,461 shareholders and aimed to consolidate the resources of the Indian investors to enable the Indian community to participate in the future economic expansion of the country (*Malaysian Business*, 1 July 1986, 62).

In the 1970's, the activities of these non-Malay organisations did not face any significant opposition from the Malays.<sup>91</sup> By 1980, the Bumiputera share of national wealth stood at about 13%, the foreigners, at 43%, and the non-Bumiputera appeared to have reached 45% (*Mid-term Review of the Fourth Malaysian Plan 1981-1985*, 1984, 101).<sup>92</sup> The NEP's aim to reduce the proportion

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<sup>91</sup>In addition to MPH, there was also Koperasi Serbaguna Malaysia (KSM) which was set up by the MCA Youth. It was registered and approved by the Government as a co-operative society in August 1968. It has emerged in a wide range of activities such as housing, insurance, cash crop cultivation, engineering, and electronics. There had been close co-operation between MPH and KSM and this was formalised in 1979 when a management company, known as Multi-Purpose Management Sendirian Berhad was established to co-ordinate the business activities of the two organisations. Likewise, several years before the setting up of the unit trust, the MIC had established the National Land Co-operative Society (NLFCS) in 1960. Its purpose was to raise funds for its members to buy estates, where uncertainty about the future potentially threatened the livelihood of Indian rubber tappers. Then in 1974, Kerjasama Nesa, another co-operative society was launched by the MIC. Another political party which has taken a similar step was Gerakan which launched its own co-operative, Koperasi Rakyat in 1981. It was modelled on KSM and the aim was similar to those of KSM. It planned to involve itself in housing, finance, education, land development and general investment (Gale, 1985, 21-37).

<sup>92</sup>It is difficult to estimate the real proportion of non-Bumiputera corporate wealth in 1980 since nominee companies were also included into their proportion.

of foreign ownership to its figure target of 30% by 1990 made foreign corporations vulnerable to take-overs. This encouraged government-owned Bumiputera organisations to take control of them. Problems arose in the 1980's when MPHB became interested in acquiring these foreign-owned companies and led it to compete with government organisations which were pursuing the same strategy as part of the NEP objectives in restructuring the society economically. One instance was when MPHB purchased a 51% stake and acquired a controlling interest in the United Malayan Banking Corporation (UMBC) in early 1981 (*National Echo*, 5 February 1981). PERNAS, a government-owned Bumiputera investment company, which had already owned 30% of the UMBC shares, was upset about the MPHB move because it was not given the first option in acquiring the additional shares. This priority was believed to have been agreed on when PERNAS bought the 30% stake in the UMBC in 1976. The MPHB take-over meant that PERNAS would lose its executive control of the company and become merely a minority shareholder (Gale 1985, 145). Suspicions and tension between the Malays and the Chinese began when UMNO Youth opposed this purchase. Datuk Haji Suhaimi Kamaruddin, the UMNO Youth leader and Deputy Minister of Agriculture, made a controversial statement when he said that the MPHB's acquisition of a controlling interest in the UMBC was an attempt to cripple the government plan to improve the economic standing of the Malays and other Bumiputera. He called for the government through the Bank Negara to make sure that the control of the UMBC remained with PERNAS (*Utusan Malaysia*, 23 March 1981). This prompted series of episode of public debates on the MPHB's attempt to gain a controlling interest in the UMBC, with the MCA Youth as well as Chinese guilds backing the MPHB, and UMNO Youth supporting Datuk Haji Suhaimi Kamaruddin (*The Star*, 23 March 1981, 25 March 1981; *New Straits Times*, 25 March 1981). These objections raised in public resulted in the renegotiation of the MPHB bid to control the UMBC. Subsequent months saw tough bargaining among the group leaders on the whole matter. The bargaining involved Dr. Mahathir, Tengku Razaleigh Hamzah, the then

Finance Minister and Lee San Choon, the then MCA president, together with MPHB executives (Gale 1985, 151). The formula which had been worked out was a joint control of the UMBC by PERNAS and MPHB. Each party was to hold 40.68% equity and any further purchases by either party would be equally shared between them. UMBC was to have a board of twelve directors, five each from PERNAS and MPHB, while the remaining two represented minority interests. The chairman was to be from PERNAS and the vice-chairman from MPHB (*Business Times*, 5 November 1983).

Besides this corporate competition between organisations with Bumiputera and non-Bumiputera interests in acquiring foreign-owned corporations, which resulted in this kind of political bargaining, another issue which saw a similar process was the implementation of the Industrial Co-ordination Act (ICA). The Act was passed by Parliament in April 1975. The stated aim was to provide for the co-ordination and orderly development of manufacturing activities in Malaysia (Industrial Co-ordination Act, 1975 (Act 156)) The Act called for the licensing of all those involved in manufacturing activities. In issuing the licences, certain conditions had to be met by the manufacturers, such as employment structure, quality standards, anti-pollution control and equity composition. There were, however, certain industries which were exempted from having to apply for a licence under the Act. They were those with shareholders' funds of less than \$250,000 Malaysian Ringgit and less than 25 full-time paid employees, and industries involved in the milling of palm oil, fresh fruits and the processing of raw natural rubber (*Malaysia Business*, June 1977, 7). The Act thus provided an exemption for small firms which were usually family-run businesses with fixed investments of less than \$250,000 Malaysian Ringgit (*Straits Echo*, 28 May 1975).

The ICA was a piece of the NEP legislation relating to the requirements for Bumiputera ownership and employment. It was part of the government's efforts to restructure the society economically under the NEP. Under the Act, the relevant manufacturers had to obtain a licence from the Ministry of Trade and Industry. To



do so, they were required to have at least 30% of their company equity owned by Bumiputera, and the ethnic composition of the work force should reflect the ethnic composition of the population.

The Act came into force in May 1976. The government had given a grace period of one year for the relevant establishments to obtain licences and allowed those who had run short of time to send "letters of intent" before submitting their proper applications (*Malaysian Business*, June 1977, 3). But fears and objections had been voiced by existing and potential domestic and foreign investors ever since its passage through Parliament in 1975. The Chinese were alarmed at the wide powers given to the minister, which permitted him to impose any conditions he might think fit when issuing a licence. The Act became the main concern of various Chinese Chambers of Commerce, since these organisations generally represented the interests of medium Chinese businessmen who were those most greatly affected by it (*New Straits Times*, 20 October 1976). Their dissatisfactions and anxieties regarding the Act were contained in a memorandum submitted by the Associated Chinese Chambers of Commerce and Industry of Malaysia (ACCCIM) to the government. They proposed its repeal in view of the fact that: (1) existing legislation and machinery were sufficient for the government to ensure orderly industrial development; (2) the rules were too stringent; (3) the conditions and power given to the Minister in charge were self-defeating in purpose with regard to the achievement of the investment targets and NEP objectives; (4) the ICA had greatly contributed to diminishing investment confidence in Malaysia (*Memorandum to the Cabinet Committee on Investment by ACCCIM* as reproduced in *Malaysian Business*, June 1977, 20-21).

The Chinese were apprehensive about the powers given to the Minister since many believed that the government would use these powers to force Chinese manufacturers to employ more Malays and sell shares in their establishments to government-owned Bumiputera companies. Moreover, there was no provision in

the legislation for the manufacturers to appeal if their applications for a licence or transfer of licence were revoked by the Minister.

Because of this uneasiness and uncertainty surrounding the ICA, the government, through the Ministry of Trade and Industry and the Cabinet Committee on Investment, chaired by Dr. Mahathir, the then Deputy Prime Minister, reviewed the matter. To allay the fears of private investors, it was decided that the Act be amended. At the annual dinner of the Federation of Malaysian Manufacturers held in January 1977, Dr. Mahathir spoke on matters relating to the manufacturing sector. He assured manufacturers of the government's main attitude towards investment: that it "will always be mindful of the needs and comforts of the goose that lays the golden eggs". He continued that

... the final amendments to this Act [ICA] will only be done after all the proposed amendments have been fully discussed with the private sector and that they will take into account all the suggestions and comments as submitted by the various sections of the private sector through their submissions to the Cabinet Committee on Investment... (*Malaysian Business*, February 1977, 78-79).

Under the Amendments a licensing officer would be appointed by the Prime Minister for the purposes of the Act, while the Minister would be the appeal body. Regarding the conditions set by the licensing officer --- who was now responsible for deciding the approval or refusal of a licence --- the legislation guaranteed that those conditions would be consistent with national economic and social objectives. Furthermore, the conditions would be imposed after consultation with the respective manufacturers. More importantly, the government also decided that projects with fixed investments of less than \$500,000 be exempted from equity conditions (Malaysia. Datuk Haji Hamzah Abu Samah 1977). Previously, only industries with shareholders' funds of less than \$250,000 Malaysian Ringgit had been exempted from the equity restructuring. The increase of this amount exempted more businesses from the Act. This, obviously was part of the "concessions" made

by the government to the private sector, particularly to the Chinese business community that had a considerable number of family businesses which were included in the category which was exempted as a result of this amendment.

These amendments however did not satisfy the Chinese and the Act remained a controversial issue. In April 1978, a Malaysian Chinese Economic Convention was held to discuss various economic problems. The meeting was sponsored by the ACCCIM. It was attended by about 1,200 delegates from all over the country. Their criticisms of the NEP were formally expressed in ten resolutions adopted by the meeting. One of the resolutions called for the repeal of the ICA, which was described as "hindering investment" in the country. In Dr. Mahathir's opening address to the meeting, which was read by his deputy, he defended the ICA as necessary to ensure the orderly expansion of industry, and regretted the uncertainties among the private investors over its "real meaning and intention". He also assured the delegates that the government would be flexible and pragmatic in implementing the ICA. But his assurances didn't satisfy the delegates and one of them charged that those assurances were not being put into practice. A report tabled in the meeting also charged that "by and large" government officials tended to be inflexible and unco-operative when dealing with Chinese businessmen (*Business Times*, 10 April 1978).

Then in his address to members of the Malaysian Institute of Management in November 1978, Dr. Mahathir made it clear that the government had no intention to repeal the ICA. He said that

We have also given our pledge to review it [ICA] from time to time. But we are not prepared to amend it in any way that will do injury to the basic objectives for which it was set up. We feel you should now give it a proper trial to see if you can live with it (as quoted by Marican 1979, 197).

Then in December of the same year, the issue was brought up in Dewan Rakyat by Dr. Chen Man Hin, a DAP member. He called on the Trade and Industry

Minister to abolish the ICA on the grounds that the Act had discouraged both local and foreign private investors, and inhibited the economic growth of the country. Instead of co-ordinating industries, he asserted, the ICA had become "the Industrial Cessation Act" (Malaysia 1978).

In his 1987 Budget Speech to the Parliament, the Finance Minister explained that at that time, the government had decided to exempt manufacturers with shareholders' fund of less than \$1 million and which employed fewer than 50 employees from having to apply for licences under the ICA. But he also announced that in order to encourage industrial development, the ceiling of shareholders' fund would be raised to \$2.5 million, and only manufacturing establishments which employed 75 workers or more would be required to obtain licences under the ICA (Malaysia. Daim Zainuddin 1986). Apparently, these decisions to raise the ceiling of shareholders' fund under the Act were made due to the recession and the economic slowdown of the country in the mid 1980's.

The conditions of equity and employment structure under the Act were thus amended again for the third time by the government to accommodate both private and foreign investors in order to encourage the growth of investment in the country during the recession.<sup>93</sup>

Earlier, the Prime Minister, Dr. Mahathir, had announced the government's intention to re-appraise the NEP in an interview on Australian television. He declared that

The NEP will be held in abeyance, more or less, except in areas where there is growth. At the moment there is no growth... we have to concentrate on

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<sup>93</sup>In 1986, Dr. Mahathir announced changes to regulations relating to new foreign investment. Among them: companies exporting more than 50% of its products, including those that sell 50% of their products to companies in the free trade zones, can be wholly-owned by foreigners. Full foreign equity was allowed for those companies employing more than 350 Malaysian workers. For any company with initial paid-up capital of \$5.2 million, five expatriates could be appointed to managerial positions. Furthermore, companies established between October 1986 and December 1990 would not need to restructure their equity even after 1990 (*Malaysian Business*, 16 October 1986, 5).

growth first and restructuring (as reported in *Malaysian Business*, 16 October 1986, 8).

Consistent with the NEP's pledge that the process of restructuring the society would take place in an expanding economy, so that there would be no need "to rob Peter to pay Paul", certain rules and regulations were accordingly relaxed in the government's efforts to improve the economy of the country.

#### 6.4 Education

To restructure the employment pattern in the country, the government had put a heavy emphasis on tertiary education. Understandably, higher education is important in obtaining better paying jobs and moving up the social ladder. In line with the NEP objective of restructuring society so that no ethnic group would be identified with certain vocations, assistance was given to disadvantaged groups to uplift their socio-economic condition. This included reservations of places in the local universities for Bumiputera students.

The issue of education is not new in Malaysia. It had been agreed in the 1957 "contract" that the Malays were to be helped to improve their economic condition. As discussed in the previous chapter, it was later spelt out in the 1957 Constitution that a proportion of scholarships and other similar educational or training privileges was to be reserved for the Malays. A number of scholarships had been given to the Malays since then, but they had not been enough to enable a significant number of Malay students to acquire higher education. As a result, the educational level of the Malays in general had been relatively low compared to the non-Malays, who had better access to education. Under the NEP, however, not only scholarships but places in local universities were also reserved for the Malays to correct these long-neglected imbalances in the society inherited from colonial rule and later perpetuated in the first two decades of Independence.

Higher education has long been valued among Malaysians and they have valued a university education far above other types or levels of education. This is

because of prestige and social status, as well as the higher-salary jobs normally enjoyed by degree-holders. When free education was provided by the government at both primary and secondary levels, the number of school leavers increased and so did the number of applicants to the universities. Under the NEP, the proportion of the Bumiputera student intake into the local universities was increased, as part of government efforts to accelerate Bumiputera participation in education at various levels. As a result of this measure, there has been a decrease in the non-Bumiputera proportion in the universities in the country. But there has still been an increase in the number of non-Bumiputera students during the same period.

Table 10 shows that for enrolments in degree, diploma, certificate and pre-university courses in local universities and colleges, the Malay proportion increased from about 50% in 1970 to 65% in 1975 while the Chinese proportion had declined from about 43% to 31% respectively during the same period.

TABLE 10  
ENROLMENT IN TERTIARY EDUCATION BY ETHNIC GROUP, 1970 TO 1975

Year	Malay	%	Chinese	%	Indian	%	Others	%
1970	6,622	49.7	5,687	42.7	678	5.1	337	2.5
1975	20,547	65.1	9,778	31.1	1,038	3.3	166	0.5

Source: *Third Malaysian Plan 1976-1980*, Table 22-7, 401.

Note: Figures do not include enrolments in local private institutions.

The difficulties faced by qualified Chinese candidates in gaining admission to local universities resulted in frustrations and dissatisfactions among the Chinese. In the midst of these grievances, the issue of setting up a private university, which was to be named Merdeka University, first mooted by Chinese community leaders in

1968, re-emerged (Lee 1980, 195). Before the July 1978 General Elections, references had been made in the local newspapers to a proposal to establish Merdeka University, and to a petition weighing 16 katis containing 4,238 signatures and rubber stamp impressions (Marican 1979, 195). The secretary-general of Merdeka University Berhad, a company set up to support Merdeka University, Ker Kim Tim, asserted that the problem of Merdeka University was purely educational "not political nor racial". The company submitted its petition to the Yang Dipertuan Agong, seeking an "Incorporation Order" for the establishment of this university in accordance with the Universities and University Colleges Act, 1971. The sponsors of Merdeka University claimed that the establishment of the university was "the common aspiration and unanimous request of Malaysian citizens of Chinese origin". The aims were to overcome the problems of the future, since the present universities had not been able to cater for the increasing number of applications and to provide an outlet for Chinese independent schools' graduates (*New Straits Times*, 3 February 1978).

On the last day of the UMNO General Assembly in September 1978, Education Minister, Datuk Musa Hitam, announced that the application by Merdeka University Berhad had been rejected by the government. These developments led to more public discussion on the issue both by the proponents and opponents of Merdeka University. The sponsors and supporters of the university maintained that in a multi-ethnic society, a monolingual education system did not promote national unity and that various languages should be used freely. Students should also be allowed to study and gain knowledge through mother-tongue education so that in future their culture would not lapse into oblivion. They also pointed out a clause in the World Human Rights Declaration as well as the Malaysian Constitution which recognised the right to use and study in one's own language to back their case for a Chinese-medium University (*The Star*, 7 December 1978). It was also decided that a mass meeting of about 10,000 Chinese representatives, mostly Chinese merchant guilds and clan associations, should be held to discuss future action to be taken on

the issue. However, fearing the outbreak of ethnic violence, the government banned this meeting which was scheduled to be held on 22 October 1978 (*Straits Echo*, 20 October 1978). Earlier in the same month, the Prime Minister, Tun Hussein Onn had announced that there would be a full parliamentary debate on this issue in December 1978, and promised to give the parties concerned enough time to debate the issue (*Straits Echo*, 11 October 1978). But this never took place since the DAP, which had earlier put forward the motion to amend the University and University Colleges Act to enable the setting up of private universities, decided to withdraw its resolution, and staged a walk-out when the Dewan Rakyat accepted the motion of Education Minister, Datuk Musa Hitam, to make a clarifying statement. The Minister later reiterated that the establishment of Merdeka University was rejected by the government for three reasons. First, because it would use Chinese language as the medium of instruction and thus it would contradict the objective of a unified national system of education. Secondly, even though it was claimed that the admission to Merdeka University would be open to all ethnic groups, it was doubted whether this would be the case, since, the university would be using the Chinese language (Mandarin) as the medium of instruction. Thus, it was believed that the university would end up catering mainly for students from Chinese independent secondary schools. The third reason was because it would be set up by the private sector. But Datuk Musa Hitam said that the government's rejection of the proposal was not tantamount to rejection of private university projects in general. He commented on Lim Kit Siang's (the DAP leader) drive to get \$1 Malaysian Ringgit from each Chinese to finance the Merdeka University project "to save Chinese language and culture", and said that, that was precisely how the Nanyang University<sup>94</sup> had been formed and "the fate of the university now is well-

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<sup>94</sup>Nanyang University was founded by Tan Lark Sye, a rich rubber merchant, in 1955. The University's medium of instruction was Chinese (Josey 1968, 110). In the 1960's, the Singapore Government took over the control of the University to prevent it from being infiltrated by Communist elements. Then in the 1970's, Nanyang University began to lose its appeal to the Chinese because of the changing economic circumstances. Those who were English-educated had better positions and enjoyed higher-paid jobs than those who were Chinese-educated. In 1978, the



known to the Chinese throughout Southeast Asia". He said that the drive might succeed but hundred millions dollars of donations could not ensure long-term independence of the university. He was sure that eventually, the government would have to take over the burden of financing it, as had continually been shown in the history of the world's private universities. He said that the government acknowledged the disappointments among many non-Bumiputera students who couldn't get places in universities despite good qualifications and the anxiety among non-Bumiputera parents about the shortage of higher education opportunities. Therefore he announced that the government would expand the existing local universities to increase places for non-Bumiputera students (Malaysia. Datuk Musa Hitam 1978). Consistent with this announcement, the MCA president, Datuk Lee San Choon, reiterated the MCA's stand in opposing the establishment of the Merdeka University and said that

We in the MCA are in constant discussion within the framework of the National Front to ensure more opportunities for higher education among the Chinese  
(*New Straits Times*, 12 December 1978)

Following this Merdeka University issue, a series of meetings between top UMNO leaders and MCA leaders were then held to discuss the education issue. There have been numerous reports on these UMNO---MCA talks, but the final version seems to be that there was to be a gradual increase in the quotas allotted to the non-Malays, and that it would be implemented gradually and in stages (Siaw 1980, 218). Later, we know that it was agreed that the quotas for places in local universities for non-Bumiputera would be increased to 45% and for Bumiputera to 55% (Malaysia. Chua Jui Meng 1986).

The case of the Merdeka University was put to an end when on 9 July 1982, the Federal Court certified that its decision to dismiss the appeal of Merdeka University Berhad to set up the University was based on constitutional

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University converted to an English-medium instruction and in 1980, it eventually merged with the University of Singapore (Gopinathan 1991, 282).

considerations. The University, according to the court, if established, would be a public authority and teaching in the Chinese language would be using a language other than Malay for an official purpose, which would contradict Article 152 of the Federal Constitution, which only allows the Malay language to be used for an official purpose (*The Star*, 10 July 1982).

Earlier, in 1975, the MCA had sponsored the formation of a technical college called Tunku Abdul Rahman College, which was one of the MCA projects in its 'Five-Point Programme' drawn up in 1975. This college provided technical and professional training designed to provide youths employment in commerce and industry (Siaw 1980, 216-7). English was to be the medium of instruction. But the government had supported the establishment of this college any way. English was accepted as the medium of instruction even though it contradicted the use of Malay language as the national language of the country, in order to satisfy certain sections of the Chinese community. In addition the government, according to a senior government official, had also agreed to support this college financially on the basis of 'ringgit for ringgit'.

### 6.5 Inter-Ethnic Business Arrangements

Another phenomenon which arose under the NEP was the emergence of joint ventures between Malays and non-Malays. Rather than competing with each other, both groups co-operated with one another through official and unofficial arrangements. Joint ventures between Malays and non-Malays have had a bad reputation because of arrangements by which the former acquired businesses but had them run by the latter in return for a commission. This type of arrangement is usually called the 'Ali-Baba' system. The term is used to describe co-operation between a Malay and non-Malay in which 'Ali' denotes the Malay and 'Baba' refers to the Chinese partner. This is not to say that all forms of co-operation were on this kind of basis. There were joint-ventures in which both the Malay and the non-Malay partners played an active role in the business, but in others the latter did the work

while the former became a "sleeping-partner". It has been widely known that companies in which the Malays were the sleeping partners have existed in the business world, but it is difficult to give the exact number for such companies since arrangements were made unofficially between the partners involved. In the government's efforts to assist the Malays to have their share of modern urban activities, preferences were given to them in awarding contracts, permits and licences. Companies could apply for Bumiputera status when they fulfilled certain requirements: a majority --- at least 51% --- of the total share of the company should be owned by Bumiputera; a majority --- at least 51% --- of the management should be controlled by Bumiputera; and a majority --- at least 51% --- of the workers should be Bumiputera (*Treasury Circular no. 7/1974*).<sup>95</sup>

Since it is required that a company only has at least a 51% Bumiputera element in its equity, management and employment, the other half can thus be non-Bumiputera. For instance, among the contractors registered with the Contractors Service Centre under the Ministry of Public Enterprises, a significant number of them which came under the category of Bumiputera were not wholly-owned Bumiputera enterprises, since they also had minority non-Bumiputera holdings. Table 11 shows that in 1988, among the contractors registered, half of them were in the Bumiputera status category, while the other half were non-Bumiputera. Bumiputera comprised 2274 while non-Bumiputera 2273 of the number of contractors registered with the Centre. Table 12 gives a further breakdown of the Bumiputera status category in the same year. Out of 2274 contractors, 1526 (67.1%) were companies in which 51% or more of the equity was owned by

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<sup>95</sup>On 18 February 1974, the National Finance Council made a decision that Bumiputera companies be given preference in government procurement to enhance their participation in the non-traditional economic sector in line with the NEP. To achieve this objective, Government Treasury Circular no. 7/1974 was distributed to all relevant government departments. One of the provisions of the Circular is the definition of a Bumiputera company. The Circular gave preference to Bumiputera in the government procurement of supplies, services and works. The requirement that the majority or at least 51% of the members of the Board of Directors should be Bumiputera was also added in the "Guidelines for Registration of Contractors for Public Works" issued by Contractors Service Centre, Ministry of Public Enterprise in January 1991.

TABLE 11

NUMBER OF CONTRACTORS REGISTERED WITH CONTRACTORS  
SERVICE CENTRE BY CLASS AND STATUS, 1988

Class	Bumiputera (%)	Non-Bumiputera (%)	Total (%)
A,B,BX, C,D,E,EX	2274 (50%)	2273 (50%)	4547 (100%)

Source: Contractors Service Centre, Ministry of Public Enterprises, Malaysia.

TABLE 12

NUMBER OF CONTRACTORS WITH BUMIPUTERA STATUS BY  
WHOLLY-OWNED BUMIPUTERA AND MAJORITY-OWNED  
BUMIPUTERA, 1988

	Bumiputera Status
Bumiputera (100%) (%)	748 32.4
Bumiputera (51-99%) (%)	1526 67.1
Total (%)	2274 100

Source: Contractors Service Centre, Ministry of Public Enterprises, Malaysia.

Bumiputera and 49% or less by non-Bumiputera while 748 (32.9%) were companies wholly-owned by Bumiputera. Only about one-third of the contractors in the Bumiputera category were companies which were wholly Bumiputera owned while nearly two-thirds were companies in which there were arrangements between Bumiputera and non-Bumiputera for business co-operation.

This requirement for Bumiputera status not only applied to contractors registered with the Contractors Service Centre, but also to a whole range of other permits and licences. The practice of giving preferences to Bumiputera businesses in the award of contracts, permits and licences also gave rise to a rentier class among the Bumiputera. For example, there was a considerable number of Bumiputera contractors registered under F Class<sup>96</sup> who rented out their licences to the non-Bumiputera for a small amount of payment. As a result, a non-Bumiputera could easily acquire government contracts by renting a number of licences from F Class Bumiputera individuals and use their names as a front. This also happened to other sectors such as transport where lorry and taxi licences were rented out by the Bumiputera to non-Bumiputera individuals or companies for a fee or commission.<sup>97</sup>

In brief, the 1957 "contract" was replaced by the second "contract" after the May 13 riots in 1969 and NEP was one of the elements in the latter. Even though the Policy itself was non-negotiable, there were still uncertainties in its implementation. Hence during the NEP period, the major non-Malay political parties within the National Front, namely, the MCA and MIC, had been able to bargain within the framework of the Policy. In the process, they used their access to the government to secure favourable interpretations of the NEP and also managed to gain some concessions from the Malay party, UMNO, which is the senior partner in the Barisan Nasional.

### Conclusion

After Tun Razak had taken over the leadership of the Alliance from Tunku Abdul Rahman, he included other parties into the coalition. It is obvious that his intention was to achieve a broad national political consensus as well as a broader base of political support for the government in order to implement the NEP. Thus,

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<sup>96</sup>F Class with its limit of work costing \$100,000 or below is awarded to Bumiputera individuals or wholly-owned Bumiputera companies only (Contractors Service Centre, Ministry of Public Enterprise, Malaysia).

<sup>97</sup>Interviews and discussions with officers in the Ministry of Public Enterprise ( 3 and 11 August and 2 September 1993).

the disintegration of the coalition party after the May 13 riots was prevented. Instead, there was an extensive process of coalition-building in Malaysia in the early 1970's. The willingness of the component Alliance parties to stay in the coalition, and of many opposition parties to join the coalition, shows that there was, among the elites, a recognition of "the dangers inherent in a fragmented system" and a "commitment to system maintenance" (Lijphart 1968, 22-3). They seemed to be willing to cooperate with each other and to recognise the need and importance of such co-operation for the stability of the country. These behavioural attributes are among the "prerequisites" which are important to consociationalism.

In multi-ethnic coalitions, the elites have to perform a balancing act between being co-operative with other ethnic groups leaders and at the same time being able to carry their followers (who Lijphart refers to as the middle-level group) along. It is not an easy task for elites to do this. In Malaysia, when the Malay leaders give in too much to the demands of their followers, they might hurt the feelings of other group leaders, and when they ignore the demands of their followers, they will be accused of giving in too much to the demands of non-Malays. Likewise, when Chinese leaders try to fulfil the demands of their followers, they might also hurt the feelings of other group leaders in the process, and if they ignore these demands, they will be seen as weak, and thereby face the possibility of losing the support of their followers. Within the multi-ethnic coalition party, Barisan Nasional, the leaders of the component parties have been trying to achieve this balance between co-operation with other group leaders and retaining the support of their followers and communities. This can be seen in many issues which arose from dissatisfactions among the Malays and non-Malays, especially the Chinese, over government policies, particularly the economy and education. There are examples in the economic area involving compromise and bargaining between Malays and non-Malays within the Barisan Nasional. First, there was the controversy over the implementation of the ICA. Because of the pressure from the Chinese business community as well as the recession, the ICA has been amended three times since its

implementation to exempt more family businesses, which were mostly owned by Chinese, from the equity restructuring requirement. There was also the issue of competition over gaining a controlling interest in UMBC which was resolved by a joint control agreement by PERNAS (Malay interest) and MPHIB (Chinese interest). Then, the problem of the DTC's became another source of tension within the Barisan Nasional, when the MCA insisted that the government provide some bail-out for these DTC's, in the same way that the government had previously saved Bank Bumiputera and Bumiputera Malaysia Finance.

Another issue which involved negotiations and bargaining was the proposal to set up Merdeka University; a proposal that was eventually rejected by the government. But the government, however, agreed to partial financial support of Tunku Abdul Rahman College as a concession to the Chinese. Related to this is the issue of admissions to local universities. Since education is a means for better socio-economic conditions, many places in local universities were reserved for Malays in order to uplift their socio-economic situation. This caused much dissatisfaction among non-Malays and, in order to resolve this problem, it was agreed that the proportion of places in the universities for non-Malays should be gradually increased.

After the second 'contract' and as a result of the NEP, the government has played an active role in the economic sphere, which before had been left mostly to the Chinese. This intervention was in the form of regulation such as the ICA and also in the activities of government-owned business organisations in acquiring investments on behalf of Malays and in helping Malay entrepreneurs. This, resulted in competition between the existing upper and middle class Chinese and the emerging middle class Malays. But at the same time, there has also been co-operation between these two groups, such as in the setting up of business joint ventures which could benefit both sides. This co-operation, however, has not yet led the Malays and the Chinese to arrive at the point where they are able to perceive themselves in terms of classes and not in terms of ethnic groups. Even in small-scale

businesses, members from both communities, more often than not, prefer to do business with those from their own community. Hence, even though the different ethnic groups are dispersed throughout the class stratification, ethnicity remains as a dominant factor in Malaysia.

Economic growth, development and modernisation during the 1970's and 1980's resulted in an expansion of a middle class, noticeably among the Malays. This, in turn, was believed to be partly responsible for factionalism within UMNO which eventually led to the party split in 1988. The split appears to be a sign of a general disintegration of Malay unity. It also seems to weaken the "structured elite predominance" among the Malays, a factor which is important in a consociational model since leaders have to reach compromise with leaders of other groups while maintaining the support of their followers. Perhaps, this explains the reason why, during the 1990 campaign, UMNO leaders had to play up the old Malay fears of losing their dominant position in the country if they vote for Semangat 46, which they "projected as having "sold out" the interests of the Muslim in his bid for power", following Semangat's association with the Parti Bersatu Sabah (PBS), a party supported by Kadazans in Sabah of whom the majority are Christians, and DAP, which is dominated by non-Malays (Khong 1991, 6-7 and 42). The UMNO leaders' efforts in doing so seems to work when the result of the 1990 election shows that UMNO managed to gain 29.6 percent of the total votes cast in the parliamentary elections, a decline of 2.3 percent from the 1986 figures, despite losing some ground support. The result indicates that the new UMNO has been successful in identifying itself with the old UMNO --- the 'protector' of Malay interests --- and "seems to be endorsed as such by the electorate" (*ibid.*, 22-3). On one hand, it seems as if the existence of Semangat 46 and its overtures to DAP and the possibility of a multi-ethnic opposition would put pressure on UMNO to compromise or give more concessions to other ethnic parties. But on the other hand, the irreconcilable differences, ideological and non-ideological, among the opposition parties, especially between DAP and PAS, and even between Semangat



and PAS, make it difficult to assess the degree of political co-operation within the opposition front which could substantially affect the bargaining process within the ruling coalition. So far, the opposition parties has not yet been an effective multi-ethnic coalition equivalent to Barisan Nasional, even though they managed to agree not to contest against each other as evidenced in the 1990 election. Moreover, it has also been suggested by some new UMNO leaders that Semangat had no issue as the party was no different from the new UMNO itself, and the split was caused by personality conflict, between Mahathir and Tengku Razaleigh. They predicted that Semangat's defeat would then bring its members back to the new UMNO (*Asiaweek*, 19 October 1990, 30). There may be some truth to this view because many Semangat members have left the party and joined UMNO since then. This is because Semangat is not motivated by any particular ideology, and thus it would be very easy for the members to leave the party which is now out of power and could no longer provide them with political patronage. The failure of the opposition coalition and its inability to get to power indicates the continuity of Malay support for UMNO. UMNO can show its 'power' by dispensing patronage to its members and supporters. At the same time, it "punishes" its non-supporters and opponents by denying them benefits. To put it in another way, the failure of the opposition coalition shows the voters that there is much more to gain by being on the government's side or 'inside' the system than by remaining on the opposition's side and being 'outside' the system. Therefore, the failure of the opposition coalition helps to bring back supporters to the ruling coalition party and this, in turn, keeps consociationalism going.

Lastly, Lijphart assumes that economic development or wealth is not a pre-requisite for consociational democracy. Even though he said that "it is more constructive to take the requirements of economic modernisation into account when a consociational democracy is engineered in an underdeveloped country", he thinks that it is still possible to have a consociational democracy without economic development. In the case of Malaysia, because of the objective of the NEP, i.e.,

equitable distribution of wealth in a situation where the economic cake is growing, economic growth has been seen as crucial. As mentioned above, the purpose of the coalition-building of the 1970's was to have a broad national consensus and support so that the government would be able to get on with the business of implementing the NEP. But this could only be done when the economy of the country was growing, which would make it possible to distribute the wealth between different ethnic groups. Otherwise, there would not be enough to go around. What happened in the mid 1980's illustrates this point. When there was a recession and slow growth in the economy, people started to question the NEP and the debate generated much exaggeration as well as racist overtones. This, in turn, put pressures on the component parties within the ruling Barisan Nasional. In other words, if there is no economic growth, the Chinese would be reluctant to listen to the MCA to support the Barisan Nasional and adhere to the idea of consociationalism. On the other hand, when there is growth, though all will share in its rewards, supporters will be likely to gain more in absolute terms. Thus the success of economic growth provides opportunities for patronage by non-Malay component parties within the ruling coalition, particularly the MCA, to 'bring in' other Chinese with other Malaysians and this helps to keep consociationalism going. So, in the case of Malaysia, it seems that economic growth and development is necessary for a consociational model to work in the long-term. After all, politics, are about how scarce resources (in the widest sense) are distributed within a community.

## CHAPTER SEVEN

### THE NATIONAL ECONOMIC CONSULTATIVE COUNCIL AND THE POST-NEP POLICY

#### 7.1 National Economic Consultative Council (NECC)

In the late 1980's, there had been numerous public discussions on the successor to the NEP, which was due to end in 1990. Seminars and public talks were held throughout the country discussing the achievements of the NEP, the post-NEP period and the future of the nation. The Government was aware of this interest and had been following all these developments from the beginning.<sup>98</sup> Subsequently, in December 1988, the Prime Minister announced that there would be a consultative council for discussing post-NEP policy (*New Straits Times*, 20 December 1988).

Invitations were later sent to all political parties, chambers of commerce, voluntary associations and a number of Bumiputera and non-Bumiputera individuals to participate in the forum, called the National Economic Consultative Council (NECC). The Council was set up on 19 January 1989, approximately two years before the end of the NEP. In his speech read out by his Deputy, Encik Ghafar Baba, at the launching of the NECC, Dr. Mahathir said that the aim of the Council was to get the people involved in charting their own future and that it was not to become a political forum to serve the interests of any group or individual (*The Star*, 20 January 1989).<sup>99</sup>

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<sup>98</sup>According to a former senior Economic Planning Unit (EPU) officer, representatives from the unit were sent to attend these seminars to report back to the department (Interview on 2 December 1993). This and subsequent interviews in this chapter were given on condition that the names of the informants should remain anonymous.

<sup>99</sup>Dr. Mahathir was not able to launch the Council since he was hospitalized with an illness (*The Star*, 20 January 1989).

In its first meeting shortly after being launched, the Council elected Tan Sri Ghazali Shafie as chairman and Datuk Tan Peng Khoo as the Deputy Chairman.<sup>100</sup> The Council met fifteen times during the period from 19 January 1989 to 6 February 1991 and finally produced a report which was subsequently submitted to the Government. The purpose of the NECC was to provide an opportunity for people from different backgrounds and various interests to give their opinions on the performance of NEP implementation and to recommend a new policy after 1990 (*Laporan Majlis Perundingan Ekonomi Negara (Report of the National Economic Consultative Council)* 1991, 3). The NECC consisted of 150 members representing various organizations and individuals, including all political parties, businessmen, academics, farmers, consumer associations, fishermen, hawkers and minority groups such as the Orang Asli, Portuguese, Sikhs, Sri Lankans, Eurasians and Thais. The political parties involved were representatives from the Barisan Nasional and the Opposition as well as individuals who were pro- and anti-establishment. Although there were representatives from the ruling party, none of the Cabinet Ministers and their Deputies were included in the Council membership. The ethnic quota for these 150 members was fixed by the Government in such a way that the Council became like a 'mini Malaysian society'.<sup>101</sup> Hence, the Council was representative of a wide spectrum of interests and its members ranged in economic and political philosophies from the extreme right to the left. The approximate ethnic breakdown of the Council was as follows: Malays 67, Chinese 50, Indians 19 and others 14. The membership was roughly divided into 50% Bumiputera and the other 50% non-Bumiputera.<sup>102</sup>

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<sup>100</sup>Tan Sri Ghazali has been a civil servant, a diplomat, and a minister, and under Tun Razak he helped to formulate the Rukunegara and the NEP. He himself regarded this task as a continuation of the job he did in 1971 when he was entrusted with the responsibility of planning the NEP (*The Star*, 20 January 1989).

<sup>101</sup>Interview with a former senior EPU officer who was involved in the NECC secretariat (2 December 1993).

<sup>102</sup>There was an absence of Semangat 46 which was an opposition political party, constituted from UMNO dissidents. The party was registered on 5 May 1989 (*Keesing's Contemporary Archives*). According to the former EPU senior officer, the government received a letter from Semangat 46 asking to join the Council but by that time, it was too late, since the Council was half-way through

Even though there was dissatisfaction among public interest groups such as environmentalists and women's organizations over lack of representation, all ethnic groups were, however, fairly represented on the Council. This broad-based representativeness of the Council indeed reflected the government's efforts to try to involve as many people as possible in drafting and charting the destiny of the country. The Prime Minister, however, warned the members that

An economic policy of a plural society, such as in the case of Malaysia, is no easy task and is even more difficult to plan because its thrust is not toward just economic growth. It also takes into account the economic, political and social aspirations of various ethnic groups with their respective problems and interests (*Report of the NECC 1991*, 317, translated by the writer).

All of the Council's meetings were held behind closed-doors "because the glare of publicity may destroy all the good intentions of the Council" (*The Star*, 21 January 1989). This was in order to enable the members to freely express themselves. However, a formal record was kept. Minutes of the meetings during plenary sessions were taken but they were summaries rather than a verbatim record. The members were assured by the Council Chairman that the discussions were to be held in an atmosphere of "solidarity, friendship and amity". The meetings were also to be consensual in nature and not confrontational (*The Star*, 20 January 1989). The NECC was to be a forum for frank discussions among the ethnic groups and an advisory body to the government on post-1990 policy.

At its inaugural meeting, all 150 members of the Council, except for the five DAP representatives and the Malaysian Trade Union Congress (MTUC) secretary-general, V. David, were present. The DAP kept away from the launching and the first meeting of the Council as a protest against the government's refusal to release two of its representatives, Internal Security Act (ISA) detainees Lim Kit Siang and

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its period of deliberations. So the government decided not to extend the invitation to Semangat 46 (interview on 2 December 1993).

Karpal Singh. It turned down the government's invitation to join the Council, since it could not accept the Deputy Prime Minister's suggestion that its two leaders under detention could participate by writing in their recommendations (*The Star*, 20 January 1989).<sup>103</sup> It however began to participate in the Council in April 1989, and remained in the Council until it withdrew on 21 August 1989. There were also fourteen other members who withdrew from the Council before its final meeting in February 1991. Four of the Chinese members withdrew in August 1989 while the other ten, including five Malay members from PAS, a Malay member from Parti Rakyat Malaysia (PRM), a Malay individual member, a Chinese individual member and two other individual members, withdrew from participation in the Council on 27 August 1990. It is not clear why the individual members left the Council, but as for the PAS and DAP representatives, it is more likely than not that they left because they didn't want to be committed to any decisions agreed in the Council. But by that time, the draft of the NECC Report had been submitted to the Council's 14th Meetings which were on 9, 10, 13, 14 and 15 August 1990 (*Report of the NECC 1991*, 7, 12-13). Due to their withdrawal, these nineteen members didn't participate in the Council's final meetings on 6 February 1991 to endorse the *Report of the NECC* which was the result of the Council's deliberations. Their views and ideas, however, had been incorporated into the report which was unanimously approved by the Council and submitted to the government.<sup>104</sup>

The Economic Planning Unit (EPU) acted as the Council's secretariat and provided the information and statistics asked for by its members. In addition, there were also individuals from various government bodies such as the Prime Minister's Department, the Treasury, the Public Services Department, the Bank Negara and various other ministries (*Report of the NECC 1991*, 371-6) who were elected as 'resource persons' whom the council members could consult should they have any

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<sup>103</sup>The DAP printed 100,000 pamphlets to explain to the public its stand on the NECC (*The Star*, 23 January 1989).

<sup>104</sup>Interview with Tan Sri Ghazali Shafie (8 October 1993).

problems in their deliberations. These individuals attended the Council's plenary meetings but they didn't take part in the deliberations.<sup>105</sup>

After its inaugural meeting, the Council Chairman explained that an ad hoc committee would be set up, and fifteen members of the Council would be chosen to sit on the committee which was to recommend and draft out the issues to be discussed and to decide the number of sub-committees to be formed (*The Star*, 20 January 1989). The original number of 15 members on this ad hoc committee was later increased to 24, and subsequently to 30 in answer to the request of Council members. It was later known as the Steering Committee (*The Star*, 21 January 1989; *Report of the NECC 1991*, 4-5).

The Council was divided into sub-committees which studied the issues assigned to them in depth; made suggestions on issues and information which needed government consideration; recommended areas which were important; and later reported their findings to the council to be discussed during the plenary meetings. The five committees corresponded to the following issues: one, implementation of poverty eradication; two, implementation of society restructuring ; three, data collection and methodology; four, National Economy and International development; and five, human resource development. Another committee on national unity was later set up in July 1989, adding the total number of committees to six. This sixth committee was called the National Unity Committee. The Council decided to form the National Unity Committee after all the five committees had started to discuss issues of national unity, since they could not deal with this matter in depth, because each of them had already had their specific issues to study.<sup>106</sup> Similar to the Council, the membership of each of these six committees was approximately equal in its Bumiputera and non-Bumiputera proportion.

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<sup>105</sup>Their advice was sought by the council members when they were outside the meeting , not during the discussions. Interview with an EPU officer who was involved in the NECC secretariat (7 December 1993).

<sup>106</sup>Interview with the former EPU senior officer (11 December 1993).

The NECC was originally given one year to deliberate, but because of the complexity of the issues and the differences of opinions among the members, the deliberations were extended to about two years. During this period, many working papers were produced by these committees and individual Council members, as well as some sent by the public to the Government for the Council's consideration.<sup>107</sup>

Despite the Council's interests in individual members' views and not the consensus of their respective groups (Tan Sri Ghazali Shafie, *The Star*, 20 January 1989), the members' ideas and views tended to reflect those of the ethnic and other groups they represented in the Council. Furthermore, because it was held behind closed doors, and because of the freedom of expression of the Council members, the discussions during the plenary meetings sometimes turned into a confrontation between Malays and non-Malays.<sup>108</sup> There were many times during the sessions when Council members were tempted to just state their stand on certain issues and then walk out of the meetings with the sense that they were being the champions of their own parties.<sup>109</sup> Nevertheless, the majority of the members decided to stay on until the final meeting to endorse the final report. Decisions were not made by vote-taking. Instead, the Council allowed all different views and opinions be voiced and heard, and decisions were taken by consensus or *muafakat*.<sup>110</sup> There had been many instances of "give-and-take" and toleration among the members but there had also been disagreement which could not be easily be resolved. In this case, a special committee consisting of five members<sup>111</sup> was formed by the Steering Committee for

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<sup>107</sup>See *Report of the NECC 1991* pp. 395-411 for the list of these working papers.

<sup>108</sup>Interviews with a former NECC Bumiputera member and an EPU officer who was involved in the NECC secretariat (4 October 1993 and 7 December 1993 respectively). One of them commented that it was a good thing that these meetings were held behind closed doors since some of the things said during the deliberations might have influenced and incited the sentiments of people outside if they were released to the public.

<sup>109</sup>Interview with a former NECC non-Bumiputera member (14 October 1993).

<sup>110</sup>*Muafakat* or collective decision-making have been a long tradition in Malay society and can be found in the Melaka Government as well as in later Malay states, see Chapter Two.

<sup>111</sup>This special committee or "five-men committee" included Datuk Abdullah Ahmad Badawi as chairman, Syed Hamid Tan Sri Syed Jaafar Albar, Yong Poh Kon, Lim Teck Ghee and D.P. Vijandran. The Council Chairman, Tan Sri Ghazali Shafie, was also involved in this committee's discussions.



the purpose of solving and amending any controversial paragraphs in the final report so that they would generally be acceptable to all Council members.

Since the NEP had set a target figure to be achieved by 1990, which was 30:40:30 for Bumiputera, non-Bumiputera and foreigners respectively, statistics and figures became important in deciding whether or not each group has achieved its target figure. Even before the council met, the need to have a common data base on these statistics had been stressed by Datuk Dr. Ling Liong Sik, an MCA leader, on the launching day of the NECC (*The Star*, 20 January 1989). At issue was the practice of aggregating the shares of the nominee and locally controlled companies together with those of "other Malaysian residents" or non-Bumiputera. This increased the percentage owned by non-Bumiputera, since foreigners and Malays also exercise ownership through nominee or third company minority shareholdings. By adding the share portion of nominee and other locally controlled companies to that of non-Bumiputera, the official figures over-estimated the non-Bumiputera share and under-estimated the Bumiputera share. According to the *Fifth Malaysia Plan*, the percentages of corporate share ownership in 1985 were 19.1%, 54.9% and 26.0% for Bumiputera individuals and trust agencies, other Malaysians residents and foreigners respectively (*Fifth Malaysia Plan 1986-1990*, 1986, Table 3.9). In the same year, the share of nominee and locally controlled companies constituted 19% of the total equity, and this was added to those owned by 'other Malaysian residents' even though the 19% of nominee and locally controlled companies included both foreign and Bumiputera ownership. The non-Malays, however, failed to mention that, according to law, the nominee companies were not required to disclose the interest of individual owners while the locally controlled companies were defined in the *Fifth Malaysia Plan* by 'the total value of the share capital of limited companies whose ownership could not be dissaggregated further and assigned beyond the second level of ownership to specific groups' (*ibid*, 107). Therefore, because it was difficult to determine the ethnic ownership of shares in

both the nominee and locally controlled companies, it was also impossible to get a real picture of the situation.

The disagreement over the practice of aggregating the shares of the nominee and locally controlled companies together with the total percentage of non-Bumiputera share-ownership was again voiced in the Council by a Chinese individual during the discussion on the report prepared by the committee which was responsible for evaluating the implementation of restructuring the society under NEP. The chairman of this committee, however, explained that details about nominee and locally controlled companies were to be incorporated in the statistics showing the relative ethnic ownership of the share capital of limited companies (MPEN 188/89, 7).<sup>112</sup>

The dispute over this practice led the Council to state in its report that the share of corporate equity held by nominee and locally controlled companies should not be added to any one of the ethnic groups' ownership. To further clarify the issue, the report further showed that, when the percentage share of these nominee and locally controlled companies was aggregated to different ethnic groups' ownership, distortions occurred. The report suggested that a real picture of the situation would be best obtained if the percentage of these companies was separated from any one of the groups. Accordingly, the proportion of corporate equity held by the Bumiputera increased from 2.4% in 1970 to 19.4% in 1988 while that of the Chinese increased from 27.2% to 32.6%, the Indian from 1.1% to 1.2% respectively. On the other hand, the proportion held by foreigners decreased from 63.4% in 1970 to 24.6% in 1988. The report also showed that in 1988, the percentage share of nominee and locally controlled companies was 21.2% of the total corporate equity ownership (*Report of the NECC 1991*, 57-9). The official statistics released after that in the *Sixth Malaysia Plan* for 1990 estimates, separated the shares of the nominee companies from any one of the ethnic groups.

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<sup>112</sup>The discussion on the NECC plenary meetings in this chapter will be based on the information provided by the NECC materials which were lent by one of the former members of the NECC (his private set) to the author. These materials are indicated as MPEN (reference no.), page no.

It is not difficult to understand why the statistics for corporate equity ownership in Malaysia became crucial, since the estimate figures were vital in assessing the proportion of each ethnic group's ownership of corporate wealth. Once these figures were obtained, they would give an estimate of the distribution of corporate ownership among the groups by the end of the NEP period. Since there had been many working papers<sup>113</sup> prepared and submitted by the members during the deliberations, there had also been different estimates of the share of corporate wealth held by the ethnic groups.<sup>114</sup> The figure for the percentage of Bumiputera ownership became crucial for the question of whether or not the Bumiputera had achieved their target figure by the end of the NEP and, more importantly, to decide whether or not the NEP policies should be continued after 1990. The estimates were important to determine the shape of post-1990 policy. As a result, there have been conflicting views on the actual percentage of Bumiputera ownership achieved by the end of 1990. The non-Malays asserted that there had been an under-estimation of the percentage achieved by the Bumiputera and that the figure target of 30% had actually been attained by the end of 1990. Thus, they argued, there should not be any more NEP or any similar policies after 1990. The Malays on the other hand argued that the Bumiputera share had not yet reached the target of 30% and that therefore the NEP policies should be continued, even after 1990. Furthermore, they asserted that the 30% target set should be increased along with the increasing proportion of Malays in the total population, so that corporate wealth distribution should reflect the ethnic distribution of the total population.<sup>115</sup>

The first objective of the establishment of the NECC was for the members to evaluate the performance of the NEP. Since they were free to express their feelings and views on the implementation of the NEP, dissatisfaction was voiced by members on certain issues in the NEP. Between the two prongs of the NEP --- to

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<sup>113</sup>See *Report of the NECC*, pp. 395-406 for the list of these working papers.

<sup>114</sup>Even in the Parliament, during the tabling of the *Fifth mid-term Review*, Datuk Dr. Ling Liong Sik said that the figures in the Review "...don't agree with ours" (*Malaysian Business*, 1-5 August 1989).

<sup>115</sup>Interview with a former NECC Bumiputera member (16 December 1993).

reduce and eventually eradicate poverty, and to economically restructure the society --- the latter became a controversial issue during the debates in the Council. The non-Malays charged that during the implementation of the NEP policies of restructuring, there had been numerous abuses, deviations and acts of discrimination against the non-Malays. These practices in turn had created the impression among the non-Malays that the NEP was being implemented in such a way as to bring about Malay domination of the economy.<sup>116</sup>

Among the practices alleged by the non-Malays to be a "deviation" from the original intended strategy for the economic sector was the policy of equity restructuring at the level of individual companies. This practice, according to the MCA, was a misinterpretation of the intent of the NEP. The target of 30% Bumiputera share was meant to be based on global estimates, not on individual estimates. Besides that, there had also been an "imposition of employment restructuring at firm level". Many corporations had been "pressured administratively to increase their Bumiputera employment as a pre-condition for approval for work permits, expansion plans, eligibility to tender, etc". This exercise, in the MCA's view, contravened the NEP target of employment restructuring which was meant to be implemented at the global level (MPEN 34/89, 9-12). Related to this was the issue of the role of the ICA, which was alleged by the Chinese Chamber of Commerce to have had a "disincentive effect" on investment (MPEN 157/89, 2-3). As had often been the case before the setting up of the NECC, dissatisfaction with this Act was voiced again in the Council. This is because the non-Malays, especially the Chinese, viewed the second prong of the NEP --- the restructuring of society --- as a form of "forced restructuring exercise".<sup>117</sup> They asserted that they supported the NEP, but questioned the methods used to achieve its objectives, and complained about the over-zealousness of government officers in implementing its policies.<sup>118</sup>

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<sup>116</sup>Interviews with two former NECC non-Bumiputera members (9 October and 6 December 1993).

<sup>117</sup>Interview with the former EPU senior officer who was involved in the NECC secretariat (2 December 1993).

<sup>118</sup>Interview with a former NECC non-Bumiputera member (9 October 1993).

The Chinese, therefore, felt that they had been forced by the government to restructure their businesses to enable the Malays to get their share of modern urban economic activities. The ICA was considered by the Chinese as a hindrance to the development of the manufacturing sector and they wanted the government to raise the ceiling of the shareholders' fund so that more Chinese businesses would be exempted from having to comply with the restructuring requirements. The Malays, on the other hand, would have preferred that the shareholders' fund be lowered so as to accelerate the process of restructuring.<sup>119</sup> In addition, the Chinese also complained about the practice of awarding the most lucrative government contracts, permits, and licences to Bumiputera-owned companies (MPEN 157/89, 4), and the regulations specifying that contracts below \$75,000 Malaysian Ringgit must be awarded to Bumiputera companies (MPEN 34/89, 14). The later was said to result in severe losses to non-Bumiputera small businesses.

Because of all these regulations and various government programmes to help the Bumiputera, the NEP was seen by the non-Malays to benefit only the Malays. This view was expressed by the non-Malay members, including those from the MCA, during the course of the meetings (MPEN 115/89, 34). They said that, under the NEP, non-Bumiputera corporate equity in the private sector had been restructured to increase Bumiputera participation in that sector, but nothing of the kind had been done to the public sector. As a result, they claimed that there was an increase in Malay participation in the corporate sector but the same thing had not happened to non-Malay participation in the state sector (MPEN 115/89, 34 and 53).

It was pointed out by an individual Malay member that during the discussions, much emphasis had been put on the attainment of the Bumiputera share in corporate wealth but less emphasis on the achievement of non-Bumiputera in obtaining their share in the same sector. Yet, the NEP target of 40% non-Bumiputera corporate equity had already been achieved by 1981. He said that this achievement should be highlighted so that the NEP would not be misunderstood as

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<sup>119</sup>Interview with a former NECC Bumiputera member (20 September 1993).

discriminating against the non-Malays. The non-Malay leaders, he added, should also point this out to their communities so that no dissatisfaction would arise among the non-Bumiputera (MPEN 187/89, 13-14). One of the UMNO members blamed the MCA for failing to assure the Chinese community that the Chinese were the ones who had been profiting from the NEP right from the beginning. Instead, the MCA had been competing with the DAP to show the Chinese community which one of them was more effective in championing the Chinese cause (MPEN 144/89, 12-13).

Another UMNO member highlighted that the non-Bumiputera were the group who benefitted more than the Bumiputera, because they managed to grab business opportunities through the 'Ali-Baba' system, by which they could do business under their Bumiputera partners' names. In addition, he said that the 18.9% achieved by the Bumiputera in the corporate sector was a statistic based on registration of companies which did not reveal the real situation in which commercial and industrial activities were still dominated by the non-Bumiputera (MPEN 188/89, 42). A Malay member, also from UMNO, demanded that the target of the Bumiputera share in corporate equity be increased from 30% to 55% in order to accord with the ethnic group ratio in the population of the country (MPEN 147/89, 6). This, of course, was rejected by a non-Malay member (MPEN 188/89, 25).

The Indians, on the other hand, asserted that they were also a disadvantaged group and in a position similar to the Malays, but they didn't get the same kind of help from the government as the Malays.<sup>120</sup> One of the Indian members from the MIC claimed that, unlike the Malays and the Chinese, the Indians neither had political nor economic clout and were therefore in "a very individious" position. During the NEP period, the Indians had been left pretty much on their own to sustain themselves "because they were lumped together statistically with the much stronger Chinese" under the category of non-Malays. This practice, according

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<sup>120</sup>Interview with a former NECC non-Bumiputera member (23 November 1993).

to him, hid the unsatisfactory position of the Indians in various sectors. One example was the ownership of corporate wealth, in which the Indians merely had 1.2% in 1988, or had gained only 0.2% in eighteen years (MPEN 121/89, 15-16).

Regarding poverty eradication under the NEP, there had been some progress but the Indian members from the MIC claimed that the Indians, particularly the estate workers, had not benefitted from the government's rural development programmes. "The responsibility for the provision for schools, health services and housing has been left to the estate management" and "the quality and scope of the services are well below the services provided by the Government" (MPEN 12/89, 8).

As regards the restructuring of corporate equity, the final report of the Council concluded that, in general, both the Bumiputera and non-Bumiputera had been benefitting from the absolute increase of shares in limited companies. Analyses in absolute terms were, it claimed, more relevant than percentages in an open economy of Malaysia, where there is no limit to private and foreign investment, all of which are important for creating job opportunities and transferring technology. Thus, when these foreign investments increased, there would be a decrease in both Bumiputera and non-Bumiputera percentages of corporate ownership, even though there would be an increase in absolute terms. The Report suggested that less emphasis should be given to share ownership by percentage and more on the quality and the level of ownership in absolute terms, and the ability to create, maintain and increase ownership. It also pointed out that equity restructuring had only been limited to the corporate sector. Since the future development of the country would be in the public sector, it was important that this sector be taken into consideration in correcting the imbalances in equity ownership and participation. As a result of the implementation of the NEP, the Bumiputera economic level has been uplifted and the identification of certain ethnic groups with particular vocations has been lessened. But this identification of certain groups with particular vocations still persisted in some sections in both the private and the public

sectors. The Report thus recognized that besides the Bumiputera, the Indians also still lagged behind in ownership and participation in manufacturing, wholesale and retail trading and certain professions in general. It was also acknowledged that at the same time there had been low participation of non-Bumiputera in the civil service and land schemes in the agricultural sector (*Report of the NECC 1991*, 62-3).

In the evaluation of the overall performance of the NEP, the Council concluded that even though there had been progress in NEP implementation, there had also been shortfalls which should be taken into consideration by the National Economy Policy for Development after 1990 --- the name which was suggested for the post-1990 policy by the Council. It was acknowledged that the objectives of the policy for poverty eradication as well as society restructuring had not been fully achieved during the twenty-year period of NEP. Using the Constitution and Rukunegara as guidelines, among the objectives set for the National Economic Policy for Development after 1990 were:

- a) To continue building a society which shares a common destiny, is united, just, peaceful and has a Malaysian identity in a stable politics based on Parliamentary democracy.
- b) To eradicate poverty irrespective of ethnic group and redress the economic imbalances between and within ethnic groups, sectors and regions based on an acceptance that Malaysian society is composed of various ethnic groups and this is a reality which must be taken into account in all development plans and implementation with the objective of a fair distribution of opportunities and wealth in the country.
- c) To get the involvement of all sectors in preventing deviations and in achieving the original NEP two-prong strategy for all ethnic groups.
- d) To strengthen the moral and ethical values and promote the independency and resiliency of the work



force through an effective human resource development and

e) To encourage a sustainable economic development based on science and technology which is able to face the challenges of international economic development so that Malaysia would emerge as a more developed and dynamic country (*Report of the NECC 1991*, 125, translated by the writer).

The concept of "sharing a common destiny" was stressed by the Council. To achieve national unity, all Malaysians must be responsible and work hard toward that goal. Thus the concept of "sharing a common destiny" should go beyond boundaries of families and ethnic groups and involve all Malaysians as a one big family. This idea of sharing a common future and togetherness is an approach to reduce *ethnic* consciousness and to shift away from identification with one ethnic group to a broad concept of 'Bangsa Malaysia' or a 'Malaysian Nation' which would encompass all ethnic groups.

Even though the Council acknowledged that there had been achievements in eradicating poverty in the country and that the incidence of poverty in Peninsular Malaysia had declined from 49.2% in 1970 to 17.3% in 1987, it still recommended that poverty eradication, regardless of ethnicity, remained one of the main objectives for the post-1990 policy (*Report of the NECC 1991*, 35, 131). As regards the second prong of the NEP, which was restructuring the society economically, the Council concluded that, as a result of the NEP implementation, the economic status of the Bumiputera had been improved and the identification of certain ethnic groups with particular economic functions had been reduced to some extent. Nevertheless the latter tendency still existed in many economic sectors. For instance, the Bumiputera still lagged behind in corporate wealth ownership, management in the manufacturing sector, entrepreneurship in wholesale and retail trading, as well as certain professions. The Council also acknowledged that the non-Bumiputera, on the other hand, lagged behind in the public service and land schemes in agriculture. Hence, it recommended that this problem be reviewed and a

new approach should be taken to correct the situation and lessen further the identification of an ethnic group with certain vocations. Because of the controversies shrouding the second prong of the NEP policy of restructuring the society economically, and of strong objections from the non-Malays, this second prong of the NEP was rephrased in such a way so that the word "restructuring" would not appear again in the Council's recommendations to the government.<sup>121</sup> The Report, thus, used the phrase: "redressing economic imbalances between and within ethnic groups, sectors and regions" (*Report of the NECC 1991*, 125). The purpose of correcting these imbalances, according to the Report, was to widen the participation of all people so as to create a multi-ethnic situation in all economic sectors, including private and public sectors. This step had to be coordinated with the effort to develop the economy and increase its growth. The approach of 'growth with equitable distribution' was recommended by the Council as a strategy which was to be followed by the government so that there would be no section from any ethnic group being left behind or deprived of opportunities to own and participate in commercial and industrial activities (*Report of the NECC 1991*, 235).

In creating a Bumiputera Commercial and Industrial Community (BCIC), the Council recommended that more efforts should be made to ensure greater Bumiputera ownership and participation in commerce and industry. In this case, if there was any private company which took its own initiative to open and increase the equity and participation of the Bumiputera, their efforts should be recognised by the Government through incentives (*Report of the NECC 1991*, 236).

The Council also proposed the establishment of an independent commission to monitor the implementation of post-1990 policy to ensure that it would not deviate from its stated objectives. It was suggested that this commission should have between fifteen to twenty-five members, representing all groups and regions which would have the power to recommend to both public and private sector

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<sup>121</sup>Interview with the former EPU senior officer who was involved in the NECC secretariat (11 December 1993).

authorities remedial measures aimed at correcting shortcomings in their implementation of the policy after 1990. In addition, the commission would also enhance the principle of accountability in both sectors of the economy. Finally, the Council recommended that its establishment should be no later than six months after the launching of the post-1990 policy and its dissolution should not be later than one year after the end of the next policy (*ibid.*,288-292).

In terms of education, the issue which was disputed in the council was the question of guaranteed places in local universities and the special financial assistance granted to the Bumiputera. The policy of favouring the Bumiputera in the enrolment in the local universities and of sending Bumiputera students on government scholarships and loans to overseas institutions was part of the effort to correct the imbalance in employment patterns in Malaysia. The aim was also to increase the number of Bumiputera professionals, especially architects, accountants, engineers, dentists, doctors, veterinary surgeons, surveyors and lawyers. It was reported that in 1985, in these eight professions, the share of Bumiputera was 22.2%, the Chinese 61.2% and the Indians 13.9%. By 1988, these percentages became 25.1% for the Bumiputera, 58.4% for the Chinese, and 14.3 % for the Indians. The number of Bumiputera increased from 6,318 in 1985 to 8,571 in 1988, the Chinese from 17,407 to 19,985, and the Indians from 3,946 to 4,878 (*Mid-term Review of the Fifth Malaysian Plan 1989*, 67).

As discussed in Chapter Five, higher education is crucial since it is a means of achieving better socio-economic status, and it was considered to be one of the most important ways of achieving the objectives of the NEP. The ethnic quota for student intake into the local universities which had earlier been agreed upon by the Malay and non-Malay parties within the Barisan Nasional was 55% for Bumiputera and 45% for non-Bumiputera. The Chinese, however, alleged that the proportion of the Bumiputera student intake into the local universities had been higher than the quota agreed. This high quota for Malay students was one of the "deviations"

during the NEP implementation which had been alleged by the non-Malays (MPEN 32/89, 5-6).

The Malays, on the other hand, argued that the quota for Bumiputera student enrolment in the local universities should be increased because the number of Bumiputera professionals was still low in relation to the proportion of the Bumiputera population in the country.<sup>122</sup> This would accelerate plans to increase the Bumiputera share in certain professions so that it would reflect their proportion of the total population. An individual Malay member pointed out that the number of non-Bumiputera studying in universities abroad was much higher than Bumiputera. Thus, he was of the opinion that the existing ratio of Bumiputera 55: non-Bumiputera 45 for the student intake into the local universities should be changed to 65: 35, so as to balance the total number of students from both groups (MPEN 187/89, 6-7).

The final report concluded that there were more non-Bumiputera than Bumiputera studying in institutions abroad because of the shortage of places in the local universities. The majority of non-Bumiputera who studied abroad were paying their own expenses while the majority of those Bumiputera studying abroad were sponsored by the government. This happened because of the need to improve Bumiputera levels of education and to correct the economic imbalances, but this effort, in turn, had caused the non-Bumiputera to feel alienated (*Report of the NECC 1991*, 78).

Lastly, a Malay member pointed out that the problem faced by the Malays (namely the economic problem) was not a problem of one particular race only but it was a national problem since the Malays constituted the majority of the population, and because they were the 'core society' of Malaysia (MPEN 131/89, 18-19). This notion of Malays as the 'core society', or as another Malay member put it, 'Ketuanan Melayu' or 'Malay Ascendancy', was brought up by some UMNO representatives in the Council to re-emphasise the historical fact that Malaysia was originally 'Tanah

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<sup>122</sup>Interview with a former NECC Bumiputera member (16 December 1993).

Melayu' or 'Land of the Malays', and that there had been a 'social contract' between the Malays and non-Malays before Independence (MPEN 101/89, 37). For the very reason that the Malays were the original inhabitants of present day Malaysia, it was also argued that the National Culture of the country should be based upon Malay culture and the 'elements' of a National Culture should not contradict Islamic principles. Even so, this concept of a National Culture was not meant to inhibit the practice of other cultures in the country (MPEN 79/89, 32). This concept of 'core society' used by the members involved may be interpreted as reflecting the Malays' view that the state should be expressed in terms of Malay culture but with room for other groups to practise their cultures.

## 7.2 The New Development Policy

It was announced by Dr. Mahathir in Parliament on 17 June 1991, in tabling the *Second Outline Perspective Plan for 1991-2000*, that a Plan had been formulated based on a new policy called the New Development Policy (NDP). The NDP was to replace the NEP which had expired at the end of 1990. The NDP was to retain the basic strategies of the NEP of eradicating poverty irrespective of ethnicity and restructuring society in order to reduce the identification of ethnic group with economic function, but would also include some new perspectives. Despite the government's non-commitment to accepting the recommendations made by the NECC, and doubts voiced by some sections of the society about the sincerity of the government in setting up the NECC in the first place,<sup>123</sup> many of the Council's recommendations were adopted in the NDP. But its proposal to establish an independent commission to monitor the implementation of the new policy was not included in the NDP because the government viewed the commission's proposal as an attempt to create 'a government within a government' (Chandra Muzaffar, *Aliran Monthly*, Vol.11, No. 6, 1991, 3).

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<sup>123</sup>See for instance *Aliran Monthly*, Vol. 9, No. 4, 1989, 10.

During the tabling of the Second Outline Perspective Plan in the Parliament, Dr. Mahathir said that

The NDP has been prepared following exhaustive analyses of social and economic development in the country and after taking into account the views of the various groups in society, the private sector and the National Economic Consultative Council (Malaysia 1991, Dr. Mahathir Mohamad, 44-5).

National unity remained the ultimate goal of the NDP, since a united society was viewed as fundamental to the promotion of social and political stability and sustained development. In the formulation of the NDP, the government took into account the progress that had been made under the NEP and the strengths and the weaknesses of its development efforts. The NDP contained several new insights and dimensions in the government's efforts to eradicate poverty and restructure society. These new dimensions were to:

(a) shift the focus of the anti-poverty strategy towards eradication of *hardcore* poverty while at the same time reducing relative poverty; (b) focus on employment and the rapid development of an active Bumiputera Commercial and Industrial Community (BCIC) as a more effective strategy to increase the meaningful participation of Bumiputera in the modern sectors of the economy; (c) rely more on the private sector to be involved in the restructuring objective by creating greater opportunities for its growth; and (d) focus on human resource development as a fundamental requirement for achieving the objectives of growth and distribution (*OPP2*, 1991, 4).

To further reduce the poverty rate from 17.1% in 1990 to 7.2% by the year 2000 and further reduce the number of poor households from 619,400 to 373,9000 respectively, the anti-poverty strategy planned to focus on the poorest of the poor or those in *hardcore* poverty (*OPP2*, 1991, 109). By doing so, the government has shown that it realizes there are groups in the society which are desperately poor and entrapped in poverty, and that the existence of hardcore poverty represents a

serious threat to political stability, above and beyond the question of ethnic relations.

There were 143,100 households or 4% of the total households in 1990 that were in the category of the hardcore poor (*ibid.*, 109). They received incomes less than half that set by the 'poverty-line' and lived in extremely poor conditions.<sup>124</sup> The NDP sought to eradicate poverty irrespective of ethnicity by increasing the poor households' income through the creation of new jobs and improving the social services and amenities for them.

Additionally, the government recognized that in the course of implementing the NEP, relative poverty has become an important issue and was expected to be "a bigger issue" in the future.<sup>125</sup> Disparities and income imbalances within and between ethnic groups, sectors and regions have become more pronounced in some instances. Thus, the government will continue to enhance income opportunities for the lower income groups of all ethnic groups by improving their access to better services and amenities in rural and urban areas. The fact that many Malays had been able to take advantage of the NEP policy while others had not, had helped to create a *horizontal* division within the Malay community almost as serious in its implications for stability as the *vertical* division between Malays and non-Malays.

As to the strategy of restructuring society, under the NDP, the government was to continue its efforts to increase the Bumiputera share in the economy in terms of employment and the ownership and control of the wealth. The government viewed these efforts as necessary because of the disparities which were still large between the ethnic groups. In the past, emphasis had been put on ethnic quotas, the special allocation of shares, the provision of business licences and permits, and the award of public sector contracts in order to create the BCIC. Under the NDP, this

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<sup>124</sup>For 1990, the poverty-line was 370 ringgit per month for a household size of 5.1 in Peninsular Malaysia, 544 ringgit for a household size of 5.4 in Sabah and 452 ringgit for a household of 5.2 in Sarawak (*OPP2*, 1991, 100).

<sup>125</sup>Relative poverty is when groups within a community feel that they are economically worse off than others, even though in reality their situation has absolutely improved. This feeling would lead to a sense of deprivation or frustration.

policy was to continue but in a more flexible and liberal manner (*OPP2*, 1991, 17-21). Emphasis was instead to be more on the development of management and entrepreneurial skills among the Bumiputera so that they would be able to *create* as well as manage and retain productive wealth. Under the NDP also, quality rather than quantity was to be given priority. In terms of the corporate ownership, efforts were to be continued to increase Bumiputera ownership and participation in the corporate sector in line with the original objective of achieving at least a 30% stake. Like the creation of the BCIC, this however was to be implemented in a more flexible and liberal manner so as not to affect growth. Therefore, under the NDP, no quantitative targets and no specific time frame was set for achieving a quantitative objective. However, at the end of the year 2000, a review of this policy will be made (Malaysia 1991, Dr. Mahathir Mohamad, 28-31). This is similar to the NECC recommendation that an evaluation be made in the year 2000 to assess post-1990 policy implementation (*Report of the NECC*, 1991, 124).

In his speech on 17 June 1991 in tabling the *Second Outline Perspective Plan* in Dewan Rakyat, Dr. Mahathir asserted that

While we would like to see more Bumiputera---non-Bumiputera partnerships, the 'Ali Baba' type of arrangement in which Ali is not only passive but risks no capital of his own must be regarded as a form of undermining the NDP. Non-Bumiputera must find genuine Bumiputera partners willing to risk their capital and involve themselves in the day-to-day running of the business. More than that, we expect the non-Bumiputera partner to actually train and expose their Bumiputera partners to real-life business experience. The non-Bumiputera must realize that the faster the NDP target is achieved and the Bumiputera become real business people, the sooner will the need to favour Bumiputera as a matter of policy be ended. Conversely, of course, if the 'Ali Baba' partnership is resorted to, then the *OPP2* will have to be followed by similar policies after its expiry period (Malaysia 1991, Dr. Mahathir Mohamad, 28).

Then, to the Bumiputera, he said



... the Bumiputera too must be serious. The NDP is not a get-rich-scheme for them. It is meant to vastly improve their chances of getting a fair share of the wealth that is being generated in this country and to retain and build up on that wealth.... They must be completely involved in the running of the business. They must force themselves to learn and learn fast.... It must be emphasized that we do not have all the time in the world. Bumiputera cannot expect economic policies to always favour them.... the day may not be far off when their influence in the Government will diminish and the Government will no longer be willing to defend and formulate policies to help them (Malaysia 1991, Dr. Mahathir Mohamad, 28-29).

Dr. Mahathir 's words are a clear indication that he was concerned with the dependency culture among the Malays in the economy and they also show that UMNO was moving towards the stage where it is not only protecting the interests of the Malays but also the interests of the nation as a whole. It is very likely that this is because Dr. Mahathir thought that there was now a sufficient number of trained Bumiputera entrepreneurs who had almost reached the stage where they no longer needed the government's assistance in their pursuits of business interests. This is also reflected in his speech addressed to the UMNO General Annual Assembly on 4 November 1993. He said that, it was an undeniable fact that Bumiputera, in general, had been successful in many areas. He pointed out that the condition of the Malays and Bumiputera now was better than before, and they could now be found working in various professions and owned a number of properties in cities (*Utusan Malaysia*, 5 November 1993).

Equally important, even though the strategy of restructuring society was primarily concerned with increasing the Bumiputera share of the economy, under the NDP, the same strategy was also to take into account the need of all ethnic groups to have greater access to the opportunities created by the government (*OPP2*, 1991, 117). To quote Dr. Mahathir,

... there is also a need to correct the imbalances relating to the under-representation of the non-

Bumiputera in certain sectors such as agriculture, land settlement schemes and in public sector employment .... However, it is necessary and important for the private sector to balance Government action by increasing the intake of Bumiputera into the higher occupational levels in order to bring about a balance in the employment structure between the public and the private sectors (Malaysia 1991, Dr. Mahathir Mohamad, 34-35).

These NDP proposals to correct the imbalances in the various sectors of employment are also similar to recommendations contained in the Report of the NECC, which among other things, suggested that both the government and the private sector should be willing and sincere in correcting imbalances in sectors in which there had been disproportion in the representation of particular ethnic groups (*Report of the NECC 1991*, 139-140).

Finally, in terms of the development of human resources, the NDP proposed to retain the existing quota of student intake into local universities for ethnic groups (*OPP2*, 1991, 114). Both the NDP and the NECC recognised that there was a high demand for higher education and yet the places in local universities were limited. Thus the private sector were encouraged to play a role in education to assist the government in its efforts to provide educational opportunities at pre-university level (*OPP2*, 1991, 150; *Report of the NECC* 260-61).

The inability of the public education system to meet all the demands has led many Malaysians to turn to private institutions for further education. As a result, there has been an increase of the number of private colleges throughout Malaysia since the late 1980s. These colleges offer a whole range of academic programmes, from recognised professional qualifications, 'A' Level programmes and matriculation to secretarial and part-time MBA programmes for executives. More importantly, there is the twinning programme offered by these private colleges which has become very popular among the Malaysians since the late 1980s. The media has described this twinning programme as "the latest fad in tertiary education" (*Malaysian Business* 1-15 March 1989, 51). It is a programme whereby students

enrol for a degree course with a foreign university, such as an American, British or Australian university twinned with a local college, but spend the first year or two at the local college before going abroad to complete the degree requirements. The students would then receive certificates bearing the foreign university's name upon completion of the programme. Thus, the idea behind the government's encouragement of the private sector to play a role in education, particularly in setting up private colleges, is first, to meet the ever-increasing demands for further education which could not be met by the local universities. Second, it helps to reduce Chinese and other non-Bumiputera discontent. Third, it is expected to produce the necessary workforce for the developing economy. Fourth, it is part of the government's efforts to reduce the flow of currency out of the country as well as to save foreign exchange.

### Conclusion

The NECC was set up by the government to give opportunities to people to get involved in the formulation of the future policy of the country. The members of this council were representatives of various political parties and interest groups so as to make it like a miniature of Malaysian society. There were, however, no ministers involved in the Council meetings and the Prime Minister himself didn't chair the NECC, because he wanted the Council to advise the government impartially on the post-1990 policy.<sup>126</sup> The government was not obliged to accept all recommendations made by the members of the Council but as we have seen earlier in this chapter, many of the Council's recommendations were later incorporated by the government into the country's future planning. The NDP which replaces the NEP is a product of the NECC recommendations, the Economic Planning Unit (bureaucracy) and the Barisan Nasional.

As mentioned earlier in this chapter, the Council was divided into six sub-committees and their memberships were drawn from different groups participating

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<sup>126</sup>Interview with a Cabinet Minister (28 September 1993).

on the Council. Just as other members, the DAP and PAS representatives had been actively participating on these sub-committees. The tasks of the sub-committees were to study problems or issues assigned to them by the Steering Committee of the Council. Different sub-committees used different approaches to tackle the issues assigned to them. For instance, the sub-committee which dealt with the evaluation on the implementation of poverty eradication decided to study the roles of a number of government agencies involved in the effort of eradicating poverty under the NEP. Each member was given the task to study certain agencies and then write a report on the performance of the agencies involved.<sup>127</sup> The reports prepared by the members were later discussed during sub-committee meetings. After a series of meetings, the members, then, made suggestions and recommendations in the form of a unanimous report which was presented, debated and approved during the Council plenary meetings and later was incorporated into the final Report of the NECC. There were no minutes kept on the sub-committee meetings. However, according to a number of former members, the sub-committee meetings involved discussion and consultation between members from different groups in which all views were taken into account.<sup>128</sup> Hence it is quite difficult to pinpoint exactly which paragraphs in the final Report are the views of DAP or any particular group, for that matter, because the sub-committee reports which were incorporated into the final Report of the Council were in the form of "compromise" between the members themselves.<sup>129</sup> However, there are certain paragraphs in the final Report, which are in the form of recommendations by the Council for the government consideration in formulating the post-1990 policy, which reflect the views of the Chinese. For instance, the Report urges the government to increase the number of places in local higher education institutions and widen the educational opportunities

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<sup>127</sup>This sub-committee was chaired by Prof. Ungku Abdul Aziz and it was his suggestion that the responsibilities of the committee be divided between the members (Interviews with two former members of the Poverty Eradication sub-committee, 4 October and 24 November 1993).

<sup>128</sup>Interviews with former Bumiputera and non-Bumiputera members (10 September 1993, 4, 6, 9 and 14 October 1993 and 24 November 1993).

<sup>129</sup>"Compromise" is the exact word used by the former members interviewed when explaining these sub-committees to me.

in the existing colleges, MARA, vocational institutions and other government institutions so that more new students from all groups could be admitted (*Report of the NECC*, par. 688 and 692, 254-55). Besides that, the Report states that in order to balance the wealth ownership between the groups, the Council hopes that business and industrial companies would take their own initiative to widen their equities in order to include the participation of all ethnic groups and that the government should recognise this step by giving them incentives. In addition, it suggests that a long-term programme should be planned to "deregulate" the existing regulations on businesses (*ibid.*, par. 611, 236). Furthermore, it points out that there are more Bumiputera than non-Bumiputera working in public sector and that a strategy should be implemented by the government in order to include all ethnic groups at every level of public service (*ibid.*, par. 601, 234).

Apparently, there had been consultation between the Council members when working together in the sub-committees even though there had also been much fightings in the Council during plenary sessions.

But consociationalism does not require that there be no conflicts or that these be kept secret. Disagreements are inevitable in a plural society; the crucial characteristic of consociational decision-making is that conflicts are normally resolved by compromise (Lijphart 1985, 90).

It is important to bear in mind that consociationalism recognises the difficulties in resolving conflicting views. Thus bargaining between the representatives would be tough and the atmosphere during the negotiation process may not necessarily be free of disagreements. But what is more important for consociationalism is that the representatives are able to resolve their conflicts by compromise.

It is also interesting to note an observation of a senior officer on the way some members settled their conflicting ideas. A few of them would sometimes get together outside the meetings and talk about their differences and try to find some

sort of common understanding in a very informal atmosphere.<sup>130</sup> It seems that the practice of 'informal interaction', which has become a peculiar aspect of the relationship between the top leaders, could also be found among their followers.

According to Lijphart,

... in a successful consociation it is not all necessary --- and not even very likely --- that policy preferences will converge to a marked degree; what is required is that the segmental representatives be willing to accept compromises, although they may retain their original preferences (Lijphart 1985, 95).

Following from this, it may perhaps, fair to say that, in a way, the final Report reflects the general consensus of the Council members since they had been involved in lengthy discussions and "compromises" in deciding what to be included and what was to be excluded in the Report. To put it in the words of one of the former members, "every paragraph [of the final Report] has got meaning to every people" and the final Report is "a document which everybody could live with".<sup>131</sup>

Regarding the controversial ICA, the actual situation doesn't seem to be as bad as it was alleged. There has been liberalisation and relaxation of the requirements of the Act from time to time since it first came into effect.<sup>132</sup> For instance, for those industries which could not find Bumiputera to buy 30% of their equity, they were only required to put that proportion of shares in reserve, and they were given an extended amount of time to fulfil other requirements under the Act.<sup>133</sup> Evidence suggests, indeed, that the Chinese are now beginning to accept the conditions of the Act and have been able to adjust themselves to government requirements.<sup>134</sup>

In line with the NDP's focus on the creation of an active BCIC, the non-Bumiputera have been asked to help and train the Bumiputera in 'real-life' business

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<sup>130</sup>Interview with the former EPU senior officer who was involved in the NECC secretariat (2 December 1993).

<sup>131</sup>Interview with the former non-Bumiputera member (14 October 1993).

<sup>132</sup>See Chapter Six for the development of this Act.

<sup>133</sup>Interview with an officer in Ministry of International Trade and Industry Malaysia (7 December 1993).

<sup>134</sup>Interview with a Chinese businessman (9 October 1993).

experience. The quota system, which had been closely identified with the NEP, was not emphasised in the NDP. No quantitative targets and no specific time frames have been set. Even though the government will continue to help increase Bumiputera ownership and participation in the corporate sector in order to reach the original target of 30%, this is to be done in a very flexible manner so that it will not affect growth. Even so, this flexibility on the part of the government in their efforts to help the Bumiputera could also be considered as a concession to the non-Bumiputera who, nevertheless, are being expected to train the Bumiputera in commerce.

Finally, the government has also been very liberal in education, and has encouraged the private sector to play a role in this area. As a result, there has been an increase of the number of private colleges to meet the demands of places in higher institutions. This could also be considered to be another concession to the non-Bumiputera, who have been dissatisfied with the quota of student intakes into the local universities, even though the government's liberal policy towards the private colleges was also necessitated by the demand for a semi-skilled and skilled labour force in the expanding economy.

## CHAPTER EIGHT

### ALTERNATIVE EXPLANATIONS OF MALAYSIAN POLITICAL AND ECONOMIC DEVELOPMENT

In this thesis, I have chosen to analyse the Malaysian political system using Lijphart's consociational model and Nordlinger's conflict-regulation scheme. I have adopted a 'consensus' approach to explain how Malaysia, despite her multi-ethnic society, has managed to maintain some form of political stability and achieve economic development. The materials which are analysed in this thesis show how the system of elite accommodation, bargaining and compromise has worked in Malaysian situation. However, this is not the only way to analyse Malaysian political and economic development. There are also other approaches that can be used for the same purpose, which in turn, may give different interpretations of Malaysian politics, economy, culture and society. Here, one is reminded of the illustration provided by Donald D. Searing (1969) in Robert Redfield's work, *The Little Community*, which is a study of a large Mexican village, Tepoztlan. Redfield found it well integrated and harmonious. A number of years later, another researcher, Oscar Lewis, studied the same village and found violence, corruption and disease. Searing notes that Redfield tried to explain the differences in his and Lewis' analysis and concluded "that Lewis is especially interested in the *problems* of economic need and personal disharmony and unhappiness, topics which I did not investigate" (as cited in Searing 1969, 30). Searing gives this illustration simply because he wants to point out that different approaches may produce different interpretations of the same subject. He, however, does not say which research or conclusion is right or wrong.



For the purpose of this chapter, three approaches --- critical social theory, political economy/development, and radical political economy --- are discussed as alternative interpretations of Malaysian political and economic development.

### 8.1 Critical Social Theory

In *Fragmented Vision: Culture and Politics in Contemporary Malaysia*, the editors, Joel Kahn and Loh Kok Wah, point out that most analyses of the *structure* of the Malaysian economy and polity, and the relationships between them, have very limited reference to the cultural dimensions of social change. According to them, this is where the "gap" is in understanding contemporary Malaysia. Their purpose, in putting together this collection of essays, is to fill this "gap". Their intentions are, first, to document some cultural developments which have accompanied political and economic changes. Second, they want to "demonstrate ways in which an understanding of these developments promotes understanding of some of the enigmas of Malaysian development over the same period" (Kahn and Loh 1992, 2-3). This collection of papers, according to the editors, gives a strong impression that at a broad cultural level, contemporary Malaysia is characterised by a very "fragmented vision". They refer this to

... a number of related phenomena which, taken together, have resulted in the proliferation of discourses and/or cultural practices which are either implicitly or explicitly particularistic, and which seek to replace or resist the imposition of universalistic value systems generally assumed to accompany modernisation (Kahn and Loh 1992, 3-4).

The editors say that the "vision" which is fragmented is evident in the political sphere --- splits and conflicts between existing parties and extra-official political groupings; between parties in the ruling coalition; and within UMNO. The economic growth and the transformations in Malaysian economy have contributed to the emergence of a more differentiated society and changes in civil society. These changes, as suggested by the editors, occur in, among other things, the nature of

gender relations; in the lives of small-scale rural cultivators; in the composition, delineation and dominant symbols of ethnic groups; in the religious life of the nation; in the circumstances of minority groups; and in national and cultural life --- all of which are discussed by eight authors, Malaysians and non-Malaysians, in various essays. In other words, this introductory essay is an attempt by the editors to create links between the papers in the collection which have different agendas and conceptual orientations, through an alternative approach. They feel that there is the need to offer an alternative approach because the existing theories which have dominated the studies of Malaysian politics and culture, namely "plural society" and "political economy" theories, are insufficient in analysing contemporary Malaysian society. The alternative approach which is suggested by the editors, however, is not clearly stated. It is based on the view that the post-1969 period is not characterised by a renewed challenge from the masses, but by a "fragmentation of the Malaysian elite and middle classes". The editors see the Malaysian political arena as a "battleground for different fragments of Malaysia's elite and middle classes" who can no longer be controlled and brought in under the "shared consociational vision" of the pre-1969 period. Thus the "increasing authoritarianism" is ultimately a response on the part of the ruling elites to this "fragmented cultural and political" situation (Kahn and Loh 1992, 9-15).

Harold Crouch (1992), who is one of the authors in *Fragmented Vision*, used what he called a "modified authoritarian model" instead of a "modified-democracy model" to explain Malaysian politics. He argued that the "modified-democracy model" has not provided an adequate framework for understanding political developments since 1969. He said that the post-1969 system might be best seen as a "form of authoritarianism in which an entrenched elite took whatever steps were considered necessary to ensure its continued control of the government" and "democratic practices were permitted only as long as they did not actually undermine the power of the ruling elites while they were quickly modified or abolished when elite interests were threatened" (Crouch 1992, 21). According to

Crouch, with the implementation of the NEP, which would benefit the Malay community at the expense of non-Malays, the government needed stricter authoritarian controls. The most powerful 'authoritarian weapon' used by the government in the 1970's and 1980's was the Internal Security Act (ISA), under which between 1960 and 1981 more than 3000 people were detained although most were eventually released. In 1987, following racial tensions, 106 people were arrested under the act. However, they were gradually released over the following eighteen months. In the 1960's the government justified the ISA as being necessary for fighting against communist insurgency, but later, in the 1970's and 1980's it was used to detain a wide range of government critics and opposition leaders. Other laws were used to restrict the scope of public debate such as the Sedition Act and the Official Secret Act. Both have been used sparingly by the government but in practice they have the effect of inhibiting public discussions on sensitive issues and of deterring the "exposure of abuses". There have also been restrictions on public criticism in the mass media. Radio and television are government monopolies and the main newspapers are owned by party-affiliated companies. The government, however continued to permit the circulation of several critical journals such as the DAP's Rocket, PAS's Harakah and the Penang monthly, Aliran. Besides that, before the mid 1980's, the judiciary had occasionally delivered judgements unfavourable to the government. While these had been accepted by previous prime ministers, Dr. Mahathir decided to amend the constitution itself in 1988 to curb the power of judiciary. This was followed by the dismissal of the Lord President (Chief Justice) after a judicial inquiry. In a related case, two other Supreme Court judges were also dismissed. Developments during 1988, therefore, according to Crouch, reduced the effectiveness of the judiciary to check government power. He was also concerned with the constitutional provision enabling the government to issue a Proclamation of Emergency if "the security or economic life of the Federation" is under threat, particularly because even after "nomalcy" had returned after the 1969 riots, this emergency proclamation was never lifted so that the government could reactivate

its emergency powers if it so desired. In other words, this could lead to the routine use of emergency powers by the government.

Crouch said that the increasing authoritarianism during the 1970's and 1980's had been facilitated by the almost unchallenged predominance of UMNO. Factionalism had been common in UMNO during these years but not to the point of breaking up the party. By the mid 1980's, however, Dr. Mahathir's leadership was challenged and finally, in 1988, the party split in two. The split can be understood as a struggle for power and position revolving around the question of succession to Mahathir, rather than as a result of ideological and policy differences. The changes in the structure of Malay society due to economic growth and the NEP social restructuring also contributed to the factional struggles within UMNO. The new Malay business class was dependent on access to government patronage and "therefore tended to become an appendage to the government rather than a significant check on its power". The Malay businessmen became an important force in the internal politics of UMNO. The "NEP-produced business opportunities" also increased the stakes in the struggle for power in UMNO since victory meant a chance to become a member of parliament or state assembly with "all the attendant commercial opportunities". Furthermore, the recession in the mid 1980's left the government with less patronage to distribute and many UMNO-connected businessmen faced problems in repaying bank loans. Having political influence thus became more important for survival (Crouch 1992, 30-33). Crouch argued the political struggle within UMNO made the system "more flexible and uncertain" since the "democratic framework became relevant again in the wake of the split in UMNO" (*ibid.*, 39-40).

Khoo Kay Jin (1992), another author in this collection of papers, on the other hand, focuses on the nature and character of Dr. Mahathir's "vision" of "modernisation". He argues that for Dr. Mahathir, the NEP was not just about transferring wealth and equity to the Malays or Bumiputera but also about promoting efficient, hard working, thrifty and self-reliant Malays, and a disciplined

work force. This is evident in the language of the Mid-Term Review of the Fourth Malaysia Plan (MTR), which the author notes "might well have come out of "The Challenge". A reference to Dr. Mahathir's writing which was published in 1976, which asserts the need for a new man with new values, hard working and thrift, and under firm leadership in an ordered hierarchy in which all play their parts in the realisation of a "grand vision" of Malaysia's and the Malays' rightful place in the sun in which politics would be administration and there would be little room for "destructive" criticism (Khoo 1992, 57-58). This gives Dr. Mahathir a conservative and authoritarian political outlook. Khoo also looks at the creation of a more differentiated Malay community which was a result of a social restructuring under the NEP and its relation to factionalism in UMNO and the subsequent UMNO split. He contends that the more differentiated Malay society has given rise to a "differentiated capitalist stratum" as well as a "differentiated bureaucratic elite". The "capitalist stratum" are divided into two categories. One consists of large capitalists, some of whom might have originated from state sponsorship and political patronage but have become independent of such sponsorship and patronage and view them as "market distortions and obstructions to growth". They normally stay out of the political arena and maintain an independent view on government actions. The other category consists of "small and medium capitalists" who are highly dependent upon state and political patronage for survival. They are the ones who are active in UMNO and vocal in complaining of abuse and favouritism in patronage and privatisation. They also see public enterprises as bothersome because they want direct transfer of state acquired assets to themselves rather than to trust agencies. Another product of state intervention in the economy is the creation of a complex bureaucratic formation with a wide range of functions. This in turn, "enhanced considerably the power of bureaucrats who obtained a wide range of discretionary powers which could be converted into other resources, not least through corruption". There are, of course, complex linkages, tension and cooperation within

and between these formations --- different bureaucracies and large, medium and small capitalists (Khoo 1992, 62-65).

In terms of the commercial culture created by the NEP, Khoo observes that there are two aspects which need to be considered. One is what he refers to as a "gambling, speculative style of business" which is characterised by "quick profits, and jumping on the bandwagon, whether it be construction, the stock market or the retailing market" and its instrument were "easy credit and financial "wizardry"". Thus, "the recession, the stock market collapse and the government cutbacks resulted in many being left high and dry when the economic crunch came". Another aspect is the "subsidy mentality" or the expectation of hand-outs and bail-outs. This was developed in the public sector where the government has to keep on financing unprofitable state-owned enterprises. There was also resentment from successful public enterprises towards government interferences and changes in regulations when they "felt short-changed when their choice holdings or companies were transferred to PNB at book rather than market value, or were put up for privatization". There were opinions which rejected transfers of shares, between public enterprises, trust agencies, and other enterprises. Others "hold that restructuring which only involves transfers of assets should not be encouraged if the capital can be invested in new activities as this would contribute to growth in production, job opportunities and national competitiveness" (Khoo 1992, 65-67).

Khoo says that this "social-commercial structure and culture, in the context of the economic recession and the shift in Government policy, threw up the main social forces that found expression in UMNO in a form of a deep-seated factionalism". He contends that there were policies issues involved in the split, "at the very least, in the negative form of opposition to the policy direction adopted by Mahathir". He also uses the characterisation outlined by Malek Marican, a "large capitalist", of two polar types of options on the NEP which he labelled as "Group A" and "Group B". Members of the former group argue about the "ultimate proportions" of corporate wealth which Bumiputera should own, and whether the

restructuring program should be "pushed more vigorously or implemented more slowly". Members of the latter group, on the other hand, worry about the "need for a fundamental modification or replacement of the NEP restructuring" because they see it as causing the Malaysian economy to stagnate. Thus, they seek to "formulate other ways of promoting the interest of Bumis so as to be consistent with the need to promote faster development of the Malaysian economy" (Khoo 1992, 67-69).

In sum, Khoo sees the policy differences as the cause of factionalism within UMNO as reflected by these two groups of opinions on the NEP restructuring policy. He also predicts that should Mahathir's team win, the outcome would be "an administered and increasingly authoritarian society and polity under a hypertrophied executive with greatly reduced space for popular participation, except as a disciplined work-force" (Khoo 1992, 71).

In Crouch's later work in 1994, in a separate collection of essays, he maintains that during the 1970's and 1980's the Malaysian political system acquired authoritarian characteristics which ensured that the Malay-dominated Barisan Nasional would remain in power. In his opinion, the Barisan Nasional electoral victories were achieved in circumstances which put the opposition at great disadvantage. First, he points out that the Malay population, which forms the basis for UMNO and the ruling coalition, has been growing faster than the non-Malay population. Then, there has been a manipulation of constituency boundaries that gives political weight in favour of rural constituencies. As a result, in 1986, for instance, Malays made up absolute majorities in 92 of the 132 Peninsular constituencies despite constituting 56.5 percent of the Peninsular population. But he also points out that "although these electoral arrangements ensured that the government would remain in Malay hands, they did not guarantee victory for the UMNO-dominated BN coalition". The success of the Barisan was partly due to the 'coalition politics' in Malaysia's ethnically divided society. He observes that even though the BN is made up of multi-racial parties, they are "committed to working together and to the compromises that co-operation entails". The opposition parties,

on the other hand, were not able to form a multi-communal coalition before the "loose front" in 1990. He says that the authoritarian character of the government was enhanced by the adoption of measures designed to limit political opposition which were justified to maintain political stability threatened by communal upheaval or communists. He enumerates the same 'authoritarian weapons' in his earlier work. But regarding the constitutional provision which gave emergency powers to the government, he also adds that "this power was largely held in reserve", except in 1977 when the federal government declared a local emergency in Kelantan in order to dismiss the PAS-dominated state government and call an election (Crouch 1994, 16-19).

Here, he uses the concept of "limited authoritarianism" instead of "modified authoritarianism" to analyse the Malaysian political system. He says that Malaysia's experience of industrialization, which on the basis of theories derived from the experience of other countries such as Singapore, Taiwan and South Korea could have led to increased social and political tensions and "severe authoritarianism". However, the situation has not arisen or does not seem "to have been sufficiently severe" to explain the authoritarian trend of the Malaysian government. Other explanations need to be found. The change to export orientation in the 1970's might have been expected to hurt the interests of government supporters in the business class which had prospered during the import-substitution phase, but the change did not greatly hurt the local business class because much of the industrial expansion had been carried out by foreign investors. The local business class was still small and consisted mainly of the Chinese community with interests in commerce and real estate, and to a limited extent in industry. During the phase of export orientation, "low wages were reinforced by industrial relations legislation which provided for compulsory arbitration of disputes and strictly limited the right to strike in 'essential services'". Unions were also not permitted in the most important export-oriented industry, namely the electronics industry, until 1988 and "even then only as 'in-house' unions in individual plants". Besides this strict labour discipline, wages were



kept down by the supply of unskilled labour from rural areas as well as immigrants from Indonesia (Crouch 1994, 19-23).

Crouch explains that the immediate factor "propelling" the Malaysian government in an authoritarian direction was the 1969 racial riots which originated from "communal antagonisms, and unbalanced social structure and political competition". The NEP restructuring program also led to increased "racial polarization" and provided justification for authoritarian government. However, he argues that the degree of authoritarian rule continues to be "checked" by several factors. First, there is the "presence of large ethnic groups, each with its own deep sense of cultural identity and common interest, which makes it difficult for the government to establish a fully authoritarian, Malay-dominated regime". The government has to take the interests of the non-Malays into account or risk civil disorder. Therefore, "the alternative to some sort of accommodation would seem to be continuous tension and the prospects of constant upheaval". Secondly, "despite Malay dominance, the government has been multi-communal in character since Independence, and the non-Malay parties cannot be dismissed as mere token representatives of their communities". UMNO leaders have always realised that it would be difficult for them to rule alone and completely disregard their non-Malay partners. In order to "preserve" the coalition, UMNO must be "significantly" responsive to the interests of the non-Malay component parties (Crouch 1994, 27-28). Crouch says that

... despite the special privileges provided for Malay business people under the NEP, Chinese business people have continued to win government contracts, gain licences and obtain other business opportunities. Similarly, despite the transition to Malay as the language of instruction in secondary and tertiary education, the MCA and other non-Malay parties in the BN have successfully defended the continued existence of Chinese and Tamil primary schools, and university entrance quotas for non-Malays have been gradually relaxed. The MCA and Gerakan have also succeeded in protecting elements of Chinese culture,

such as the lion dance, which had been under threat from some Malay quarters (Crouch 1994, 28).

Although the leaders of non-Malay parties do not control major policy-making portfolios, they continue to exert considerable influence on policy-making and have been able to extract concessions from UMNO, particularly on issues where non-Malay interests seem threatened. Thirdly, outside the government, the opposition parties --- PAS and the DAP --- each represent interests within their respective communities that cannot be totally ignored by the government (Crouch 1994, 27-28). Fourthly, the non-Malay middle class, despite frustration by the pro-Malay policies, still largely supported the non-Malay parties of the Barisan Nasional while the Malay middle class, as a "major beneficiary" of the post-1969 changes, was generally prepared to accept authoritarian measures to uphold the new social order. But at the same time, Crouch sees this middle class as an important and "potential check" on government power because the government could not afford to alienate this class and had to be responsive to its aspirations. Fifth, despite the decline of the influence of the Chinese business class on the government as a result of the NEP, Chinese business continued to be important to the economy of the country. Its role was "still large enough to compel the government to take account of Chinese business interests". Finally, factionalism and political rivalries within UMNO itself provided a further check on authoritarian rule. It also worsened ethnic relations as rival factions tried to outdo each other as defenders of the 'Malay cause'. But at the same time, this factionalism acted as a "brake" on authoritarian since the "strength of the anti-Mahathir group was so great that the government hesitated to take severe measures against them" (Crouch 1994, 29-32).

Because of all these "checks" on the trend towards authoritarianism of the Malaysian government, he uses the concept "limited authoritarianism" to characterise the system. Crouch concludes that the system "cannot be described without major qualification as either authoritarian or democratic" (Crouch 1994, 33).

Kahn and Loh (1992) suggest a "post modernisation" approach as an alternative to the "plural society" and "political economy" approaches because they see the Malaysian post-1969 situation as politically and culturally "fragmented" as a result of the rising middle class. The "increasing authoritarianism" is a response to this situation. Crouch (1994) contends that the "limited authoritarian" characteristic of the Malaysian government is a result of the 1969 racial riots as well as the efforts of individual political leaders to stay in power. All of these authors view Malaysian political and economic development within an authoritarian framework. A consociational model, on the other hand, views the same development within a democratic framework. It is interested in party coalition, political cooperation, accommodation, bargaining and compromise. These are among the factors which Crouch considers as the "checks" and "brake" to the authoritarian trend. On the other hand, measures to limit political competition, or what Crouch labels as 'authoritarian measures', are considered by the consociational approach used in this thesis as 'limitations' within the democratic framework. Seen from this angle, it can be said that consociationalism in Malaysia operates within a 'limited democratic' framework.

## 8.2 Political Economy/Development Approach

Using a different approach, Leong Choon Heng (1991) shows how the Malaysian government has been able to insulate itself from societal pressures in order to devise and implement policy instruments needed to stimulate industrial growth while at the same time adhering to democratic politics. Compared to other East Asian Newly Industrialised Countries (NICs), he explains that Malaysia can be considered a different kind of NIC. First, its economic growth was more balanced and achieved with little sacrifice of democratic institutions. According to Leong, a common view holds that there is something special about the institutions in East Asian countries such as Japan, Taiwan, South Korea, Hong Kong and Singapore which deserves to be explained. As a group, they have undergone late

industrialization and differ from early industrializers such as England, U.S.A and Germany, or their contemporaries in other regions of the world like Brazil, Mexico, Argentina and India. The author notes that scholarly writings on the development of the East Asian countries convey a message that in these countries, the policy-making body concerned with formulating and implementing development policies is insulated from social and political pressures. This political insulation has been derived largely from authoritarian rule so that the two have become 'indistinguishable'. Economic policy-making benefitted from an already established authoritarian rule which in turn derives its legitimacy from the success of the economic policies. Leong argues that the Malaysian government, on the other hand, while adhering to political democracy, has established political insulation and employed the same kind of policy instruments used by the authoritarian East Asian governments. The political insulation was achieved through an alliance between political party and bureaucratic elites. Together, they control the main policy-making and implementation bodies in the government.

Second, its social and cultural condition is unlike other East Asian countries. Since Malaysian society is multi-racial and culturally heterogenous, the East Asian Confucian culture which characterises other East Asian countries is only a small part of the cultural and social system of the population in Malaysia. As a result of years of ethnic separation, many social, cultural and political organisations were based on and served the interests of a particular ethnic group. These ethnic-based organisations acted as pressure groups for particular segments of the ethnic groups. Most of the time, their interests were often narrow ones such as the promotion of cultural, educational, language or business interests and served only those who were preoccupied with the issues. But more often than not, their actions would be perceived as the expressions and desires of the entire ethnic community. The close identification of these organisations with a particular ethnic group also led members of the same ethnic community, whose interests were not served by these organisations, to feel sympathetic and lend support to them (Leong 1991, 52).

The Malays since Independence have been represented mainly by UMNO and to some extent by PAS. From the 1960's onwards, UMNO has acted as a "multipurpose political organization" representing social, cultural, political, economic and religious interests of the Malays. The rapid economic development and urbanisation in the 1970's and 1980's resulted in a more differentiated Malay society. New occupational strata, business and industries emerged and Malays in these areas who saw some common ground for unity began to establish ties with one another. The Malay Chamber of Commerce and Industry became a stronger body and more vocal in expressing Malay business interests. Other business organisations which were formed included the Bumiputera Manufacturers Association and the Hawkers and Petty Traders Association. But these associations were small in number and weak compared to their Chinese counterparts. They were also dominated by UMNO since they were either inspired or sponsored by the party as part of UMNO's effort to strengthen the Malay business class. The heads of these organisations were often prominent UMNO politicians or personalities who would use them to mobilize political support rather than advancing the business interest of the members. These organisations were thus rarely independent of UMNO. As a result of the massive educational and training program established by the government as part of the NEP, Malay participation in professional associations expanded by the 1980's. These associations, however, remained multi-racial and never became organisations associated with a particular group. Malay groupings which had some degree of independence of UMNO were those formed by intellectuals and students at universities. But after clamping down on the student movement in 1974 and 1975, many of them "receded into the background of Malaysian politics". Besides that, UMNO also has made efforts to coopt these university-based organisations (Leong 1991, 53-59).

The Chinese have been a more differentiated community than the Malays and due to their involvement in various businesses such as trade, industry, transport, manufacturing, wholesale, tin, rubber and sawmilling, almost all sectors of the

economy had some degree of Chinese representation through business associations. There were also associations formed to look after the welfare of small Chinese businessmen. However, since the 1970's, due to the NEP restructuring program, there has been, to some extent, a "dilution" of ethnic identification of these economic organisations. But this development did not affect the cultural sphere. There were many organisations that supported movements to safeguard Chinese culture, schools and language. An organisation which was vocal in promoting Chinese education among the Chinese was Dong Jiao Zong which consisted of the United Chinese School Teachers (UCSTA) and the United Chinese School Committees (UCSCA). Leong observes that unlike Malay groupings, Chinese groupings have been independent of Chinese-based political parties. These Chinese groupings were established to promote social, cultural and economic interests and "they kept a distance from the political parties and maintained their own ties with the Chinese community giving them a powerful bargaining position vis-a vis these parties". Sometimes they worked through the Chinese-based political parties which championed their interests and played one party against another. In the 1970s and 1980's the Dong Jiao Zong led the Chinese cultural movement while the Chinese Chambers of Commerce and Industry and other business organisations dominated the economic leadership (Leong 1991, 69-78).

The Indian groupings were weak compared to the Chinese and Malay groupings. A large percentage of Indians worked in the plantation sector. The most powerful societal groupings within Indian society were the Tamils School Teachers' Associations and the National Union of Tamil School Teachers. In the economy, there was the Indian Chamber of Commerce and a few other organisations which were weak compared to their Chinese counterparts. But within the Indian community they were able to exert considerable influence because of the ties with Indian political leaders from the MIC and leaders of cultural and religious organisations. In addition, several trade unions were dominated by Indians such as the National Union of Plantation Workers (NUPW), the Transport Worker's Union

(TWU), the Railway Workers' Union and the National Electricity Board (NEB) Unions (Leong 1991, 79-82).

The implementation of the economic restructuring program after 1970 resulted in the creation of an extensive bureaucratic machinery. In this machinery, the bodies concerned with decision-making were, by and large, insulated from public influence. These bodies included various committees such as the National Development and Planning Unit, planning and coordination agencies such as Economic and Planning Unit (EPU) and Implementation-Coordination Unit (ICU) and elite bureaucracies such as Central Bank (an important regulatory body), the Ministry of Finance and Ministry of Trade and Industry (Leong 1991, 285). Leong outlines the policy instruments used for the NEP restructuring program and the limitations of politicisation. There had been negotiations between economic groupings of both Malay and non-Malay communities and the government over the details of the restructuring program. Some of the restructuring exercises such as the granting of business licence and permits or the award of government contracts were turned into means for distributing political patronage by UMNO politicians to build up followers and supporters. The non-Malay were also under pressure from their supporters to find ways to reduce the impact of the NEP. Chinese businesses had no input into policy-making with regards to NEP restructuring but they might be listened to in policies concerning the promotion of economic growth. Chinese family businesses which were affected by the NEP would use the MCA's connections with UMNO politicians, especially at local level, to secure businesses from the government. They would also use the Gerakan to get some concessions on the NEP requirement and use the DAP to protest against the NEP. So, there was political maneuvering over the NEP but this would be confined within the framework set by the policy-makers. Leong shows that politicking took place at two levels. The real negotiation would take place in an "insulated arrangement" of the Barisan Nasional and between top leaders from the component parties. They would try to work out compromises to avoid extreme positions and satisfy one

another's demands. Outside this arrangement, there were public protests which were often incited by extreme pressure groups to set the stage for negotiations. By raising an issue to a crisis level so that racial conflict became imminent, politicians would be forced to negotiate and reach a compromise. The leaders would fall back on their commitment to quiet negotiation behind a closed-door to avoid ethnic conflict (Leong 1991, 322-24).

In some other areas, however, there was hardly any room for political interference. For instance, Central Bank guidelines on bank lending were followed strictly by commercial banks. Since the introduction of the NEP, the Central Bank had been directing commercial banks to apportion a certain percentage of their total loans to Bumiputera business. There was little resistance to this form of regulation to meet the objectives of the NEP since the Central Bank commanded considerable control over commercial and development banks through administrative guidelines. Its officers were highly competent and respected by commercial bankers and there were regular meetings between Central Bank officers and commercial bank executives (Leong 1991, 308-310). Besides that, budget allocation for societal restructuring received little societal challenge since this was decided in a highly insulated setting by senior bureaucrats and top politicians. Thus, allocations for the setting up of state enterprises and trust funds, for instance, were simply part of a bureaucratic matter. The direct acquisition of corporate assets by trust funds and state enterprise on behalf of Bumiputera also met little political resistance since it was an acquisition of majority ownership in publicly listed and foreign companies and was carried out in the open market. Finally, Leong observes that the reduction of politics in policy-making was even more pronounced in the implementation of growth-oriented policies (Leong 1991, 316 and 327-28).

In many ways this approach is in agreement with the consociational approach. First, it points out that Malaysia, unlike other authoritarian East Asian NICs, has achieved its more balanced economic growth within a democratic framework. Second, it highlights the fact that there are a number of social divisions



within Malaysia with ethnic division as the most obvious one. Seen in this light, then, Malaysia cannot be said to have followed Confucian culture which is associated with the dynamic societies of Japan, Taiwan and South Korea, and which is claimed to be the core component of the 'Asian' culture, since Confucian culture is only one small part of the overall Malaysian social system. Leong also shows that Malaysian government has managed to insulate itself from societal pressures through an alliance between political parties and bureaucratic elites, but there have also been negotiations and bargaining taking place among the social groupings, UMNO and other Barisan Nasional component parties leaders, and bureaucrats.

### 8.3 Radical Political Economy Approach

There is also a significant literature that uses class approach in analysing Malaysian politics. B.N. Cham (1975), for instance, concentrates on 'class relation' in understanding the root of communalism and the whole context of Malaysian social, political and economic development. According to him, the pattern of social grouping along the lines of race, language, religion, traditions, customs, and ways of life has developed into disruptive and divisive forces of communalism as a result of the so-called "divide and rule" British policies which led to "occupational specialization, residential segregation, separate processes of socialization and mobilization, and cultural isolation". This was later reinforced and perpetuated during the Japanese Occupation and the post-war Emergency and by subsequent political developments (Cham 1975, 446).

During the first four decades of this century, the "development of colonization, commercialization and comprador enterprises" had adversely affected the relationships of the ruling partnership in the peninsula --- "the British, the Malay aristocratic and bureaucratic elites, and the non-Malay businessmen and comprador capitalist (mostly Chinese)". Cham says that when the Malay ruling class began to voice their demand for a British pro-Malay policy to protect the Malay character of the country, they were also "motivated by a desire to increase their share of the

material generated by a developing merchantile and rubber plantation economy". The Chinese businessmen, on the other hand, "were seeking a political position commensurate with their economic status in an effort to consolidate their gains and enhance their opportunities for further expansion". At the same time, the British who were preoccupied with the maintenance of law and order to continue their colonial exploitation in the Malay states, were "ever ready to make political concessions to the interests of the Malay ruling class so as to divert Malay resentment against British encroachment toward the non-Malay immigrants". These contradictions among the ruling groups were reduced by a reinforced British pro-Malay policy which reaffirmed the Malay character of the peninsula, and at the same time the non-Malay business elites were assured of their freedom in trade and commerce and the Malay ruling elites were to continue benefitting from the "informal practice of financial and political "logrolling" and other forms of similar transaction" (Cham 1975, 447).

The pre-independence political history of Malaya is characterized by a continuous attempt of the Malay and non-Malay elites to formulate a mutually beneficial framework which they could share political and economic power together. This arrangement was extended to post-independence Malaya and Malaysia. Cham argues that the Alliance was not representative of the interests of the Malay, Chinese and Indian communities as a whole, but only those English-educated elements of the elite group. The Alliance was concerned more with the consolidation of the dominant status of these elites than the fulfillment of the basic aspirations of the lower classes in society. Measures which were taken to give special treatment to the Malay group only gave "symbolic and sentimental appeal to the Malay masses and could not be readily transformed into concrete material benefits for their upliftment". Thus Cham says that communalism in Malaysia as a "divisive political force does not arise simply from cultural differences among groups" but "as a result of class distortion through elite manipulation" (Cham 1975, 449-51).

The economic policy after 1970, which was to redress economic imbalance between races, would still benefit the few selected Malay and non-Malay capitalist class since it was conceived within a framework of a capitalist economy. The author maintains that in terms of economic interests all lower classes, despite their races, do share a set of common needs. Thus, since these lower classes form the majority of the population, he suggests that the approach to the task of economic and political development "must be directed to unite them in common cause to eliminate exploitation and poverty and to fight against racialism" (Cham 1975, 458).

Another analyst who uses a class approach is Lim Mah Hui (1980), who looks at the economic and structural context under which ethnic relations are established, conducted and transformed. He says that during colonialism, the British policy of labour segmentation created few opportunities for direct interaction between members of different ethnic groups at the level of production --- estates, mines, padi(rice) sectors --- and there was little if any conflict between labour of different ethnic communities along ethnic lines during this period. The dual land and agricultural policies of the British led to the "confinement of Malay peasantry to the backward and impoverished sector and contributed to the process of uneven development which in turn produced a latent antagonistic situation". As a result of British colonial land and labour policies, class relations at the level of production did not develop between members of different groups. But at the level of exchange, Malay peasant producers come into contact with non-Malay traders. Under this condition, antagonistic relations would develop between members of different groups (Lim 1980, 130-47).

The departure of the British after Independence removed the "buffer" between the Malays and non-Malays and resulted in the economic and political contradictions between the two groups. The post-colonial policies which gave "unequal benefits" to members of different classes and groups led to discontent. Lim argues that the problem of landlessness and poverty still continues among Malay peasants, in spite of the massive land development schemes since 1956.

Because of the penetration of education into the rural areas, the Malay peasants became aware of their marginally improved condition. In urban areas, discontent exists within the Malay bourgeois class because of intense economic competition with the non-Malays. These Malay bureaucrats and petit bourgeoisie were able to "mobilize the discontent of the Malay proletariat and lumpen-proletariat who were flooding the cities and in the same process were inundated by the dominance of the non-Malays". Thus the May 13 riots represented discontent expressed by different classes within the Malay group. In other words, the Malay governing class was using the general interests of all Malays in advancing their own interests and ethnicism, religion and state participation provided an ideological justification for this. He said that the NEP created a "sizeable Malay proletariat" but this had not resulted in class consciousness because this was not accompanied by the "increasing bourgeoisification of other sections of the Malays". The groups that would most likely express their discontent in ethnic terms were the petit bourgeoisie who were involved in economic competition. Thus such competition became horizontal conflicts and tended to assume more an ethnic character than a class character (Lim 1980, 149-51).

Martin Brennan (1982) also shows that racial conflict in Malaysia originated from class struggle. Like other analysts who use a class perspective, he identifies the classes which intersect and coincide with racial groups (Brennan 1982, 191-203). He says that the articulation of modes of production and uneven development have given rise to conflicts between fractions of the ruling class. According to the author, Malaysia is a "class society structured in dominance by capitalism and that the state represents the interests of the ruling power-bloc". He suggests that "hegemonic fraction" of the ruling class is the alliance of Malay aristocratic, bureaucratic and landlord classes which by "virtue of its dominance within the state (politics, civil service, police, army) is able increasingly to determine the conditions of capital accumulation and also the political terrain on which the class struggle is to be fought". However, this fraction is also "dependent" upon

international capital which supports it as a class because it allows the "penetration of imperialism" into the social formation in Malaysia. The Malay hegemonic fraction has been in *alliance* with international capital in order to resolve its contradiction with Chinese comprador capital. It uses a racialist and nationalist appeal to gain the support of Malay peasants and workers as well as "repressive state apparatus" --- the imposition of "Emergency Rule", the ISA, and the control of the mass media such as radio, television and the press. Chinese capital, on the other hand, was caught in a dilemma. Historically, its support has been international capital but the degree of this support has lessened due to "international capital's need to curry favour with the state which essentially "creates the space" for capital accumulation". This Chinese fraction thus were "forced into partial acquiescence and compromise" with the Malays. Similar to its Malay counterpart, this Chinese fraction depends on the mobilisation of support of Malaysian Chinese through chauvinist and racialist appeals and therefore it must appear to be "defending "Chinese interests" against an apparent onslaught from the Malays" (Brennan 1982, 203-9).

In his 'paradigm' of ethnicity-state relations, David Brown (1994) argues that the racial compartmentalization and colonial education policy during colonialism resulted in the clustering of the different racial groups in specific occupational and territorial areas. UMNO, for instance, was founded in 1946 as a protest that the British Malayan Union proposal represented primarily the interests of the Malay feudal aristocracy and land-owning class. The Malay feudal aristocracy played a predominant role within UMNO until the 1970's. The MCA leadership was in the hands of Chinese businessmen and merchants and the grassroots support came from lower income groups who regarded businessmen as their prospective patrons. The MIC was dominated by Indian professional and commercial groups. Each of these parties developed as "channels for the articulation of interest of a particular racial class fraction". They in turn developed support across class lines by proclaiming that the 'bourgeois racial-class fractions' were 'racial patrons' for the subordinate class groups. Thus, according to Brown, the basis of the consociational

Alliance was inter-communal cooperation among the dominant bourgeois class. He explains that the class approach to Malaysian politics at the time of Independence provides two main themes which can be used to analyse political changes which occurred thereafter.

The first theme is that politics comprises the articulation of the interest of racially clustered class fractions, which are expressed increasingly in ethnic, rather than overtly class, terms. The second theme, which emerges after the defeat of the proletarian rebellion led by the MCP, is that the political domination of the emergent bourgeoisie is maintained and legitimated by the employment of an ethnic ideology (Brown 1994, 229-30).

The fundamental changes in the economic structure during the 1950's and 1960's led to the growth in the wealth and size of the national bourgeoisie and the declining living standard of rural and urban workers. The political impact of the intra-racial economic disparities and inter-racial economic rivalries were the withdrawal of the support of significant sections of the subordinate classes in each racial group from the Alliance, and the shift of their support to PAS, the DAP and Gerakan in the search for alternative and more effective parties/patrons. Within UMNO, the changes during the 1960's led to a more influential role played by the bureaucrats and professionals who were mainly from a subordinate class background. After 1969, the Malay state bureaucrats emerged as the dominant class and this was reflected in the shift towards a state-led economic development during the NEP period. The NEP helped to foster the growth of a Malay state bourgeoisie. But Brown observes that the Chinese bourgeoisie has not come into overt confrontation with the Malay bourgeoisie because the 'political cooperation' of the 'bourgeois class fractions' within the Barisan Nasional has been maintained.

Various forms of ad hoc co-operation developed between Chinese businessmen, Malay businessmen and the state, including the common practice of 'Ali-Babaism', and the investment of state capital into Chinese-controlled business (Brown 1994, 247).

According to Brown, while this cooperation helped the wealthy Chinese to increase and maintain their wealth, it caused the poor Chinese to become poorer. Besides that, there has also been a "fundamental shift in the class character of the state, from representing an alliance of bourgeois class fractions towards acting more as the instrument of a new dominant 'bureaucratic capitalist' class", which hurts the economic position of the poor Malays. In order to "camouflage" this economic and political impact on the Malays, Brown says that the UMNO-led government has had to employ Islam as a Malay unifying myth and as a state ideology. Since the issue of ethnic dominance is in a sense 'settled' within the Barisan Nasional, the main confrontation in Malaysia has tended to be within the Malay community. This confrontation, according to Brown, is between the attempts by poor rural Malay peasants opposing the class through the medium of Islam, and the employment of Islam by the dominant class as a Malay unifying myth. These tensions emerged in terms of rivalry between UMNO and PAS, and between factions within UMNO itself (Brown 1994, 248-56).

The studies which are based on a class approach try to explain ethnicity in relation to class consciousness. Cham (1975) argues that ethnic consciousness is a form of "false consciousness" on the part of peasants and proletariat because of "class distortion through elite manipulation". More recent scholars such as Lim (1980), Brennan (1982) and Brown (1994) regard rising ethnicity as a "rational response" of the lower classes to their poor condition. They also seek to explore the relationship between class alliance and various types of ethnic attachments. In sum, they contend that the main/only reason for political cooperation is an economic one. The consociational approach used in this thesis also shows that one of the factors which has led to the practices of accommodation and bargaining in Malaysia is economic motivation. But it also takes into account the importance of other ethnic attachments such as language, culture and religion which are 'real', and does not assume that they are just some 'ideological mask' for underlying economic interests. However, the class approach helps to highlight the deeper structural class fractions

within each ethnic group and the fact that the political parties as well as the political leaders also represent certain class interests besides the ethnic ones.

### Conclusion

The literature discussed in this chapter use different approaches in analysing contemporary Malaysian politics, culture, and society. They show that there are indeed various ways of perceiving Malaysia. Regarding the ways that analysts perceive the Malaysian political system, a cautionary reminder has been given by a Malaysian writer. Shamsul A. B. (1994) observes that besides the two school of thoughts --- the 'crisis' approach and the 'consensus' approach --- which have influenced the way Malaysia is perceived, knowledge and perception of Malaysia has also been 'ethniced' in the sense that there is such a thing as the 'Malay view', the 'Chinese view', the 'Indian view', the 'Kadazan view' and so forth. Hence in the modern history of Malaysia, each ethnic group has expressed its own 'vision' of Malaysia and 'what Malaysia is' from its point of view. As a result, he says that it is not uncommon to find that "the best of the academic contributions written in the best Western academic tradition with the best of intentions have unwittingly functioned as a voice for the discontented Malaysians they describe". According to him, this is a reality which not many Malaysian social scientists of all ethnic backgrounds as well as foreign scholars specializing on Malaysia dare to admit (Shamsul 1994, 4-7). This reminder can be useful when one reviews literature on Malaysian politics, economy, culture and society. However, it should not discourage one from examining objectively the works done by various analysts and writers with different approaches and perspectives. Of course, the conclusions of these studies on the same problem may differ from one another, but at the same time they can also enrich one's knowledge of the subject matter.

Coming back to the works discussed earlier in this chapter, even though they use different approaches, all of them agree that there have been social and political changes in Malaysia as a result of economic growth and development since



the early 1970's. The class approach studies such as Cham (1975), Lim (1980), Brennan (1982) and Brown (1994) highlight the fact that even though the ethnic-based political parties in Malaysia, at an observable level, appear to represent the interest of their respective ethnic groups, at a deeper structural level the same political parties also articulate the class interests of the elites who represent the political parties.

The alternative approach suggested by Joel Kahn and Francis Loh (1992), with a focus on Malaysian culture and politics, is not sufficiently elaborated for it to be convincing enough to be adopted as an alternative to the existing "plural society" and "political economy" approaches. Furthermore, ethnic conflict in Malaysia takes place in the socio-economic area more than in any other area. The alternative approach that the editors suggest also does not provide a means to reconcile the different interests or 'visions' which are the result of a more differentiated Malaysian society.

The works of Crouch on the concept of "limited authoritarianism", which is a revised version of "modified authoritarianism", would perhaps provide a more useful approach than a "post modernisation" approach to understanding contemporary Malaysian political and economic development. In his later work in 1994, even though Crouch has not abandoned the concept of "authoritarianism", he also includes factors which he argues have prevented the government from moving towards 'full authoritarianism'. These factors, as explained by Crouch, act as "checks" and a "brake" of some sort on the Malaysian government's authoritarian trend. It is interesting to compare it to the work of Leong (1991) who contends that the Malaysian government has undertaken late industrialisation while adhering to democratic politics and managed to achieve results comparable to those attained in other authoritarian East Asian newly industrialised countries. Like the other authoritarian regimes, it has been able to insulate its main policy-making and implementation bodies from societal pressures. But this was not derived from authoritarian rule as such but rather through an alliance between political parties

and bureaucratic elites. The works of Crouch and Leong on the Malaysian political system are from different perspectives, hence their categorisation of the government is also different. Another reason is perhaps the many various definitions of the concept of 'democracy' itself. Since it can mean different things to different people, it can thus influence them to perceive the same political system differently.

Having discussed what these analysts say about Malaysian political and economic development, I feel that there is the need to supplement the consociational model by adding their insights to an understanding of contemporary Malaysian politics. Firstly, in the light of some important points made by the 'critical social theorists' in *Fragmented Vision*, it would be useful to look at the concept of 'authoritarianism', which I believe can be dealt with separately from the concept of 'post-modernisation'. Two important points made are the changing class structure as a result of industrialisation and economic growth; and the character of specific individuals or political leaders which have affected the political system. Secondly, it may also be useful to incorporate views from the 'political economy/development approach' which examines the relationship between business organisations and political parties. A discussion of how these points could be used to modify the consociational model in explaining Malaysian political development will be taken up in the main conclusion of this thesis.

## CONCLUSION

Some countries with ethnically divided societies have managed to maintain their political stability while some others have failed to do so. In the case of Malaysia, for the period between 1970 to 1991, the country has been successful in preventing any inter-ethnic violence occurring and has managed to maintain some form of political stability. Normally, when countries with ethnically divided societies face problems which are related to ethnic divisions and cultural cleavages, they have four fundamental options to solve their problems. The first one is the co-existence of separate ethnic groups in a single polity. The second option is ethnic cleansing and the third is assimilation or the 'melting pot' solution. The fourth is partition. But because the ethnic groups in Malaysia are generally dispersed throughout the country this last choice is not possible for Malaysia. The second one --- ethnic cleansing --- is neither desirable nor viable. The third solution is assimilation, but this has never occurred nor has it been implemented in the past, and thereby is not likely to be an acceptable solution for the main ethnic groups in the foreseeable future. Hence Malaysia has chosen the first option, which requires the ethnic groups in the country to learn to live together and tolerate each other's separate identities.

My proposition in this thesis is that the Malaysian elites have been adhering to the practice of consociationalism based on accommodation, bargaining, compromises and conflict-regulation to resolve issues dividing the ethnic groups, particularly in the economic sphere. However, the consociational model does not seem to be adequate in explaining contemporary Malaysian politics and economic development. As mentioned in Chapter Eight, there is the need to look at other theories to modify the consociational model by admitting their insights to supplement the model. But before we do that, let's look at the outline of the consociational model first and see how it fits the Malaysian system.

Lijphart defines consociationalism in terms of four characteristics. The first and most important characteristic is grand coalition government. The other practices, which are complementary but secondary to the grand coalition, are the mutual veto or "concurrent majority", proportionality, and segmental autonomy. In Malaysia, from 1955 to 1974, the country had been ruled by the Alliance. After the May 13 1969 ethnic riots, an extensive coalition-formation policy was initiated by Tun Razak, the then Prime Minister and leader of UMNO, to include other political parties into the coalition. This coalition was later known as the Barisan Nasional or National Front. The Alliance and its extension in the form of the Barisan Nasional have thus been the ruling coalitions in Malaysia since Independence in 1957. There have always been representatives of the major ethnic groups in both the Alliance and Barisan Nasional. But in practice, the Alliance and its successor the Barisan Nasional have never been a form of grand coalition, which according to Lijphart, encompasses "leaders of *all* significant segments in a plural society" nor have they represented an "executive power-sharing among the representatives of *all* significant groups" (emphases added) in the ideal sense of consociational democracy (Lijphart 1977, 31 and 1985, 6). This is because both the Alliance and Barisan Nasional have not been able to include *all* political parties in the coalition. There are still political parties which represent some "significant segments" in the society such as PAS (except for a brief period from 1973 to 1977), a Malay party with strong regional ties, and the DAP, a party which champions the cause of non-Malays, that remain in opposition. On the other hand, however, the Alliance and Barisan Nasional have been adhering to the concept of a multi-ethnic grand coalition which is stipulated by the consociational model. This is because the three original component parties of the Alliance --- UMNO, MCA and MIC --- have remained in the coalition despite the movements of other component parties of the Barisan Nasional. Thus since Independence, Malaysia has been governed by a stable coalition which consists of representatives of major ethnic groups but not "*all* significant groups" (emphasis added) in the country.

The mutual veto which serves as an additional protection of minority interests has not been instituted or implemented. However, the practice of compromise, consensus and "package deal" has helped to protect some of the major interests of each ethnic group.

Proportionality, another complementary consociational device, has been practised by the Barisan Nasional in varying degrees. Besides operating in the allocation of Cabinet appointments and of electoral seats among the component parties, proportionality also has taken place in the economic sphere. Before the May 13 riots, the Alliance can be said to have followed the concept of proportionality if the political and economic spheres are considered together, in that there was an implicit agreement that the Chinese would be allowed to dominate the economic sphere, while the Malays dominated the political sphere (Lijphart 1977, 151). But since then, an important change has taken place in the economic sphere because of UMNO's determination to improve the economic condition of the Malays by replacing the 1957 "bargain" or "contract" with the New Economic Policy and later with the New Development Policy. Under the NEP, targets for an agreed proportion of the country's wealth were to be achieved by each ethnic group by 1990. The Malay share of ownership and management of all commercial and industrial activities was set at 30% while the non-Malay share was 40% and the foreign share 30% (*Mid-term Review of the Second Malaysia Plan 1971-1975*, 1973, 81-8). Even though these figures were only targets under the NEP, both the Malays and non-Malays viewed it as important that their share of the country's wealth should be adequate and specified. Moreover, much effort was made by both groups to ensure the achievement of these targets. By the end of the NEP period, in 1990, the Malay share of corporate wealth was 20.3%; the non-Malay share 46.2%; and the foreign share 25.1% (*The Second Outline Perspective Plan 1991-2000*, 1991, 12). Under the NDP, efforts to increase Malay ownership and participation in the corporate sector have been continued by the Government in line with the original NEP target of at least a 30% stake. This is being implemented in a liberal

manner so as not to affect economic growth. The non-Malays, on the other hand, are expected to train and expose the Malays to real-life business experience. Thus, unlike the NEP, the NDP does not have any quantitative targets and a specific time frame for achieving a quantitative objective. Less emphasis was put on the quotas and licences. The government, however, has pledged that a review of the policy to support Bumiputera participation in the economy will be made at the end of the year 2000 (*Speech by the Prime Minister Dr. Mahathir Mohamad in tabling the Second Outline Perspective Plan in Dewan Rakyat, The Second Outline Perspective Plan 1991-2000*, 1991, 28-31; *The Second Outline Perspective Plan 1991-2000*, 1991, 131 ). In sum, even though the quantitative targets which were set under the NEP seem to look like the principle of proportionality at work, it should be observed that this is, in a sense, quite different from the principle of proportionality which had earlier been followed by the Alliance, under which there was a "trade-off" between the rival groups, i.e., the Chinese being allowed to dominate the economy while the Malays dominated the politics.

The last consociational device, segmental autonomy, which functions most effectively through a form of federalism, has not had much effect in Peninsular Malaysia. This is because, in spite of its federal structure, the ethnic groups are not geographically concentrated and separated from each other but are interspersed.

It should be noted that there are some differences between the political situation in the West Coast and the East Coast of Peninsular Malaysia. This is primarily due to the smaller number of Chinese living in the East Coast than in the West Coast. The ethnic relationship in Kelantan, for example, is somewhat different from mainstream Malaysia because of the heavy concentration of Malay population there compared to other places. Because of their relatively small number, the Chinese here tend to adopt Malay customs and language as their own and become assimilated into local Malay society to some extent. Thus Kelantan Chinese generally are culturally different from the Chinese in other states in the country.

Lijphart's consociational model has two features, which are overarching elite co-operation and stable non-elite support. It requires "structured elite predominance" because the leaders have the task of reaching compromises and making concessions to the leaders of other groups, while maintaining the support of their followers. The underlying assumptions of a consociational system are that there is a strong vertical relationship between the followers and the leaders in each group, and that each group follows a single set of leaders. But in Malaysia, the Malays, Chinese and Indians do not always follow the same set of leaders from their respective communities. The Malays, for instance, are mainly divided between the UMNO and PAS (and recently Semangat 46) camps, and the Chinese are roughly divided between the MCA and Gerakan (component parties of the Barisan Nasional) on one hand, and the DAP on the other. However, the leaders of the Alliance and later the Barisan Nasional have been able to maintain their political ascendancy over the Opposition. Their dominant position vis-a-vis other parties' leaders is important for the consociational system because they represent moderate leaders who are more likely to engage in the practices of bargaining, compromise and accommodation than are opposition leaders.

Related to this idea of "structured elite predominance" is the existence of "a set of *politically acquiescent or deferential* attitudes", in which there is a belief that leaders are expected to lead and followers to follow" (Nordlinger 1972, 79). Nordlinger said that in Malaysia, the Malays and Chinese had accepted the extensive authority of their "natural leaders", who were the "Malay aristocrats" and the "Chinese Capitalists" respectively. The coalition between the Malays and Chinese parties in the Alliance, according to him, had been founded upon these acquiescent and deferential attitudes. Nordlinger's description of deferential attitudes among the Malays and Chinese in Malaysia was somewhat simplified. It is true that the Malays had accepted the leadership of the "Malay aristocrats" or the Malay Rulers since the dawn of Malay history. But it should also be emphasised that the main reason for this deferential attitude is the perception of the Ruler's role

as the 'protector' of the Malays (Chandra Muzaffar 1979, Ch.1). UMNO had been founded on this concept of 'unquestioning loyalty' to the Malay Sultans. In the multi-ethnic situation of Malaysia, UMNO leaders have been able to portray themselves as the 'protector' of the Malays by playing on the fears of the Malays that they would be "swamped" by the more aggressive and economically advanced Chinese community. Based on this argument, the implementation of the NEP with its objectives of uplifting the economic position of the Malays and ensuring that the Malays would get their share of the corporate sector of the economy could be seen to further entrench the belief that UMNO is a party which could be trusted to protect the interests of the Malays. This is not to say that UMNO commands the full support of Malays, since there are also Malays who are loyal followers of other Malay political groups. By the end of 1980's, UMNO split. However, because of the inability of Semangat 46 to maintain Malay popular support, which is partly due to the ability of UMNO to successfully entice many Semangat 46 members and followers to cross to the government's side, UMNO remains so far the only dominant Malay party which has been successful in gaining the support of the overwhelming majority of Malays.

Another aspect related to this concept of deference and political acquiescence is the phenomena of internal outbidding within UMNO itself, as evidenced under the leadership of Tunku Abdul Rahman when the so-called "radicals" rejected Tunku's style of consociationalism. It does seem ironical that the "snipers" within the ruling party itself were part of the problem in maintaining consociational practices. However, there had also been practices of co-optation as well as elite recruitment and socialisation, which in some ways turned the "radicals" into moderates when they assumed government positions.

The Chinese, on the other hand, have been more divided than the Malays in their group allegiance. According to Tan Chee-Beng, Malaysian Chinese can be categorised into three general groups: Group A, who want to preserve 'pure' Chinese culture and identity and "fail to relate to the overall historical and political



reality of the country"; Group B, who "tend to lean towards Group A, but recognise the need to adapt to the social and political environment in Malaysia"; and Group C, who are more concerned with "socio-economic equality and justice than with the form of Chinese culture or identity" (Tan Cheng-Bee 1990, 153). Group A is a small group and the majority of Chinese are in Group B, but the leaders of Group A are "influential in shaping opinion among the Chinese", and are seen as 'race heroes' (*minzu yingxiong*) by the Chinese (*ibid.*, 154). Hence, if the Chinese feel that their interests should be protected at all, these leaders are the ones who might be considered by the Chinese community as the natural 'protectors' of their interests. But this group are normally leaders of the opposition political parties who usually do not have access to government. The leaders who are in the position to bargain with the Malays in the interest of the Chinese are the ones in the Barisan Nasional, namely the MCA leaders. During the 1982 election campaign, Dr. Mahathir Mohamad told the Chinese electorate that "If Datuk Lee (San Choon) [leader of the MCA] whispers in my ear, I can hear him very well. If the DAP screams, I cannot hear anything" (cited in Lao Zhong 1984, 13). The message was clear to the Chinese that they could gain a lot more through the MCA (and other component parties of the Barisan Nasional) than through anyone else. Evidently, as discussed in Chapter Six, during the NEP period the MCA managed to get some concessions in the general interests of the Chinese on an issue-by-issue basis from UMNO within the framework of Barisan Nasional. Therefore, even though the "structured elite predominance" among the Chinese has not been as strong as among the Malays, the belief among the Chinese (to some extent) that the MCA is the only party which is in a position to bargain with UMNO or which could act as the middleman is important to the consociational system.

The complementary models of Lijphart's consociationalism and Nordlinger's conflict-regulation are both elitist. Their emphasis is on the *critical role of conflict group leaders*. They recognise that only the political elites of the governing parties take the "initiative in working out the various conflict-regulating practices, who put

them into operation, and who did so at least partly with the goal in mind of arriving at a conflict-regulating outcome" (Nordlinger 1972, 40). In other words, conflict group leaders alone are in the position to make such positive contributions because the reality is that "the conflict group members (or nonelites) are too numerous, too scattered, too fragmented, too weak, and too unskilled" to be able to do so (*ibid.*, 40). According to Lijphart, the leaders must be fully aware of the "unstable tendencies" caused by subcultural cleavages. The Malaysian elites have been aware of these "unstable tendencies", especially since the May 13 riots in 1969. This awareness of the real possibility of civil strife and the high value the elites place upon the "avoidance of bloodshed" has motivated them to engage in conflict-regulating behaviour. They have been committed to 'system maintenance' and have been willing to make an effort to prevent the disintegrative tendencies found in multi-ethnic societies. Their commitment and willingness to cooperate with each other has also been informed by an economic motive. It has been axiomatic that economic growth and prosperity would be impossible if there were conflicts, violence and political instability. Thus the elites have been committed to system maintenance and political order so that they could concentrate on building the economy. They have been able to compromise on many issues dividing the ethnic groups, as in the Communities Liaison Committee negotiations in 1949-50, in the pre-independence bargaining in 1957, and in the post-riot period, the formulation and implementation of the NEP and later the NDP.

Another elite behavioural attribute which is important for overarching elite co-operation has been the elite's ability to develop institutional arrangements and 'rules of the game' to accommodate their differences. The Barisan Nasional leaders have been able to institutionalise the rules of the game and procedures for elite accommodation. While Malay political dominance, and UMNO's dominant position within the Barisan Nasional, have been generally accepted by the various component parties, the rules of the game were significantly changed in the post-riot period. The 1957 "contract" which allowed unhindered Chinese economic and

commercial activities and Chinese economic dominance was altered by the formulation of the NEP. Under the NEP, the government had been backing the Malays in the economy and had also been competing on their behalf in economic areas which were previously dominated by non-Malays and foreigners. This was done in line with the figure target of 30% set for the Malays in the acquisition of corporate wealth by the end of 1990. The NDP which replaced the NEP was implemented in a more liberal manner. From 1991, there would also be less government intervention to help the Malays in the private sector. Emphasis would be more on improving the quality and capability of the Malays so that they can be more competitive in business and more self-reliant. However, public enterprises and trust agencies are expected to continue their role in nurturing the Bumiputera Commercial and Industrial Community (BCIC) as well as increasing Bumiputera corporate equity. The increasing emphasis on self-help could also be an indication that there is a plan to phase out ethnic quotas when Malays are ready to compete with non-Malays on an equal footing. It also helps to correct the Chinese perception of ethnic quotas as an unending policy.

The consociational model assumes that "political elites enjoy a high degree of freedom of choice, and that they may resort to consociational methods of decision-making" (Lijphart 1977, 165). But Lijphart also said that the consociational "grand coalition" did not rule out opposition and "criticism may be directed not only against the entire coalition but even more so against individual members of the coalition by supporters of other parties" (*ibid.*, 48). In a divided society, where there are always good chances of gaining political support by appealing to ethnic sentiments, the phenomenon of coalition leaders being "outflanked" or "outbid" by the alternative leaders who are less willing to compromise is not uncommon, and this contributes to heighten inter-ethnic tension. So, in this kind of situation, do leaders of a consociational grand coalition really enjoy the "freedom of choice" assumed by Lijphart? The Malaysian experience shows that leaders of the Alliance and the Barisan Nasional have not had as much

"freedom" as the ideal consociational model assumes. The multi-ethnic coalition leaders have been vulnerable to the threat of "outflanking" or "outbidding" by leaders of both Malay and non-Malay groups. The Alliance leaders, for instance, have been constantly "outbid" by opposition leaders, particularly from PAS and the DAP, especially during election campaigns. UMNO leaders were accused by other Malay leaders, mainly from PAS, of selling out the birthrights of Malays, while the MCA leaders were accused by other Chinese leaders, particularly from the DAP, of selling short the rights of non-Malays. This phenomenon was partly responsible for the May 13 riots in 1969 which led to a break down of the Alliance consociational system. When this happened, the Alliance leaders resorted to non-democratic devices, i.e., a state of emergency, and the country came under the rule of the National Operations Council, a military-backed organisation.

When Parliament reconvened in February 1971, the Constitution (Amendment) Act was passed, which made it a "seditious tendency" to question: any 'matter, right, status, position, privilege, sovereignty or prerogative established by the provisions' on citizenship; Malay as the national language; the special position of the Malays, and the legitimate interests of other ethnic groups; and the sovereignty of the Rulers. This Act applies to everyone including members of the Parliament and State Legislative Assemblies. This is an attempt to place 'sensitive ethnic issues' above politics.

This Sedition law and the amendments to the Constitution have helped to remove sensitive issues from public debate and prevented them from being attacked or misinterpreted by opposition party 'outbidders', as had happened during the 1969 election campaign. Therefore, they serve as an effective protection for the leaders of the Barisan Nasional against the threat of "outflanking" or "outbidding" which had constantly been faced by the leaders of the Alliance.

In addition, there have also been a number of detentions of government opponents under the Security Act 1960 (ISA), control by the government over the press through the Printing Presses and Publication Act (1984), and the Official

Secrets Act (1972) which curbed individual rights to some extent. On the other hand, this is balanced by universal suffrage and regular elections (even though the election campaigns are short), as well as a parliamentary structure of government. Attempts are being made, therefore, to make consociationalism work within the limited democratic framework.

To promote national unity, the Malaysian political elite established the National Consultative Council (NCC), the Department of National Unity (DNU), and the National Goodwill Council (NGC). The NCC, a consultative body consisting of representatives of all ethnic groups, was set up to discuss the causes of the riots and make recommendations to the government. The DNU was the government's "think tank" and was created to do research on ethnic conflict, recommend possible solutions and provide advice to the government. The DNU, however, has since been functionally downgraded, but in its early existence it played an important role in producing the Rukunegara or the "Pillars of the Nation". The NGC was a body with members of all classes, communities and political parties, organised by Tunku Abdul Rahman in his personal effort to restore national goodwill in inter-ethnic relations by touring the country.

In terms of long-term socio-economic planning, the NEP was formulated and implemented as an effort to prevent future ethnic violence, since the elites concluded that the economic imbalances among the ethnic groups had contributed to the outbreak of the riots in 1969. The NEP was not merely an economic plan, but an exercise in conflict management in order to prevent ethnic-based political instability.

What have been the results of this experiment in politico-economic ethnic monitoring? About two years before the expiry of the NEP, the National Economic Consultative Council (NECC), as discussed in Chapter Seven, was established by the government, with its membership drawn from all ethnic groups including political parties, business organisations, academics, farmers, hawkers and consumer associations. In a way, the NECC was reminiscent of the NCC. It was a forum for

frank discussions among the representatives on the implementation of the NEP and an advisory body to the government on post-NEP policy. Undeniably, there had been much in-fighting involved, but there had also been consultation between the members. The government was able to gain insights into the problems of implementing the NEP, as well as inputs from different sections of the society in its formulation of a post-NEP policy.

Economic growth and industrialisation in the 1970's and 1980's resulted in changes in the class structure of Malaysian society. There has been a growth of the middle and business classes among the Malays and non-Malays. Because of the changes in the class structure, it is worth looking at the development of class interests when analysing contemporary Malaysian politics. This is not to say that one needs to adopt a class approach in the same way as do the 'radical political economy' theorists who regard ethnicity as a form of 'false consciousness' masking for an underlying class interest. As one observer notes, "ethnic politics is still very much alive" in Malaysia. For instance, an apprehension that Chinese culture was in danger played a big part in enabling the DAP to win a Pahang state-by-election in 1983, and the threat that development schemes posed to a historic cemetery, Bukit Cina, mobilised widespread Chinese resistance in 1984. Although the prospects for class conflict may be increasing, a lot of the politics going on is still of an ethnic nature (Milne 1986, 1370). Whether the threat to culture was real or perceived is a different matter. The point is that though it shows that class interest has become important, it has not developed to the extent of replacing ethnic interest in Malaysia.

The consociational model requires "structured elite predominance" and assumes that there is a strong vertical relationship between the followers and the leaders. However, the model does not take account of changing processes such as modernisation and industrialisation which could affect this relationship. It also does not explain the character of specific individuals or political leaders which could affect the political system. As discussed in Chapter Six, under the NEP restructuring program, the government had been supporting public enterprises as part of its

efforts in promoting Bumiputera commercial and industrial community. As a result, there has been an expansion of middle and business classes among the Malays. This development, particularly the creation of a Malay business class, also had an effect on politics. The relationship between the Malay business class and UMNO can be seen in the composition of the delegates to the 1987 UMNO General Assembly. It was estimated that businessmen made up the largest group, 25 percent of the delegates, civil servants 23 percent, Members of Parliament and State Assemblymen 19 percent, community development officers 5 percent, teachers 19 percent and professional and other 1 percent (Shamsul A.B 1988, 180 as cited in Khoo 1992, 68). As mentioned before, UMNO has been able to portray itself as the 'protector' of the Malays. This belief is further entrenched with the implementation of the NEP. Crouch (1992) points out that in addition to this image as 'champion' of the Malays, much of UMNO's appeal lay in its "patronage dispensing function". During the implementation of the NEP in the 1970's the scope for patronage distribution increased with an expansion of the state's role in the economy in terms of controls over the private sector and active participation in business. By being in control of the government at all levels, "UMNO was well positioned to provide material benefits to its supporters whose loyalty to the party was thereby strengthened". In line with the NEP's objectives to create a Malay business class, Malay businessmen were given preference in obtaining licences, credit and government contracts as well as buying shares of the non-Malay and foreign companies which had undergone the process of "restructuring" (Crouch 1992, 27-28). At the middle and lower levels, evidence of support for UMNO was helpful for applicants for taxi licence, lorry permit, rice mill permits, government loans and even for buying low-cost houses. Furthermore, at the village levels, government patronage was channelled to UMNO supporters through Village Development and Security Committees and the government-sponsored Farmers' Association. Besides that, applicants by villagers for title land were considered by committees dominated by UMNO, and assistance in the form of fertilizers, seedlings or livestock was often distributed by local village

heads who are often chairmen of UMNO branches (*ibid.*). Similarly, Leong (1991) says that UMNO has been acting as a "multipurpose political organisation" representing social, cultural, political, economic and religious interest of the Malays. Business organisations which were formed to promote Malay business interests were either inspired or sponsored by UMNO as part of the party's effort to strengthen the Malay business class. The heads of these organisations were often UMNO politicians who would use them to mobilise political support (Leong 1991, 53-56). Thus patronage became important in gaining political support. The split in UMNO occurred in a society which had undergone changes in the last fifteen years of economic growth and social restructuring under the NEP. The UMNO split, as explained by Crouch (1992), can be largely understood as "a struggle for power and position around the question of succession to Mahathir". Thus, ideological and policy differences do not seem to play an important part in this split. Evidently, the dissidents criticised some of Mahathir's policies on expensive projects such as his Malaysian car (Proton Saga) project, but Mahathir was able to point out that his critics or dissidents were themselves part of the government which adopted the policies they now disowned (Crouch 1992, 30-31). The rivalry in the party's national leadership was interlinked with local factional struggles. The factional struggles, in turn, resulted from growing competitiveness within the party since the 1970's. The "NEP-produced business opportunities" increased the stakes in the struggle for power in UMNO since victory in the party election meant access to commercial opportunities and wealth. This was aggravated by the general recession in the mid 1980's when the government had much less patronage and having political influence was considered to be vital for survival by the UMNO-connected businessmen. Thus, because of the importance of patronage, most party leaders remained with Mahathir's UMNO Baru or Team A. Some also had outstanding loans or other obligations which made it difficult for them to join the dissidents or Team B while others decided eventually to return to UMNO Baru (*ibid.*, 32-33).



Another factor which has great influence on the political system is the character of individuals or political leaders. Mahathir is known for his conservative and authoritarian political outlook, for his fears of "individualism" and "individual freedom", for his assertion that politics should be administration, and for his belief that there would be little room for "destructive" criticism (Khoo 1992, 58 and 61). The imposition of some limitations on democratic freedoms since the 1970's has been seen as contributing to an increase in authoritarianism in Malaysia. It has been noted by Crouch (1992) that despite these measures, the judiciary had retained much of its independence until 1988. While previous prime ministers had accepted unfavourable judgements or responded with new legislation, Mahathir, however, decided to amend the Constitution itself to curb the power of the judiciary and reduced the effectiveness of the judiciary to check government power. This was followed by the dismissal of the Lord President after a judicial inquiry (Crouch 1992, 25-26). During the critical years of 1987-88, Mahathir was criticised and challenged from inside UMNO. He became, in this sense, a beleaguered leader. As mentioned in Chapter Six, in the April 1987 UMNO elections, Mahathir was challenged by Tengku Razaleigh for the top leadership. Mahathir won a narrow victory. Subsequently, there was a lawsuit made by Team B or Tengku Razaleigh's followers. These challenges from inside UMNO coupled with other events such as the Chinese school issue and the UMNO rally in October as well as another UMNO rally planned on November 1, all contributed to the tensions which led to ISA arrests in October. However, there were a number of individuals who were not detained. Case (1991) points out that Tengku Razaleigh, Mahathir's principal adversary, was not arrested. This is due to Mahathir's political prudence, the "need to be seen as preserving vital elite relations in the UMNO --- which amounted, still to acknowledging Razaleigh's significant power and the value of party game rules". Other "elite persons" who had aroused ethnic sentiments were also dealt with "circumspectly". Even though he was reported to be "furious with the Youth Wing", Datuk Najib Tun Razak, the acting head of UMNO Youth and the son of

the second Prime Minister, was not arrested. Lee Kim Sai, the MCA deputy-president, was permitted to leave for Australia while the MCA's president also left for a conference abroad. Mahathir's respect for elite status was thus extended to all top position holders within the Barisan. At the same time, however, the Barisan elite (as well as the opposition elites) was "dissuaded from overtly reflecting or exploiting communalism in ensuing rounds of power struggle" and "the contest did not again acquire the societally wrenching proportions it had taken on in October 1987" (Case 1991, 468). In contrast to Tunku Abdul Rahman, who did little to restrain elites from making divisive appeals to the public, Mahathir acted "forcefully" but with a "restraint" which has prevented the national elites from becoming more seriously fragmented. The author says that more specifically, Mahathir did not explicitly violate the formal rules of the institutions in which UMNO factional struggles were fought out. He "took the pains to legitimate the detention of parliamentarians" by invoking the ISA and by publishing an explanatory government white paper. Then, in his struggle to have control of UMNO, he acted in accordance with the rules. Further, in laying the official basis for the Lord President's removal, he sought the appropriate writ from the Yang di-Pertuan Agong, the king, while fashioning an international tribunal to consider the government's charges against the judge. This is in contrast to many leaders of developing countries "who resort inflexibly to *pronunciamientos* and "disappearances" to subdue challengers". In these respects, Mahathir can be said to continue the "practice of restrained partisanship among elites, the prerequisite for a future deepening of democracy" (*ibid.*, 470-71). Moreover, while acknowledging the report of the 12-member Commonwealth observer team with its objections to certain aspects of the Malaysian 1990 general election, the author says that "with the exceptions of democratic regimes in India and Japan --- that are not without their own shortcomings --- Malaysia has established the most consistently democratic record in Asia" (*ibid.*, 473).

The growing executive power under Mahathir's leadership is interpreted as an authoritarian tendency. But Crouch (1994) also argues that there are several factors which act as "checks" on the degree of authoritarian rule. It is true that electoral arrangements in Malaysia ensured that the government would remain in the hands of the Malays but they did not guarantee victory for the UMNO-dominated Barisan coalition. The "unbroken success" of the Barisan, and the Alliance before it, has been partly due to the character of 'coalition politics' in Malaysia. Although the Barisan is Malay-dominated, it is a multi-ethnic coalition consisting of parties from different groups which, "while not necessarily moderate in their ethnic aspirations", are "committed to working together and to the compromises that co-operation entails". Here, Crouch (1994) helps to clarify the meaning of the "moderate" political leaders of the Barisan, which is an important factor in the consociational model. The leaders are not moderate in terms of their ethnic aspirations, but moderate in terms of their willingness to compromise their aspirations or 'original preferences' vis-a-vis one another. The opposition parties, on the other hand, were not able to form a multi-ethnic coalition before the "loose front" in 1990. Even then, it has been difficult for the opposition parties to cooperate with one another. As a result, while the Barisan has won both Malay and non-Malay support, opposition votes were usually split along racial lines, even though in the 1990 general election, Semangat 46, PAS and the DAP were able to agree on common electoral candidates (Crouch 1994, 16-17). Other factors which provide "checks" on the authoritarian tendency of the government is first, the communal nature of Malaysian society, "the very presence of large ethnic groups, each with its own deep sense of cultural identity and common interests" which helps to prevent the government from establishing a fully-authoritarian Malay-dominated regime. The government had little choice but to take the interests of the non-Malays into account or risk civil disorder. In this respect, "the alternative to some sort of accommodation would seem to be continuous tension and the prospect of constant upheaval" (Crouch 1994, 29). It is ironical that the very reason for communal

tensions which led to some limitations on political competition provide a strong check on government power. Secondly, despite Malay dominance, the Malaysian government has been multi-communal in character since Independence. As mentioned earlier, the country has been governed by a multi-ethnic coalition. First, there was the Alliance with UMNO, MCA and MIC as its component parties. In the 1970's, it was extended to include other parties and known as the Barisan Nasional. There have always been representatives of the major ethnic groups in the coalition. Crouch (1994) says that the non-Malay component parties cannot be dismissed as mere token representatives of their groups since UMNO have always realised that it would be difficult for them to rule alone. In order to "preserve" the coalition, UMNO must be "significantly" responsive to the interests of its non-Malay partners. Thus, despite quotas and other special privileges provided for Malay businessmen under the NEP, Chinese businessmen continued to win government contracts, gain licences and obtain other business opportunities. The non-Malay component parties have also succeeded in protecting some elements of Chinese culture which had been under threat. Furthermore, in education, despite the transition to Malay as the language of instruction in secondary and higher education institutions, the MCA and other non-Malay parties in the Barisan "have successfully defended the continued existence of Chinese and Tamil primary schools, and university entrance quotas for non-Malays have been gradually relaxed" (Crouch 1994, 28). Similarly, as we have seen in Chapter Six, the establishment of the University of Merdeka, which was to use the Chinese language as the medium of instruction, was obstructed by the Federal Court on the ground that it would contradict the provision in the Constitution which allows the Malay language to be used for an official purpose. However, the MCA managed to get the support of the government in the formation of Tunku Abdul Rahman College which uses English as the medium of instruction. Even though the leaders of the non-Malays in the Cabinet do not control the major policy-making portfolios, they still continue to exert considerable influence on decision-making, particularly in areas where non-Malay interests seem threatened.

Related to this factor is the existence of a pro-non-Malay opposition party. In some cases, it is the pressure from the DAP which allows the non-Malay component parties to extract concessions from UMNO. Leong (1991) explains that Chinese businesses would use non-Malay parties within the Barisan to get some concessions on the NEP requirement, and at the same time, use the DAP to protest against the NEP. The "real negotiation" would take place between top leaders from Barisan component parties. Outside this arrangement, there were public protests which were incited by pressure groups, including the DAP. By raising an issue to a crisis level, the Barisan leaders were forced to negotiate and reach a compromise which was normally done behind closed-doors to avoid ethnic conflict (Leong 1991, 322-24). Thirdly, outside the Barisan, the opposition parties such as PAS and DAP also derive their strength from "communal identity" which, in turn, gives them "deep social roots". It is true that the government has restricted the scope and influence of these parties, but it cannot ignore them and it would be no easy matter to repress them altogether (Crouch 1994, 28). Fourthly, the non-Malay middle class, despite frustration caused by the pro-Malay policies of the government, still largely support the non-Malay parties in the Barisan while the Malay middle class, a beneficiary of the changes since 1969, was on the whole prepared to accept authoritarian measures. But at the same time, the government could not afford to alienate the middle class and had to be responsive to its aspirations. In this sense, the expanding middle class, particularly its Malay component, represents an important "potential check" on government power. Fifth, a strong business class can also provide a "check" on government power. Despite the decline of the influence of the Chinese business class on the government as a result of the NEP, Chinese business continues to be important and the Chinese share in the corporate sector has been increasing since 1970's, and many were able to protect their interests by taking on Malay partners with political connections. The role of Chinese business, thus, was "still large enough to compel the government to take account of Chinese business interests". The growth of a Malay business class, on the other hand, did not produce

a significant check on the government because of its dependency on "favours from political friends in the government" (*ibid.*,30-31). Finally, in the 1980's, factionalism and political rivalries within UMNO contributed to worsening race relations as rival factions tried to outdo each other as defenders of the 'Malay cause'. But at the same time, factionalism within UMNO acted as a "brake" on authoritarianism since the "strength of the anti-Mahathir group was so great that the government hesitated to take severe measures against them" (*ibid.*, 32).

It is true that there have been some restrictions on democratic freedoms and political competition, but at the same time there are also factors which act as "checks" on government power which do not allow the Malaysian political system to qualify as an authoritarian system. However, since the 1970's, relations between the major component parties within the ruling coalition have developed in asymmetric way where UMNO has taken a more dominant role. In this respect, it may, then, be said that the Malaysian consociational model is characterised by 'asymmetric accommodation' in which the non-Malay component parties have still been able to elicit real concessions from UMNO. These concessions are among the factors which are considered by Crouch (1994) as the "checks" on the authoritarian tendency of the government. Other instances which are discussed earlier in this thesis include the modification of the provisions of the Industrial Co-ordination Act (ICA) to raise the ceiling of the shareholders' fund so that more Chinese businesses would be exempted from restructuring under the Act. The non-Malay component parties also managed to secure a rescue package from the government which provided depositors in Deposit Taking Co-operative (DTCs) a guarantee of some refunds. Under the NDP, there is further liberalisation on the establishment of private education institutions to provide more places for higher education. In other words, although the non-Malay partners are considered to be subordinate to UMNO, they have not been completely powerless.

While these points raised about the changing class structure and 'authoritarianism' weaken the explanatory character of the consociational model for

Malaysian politics, they do not refute it. On the contrary, some of the views of 'critical social theory' and the 'political economy/development approach' provide insights which help to supplement the consociational model. The core of the Malaysian political system continues to be provided by mechanisms of negotiation and compromise between the main ethnic groups. The merit of the consociational model is that it puts these concerns at the centre of its analysis.

Lijphart also lists a number of favourable, though not necessary nor sufficient conditions, for the success of consociationalism. They are a multiple balance of power, small population size, external threats, overarching loyalties, socio-economic equality, segmental isolation and a tradition of accommodation. The Malaysian record has a mixture of favourable and unfavourable conditions for consociationalism. However, I found that the definition of consociationalism is easier to use when these conditions are not part of it. After all, these conditions are not prerequisite but helpful for a consociational model to work.

#### Ethnic 'Dominance': Malaysia and Fiji

An important point which should be taken into consideration when discussing the Malaysian political system is the notion of "Tanah Melayu" or "Land of the Malays". It derives from the historical fact that Malaysia (as the name implies) evolved out of a Malay polity. This helps to explain the special privileges of the Malays embodied in the official symbols of a Malay state which are Islam as the religion of the country, the Malay Rulers, and the Malay language as the official language. In the first 'contract', the non-Malays recognised these provisions in return for the relaxation of citizenship provisions. The fact that Malaysia evolved out of a Malay polity gives the Malays a primary position over the non-Malays in several ways. Thus the inter-ethnic compromise and bargaining was done between symbolically unequal people. This is very different from Switzerland, which evolved out of a voluntary confederation of pre-existing political and ethnic entities (cantons) which was based on complete equality due to their indigeneity to the land.

When the confederation was transformed into a modern federal state, the equality of the German, French and Italian languages was formally endorsed (Mayer 1968, 710-13). Hence, unlike Malaysia, compromise and bargaining takes place between equal partners.

In this context, it is interesting to compare the post-independence experience of Malaysia with that of Fiji. Fiji, like Malaysia, has since independence maintained the notion of what might be called the 'primary legitimacy' of the indigenous Fijian population. Fiji's population comprises of two major ethnic groups of whom, according to the 1986 census, 46.1% were indigenous Fijians and 48.7% Indians (who were brought in by the British as indentured labourers for the plantations in the late 19th century). Following the 1987 coups there was an Indian emigration, and by 1989 the Fijians became the largest group, forming 48% of the population, Indians 46% and others 6% (*The Far East and Australasia 1993*, 657). Until 1987, Fijian politics was dominated by the Alliance Party, a coalition party of various groups in Fiji which was dominated by the indigenous Fijians.<sup>135</sup> The coups in 1987, which were led by Rabuka (the third-ranking officer in the Fijian Army before the coups), happened because the ruling Alliance Party, which had been in power since 1970, lost to the National Federation Party (NFP) and Fiji Labour Party (FLP) coalition in the 1987 election (*The Far East and Australasia 1993*, 657). This resulted in the domination of the Fijian Government by Indians rather than Fijians, and the purpose of the coups was thereby to restore the political power of the Fijians.<sup>136</sup>

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<sup>135</sup>The Fijian Alliance was based on the Malaysian Alliance model. However, unlike its Malaysian counterpart, the Fijian Alliance "has been less successful in providing a forum for inter-ethnic co-operation" (Ghai 1987, 13).

<sup>136</sup>The NFP/FLP coalition government consisted of 19 Indians, seven Fijians and two others. Its cabinet was formed by 14 ministers --- seven Indians, six Fijians and one General Elector (other groups) (Lal 1990, 186). It was also suggested that the military coups were an indication that there was a power struggle between the Fijian nobility and the Fijian commoners. The 1987 election was a competition between the Alliance Party, comprised mostly of *Ratus* (traditional chiefs), including Ratu Mara who had been the Fijian Prime Minister since Independence in 1970, and the NFP/FLP coalition, led by Dr. Bavadra, a Fijian commoner, with a number of other professional, educated, middle-class Indians and Fijians (*ibid.*, 175-79).



Following these coups, in 1990, a new Constitution was promulgated, which reserved 37 of the 70 elective seats in the Legislature to the Fijians and 27 to the Indians. The Constitution also gave powers to the Great Council of Chiefs to nominate Fijians to 24 of the 34 seats in the Senate, and to appoint the President of the Republic (*The Far East and Australasia 1993*, 658). This new Constitution therefore entrenched the political dominance of the Fijians over others.

Among the sensitive issues in Fiji were land ownership, the electoral system, and education, with the first being the most divisive one. From before independence,<sup>137</sup> the Indians were prevented from owning land by various Fijian land ordinances designed to protect Fijian interests. As a result, 83.4% of the land area was 'native land' or land owned by the Fijians, and 8.4% was Crown land (*The Far East and Australasia 1993*, 659). The cane farmers, who were predominantly Indians, had to work on land leased from the Fijians and were vulnerable to any changes in a land leasing agreement. The uncertainties of future land leasing agreements generated fear and anxiety among the Indians.

In Malaysia, there are also enactments allowing land for 'Malay reservation'. But only 30% of the land area in Peninsular Malaysia constituted the 'Malay reservation'.<sup>138</sup> One-fourth of this land area, however, included rivers, forest reservation, roads and Chinese-owned land.<sup>139</sup> Moreover, as discussed in Chapter Three, Article 89 (2) of the Constitution clearly stated that whenever land was

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<sup>137</sup>After sovereignty over Fiji was ceded by its chiefs to Britain in 1874, besides instituting a system of 'indirect rule', measures were also taken by Sir Arthur Gordon, the first Governor, to protect the rights of the indigenous Fijians. They included "a prohibition of the alienation of Fijian land to outsiders, and a provincial and village based system of native administration under the authority of chiefs". After independence in 1970, the National Lands Ordinance was entrenched in the Constitution which preserved a majority of land area of the country (83%) to the Fijians (Ghai 1987, 9-10).

<sup>138</sup>In 1993, the total land area of Malay reservation in the peninsula was 4,442,898.64 hectares. These statistics and the information on Malay reservation in this chapter were given to the author in an interview with a senior officer at the Land Acquisition Section, Ministry of Land and Co-operative Development (23.8.1993).

<sup>139</sup>A number of Chinese-owned lands are included in the Malay reservation today, because land enactments before 1957 allowed any land, including Chinese-owned, to be declared 'Malay reservation'. It does not mean that the land was confiscated from the Chinese, but it means simply that once the land was sold to Malays, it would remain in the hands of the Malays, and the ownership of the land could no longer be transferred to non-Malays.

declared a Malay reservation, an equal area of land should also be made available for general alienation. Thus, in Malaysia, the Constitution protected the interests of both Malays and non-Malays alike.

In Fiji, the army has always been dominated by the Fijians. In 1985, the Fijian military comprised 92% Fijians, 4% Indians, and 4% other groups (Lal 1990, 198). When Fijian hegemony was perceived to be challenged by the Indians in 1987, the army took over the government and only stepped down when the rights of the Fijians were safeguarded by the new Constitution.

Unlike Fiji, the military in Malaysia has never been involved in the politics of the country. There are a number of constraints which operate to limit the Malaysian Armed Forces (MAF) from intervening in Malaysian politics. There is professionalism in the MAF and its "belief that the call to soldiering is basically non-political" (Zakaria Haji Ahmad 1985, 128). The regulations within the MAF prohibit soldiers from indulging in politics. This factor of professionalism has been augmented by favourable working conditions and terms of service and there appears to be little frustration among military officers which could lead to a coup. Another factor for the MAF's non-intervention in politics is ethnic relations. The MAF is overwhelmingly Malay in its rank-and-file but ethnically representative in the officer corps (*ibid.*, 129).<sup>140</sup> In 1968, the MAF was formed by 64.5% Malays, and 35.5% non-Malays (*A Report of the National Operations Council 1969*, 23). Recent statistics for the ethnic breakdown of the Malaysian Armed Forces, however, are not available for security reasons. However, within the infantry or the core of the MAF, there are three units: the Royal Malay Regiment (RMR) which is fully Malay; the Rangers (smaller than the RMR) which is multi-ethnic but has a significant number of Malays in the ranks and the officer corps; and the Special Service

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<sup>140</sup>One reason for this is because the army, especially the low-ranking positions, is an area which has long been avoided by many non-Malays who prefer to seek higher-paid jobs elsewhere. Recently, however, according to Datuk Najib Tun Razak, the then Defence Minister, even the Malays were becoming less interested in joining the Armed Forces because of the wider job opportunities in other sectors due to the booming economy of the country (*Berita Harian*, 28 July 1993).

Regiment (the Commandos) which is 99% Malay. Because of ethnic representativeness in the officer corps, the Malays may have to rely on the non-Malay officers for logistic and technical support, which may or may not be forthcoming in any coup attempt; but the actual coup would have to be carried out by the Malay unit (Zakaria Haji Ahmad 1985, 129). Given this situation, it is difficult to see how the 'Malay' element within the military could be persuaded to take over a Malay-dominated government. Perhaps this has led to a general belief, and a belief among the ruling Malay elites, that the RMR could be relied upon in any situation when Malay hegemony was being challenged by non-Malays. This possibility of an armed-forces intervention, however, is not a guarantee that there will be an easy victory for the Malays in the event of a civil war with the non-Malays. This is due to the fact that even though the Malays constitute a near majority group, the non-Malays are still a large group, about 42% of the total population in the peninsula. It would be relatively easy for the Malays not to take into account the demands of non-Malays if they constitute a small group, but to push aside and totally disregard the demands of a large group of non-Malays would be a different matter. The uncertainty of the outcome of continuous civil disorder or civil war as a result of the numerical strength of the non-Malays has therefore encouraged the Malays to continue their "compromise culture". The non-Malays, on the other hand, are also aware of their numerical strength vis-a-vis the Malays and their strong economic presence in the country. This, in turn, has led the non-Malays to continue making demands on the Malays. However, this is not to say that there has been a total absence of compromise on part of the non-Malays. In fact, the MCA has agreed to support the NDP in increasing the Malay share of the economy relative to that of the non-Malays in return for a relaxation of quota system in the economy and a liberation on the establishments of private colleges for higher education.<sup>141</sup>

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<sup>141</sup>This information is given to me by a Cabinet Minister during an interview (28 September 1993).

In Malaysia, the 1957 "bargain" also established the political 'rules of the game', i.e. Malay political supremacy in return for unhindered non-Malay pursuit of economic interests and their dominance of the economy. The common inference from this *quid pro quo* package deal, as we have seen, is that the Chinese have the economic power and the Malays have political power. Regarding this dichotomy, Enloe points out that even though the Malays as individuals or as an ethnic group are economically weak, "as the predominant member in the national regime --- through their political elite --- [they] have [had] access to financial resources that can and have competed successfully with those of the Chinese community" (Enloe 1970, 58). According to her, "the economic power of the Chinese has been to some extent convertible into political power, especially through the MCA", but "they cannot wield this economically-derived political bargaining instrument with as much forcefulness as could an ethnic group [the Malays] more secure in its claim to legitimacy" (*ibid.*, 58). There is some validity to this suggestion. The shift of advantage to the Malay side as suggested by Enloe could be seen during the implementation of the NEP which was designed to improve the economic position of the Malays. The tension on the NECC during plenary sessions can also be seen as confirming that there has been a shift of advantage to the Malay side. However, it has not been accelerated since under the post-1990 policy, there is a flexibility in the government efforts in increasing the Bumiputera share in the economy and less emphasis on the quota system. Moreover, there is also a more liberal attitude towards the establishment of private colleges in fulfilling the demands of places in higher education institutions. This shows that the Malays still wish to maintain the idea of compromise and bargaining as a way of dealing with the demands of the non-Malays. During the NEP period, the Malays used political power to gain an economic presence in the country. Then, in working out a new policy in the NECC, the Malays hoped to promote a policy to increase their economic presence relative to that of the Chinese but not to reduce the absolute level of Chinese engagement in the economy as measured by their business commitment to investment and political

commitment to Barisan Nasional via the MCA. Hence, there has been a shift of advantage to the Malay side as Enloe suggested, but this has not been used by the Malays to assert overwhelming domination to the extent of completely ignoring the demands of other groups.

### A Brief Glance Forward

As discussed in Chapter Seven, the government finally came out with the NDP in June 1991 to replace the NEP which had expired at the end of 1990. Besides retaining the basic strategies of the NEP, some new perspectives are included in the NDP. However, the ultimate goal or overriding aim of the NDP is still 'national unity', since a 'united society' was viewed as fundamental to social and political stability and development. Another important document for Malaysia was in the form of a working paper --- *Malaysia: the Way Forward (Vision 2020)* --- which was first delivered by Dr. Mahathir on 28 February 1991 during the first meeting of the Malaysian Business Council. The paper represented Dr. Mahathir's vision of Malaysia in the twenty-first century and his hope was that by the year 2020, Malaysia would be a developed and industrialised nation. In this paper he outlined nine "challenges" which the Malaysians had to face before they could achieve developed and industrialised status. He said

There is no fully developed Malaysia until we have finally overcome the central strategic challenges that have confronted us from the moment of our birth as an independent nation. The *first* of these is the challenge of establishing a united Malaysian nation with a sense of common and shared destiny. This must be a nation at peace with itself territorially and ethnically integrated, living in harmony and full and fair partnership, made up of one "Bangsa Malaysia" with political loyalty and dedication to the nation (Malaysia 1991, Dr. Mahathir Mohamad, 5).

It is important to mention here that the term 'national unity' in the Malaysian case is not equal to 'racial unity'. Given the fact that there are several divisions within Malaysian society, 'racial unity' remains only part of a larger "totality or

objective" that Malaysia hopes to achieve. Other aspects include economic, regional, political, educational, cultural, and social 'unity'. Despite these divisions, however, Malaysians accept the fact that they exist in an economic system which pulls them together as an "integrated whole" which, in turn, is part of the global economy. This "economic whole" was what the British wanted to regain when they returned to a war-torn Malaya after the Japanese Occupation. They realised that to re-create 'social unity' and maintain it they had to re-create 'social unity' which had disintegrated during the war. Thus 'national unity' was what the British tried to create after war, through "security measures, development planning and the 'ethnic bargain' that they tried very hard to encourage". This was what the government of independent Malaya and later Malaysia "inherited from the British and tried to continue without much change at first but with some modifications later" (Shamsul 1994, 19-20).

Another challenge which Dr. Mahathir said that the Malaysians had to meet was in the promotion and development of a mature democratic society which practices a form of Malaysian democracy based on consensus and consultation (Malaysia 1991, Dr. Mahathir, 6). Hence, the continuous efforts by the government to establish the practices of bargaining, compromise and consensus in its political framework is, in fact, an 'ongoing historical process' in Malaysia.

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This thesis shows that the ideal concepts of Lijphart's consociationalism do not fully apply and cannot wholly describe the contemporary Malaysian political system. Therefore, other points such as those provided by the concept of 'authoritarianism' should be taken in to supplement the consociational model when applying it to Malaysia. This is because there have been changes in the political system in the 1970's and 1980's. Under the Barisan, UMNO has taken a more dominant role. As a result, the system has developed into 'asymmetric accommodation'. Besides that, there have been some restrictions on democratic

freedoms and political competition in Malaysia. Nevertheless, there is still an adherence to the principle of multi-ethnic coalition, to genuine power-sharing and the presence of accommodative attitudes and motives. The alternative to this would be a straightforward Malay government which would exclude all non-Malay parties and lead to massive non-Malay opposition. This would result in ethnic tension and subsequently civil war. Finally, based on the Malaysian experience and the various meanings of the term 'democracy' itself, perhaps it can be suggested that the concept of 'consociationalism' and the accommodative attitudes and motivations it highlights be separated from the term 'democracy', so that the dependent variable in the consociational proposition which is "maintenance of peace and democracy" would be "maintenance of peace and some form of stability" for a divided society like Malaysia.

## Appendix A

The copy of the letter from Dr. Mahathir Mohamad to Tunku Abdul Rahman, 17 June 1969.<sup>1</sup>

Batu 6, Titi Gajah,  
Alor Star,  
17hb. Jun, 1969.

Y.T.M Tunku,

Patek berasa dukachita kerana tujuan patek membuat kenyataan kepada akhbar telah di-salah faham oleh Y.T.M Tunku. Sebenar-nya tujuan patek sama-lah juga dengan tujuan Tunku, ia-itu untuk menyelamatkan negara ini daripada bahaya yang mengancam-nya.

Pendapat2 Tunku berasaskan cherita2 yang di-bawa kepada telinga Tunku oleh orang2 yang mengelilingi Tunku, yang chuma suka mencheritakan kepada Tunku perkara2 yang mereka fikir Tunku suak atau patut dengar sahaja. Benar-kan-lah patek cherita pula berkenaan dengan keadaan, fikiran dan pendapat2 raakyat yang sa-benar-nya supaya Tunku dapat faham tujuan patek membuat kenyataan yang di-tegor itu.

Tunku biasa cherita kepada patek sendiri ia-itu Tunku mengelakkan rusohan dengan menahan hukum bunoh yang dijatohkan kepada sa-belas orang subversib China. Sa-benar-nya tindakan Tunku inilah yang mengakibatkan rusohan dan kematian yang berpuluh kali banyak yang terjadi semenjak 13 Mei.

Tunku selalu "bertolak ansor" ia-itu memberi kepada orang2 China apa yang mereka tuntutan. Punchak tolak ansor ini ia-lah pembatalan hukum bunoh tadi. Pembatalan ini menimbulkan kemarahan yang besar oleh orang2 Melayu. Orang China pula menganggap Tunku dan kerajaan Perikatan se-bagai pengecut dan lemah dan boleh ditolak ke-sana ke-mari.

Sebab itu orang2 China tidak takut lagi menolak Perikatan dan orang2 Melayu pula tidak ingin kepada Perikatan. Sebab itu orang2 China dan India membuat kurang ajar pada 12 Mei kepada orang Melayu. Kalau Tunku biasa di-ludah di-muka, di-maki dan di-tunjuk kemaluan boleh-lah Tunku faham perasaan orang Melayu. Orang2 Melayu yang Tunku fikir tidak akan memberontak telah pun menjadi gila dan mengamok sahingga mengorbankan nyawa mereka dan membunuh orang yang mereka benchi kerana Tunku terlangong bagi muka. Tanggong-jawab tentang mati-nya orang2 ini, Islam ataupun kafir terpaksa di-letak di-bahu pemimpin yang salah pendapat.

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<sup>1</sup>This letter was a reply to Tunku Abdul Rahman (Prime Minister and UMNO president) who criticised Dr. Mahathir's statement regarding the position of the MCA in the Alliance after the General Elections on 10 May 1969. This letter was reproduced and distributed in the University of Malaya and to the public by Malay student organizations in the country.



Patek memohon maaf tetapi patek ingin sampaikan perasaan orang2 Melayu kepada Y.T.M. Tunku. Sa-benarnya orang2 Melayu sekarang, baik PAS baik UMNO, betul2 benchi kepada Tunku terutama orang2 yang di-hina oleh orang2 China dan yang kehilangan rumah tangga, anak-pinak, saudara mara kerana tolak-ansor Tunku.

Mereka berkata Tunku chuma ingin di-kenalkan se-bagai "Happy Prime Minister" walaupun rakyat menderita. Mereka tahu bahawa dalam keadaan dharurat pun Tunku ashek bermain poker dengan kawan China Tunku. Budak2 Polis mencheritakan yang Tunku menggunakan kenderaan dan eskot Polis untuk menchari kaki poker.

Sa-balik-nya pula orang2 China tidak ada sadikit pun hormat kepada Tunku. Mereka berkata Tunku "Naive" dan tidak ada kaliber. Ada lagi yang mereka kata yang ta' dapat patek sebutkan. Kata2 itu datang dari semua gulungan orang2 China, dari intelek sa-hingga China becha.

Pada masa lewat2 ini lagi satu kesan burok telah timbul. Orang2 Melayu dalam Civil Service dari Perm. Sec. ka-bawah, pegawai tentara dan polis Melayu tidak ada lagi keperchayaan dan respect kepada Tunku. Patek tahu kebanyakan mereka sokong PAS dalam undi pos. Pegawai Melayu dari Polis, tetara dan askar biasa maseh patoh kepada kerajaan oleh kerana arahan sekarang sesuai dengan kehendak mereka sendiri. Kalua Tunku membuat apa2 yang tidak di-ingini oleh mereka saya perchaya mereka tidak akan menurut perintah Tunku.

Patek tahu Tunku takut komunis mengambil kesempatan kalau timbul kekachauan dalam negeri. Patek lebeh takut kalau kerajaan mula "lose control over the armed forces". Sekali ini terjadi keadaan tidak akan puleh sa-mula, sampai bila pun kerajaan sivil mesti tunduk kepada tentara. Tunku biasa jadi "happy Prime Minister" tetapi orang yang akan turut ganti ta' akan merasai "happiness" apa2.

Patek berharap Y.T.M. Tunku jangan-lah menipu diri dengan berkata "satu hari mereka akan bershukor dengan perbuatan saya". Ta' akan yang sa-orang itu selalu betul dan yang banyak selalu salah. Patek ingin menyampaikan kepada Tunku fikiran ra'ayat yang sa-benarnya ia-itu masa telah lampau untuk Tunku bersara dari menjadi Perdana Menteri dan Ketua UMNO.

Patek faham betul2 kuasa yang ada pada Tunku dan patek masih ingat nasib Aziz Ishak. Tetapi ta' akan jadi sa-orang yang bertanggung-jawab kalau patek tidak terangkan apa yang patek telah sebutkan. Kalau di-penjara sa-kali pun patek terpaksa kata apa yang telah patek katakan.

Patek di-beritahu ia-itu Tunku berkata patek Pakistani. Patek tidak perchaya kata2 orang kerana patek tahu Y.T.M. Tunku tidak akan kata begitu. Patek-lah yang selalu mempertahankan Tunku apabila orang2 PAS kata Tunku anak Siam dan ta' berhak memimpin orang Melayu. Jadi Tunku juga akan mempertahankan patek walau pun maseh ada dua sudu darah Pakistani dalam badan patek.

Patek sekali lagi mengulangi ia-itu kenyataan yang patek buat itu ia-lah untok penchegahan kejadian yang akan menambah perasaan benchi orang2 Melayu terhadap kerajaan dan menggalakkan orang2 China menjatohkan lagi maruah orang2 Melayu. Rusohan yang lebeh besar akan berlaku jika di-biarkan. Tentara sendiri tidak akan dapat di-kawal. Dan lagi kalau T.H Tan dan Dewan Orang China boleh membuat kenyataan kenapa ketua2 UMNO tidak boleh.

Patek menulis surat ini dengan hati yang ikhlas dan harapan bahawa Y.T.M. Tunku akan bacha surat ini dengan sa-penohnya sendiri. Patek berdoa ka-hadrat Allah subhanahuwataala supaya di-buka hati Tunku untok menerima kenyataan yang sabenar ini walaupun pahit dan pedas.

Patek Yang Ikhlas,

(Dr. Mahathir bin Muhammad).

(English Translation)

Batu 6, Titi Gajah,  
Alor Star,  
17th June, 1969.

Your Excellency,

I am disappointed because you have misunderstood the intention of my having the press conference. Actually we share the same objective, which is to save the nation from events which could threaten its security.

Your opinion is based on rumours which were spread by people who are close to you; those who only tell you what you like or want to know. Please let me inform you about the real situation and the opinion of the people so that Your Excellency could understand the reason behind my press statement.

You used to tell me how you had avoided riots by using your power to stop the death sentence passed on the 11 subversive Chinese. On the contrary, that was the very reason for the riots and the killings in which the death toll was 10 times higher than the number of subversive Chinese sentenced to death.

You often compromise by giving in to the demands of the Chinese. The climax of this compromise is your withdrawal of the death sentence. Such acts have caused anger among the Malays. On the other hand, the Chinese have regarded Your Excellency and the Alliance as cowards who are weak and easily swayed.

That is the reason why the Chinese are not afraid of the Alliance and the Malays do not want it. That is also the reason why the Chinese and Indians dared to be rude to the Malays on May 12. If you had been spat at in the face, cursed and shown the private parts, then you would understand the feelings of the Malays. The Malays, who you thought would never rebel, had turned mad and ran amok which resulted in the loss of their own lives as well as the enemies'. This can be attributed to your deeds. A leader who is not fully aware of the problem should be held responsible for the death of both the Muslims and non-Muslims.

I would like to seek for your forgiveness but I also wish to relate how the Malays feel about this to Your Excellency. For your information, the present Malays, be it the PMIP or UMNO, really hate Your Excellency, particularly those who have been humiliated by the Chinese and those who lost their homes, families, children and friends because of your action.

It is said that Your Excellency would rather be known as the "Happy Prime Minister", even though your people are suffering. It is said that during the Emergency, Your Excellency was busy playing poker with your Chinese friends. The police force reported that Your Excellency made use of police transportation and their escort to find your poker mates.

On the other hand, the Chinese have no respect for you. They say that Your Excellency was naive and had no calibre. There are other things they say which I can not mention here. These words came from all levels of the Chinese community, from the intellectuals to the trishaw riders.

Recently, another negative sign has cropped up. The Malays in the Civil Service, from the Permanent Secretary downwards, military officers and the police force, no longer have faith and respect in Your Excellency. I know that most of them support the PMIP in their postal votes. Malay officers and the rank-and-file in the Police and Armed Forces are still loyal (up 'till now) to the government because loyalty to the Malay leadership of the country --- regardless of party affiliation --- is their natural inclination. However, if you were to do anything which would be against their wishes (in the future), I believe they would not follow your orders.

I know you are afraid that the Communists will take advantage should anything go wrong in this country. I am, however, more worried about the government losing control of the Armed Forces. If this happened, the situation would not be normal again. The civil government would have to submit to the Army forever. You are the "Happy Prime Minister", but your successors will not taste "happiness" ever.

I hope Your Excellency won't fool yourself by saying "one day they will be grateful to me". It is not possible for one man to be right most of the time and the majority to always be wrong. I would like to express the wishes of the people who want you to retire from being Prime Minister and UMNO leader.

I'm aware of the extent of your power and I know the fate of Aziz Ishak. However, I feel responsible for letting you know the truth. Even if you decide to put me in prison, I would still say what I needed to say.

I was informed that you said that I was a Pakistani. I do not believe it because I know that Your Excellency would not have said such thing. I've always been on your side whenever the PMIP people claimed that you were a Siamese. Therefore, I assume that you will do the same to me although I still have a few drops of Pakistani blood in me.

Once again I stress the need to prevent incidents which would incur anger among the Malays and encourage the Chinese to insult the Malays further. If this is ignored, a bigger riot will certainly take place. Even the Army will not be able to control it. If T.H.Tan and the Chinese Chamber are allowed to make their statement, why should the UMNO leaders be prevented from doing so.

I am full of sincerity when writing this letter and I really hope that Your Excellency will whole-heartedly read it. I pray to Allah Almighty that you will be more open and accept reality despite the fact that it is unpalatable and bitter.

Yours Sincerely,

(Dr. Mahathir bin Muhammad).

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Some of the information in this thesis was the result of 45 personal interviews with former Malay, Chinese and Indian members of the National Consultative Council and the National Economic Consultative Council as well as government officers and politicians. These interviews were given on the condition that confidentiality as to the source was maintained.

I also had the opportunity to look at a classified document relating to the National Consultative Council which I am not able to cite in this thesis.

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Note: The National Economic Consultative Council materials used in this thesis were obtained from a former member of the Council.

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