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Fifty Years of Malaysia's New Economic Policy: Three Chapters with No Conclusion

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Abstract

The New Economic Policy (NEP) which focused on poverty reduction and social restructuring has transformed Malaysia since 1971. Pro-Bumiputera affirmative action was intensively pursued and has continuously faced pushback, with heightened debate at key junctures. The NEP was marred by gaps and omissions, notably its ambiguity on policy mechanisms and long-term implications, and inordinate emphasis on Bumiputera equity ownership. Broader discourses have imbibed these elements and tend to be more selective than systematic in policy critique. During the late 1980s, rousing deliberations on the successor to the NEP settled on a growth-oriented strategy that basically retained the NEP framework and extended ethnicity-driven compromises. Since 2010, notions of reform and alternatives to the NEP's affirmative action programme have been propagated, which despite bold proclamations, again amount to partial and selective – not comprehensive – change. Affirmative action presently drifts along, with minor modifications and incoherent reform rhetoric stemming from conflation of the NEP's two prongs.

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Fifty Years of Malaysia's New Economic Policy: Three Chapters with No Conclusion

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1. Introduction

The year 2021 marks the 50th anniversary of Malaysia's New Economic Policy (NEP). The NEP reconfigured Malaysia's political economy and most pivotally, cemented pro-Bumiputera affirmative action – preferential programmes to promote the majority group's participation in higher education, high-level occupations, enterprise management and control, and wealth ownership. During its official phase of 1971-1990, Malaysia implemented vast affirmative action programmes, but the NEP also provided the imprimatur for myriad interventions long beyond that timeframe.

While everyone readily agrees that the NEP fundamentally transformed Malaysia, opinion toward its enduring presence is polarized and stalemated. Advocates assert that the NEP has achieved tremendous success but remains an unfinished business; detractors vouch that the NEP largely failed and has overstayed beyond its expiry date. This historical juncture presents an opportunity to reappraise the NEP's strengths, critically review its contents, and revisit its passage across time. The NEP judiciously distinguished its core objectives of eradicating poverty and social restructuring. However, its framework is also marred by gaps and omissions, and popular and academic discourses have tended to reproduce the official framework or to make minor modifications branded as major changes, hindering the formulation of coherent solutions and perpetuating policy stalemate. Current debates largely fudge, rather than confront, the complex challenge of preferential policies.

This paper examines this fractious state of NEP-related discourses through the lenses of three defining chapters in the policy's history. First, although the NEP set out a well-crafted two-pronged strategy, it also shaped policy discourses through these major omissions and biases: ambiguity on policy mechanisms, ultimate objectives, and the implications of attaining targets;

¹ This paper benefited from excellent research assistance of Winston Wee and Kevin Zhang and insights of the eminent individuals who were interviewed. The author gratefully acknowledges their contributions, but implicates none of them for the contents of this paper.

demarcation of domains for applying ethnic quotas; inordinate emphasis on Bumiputera equity ownership; and overstatement of the role of economic growth in providing opportunity and the unattainable assurance that no group would feel deprived.

Second, policy debates flourished as Malaysia neared 1990, especially within the National Economic Consultative Council (NECC) which made proposals for the NEP's successor. The NECC report, and the official decade-long roadmap termed the National Development Plan (NDP) (1991-2000), both retained the NEP's core, including the above-mentioned omissions, and couched the overarching agenda as 'growth with equity'. While the private sector was designated a more important role and investment conditions were selectively liberalised, the Bumiputera agenda actually intensified, while economic growth and private higher education allayed discontent.

Third, another twenty years later, a 'new economic muddle' mainstreamed misguided policy alternatives and false promises of change, engendering a peculiar state of affairs surrounding the NEP's second prong. The New Economic Model (NEM) of 2010 proposed refashioning affirmative action in a 'market-friendly' manner based on 'need and merit'. While the NEM practically involved selective tweaks and modifications, it projected itself as a bold departure from extant race-based preferential treatment. A fierce backlash ensued, which the government appeased by introducing a Bumiputera economic transformation programme. The programme's emphasis on dynamic Bumiputera SMEs was timely and reasonable, although like the NEM, it involved selective interventions not systemic transformation. Policy rhetoric continually propagate sweeping statements on how Malaysia should conduct affirmative action on the basis of 'need' *instead of* race, omitting rigorous scrutiny of pro-Bumiputera programmes. These discourses conflate poverty alleviation with affirmative action, and perpetuate both muddled perspectives and misplaced expectations of reform.

This paper proceeds with three main segments. The first revisits and critiques the original NEP debates and its reception in the early- to mid-1970s; the second unpacks the NECC-NDP reports and discourses of the late 1980s and early 1990s; the third assesses the debates of the past decade prompted by the NEM. I trace out conceptual, practical and political factors that help explain the NEP's trajectory. Conceptually, the NEP's gaps and omissions have been retained while its cogent two-pronged structure has faded from collective consciousness. Practically, discourses on affirmative action outcomes and implications have fixated on

quantitative targets and monolithic deadlines instead of the capability and readiness of the Bumiputeras to undertake change, and opted for simplistic platitudes rather than systematic alternatives that integrate identity, ‘need’ and ‘merit’. Politically, UMNO has continuously applied pressure, with occasional fiery bursts, to retain Bumiputera preferential treatment. However, the current situation is also characterized by political postures on all sides that ultimately evade rather than resolve the problems. The paper concludes with some suggestions for a more systematic and constructive approach for Malaysia to move beyond 50 years of the NEP, involving a fundamental shift from the two prongs of poverty reduction and social restructuring to the principles of equality and fairness.

2. The NEP at Birth: Foundations and Enduring Precedents

The ‘Two Prongs’: Compromise and Clarity

The natural and *seemingly* familiar starting point is the New Economic Policy’s original wording. This inquiry undertook a fresh and direct reading of the relevant policy documents, in view of popular and academic discourses on the NEP that have tended to reproduce abridged versions or relied on second hand and incomplete recollections. The literature generally upholds the NEP’s noble goal of national unity, judicious two-pronged framework and assurances to minority groups, but also tends to limit the analysis to these rudiments, omitting policy specifics.

The fiftieth anniversary is an opportune moment to revisit the process of compromise through which the NEP was forged, and to re-appreciate the clarity of its two-pronged structure. We should note, in passing, that the policy emerged as part of a continuum; demands for more proactive promotion of Bumiputera industry and commerce had intensified in the latter 1960s, notably with the First and Second Bumiputera Congress in 1965 and 1968, which made extensive proposals and spurred some change, but the Tunku Abdul Rahman administration did not systemically waver from its *laissez faire* dispensation (Osman-Rani 1990).

The communal violence of 13th May 1969 traumatized the nation, and catalyzed a fundamental policy break. Just Faaland’s formative influence is evident, most pivotally in centralizing the problem of racial imbalances. In a paper written mere weeks after 13th May, Faaland (1969a) decried how a ‘current ad hocism of economic policy discussion and decision-making badly

needs to be replaced by analysis and consideration of the framework and means of a policy that is relevant to the basic issues of racial balance in economic development and growth.’ The NEP would adopt the conceptual framework – including a typology of modern versus traditional sectors – presented by Faaland, which attributed socio-political instabilities to inter-racial imbalances in employment, income and ownership. Labour market stratification encapsulated the problem: Bumiputeras largely occupied lower-rung jobs, predominantly in the rural and traditional sectors; their participation was acutely low in professional and managerial positions, and in the urban and modern sectors (Faaland 1969a, Faaland 1969b).

The policy agenda was contested. Faaland, Parkinson and Saniman’s (1990) substantive account of the NEP formulation process offers invaluable first-hand insight, albeit with possible self-evaluation bias. By their account, the ‘EPU School’, representing the Economic Planning Unit (EPU) and sections of the bureaucratic-political establishment, advocated for growth-centric, market-driven, indirect approaches to resolving racial disparities. In marked contrast, the newly formed Department of National Unity (DNU) pressed for redistribution through robust state intervention, to redress racial imbalances proactively and directly.

The proximity of the ‘DNU School’ to Prime Minister Razak, and resonance with his national socialism leanings, gave it an upper hand (Salih 2019). Nonetheless, the emergence of the NEP’s core elements, and implications of continual policy mindsets and discourses, warrant a deeper look. Another internally circulated Faaland paper of November 1969 had set a more forceful tone. Among central features of national strategy, Faaland listed in first place that Malaysia should ‘emphasise racial balance over national growth’. The second item tempered that proposition by calling for balanced racial participation in the modern economy instead of redistribution from non-Malays to Malays.

Nonetheless, the lines were drawn, which generated concern toward the zealotry of racial redistribution. An 18 March 1970 document entitled ‘The New Economic Policy’, issued by the Department of National Unity as a *Directive* to all government departments and agencies in formulating the Second Malaysia Plan, stipulated three main objectives: (1) reduction of racial economic disparities; (2) creation of employment opportunities; (3) promotion of overall economic growth. The DNU also declared, rather pugnaciously, that ‘the Government is determined that the *reduction in racial economic disparities should be the overriding target*

even if unforeseen developments occur which pose a harsher conflict than now foreseen between the three objectives' (DNU 1970; italics in original).

Such assertions expectedly triggered pushback. Within the bureaucracy, EPU Director-General Thong Yaw Hong was moved to counterbalance what he characterized as 'extreme interventionist measures' (Heng 1997).² Through subsequent deliberations, the poverty reduction 'irrespective of race' and 'no group will be deprived' provisos were inserted, evidently intending to safeguard minority group interests. The eventual articulation of the NEP's vision and framework, as Chapter 1 'The New Development Strategy' in the *Second Malaysia Plan* (Malaysia 1971) embodied these ethnicity-driven compromises. The rhetoric of racial disparities and primacy to redistribution were toned down.

The NEP declared national unity as its overarching goal, and established its 'two-pronged' core objectives of poverty eradication irrespective of race, and accelerating social restructuring in order to reduce and eventually eliminate the identification of race with economic function. Widespread poverty, unemployment and underdevelopment, and disparities between race groups, were identified as major threats to socioeconomic stability.

The two prongs have recycled in the collective consciousness for half a century. A combination of over-familiarity and ad nauseam recitation have perhaps eroded appreciation for this judicious distinction. The NEP affirmed, albeit implicitly, a basic and noble principle, that the poor and vulnerable of all groups deserve to be assisted, on the basis of equality and dignity. Ethnic identity has no part in the provision of basic needs and in helping all Malaysians attain a minimal standard of living. Racial disparities featured as the problem addressed in the second prong: the identification of race with economic function.

The NEP emphasized that the two prongs are 'inter-dependent and mutually reinforcing', noting that they operate in tandem rather than as replacements (Malaysia 1971: 3). The first would focus on raising productivity, structural change (movement into modern sectors),

² Ramon Navaratnam recalls, from close-up observation as an officer in the Treasury, that the DNU proposals were 'overdoing' the Malay agenda, and that Tan Siew Sin managed to be a 'countervailing force' (A. Kathirasen, 'A rare glimpse into NEP's origins', *FreeMalaysiaToday*, 16 July 2019, <https://www.freemalaysiatoday.com/category/opinion/2019/07/16/a-rare-glimpse-into-neps-origins/>; accessed 20 April 2021).

infrastructure, utilities, education and social services. The second encompassed modernization of rural economies and ‘rapid and balanced growth of urban activities’, education and training and ‘above all, ensure the creation of a Malay commercial and industrial community in all categories and at all levels of operation’ (Malaysia 1971: 4-6). The NEP grasped that the first and second prongs pursue distinct objectives which call for distinct policy instruments. In other words, the objectives of the second prong cannot be achieved by using the instruments of the first prong.

Gaps and Omissions

Undoubtedly, it is difficult to disagree with the NEP’s cornerstones. But a tendency to zealously embrace them has also caused both its outstanding strengths to be under-appreciated, and its subtle gaps and omissions to be overlooked. The NEP was inadequate in three crucial areas.

First, it insufficiently specified policy mechanisms and limits. Most consequentially, the NEP failed to appreciate the salience of Bumiputera preferential treatment to the second prong, and its application in sectors with finite opportunity. Social restructuring was contingent on the Bumiputeras’ accelerated progress in higher education, upward occupational mobility, and owning and operating enterprises. It was clearly foreseeable, but scantily acknowledged, that ethnic quotas or other forms of preferential treatment would feature centrally in pursuit of the second prong. Public institutions would also be the primary vehicles: public universities, public sector employment, public finance institutions, and state-owned enterprises (Lee 2021a).

Recognition of preference would also add urgency to the need to develop capability, competitiveness and confidence; awareness of the scope and scale of these interventions would attune the policy discourses to the reality that economic growth, no matter how rapid, still entails finite resources to be allocated among contending groups. Instead, the NEP settled on an overpromise that ‘...in the implementation of this Policy, the Government will ensure that no particular group will experience any loss or feel any sense of deprivation’ (Malaysia 1971: 1). This phrase, which emerged not out of philosophical premises but as an ethnically-driven compromise, would be a constant focal point of policy debates. Although a growing economy can continually generate employment and economic opportunity in the broadest sense, such

conditions emphatically do not provide limitless public university enrolment, public sector employment, or public procurement.

It may be wishful to expect the NEP to openly acknowledge that Bumiputera preferential treatment was a core element, and that the allocation of finite opportunities would inevitably come at some expense of other groups. But it is evident that the NEP's circumvention of these precepts, intentionally or otherwise, induced misguided thinking and perpetuated policy clashes. NEP advocates believed that a growing economy would assuage minority discontent; detractors highlighted unequal access as a broken promise. Both sides continually talked past each other.

Indeed, by the mid-1970s, the Malaysian Chinese Association (MCA) and Gerakan markedly invoked the NEP promise that no group would experience any loss or sense of deprivation while assessing the *Third Malaysia Plan*. Mandated transfers of existing private sector equity clearly violated the promise that only newly created wealth would be affected, but the 'no deprivation' provision was taken to apply across the board.³ In MCA President Lee San Choon's words: 'we welcome the fact that this assurance has now been repeated in the *Third Malaysia Plan* and we trust that it will be adhered to in spirit as well as in substance. Indeed, if we can achieve our targets for the rapid growth and expansion of the economy, there need be no cause to fear that this assurance will be compromised' (Lee 1976: 4). Predictably, minority grievance toward perceived unfair opportunity to enter public university recurred.

Second, the NEP was opaque and noncommittal about the implications of its timeline and targets. The timeframe of 1971-1990, and key targets, were clear enough. By 1990, occupations at all levels and in all industries would reflect the national racial composition, and Bumiputeras would own 30% of equity. But the overarching goal for the community was obfuscated. The NEP's aspirations 'within one generation', basically coterminous with a twenty-year outlook, provided some hints. The 1971 version framed this generational goal as the Bumiputeras becoming 'full partners in the economic life of the nation' (Malaysia 1971: 1). The ambition could be taken as a resolve for the Bumiputeras to be co-equal, and by implication, self-reliant. The magnitude of the challenge was acknowledged. The *Second Malaysia Plan* noted that that

³ Chee (1976), writing in MCA's newsletter *The Guardian*, decried the ICA for negating the NEP premise that redistribution would be 'achieved mainly through growth'.

some goals, especially the creation of a Malay Commercial and Industrial Community, might take longer than one generation to achieve (Malaysia 1971: 9).

Unfortunately, this astute observation was made in a passing and obscure manner. The NEP's full-fledged 1976 version not only reduced the generational goal from Bumiputera full economic partnership to Bumiputera ownership of 30% of equity, but also refrained from evaluating whether the 1990 timeline was adequate, and from expanding on a sector-by-sector approach with differentiated timelines. The vast range of interventions that rolled out logically required customised timelines and specific modifications over time. Policy documents allowed expectations of one monolithic expiry date to become ingrained. In reality, the vast range of affirmative action rolled out in piecemeal fashion, and did not simultaneously start in 1971, but discussions around policy termination or continuity, that would later converge on 1990, took a monolithic stance in which either all affirmative action would continue or all would cease.

Furthermore, the implications of reaching the targets were not methodically outlined. Policy targets crucially provide the grounds for evaluation and revision, but the complexities of Bumiputera preferential programmes require more sophisticated formulation – most saliently, to account for the beneficiary group's capacity and confidence to undertake change. The NEP implied that hitting targets or reaching 1990 would constitute the basis for deliberating policy dissolution or continuity, without considering whether passing those thresholds automatically signal readiness and willingness of the Bumiputera population to undertake policy change – furthermore, change that would entail some attenuation of privileged access. These longer-term and deeper aspects of affirmative action were not broached. Silence on this front permitted solidification of the view that decisions regarding continuation or termination of the NEP solely hinge on time limits and on national performance vis-à-vis numerical targets, especially the 30% Bumiputera equity ownership.

Third, in terms of the apportionment of emphasis and priority, the NEP gave relatively less prominence to education, and placed inordinate emphasis on equity ownership. The driving goal was twofold: 'employment in the various sectors of the economy and employment at all occupational levels should reflect the racial composition of the country by 1990; the ownership of productive wealth should be restructured so that by 1990 the Malays and other indigenous people own and operate at least 30% of the total' (Malaysia 1976: 76). Out of eight main objectives – related to employment, productivity, income, modernization, urbanization,

Bumiputera commercial and industrial community – only one, last on the list, directly addressed higher education: ‘expansion of education and training facilities, other social services and the physical infrastructure of the country to effectively support the attainment of the above objectives’ (Malaysia 1976: 51-52).

Why did the NEP follow its particular course? Three plausible reasons warrant a brief discussion.

First, the NEP, although a clear breakthrough in breadth and ambition, was at heart a continuation of norms already established in Malaysia. Bumiputera special position and the practice of reservation derive from the independence constitution’s Article 153, and became implicitly embedded as policy underpinnings. Specifically, Malaysia has negotiated the allocation of socioeconomic opportunity not on principles of equality, preferential treatment and fairness, but through an ethnic framing of majority versus minority interests and a sectoral bifurcation of public sector intervention versus relative restraint in private sector affairs. Even while drawing a clear contrast between the first prong that would apply ‘irrespective of race’ and the second prong that would address ‘identification of race with economic function’, the NEP omitted the race-based preferential treatment that is operationally integral to the second prong.

Second, the NEP mirrored the Alliance-Barisan Nasional mode of representation and negotiation of ethnic interests. Milne (1976: 239) characterized the NEP as ‘a restatement of the “bargain” between the races’. This operated through the partisan process of the political coalitions, as well as ad hoc personal interventions which secured commitments to inclusivity – but also perpetuated the practice of bargaining for ethnically-defined concessions rather than substantively deliberating the balance of preference and equality.⁴ In the face of intense pressures for Bumiputera economic advancement, especially in equity ownership, the minority

⁴ Various other developments illustrate ‘ethnic bargaining’. The ICA applied to medium and large enterprises – with size thresholds that were revised upwards, responding to protest from industry – and initially raised alarm among foreign investors as well, besides Chinese business. In higher education, an implicit political trade-off underpinned the approval of Tunku Abdul Rahman (TAR) College to cater especially – albeit not exclusively – to Chinese students, since Institut Teknologi MARA had been established for Bumiputeras. The author thanks former EPU Director-General Sulaiman Mahbob for these insights (Author’s interview, 9 April 2021).

group stance was understandably to resist over-encroachment.⁵ Perhaps because tensions had heightened, the eventual compromises were greeted with a sense that the various communities should move on. Additionally, ethnicity-based targets seemingly provided clear grounds to debate policy continuation or termination.

Third, politics weighed in. The NEP was as much a political project as it was economic, but political interests and pressures shaped it in a few consequential ways. Subtle differences between the 1971 and 1976 versions speak volumes. Faaland, Parkinson and Saniman (1990) recount that the 1971 NEP articulation was more restrained in terms of targeting, mainly due to pressures from parties concerned that the policy was too aggressive. Heng (1997: 268) documents how Finance Minister and MCA President Tan Siew Sin resisted mandatory measures to relinquish equity, until illness compelled him to resign in 1974. By 1975, policy had momentarily swung in the opposite direction, evidenced by an increasingly assertive tone and incorporation of clear targets. In some ways, change was taking place regardless of the policy articulation. Notably, even while the Industrial Coordination Act (ICA) which mandated Bumiputera equity allocations was passed, the OPP (Malaysia 1976: 85) still provide an assurance that ‘Individual companies therefore will not be required to redistribute their existing equity to any significant extent. This underlies the policy that there will not be compulsory divestment on the part of individual enterprises’. The escalation of political pressure toward the mid-1970s raised concern that the government might accelerate the 30% target to an earlier date, which required extensive encroachment on private, especially Chinese, ownership. (*Gerakan* 1976).⁶

⁵ Milne (1976) notes that after the NEP’s launch in 1971, the MCA acknowledged that Chinese economic power would wane and its policy influence was also dwindling, as reflected in their main achievement of increasing the non-Bumiputera equity ownership target from an initially proposed 30% to 40%, with the foreign ownership target concomitantly revised from 40% to 30%.

⁶ *Gerakan* (1976: 3) registered alarm that ‘[t]here is still a feeling in the private sector that some of the officials would like to see the 30% target achieved within the next five years and not within the next 15 years and by each and every individual company’.

3. NEP to NDP: Change in Form, Continuity in Substance

Debates on the NEP heightened in the 1980s. The preceding decade had witnessed recurring discontent toward the NEP, especially in terms of non-Bumiputera access to public higher education and the pursuit of Bumiputera equity ownership. Alternatives to public university were limited, and compounded by perennial delay of approval for the proposed Merdeka University, MCA's flagship higher education institution. A 1984 seminar, convened by BN component party Gerakan to analyse NEP achievements and propose alternatives, presented alternate estimates of Bumiputera equity ownership that showed the 30% threshold had been surpassed, corroborating the case for the NEP's second prong to be terminated beyond 1990. On education and employment, Party President Lim Keng Yaik went so far as to say that the 'rigid quota system' had vastly promoted Bumiputera upward mobility but deprived 'many young and qualified non-Bumiputeras', and that the government must bring the 'racial quota system... to an end as quickly as possible' (Gerakan 1984: 157). The seminar concluded by adopting a set of resolutions, for a post-1990 new NEP that would first and foremost emphasize economic growth, national unity and poverty eradication irrespective of race – in other words, Gerakan supported the NEP's first prong but not the second (Gerakan 1984: 215). Notably, the Party's Economic Bureau made the case for 'channelling of resources to groups on the basis of their economic needs rather than on the basis of ethnicity' (Gerakan 1984: 206). Likewise, Lim (1988: 55), reflecting MCA's disposition a few years later, argued that 'economic need rather than ethnicity should be the overriding basis of future resource allocation'.

In the late 1980s, the general disposition toward the NEP, backed by official statistical projections, was that the country was on track to reach the poverty reduction target of 17% by 1990, but would fall short on the social restructuring. Behind the scenes, some rethinking was taking place. While drafting the *Sixth Malaysia Plan*, the EPU was attempting to steer the policy focus toward human resource development (HRD).⁷ It was apparent that rent distribution and accelerated promotion of inexperienced Malays into corporate management, whether in the form of equity, contracts or licenses, tended to breed patronage and rent-seeking, most starkly the Ali-Baba liaisons in which a politically-connected Malay secures a contract and outsources the work to a non-Malay, typically Chinese, partner.

⁷ Author's interview with Mohd Sheriff Kassim, EPU Director-General, 1989-1991 (5 March 2021).

An economic vision rooted in human resource development (HRD) potentially could have inclined the system toward more productive rather than acquisitive interventions, but it remains unclear whether the scope, limits and implications of Bumiputera preferential treatment would have been decisively acknowledged and integrated into the planning process. The *Mid-term Review of the Fifth Malaysia Plan* provides a hint of this prospective shift toward human resource development, involving employment, skills, and productivity, implicitly contrasted to wealth acquisition and rent-seeking: ‘Industrial restructuring will continue to be the main thrust of future development... [requiring] a coordinated package of policies that simultaneously address the improvement of manpower skills, research and development, and a reemphasis of good work ethics and attitudes.’ (Malaysia 1989: 6). However, it is doubtful whether the national policy to succeed the NEP would have systematically addressed Bumiputera development and presented a comprehensive plan that could replace the NEP, since the *Mid-term Review* relegated the crucial sphere of university enrolment to the thirteenth, and very last chapter, entitled ‘social services’ (Malaysia 1989).⁸

Various conditions set the stage for a more growth-oriented and private sector-driven agenda (Salih and Yusof 1989) – but in ways that under-declared the continuing, even expanding, redistributive thrust of national development policy. From the mid-1980s, with corporate-leaning Daim Zainuddin as Finance Minister and in response to economic recession and public debt concerns, coupled with the advent of massive FDI outflows from Japan and Northeast Asia, Malaysia’s economic policy gravitated toward private investment-driven growth. These developments widened the gates for the privatization project, which reconfigured Malaysia’s political economy in a general sense, and specifically as the vehicle for the Bumiputera Commercial and Industrial Community (BCIC). Some unease lingered in the Malay community from fiscal austerity and a government hiring freeze. Nonetheless, the boom was underway; real GDP galloped at 9.3% annual growth in 1987-1990, compared to 4.6% for 1980-1987.

A broadly deliberative policy formulation process commenced in the context of a buoyant economy – and a fraught political milieu. Power struggle within UMNO, social tension and democratic distress, compounded by escalating Malay nationalist sentiments, put Malaysia on

⁸ Additionally, Chapter 4 entitled ‘Human Resource Development’, composed while Malaysia was poised for a mass expansion of higher education attainment, omitted the institutions promoting Bumiputera mobility into college and university.

edge. Prime Minister Mahathir, having marginally prevailed in UMNO's controversial 1987 party elections and gained ignominy for *Operasi Lalang* detention without trial of 108 opposition leaders and social activists, forged on with a pro-Malay programme aligned with his predilections as the nation approached 1990, while also striking a conciliatory note. The calls for establishing a national forum originated from MCA, but eventually gained wider traction, and added weight in political calculations (Ho 1992, Jomo 1994). Ghafar Baba, as newly ascendant Deputy Prime Minister, demonstrated a shared burden with Mahathir toward the need to broaden support.⁹

The National Economic Consultative Council (NECC) was formed in January 1989, comprising 150 members, with a 50-50 Bumiputera-non-Bumiputera split and diverse representation of political parties and civil society. The NECC evaluated the NEP's progress and discussed policies that should succeed it. Most discussions proceeded amenable, but the discussions under the 'social restructuring' working group were heavily contested, even acrimonious.¹⁰ The mood reflected the high stakes and polarized zeitgeist.

The NECC culminated with the February 1991 delivery of a hefty report, Economic Policy for National Development, widely known by its Malay acronym DEPAN (Dasar Ekonomi untuk Pembangunan Negara). DEPAN provided an extensive evaluation of the NEP, in terms of the distribution of benefits, and the contrasting experiences and perceptions of the majority and minorities groups: Bumiputera anxiety toward their disadvantaged economic situation that may leave them continually straggling, non-Bumiputera unease at unequal opportunity and their place in Malaysia. The report acknowledged discontent both of non-Bumiputeras toward unequal access to higher education, and of Bumiputeras toward lack of business opportunity and shortcomings in Bumiputera entrepreneurship (MPEN 1991). It recognized the concept of social justice while raising caution toward privatisation and various pitfalls of rent-seeking (Jomo 1994).

⁹ The author thanks Kamal Salih for highlighting Ghafar Baba's instrumental and intermediating role in the NECC (Author's interview, 28 May 2021).

¹⁰ Of course, Malaysia was as a whole consumed with whether and how the NEP would proceed with the second prong. The author thanks Yong Poh Kon, Deputy Chair of the NECC's social restructuring working group and Kamal Salih, chief rapporteur of the NECC, whose intimate involvement in the debates lend weight to these recollections (Author's interviews, respectively, 20 May 2021 and 28 May 2021).

However, DEPAN would have benefited from more rigorous analyses of the preferential system, and how effectively and equitably it was enabling the Bumiputeras. Among the gaps were its rather routine treatment of education and training, which reported Bumiputera proportions in diploma and degree programmes but scarcely ventured into the roles and shortcomings of affirmative action in engendering these outcomes. Education was also overshadowed by a preponderant focus on Bumiputera equity ownership and employment as the most consequential outcomes of the NEP (MPEN 1991: 77-80; 110-120). DEPAN's call for official data transparency, while commendable, was wedded to the common but misplaced view that achieving targets entails terminating policies – and thus better data would facilitate concrete reform. It omitted evaluation of the capacity and confidence of the Bumiputera population to undertake modifications or curtailment of preferential treatment, and offered few specifics on alternate mechanisms besides quotas for promoting merit, need and group representation.

The NECC did not supplant institutionalised development planning under the EPU, but the EPU witnessed its proceedings and served as the secretariat for the DEPAN report. Although some proposals were not taken up, most prominently the formation of a National Unity Commission to oversee policy implementation, the pillars of the DEPAN and the Second Outline Perspective Plan (OPP2), more widely known as the National Development Policy (NDP), bore close resemblance. Both propagated variations of 'balanced development' and 'growth with equity', and both recommitted to the NEP (MPEN 1991: 180-181; Malaysia 1991: 4-5). In view of Malaysia's political milieu, the NDP treaded delicately on redistribution, couching policy objectives in more discreet terms, despite the fact that the agenda would continually grow.

It is a fair generalization to say that the NDP took Malaysia on a more growth-oriented path in the 1990s, but this in no way diminished the vigour of redistributive instruments. MCA President Ling Liong Sik, in a 1991 speech expressing support for the NDP, asserted that the 'principle of just and fair accommodation and compromise amongst all races must be regarded as a basic tenet of government' (Ling 1995: 112). The cautious undertone perceivably derives from ambiguity of policy targets and timelines, which was a major point of contention.

However, the more consequential omission of the NDP is not that it lacked firm targets – unlike the NEP's 30% Bumiputera equity ownership and proportionality in employment – but that it

sidestepped a full account of the myriad ways pro-Bumiputera policies would persist or expand (Lee 2021b). It also neglected attention to possibilities for preferential treatment to be rolled back or transitioned to a system less dependent on overt ethnic quotas. Soon after launching an ostensibly growth-oriented policy in 1991, the Amanah Saham Bumiputera unit trust scheme was introduced, microfinance institutions Tekun and PUNB were founded, while MARA continued its vast Bumiputera-only programmes in education and entrepreneurship, Bumiputera preference in public procurement forged ahead, and affirmative action in public higher education continually expanded.

The BCIC took centre stage, and in concert with privatisation, would together be defining developments of the 1990s (Chin and Teh 2017, Thillainathan and Cheong 2016). A further appeal of the policy was the fact that the equity to be redistributed would not take away from existing Chinese or foreign companies.¹¹ But NDP retained the NEP-rooted sweeping generalization that economic growth, ‘new’ wealth redistribution, and income gains signified that minorities were not deprived of opportunity. Even Yusof (2012), while proving his intimate knowledge of Malaysia’s policy regime and its outcomes, only touched on the ways in which redistributive requirements in corporate ownership and employment are implemented flexibly and predominantly on new equity or new recruitment, and omitted the foremost non-Bumiputera complaint – unequal access to public higher education admissions and government scholarships.

Ultimately, the decisive theme was not the scope and means of maintaining Bumiputera preferential treatment and the capacity of the community to grapple with change, but whether or not to keep ethnic quotas (Means 1990). The NDP’s succession of the NEP’s mantle was premised on achievement of targets – the most prominent being equity ownership in which Bumiputeras fell short of the 30% target, but other programmes that had reached or superseded targets, e.g. public sector employment, and even public university enrolment, did not induce policy deliberations on the possibility of modifying or rolling back Bumiputera preferential treatment. Vision 2020 was more forthright, in declaring that, ‘If we want to build an equitable society then we must accept some affirmative action... By legitimate means we must ensure a fair balance with regard to the professions and all the major categories of employment. But we must ensure the healthy development of viable and robust Bumiputera commercial and

¹¹ Author’s interview with NECC member R. Thillainathan, 23 April 2021.

industrial community.’ The thirty-year aspiration was couched in terms of ‘fully competitive Bumiputeras, on par with non-Bumiputeras’ (Mohamad 1991). However, there was no meaningful follow through on these particular aspirations. A Vision 2020 national convention in December 1991, in which policy strategies and some action plans were discussed, steered clear of the Bumiputera agenda (SERU 1992).

Why did the NDP take shape the way it did? First, it essentially kept the NEP template, hence extending the gaps and omissions. The NDP continued to: (1) neglect systematic engagement with the preferential mechanisms undergirding the NEP’s second prong and with the implications of reaching policy targets; (2) demarcate domains for such programmes (predominantly in public institutions and the public sector) and other domains that are relatively exempted from redistributive requirements (predominantly private sector); (3) perpetuate the panacea of economic growth for resolving distributive conflicts and assuaging minority discontent (Malaysia 1990, Malaysia 1991). The new dispensation would augment private sector opportunities, but the public sector remained a domain of marked Bumiputera preference that invariably entailed some exclusion of minorities. Rapid economic growth, and expansion of private tertiary education, did eventually allay tensions, but also circumvented rather than reconciled tensions.

Tellingly, affirmative action based on ‘merit and need’ which was broached again by MCA in 1989, but failed to gain traction and was eventually conceded (Osman-Rani 1990). The notion is emotively resonant, but also negated by its ambiguity and confinement to an oversimplistic race-vs-merit/need dichotomy, with little consideration of blending merit-based and need-based selection with continual consideration of ethnic representation, particularly in public universities. Limited to these binaries, ethnic quotas were eventually retained partly due to a realisation that non-Malay students would be more assured of university spaces under an ethnic quota than an income-based quota.¹² ‘Merit and need’ affirmative action dissolved due to political resistance and pragmatism in maintaining the status quo, but also the superficiality these purported alternatives.

Second, the consultative approach, and veiling of the redistributive agenda, sought to broaden its appeal and refract the spotlight away from the pro-Bumiputera policies toward various

¹² Author’s interview with NECC member Toh Kin Woon, 12 January 2021.

ethnic settlements. Eventually, the Chinese community warmly received the NDP, an outcome attributed to the NDP's commitment to growth and deregulation, and accommodation of cultural and educational interests (Heng 1997). Public demonstration of broad engagement, and Vision 2020's inclusive *Bangsa Malaysia* aspiration, evidently facilitated buy-in across various communities (Osman-Rani 1992).

Third, political interests prevailed on the policy. Demands for the NEP's extension resounded at the 1989 UMNO General Assembly; the NECC felt the pressure.¹³ This point must be qualified: absence of such influence would not necessarily have conceived a post-1990 plan that dismantled the NEP's second prong. While politics perpetuated the fixation with ethnic quotas, the NECC's debates on NEP continuity focused substantially on equity measurement issues instead of Bumiputera development more broadly (Lim 2014).¹⁴ The singular figure of Mahathir, of course, also loomed large, for his public utterances that ethnic quotas would be maintained (Means 1992) and his prized BCIC. Indeed, the NDP's growth with equity thrust, with privatisation as the vehicle for the BCIC, accommodated his agenda.

4. 'New Economic Muddle': Systemic Incoherence, Selective Interventions

The 1990s further reshaped discourses. Affirmative action burgeoned behind the scenes, but rapid wealth accumulation, and the ascendancy of a Bumiputera corporate elite considerably marred by profiteering, patronage and rent-seeking, garnered the most attention (Lee 2017). General growth in income and opportunity, especially in newly approved private higher education institutions, provided a vent for pent-up frustrations, perhaps precluding critical scrutiny of those policy sectors. However, the NEP became conflated with privatisation, which was arguably the most momentous project of the 1990s and driver of the above-mentioned unsavoury outcomes, but one part of a vast system of pro-Bumiputera policies. Indeed, the outreach of affirmative action in higher education, employment, SME development and

¹³ Author's interviews with Sheriff Kassim (5 March 2021) and Sulaiman Mahbob (9 April 2021).

¹⁴ The measurement of equity ownership consumed considerable time and energy. Among the various points of contention, one that resulted in change concerned the classification of shares held by nominees as non-Bumiputera, which was the basis for equity ownership statistics disseminated from the *Third Malaysia Plan* (Malaysia 1976) through the *Fifth Plan* (Malaysia 1986). This method patently overstated non-Bumiputera ownership, and was perceived as a ploy to under-declare Bumiputera equity holdings and justify wealth transfer measures. The *Sixth Plan* (Malaysia 1991) reported nominees as a separate category (Author's interview with Yong Poh Kon, 20 May 2021).

microfinance to ordinary Bumiputera households greatly exceeded that of privatisation which benefited the top sliver.

Political watersheds preceded the next pivotal policy, the New Economic Model, launched in 2010. The 2008 general election saw the fifty-year ruling Barisan Nasional (formerly Alliance) lose its two-thirds of parliament seats – and govern without a formidable majority. That electoral outcome, a failure by BN's standards, triggered a Prime Ministership handover from Abdullah Badawi to Najib Razak, who set out an inclusive platform to lure back disaffected non-Malays. Pakatan Rakyat, an unprecedentedly strong federal opposition, had also attempted to rewrite the NEP, by projecting 'need-based affirmative action' as a replacement for BN's race-based affirmative action.¹⁵

A curious bi-partisanship emerged. The NEM, under BN's aegis, trumpeted the same bold promise – but collapsed under the combined weight of its incoherencies and subsequent political backlash. The NEM's muddled and gap-riddled treatment of affirmative action is encapsulated in its summation of the subject:

'Affirmative action programmes and institutions will continue in the NEM but, in line with the views of the main stakeholders, will be revamped to remove the rent seeking and market distorting features which have blemished the effectiveness of the programme. Affirmative action will consider all ethnic groups fairly and equally as long as they are in the low income 40% of households. Affirmative action programmes would be based on market-friendly and market-based criteria together taking into consideration the needs and merits of the applicants. An Equal Opportunities Commission will be established to ensure fairness and address undue discrimination when occasional abuses by dominant groups are encountered.' (NEAC 2010: 61)¹⁶

¹⁵ *Dasar Pakatan Rakyat* (Pakatan Rakyat Policy), the coalition's signature policy statement of December 2009, proposed 'need-based' affirmative action with a few elements concerned predominantly with alleviating poverty – irrespective of race – and combatting corruption. Notably, the policy included provisions for scholarships based on merit and need, but no position on higher education admissions.

¹⁶ The NEM also give outsized importance to corruption and patronage, while not touching on education, employment, SME development, microfinance and numerous other aspects, in evaluating the NEP: 'Ethnic-based policies worked but implementation issues also created problems. The NEP has reduced poverty and substantially addressed inter-ethnic economic imbalances. However, its implementation has also increasingly and inadvertently raised the cost of doing business due to rent-seeking, patronage and often opaque government procurement. This has engendered pervasive corruption, which needs to be addressed earnestly' (NEAC 2010: 7 and 61).

The flaws derived firstly from unexamined bias and hasty generalization. The impetus for revamping affirmative action exclusively hinged on the problems of rent-seeking and market distortion, which are serious problems but pertinent predominantly to public procurement and wealth distribution programmes, and emphatically do not represent the totality of affirmative action. The NEM superimposed the most acute problems of affirmative action onto the entire system, and showed no cognizance of the reality that rent-seeking and market distortion would factor in differently, if at all, in the affirmative action programmes of greater scope and outreach, especially in higher education, microfinance, mass savings schemes and public sector employment. The report made no mention at all of the vast range of pro-Bumiputera measures – including MARA, PUNB, Tekun, matriculation, Asasi, PNB, procurement, GLCs, SME loans through SME Corp, public sector employment.

Moreover, it made sweeping claims about switching from race to need and merit, akin to the inchoate ‘merit and need’ suggestions of the 1980s that failed to provide policy specifics beyond these anodyne and simplistic declarations. ‘Need’ or socioeconomic disadvantage may be applied as criteria in allocating higher education admissions and scholarships and microfinance, but has limited, if any, application in the preferential award of government contracts or SME loans to Bumiputera firms, where capability and potential arguably must take precedence and where giving preference to poorer – and possibly less competent – operators may be downright hazardous, e.g. in public works. The NEM’s proposal to establish an Equal Opportunities Commission even appended a bizarre qualification that the institution would address ‘occasional abuses by dominant groups’, rather than framing the problem more prudently as a matter of principle and conduct regardless of frequency or perpetrator.

The NEM’s grand yet opaque pronouncements allowed it to be appropriated in service of opposing interests. Clearly, its propositions for market-friendly and ‘merit-based’ reforms entailed selecting more capable and less corrupt *Bumiputeras* over less capable and more corrupt *Bumiputeras*, not an abolition – nor even substantial downsizing – of the Bumiputera preferential system. Unfortunately, the cryptic presentation of policy ‘revamp’ triggered polarized, and mutually amplifying, reactions (Gomez 2015). On one side, the NEM confirmed desires for affirmative action to be dismantled, exhibited in the resounding welcome by some segments. At the opposite end, the NEM’s deficits in clarity and temperance allowed misinterpretations to be taken as a threat to Malay privileges, and for sentiments to be inflamed. The Najib administration conceded to a ferocious anti-NEM groundswell from segments of the

Malay community, effectively rallied under the banner of the newly formed NGO Perkasa (Segawa 2013). Not only was the NEM effectively retracted, but Najib also promulgated Bumiputera Economic Empowerment, subsequently renamed the Bumiputera Economic Transformation Programme (BETR), from 2012 with an emphasis on creating dynamic Bumiputera SMEs and corporations, and reaching out to the Bumiputera B40.

Again, it is imperative to differentiate political dynamics from policy contents. While the political milieu induced Najib to launch the BETR with fanfare and aggrandizement, there is every likelihood that such interventions would have emerged under a different label – even if the anti-NEM backlash had not transpired. We must recall that the NEM did not commit to eliminating Bumiputera programmes, but to continue promoting competitive Bumiputera enterprise while avoiding past proclivities toward rent-seeking and corruption. The BETR, rebranded again in 2015 as the Bumiputera Economic Community (BEC), mainly experimented with new modes of promoting Bumiputera enterprise – and in a selective and targeted manner, while omitting attention to the vast regime of Bumiputera preferential programmes, many of which are arguably underperforming (Lee 2017). BETR and BEC, thus, have introduced some novel measures, but also overstate their scope and impact.¹⁷ However, popular and political discourses remain polarized, with the government typically overselling and critics dismissing it pre-emptively, without attempting to unpack its contents.¹⁸ Academic literature has largely omitted the subject.

Developments preceding the NEM illustrate propensities for declarations of affirmative action reform to become overblown in the public mindset. Liberalisation of Bumiputera equity allocations in various services sectors was announced in 2009, and resoundingly greeted. Concurrently, the government established private equity institution Ekuinas to promote Bumiputera ownership, and also to distinctly fill the gap emerging from the rollback of ethnic equity requirements. Ekuinas as a follow-up package escaped notice, yet patently demonstrated the systemic endurance of pro-Bumiputera policies. In programmes with extensive outreach, especially in higher education, public procurement and micro/small business support,

¹⁷ Mid-term review of 11th Malaysia Plan expressly avowed to take ‘appropriate action, including automatic termination, if contracts or approved permits awarded are sold or transferred to a third party’ (Malaysia 2018:11-14).

¹⁸ Kua Kia Soong, ‘Never-ending bumi policy dashes hope for “New Malaysia”’, *Malaysiakini*, 31 December 2018 (<https://www.malaysiakini.com/news/458326>; accessed 25 May 2021).

enhancing capacity-building and modifying overt ethnic quotas are even harder, and in many ways more necessary (Lee 2014). Unsurprisingly, the NEM did not attempt to effect change in these areas.

Thus, Malaysia's affirmative action policy discourses continue to be mired in stasis and polarization – despite putative reform agendas, and in some ways precisely because of such rhetoric. Some reasons for this fractious state of policy discourse can be posited.

First, the prevailing views of affirmative action reform continually lack a systematic formulation, especially by conflating the NEP's judicious two-pronged distinction between essentially need-based poverty alleviation and ethnicity-conscious social restructuring. Rather than calling for the second prong to be abolished, a more logical if politically controversial argument more prominent in the past, in recent times the argument follows along the lines that the NEP's second prong should be pursued by using the instruments of the first prong. The appearance of an ostensibly bold reform agenda succumbing to political pressures has caused most to overlook the manifest flaws in the NEM's conception of affirmative action – and the fact that all along it called for modification, not overhaul. Academic literature has also erroneously conceptualized universal and targeted interventions as substitutes, without considering that the problems being solved – and hence the instruments required – are fundamentally different, albeit complementary (Gomez 2012, Gomez, Saravanamuttu and Mohamad 2013).

The notion of need-based affirmative action as an all-encompassing replacement for race-based affirmative action has perpetuated, more vocally as an opposition platform, but also in the form of broadly conceived pro-B40 policies. The argument goes, need-based affirmative action will ultimately benefit the Bumiputeras to a greater extent, since they comprise a disproportionately higher share of the poor and disadvantaged. However, need-based policies address fundamentally different problems, mainly revolving around basic needs, rights and entitlements, not the questions of access, participation and capability that predominantly occupy the realm of affirmative action. A national consensus on social assistance – sealed by the expansion of welfare programmes for the poor irrespective of race under Pakatan-governed states since 2008 and the federal government under BN, then Pakatan, then Perikatan Nasional – has, perhaps unwittingly, precluded rigorous attention to the vast, embedded system of Bumiputera preferential programmes.

Another popular position paints the NEP as the epitome of BN race-based policy failure and marries it with the UMNO-dominant coalition's race-based politics, which induces another tightly-bound conflation – that banishing 'race-based politics' readily expunges 'race-based policies'. The logical holes and political limits of this mindset were strikingly demonstrated by the inability of Pakatan Rakyat to meaningfully replace race-based policies with their professed need-based affirmative action throughout a decade-plus rule in state governments (2008-present), and in Pakatan Harapan's (PH) advocacy of pro-Bumiputera policies in its 2018 general election campaign (Lee 2018).¹⁹ The Pakatan Harapan federal administration struggled to maintain policy coherence, primarily reacting to electoral sentiment by retaining pro-Bumiputera affirmative action with token offerings to minorities, but raising minority expectations of reform that were much more complicated than it envisaged.²⁰ Having lost power in 2020, PH has reverted back to its rallying cry of need-based affirmative action.

¹⁹ Lim Guan Eng's views are influential from his long occupancy of DAP secretary-general post, and broadly embraced. This disposition effusively supports the NEP's first prong and fixates on the most blatant abuses associated with the second prong. Two essentially identical public statements of his, released in 2007 prior to holding any office and in 2021 after lead roles in Penang state and federal cabinet and then returning to the opposition, demonstrate the immutability of this thinking ('Non-Malays are not angry with the NEP for helping the Malay poor, Malays are not angry with the NEP for helping the Non-Malay poor, but Malaysians are angry with the NEP for being used as a tool of crony capitalism to enrich the wealthy', press statement by Lim Guan Eng (11 July 2007) (<https://dapmalaysia.org/english/2007/july07/lge/lge679.htm>; accessed 17 May 2021); 'DAP is disappointed at former Prime Minister Tun Dr Mahathir Mohamad's narrative', Lim Guan Eng press statement, 17 April 2021 (<https://dapmalaysia.org/Kenyataan-Akhbar/2021/04/17/32111/>; accessed 17 May 2021).

²⁰ Among political figures, Anwar Ibrahim leads in advocating this approach, with Parti Keadilan Rakyat's Nik Nazmi Nik Ahmad and William Leong among the more vocal proponents. Nik Nazmi Nik Ahmad, 'The need for needs-based affirmative action', *Malaysiakini*, 6 August 2019 (<https://www.malaysiakini.com/news/486855>; accessed 5 May 2021); William Leong, "'Shared Prosperity' requires a 'Shared Malaysia'", *Malaysiakini*, 17 October 2019 (<https://www.malaysiakini.com/news/496224>; accessed 5 May 2021); Kow Gah Chie & Annabelle Lee, 'Anwar wants to speed up needs-based affirmative action', *Malaysiakini*, 26 July 2019 (<https://www.malaysiakini.com/news/485528>; accessed 5 May 2021). The case has been advocated by the MCA, as noted earlier with reference to the 1980s, and more recently by Wee Ka Siong ('Wee: Affirmative action moves should be colour-blind', *The Star*, 15 September 2013;

Second, the prevalence of policy sloganeering over substantive analysis stems from deficient empirical rigour and propensities, on all sides, toward selective and preconceived positions. Empirical analysis of Malaysia's affirmative action requires breadth in accordance with the vastness of the system. However, official sources recycle threadbare truisms about NEP successes and shortfalls, epitomized in the draft Shared Prosperity Vision 2030 which gave unqualified endorsement of all spheres – except equity ownership: 'The NEP has restored confidence and understanding among ethnic groups and created various opportunities for economic participation. Among the successes of the NEP are reducing hardcore poverty, increasing household income, restructuring of society and reducing ethnic group identification based on economic activities and enhancing political stability. Nonetheless, the target of at least 30% Bumiputera equity ownership has not been met' (Ministry of Economic Affairs 2019: 4-01).

The NEP's omission of attention to policy design and mechanisms, and to transition paths away from overt quotas and preferences, persist – but unlike 1971, when such foresight may have been beyond reach, by the 2010s hindsight should suffice to engage in rigorous policy debates. Engrossed in its appealing but ultimately misplaced promotion of a 'market-friendly' and pro-poor alternative agenda, the NEM mostly sidestepped the challenging and contentious aspects of the NEP – but was spiritedly embraced by an urban, multi-ethnic populace and segments of civil society²¹, as well as the media, especially English-language publications both local and international.²² These notions of reform clearly represent popular yearnings, although the expectations projected onto it will differ. Some may expect more access to public higher

<https://www.thestar.com.my/news/nation/2013/09/15/wee-affirmative-action-moves-should-be-colourblind>; accessed 28 April 2021). Notably, Daim Zainuddin, while chairing the Council of Eminent Persons, also expressed support for need-based affirmative action ('A new economic policy for a new Malaysia', *The Edge*, 13 August 2019 (<https://www.theedgemarkets.com/article/mysay-new-economic-policy-new-malaysia>; accessed 27 May 2021).

²¹ Gabungan Bertindak Malaysia has prominently voiced support for the same. 'Time for a needs-based policy', Gabungan Bertindak Malaysia, 12 August 2019

<https://aliran.com/coalitions/gabungan-bertindak-malaysia/time-for-a-needs-based-policy/>.

²² 'Malaysia's system of racial preferences should be scrapped', *The Economist*, 20 May 2017. This issue even argued that government contracts should be awarded based on income – a preposterous prospect, since the implication is that, instead of granting preference to Bumiputera firms, government contracts should be awarded preferentially to poor households, or poorer contractors.

education, others more opportunity for government contracts and enterprise funding, and for some it boils down to a general aversion to ethnically-framed policies.

Indeed, mainstream criticisms are prone to blinkers of their own. The dominant NEP critique continually cleaves to a narrow appraisal that affirmative action overwhelmingly benefits by a Malay elite in a manner exacerbated by rent-seeking and corruption (Gomez 2012). This argument often appends an assertion that intra-ethnic inequalities have been rising as a result of affirmative action. The argument that runaway accumulation at the top, spurred by privatisation and liberalisation, persuasively applied to the 1990s. Malaysia then registered rising Gini coefficients, prompting arguments that inequality within ethnic groups should be given more priority (Shari 2000, Mat Zin 2008). However, the same data source shows that inequality markedly declined from 2004 to 2019 – and that, and the main groups, the level of inequality is *lowest* within the Bumiputera population.²³

The relationship between income inequality and affirmative action is complex. The post-Asian financial crisis context, which saw the collapse of privatisation and reconfiguration of privatised entities as GLCs, is significantly removed from plutocratic Bumiputera wealth accumulation of the 1990s. Over the past two decades, some interventions that disproportionately benefit high-income households, such as GLC top appointments, may cause inequality to rise; other interventions that grow the middle and lower middle classes – especially mass higher education and declining earnings premiums on higher education qualifications, recruitment in government and GLCs, and small business support – may cause inequality to fall. On balance, the drop in intra-Bumiputera inequality signals that inequality-reducing trends have been superseding inequality-increasing trends.

However, much of the literature shines the spotlight selectively, and places inordinate emphasis on politically-linked elites as the source of affirmative action's incorrigibility (Gomez 2012). This thinking has neglected attention to the expansive and embedded network of affirmative action and the socioeconomic access it affords to Bumiputera middle and lower classes – and the specific ways this complicates efforts to change the system. Nationally representative

²³ The Gini coefficient of household income rose from 0.429 in 1989 to 0.448 in 1997, and reached a zenith of 0.452 in 2004, but subsequently declined steadily to 0.389 in 2019. Inequality within the other communities broadly increased in the 1990s and fell in the 2010s, resting at 0.411 (Indians) and 0.417 (Chinese) (Department of Statistics, cited in Lee and Choong 2021).

opinion polls show solid support on the Malay ground for policies granting them special access, and also widespread unease among other groups (Merdeka Center 2010; Al-Ramiah, Hewstone and Wölfer 2017). An alternative, and arguably more systematic, analysis accounts for these social currents and identifies the decisive shortcoming of the system as follows: while vastly extending socioeconomic access to Bumiputeras on a preferential basis, these numerous programmes have fallen short in empowering the beneficiaries. Ultimately, Malaysia is unable to move on from the NEP's second prong not because it is only benefiting the elite, though that is an important problem, but primarily because it is vastly providing opportunity yet inadequately developing Bumiputera capability and competitiveness.

Third, as with the previous historical chapters, political rhetoric to maintain Bumiputera privileges reverberate still, but there are nuances to appreciate. Unlike overt pressures from erstwhile hegemonic UMNO that secured massive expansions of pro-Bumiputera policies in 1971 and 1990, BN's initial tone in presenting the NEM in 2010 was more inclusive, and the subsequent promulgation of Bumiputera transformation paled in magnitude to the previous two episodes. In part, accommodations of minority groups have also rolled out, whether through introduction of 10% allocations to non-Bumiputeras in previously exclusive Bumiputera programmes in 2001-2002, reduction in Bumiputera equity requirements in 2009, or introduction of special interventions for Indian or Orang Asli communities in the mid-2010s. Popular demands for welfare programmes have also heightened government efforts to groom performative legitimacy by continually implementing these basic needs and pro-B40 measures, and reiterating the 'regardless of race' nature of such outreach. These are small marks of progress, although in the grand scheme of things, Malaysia continues to evade a direct, critical and systematic reckoning with affirmative action.

All sides, whether championing Bumiputera transformation or need-based affirmative action as a replacement for race-based affirmative action, opt for convenient answers and often oversell of their positions. The 'political will' to maintain the system undeniably endures, but politics also contribute to a rudderless drift in policy discourses.

5. The NEP Beyond Fifty?

The NEP's arrival at its fifty-year milestone marks an opportune moment for retrospection and introspection. The NEP remains insinuated throughout the Malaysian collective consciousness, and is often invoked in public discourses – often in ambiguous, selective and even revisionist terms. After three momentous chapters in its fifty-year history, the NEP still lacks closure. In line with the three-angled structure of this paper, we conclude with some thoughts on how Malaysia can move forward systematically and constructively, in terms of policy conception, policy design and mechanisms, and on the politico-economic prospects for change. This applies primarily to the pursuit of inclusiveness; Malaysia's economic growth and sustainable development strategies require independent policy formulation – with integration of overlaps.

Conceptually, a good place to start is by re-appreciating the NEP's strengths, especially its principal basis for distinguishing the two prongs. This dual framework can be broadened systematically; with a focus on equality and basic needs for all – irrespective of race, or ethnicity, gender, religion, and other forms of identity – rather than the NEP's specification of poverty reduction and of race as the only targeted population category. The principles of fairness and diversity constitute the second pillar; this corollary to social restructuring also broadens the perspective from racial imbalance to equitable representation, participation and capability development in relevant socioeconomic spheres. Rather than carving out domains where Bumiputera quotas apply versus domains where they do not, the interplay of group preference and need-based preferences should be applied in a systematic manner. Malaysia should find specific ways to incorporate need-based selection, especially in higher education – some of which are already in place, on an ad hoc basis – as well as microfinance, and ways to more rigorously provide opportunity to Bumiputeras and disadvantaged groups based on merit and competition, integrated with plans for graduating out of preferential treatment.

In policy design and empirical evaluation, the repeated inability of quantitative targets and deadlines to deliver breakthroughs in reform signal the need to focus more on process and qualitative outcomes, by clearly identifying programmes that involve group preferential treatment and focusing on capability development as preconditions that facilitate future reform. Empirical analysis must follow up by focusing on outcomes that are more pertinent to capability development, such student achievement and graduate employability, and the share of micro, small and medium enterprises. Rather than one monolithic target or deadline for the

entire system to be dismantled, various programmes should run their own course, with customized targets and timelines (Lee 2021a).

The politics surrounding affirmative action remain, on the one hand, fraught by polarized positions, but also stultified by the pervasive discourses of ‘reform’. Majority and minority group interests remain adversarial, but in new and arguably less pronounced ways. A different approach that might help break out of the gridlock starts by considering the dynamics of change. Essentially, the common calls for affirmative action to be rolled back boil down to guilt – because of the adverse effects on minorities – or regret that it is a failed project that should be abandoned (Chin 2009).²⁴ A possible third path might be charted, acknowledging that the majority Bumiputeras must be sufficiently empowered with capability and competitiveness in order to undertake systematic reform. The attention then focuses on a building-up process, while simultaneously finding ways to integrate more need-based assistance and merit-based selection, and other mechanisms besides quotas for promoting equitable representation.

Rather than staking out the familiar vested interests, this calls for minority groups to advocate for more effective Bumiputera capability development, for the majority to acknowledge the preferential mechanisms through which they receive benefits and the imperative of graduating out of receiving special treatment, and for collective pursuit of equality and fairness by all sides. This requires a level of trust and candour that remains insufficient. However, given that a target-hitting and expiry date approach has not achieved the desired breakthrough, an approach based on trust-building and continuous engagement might be the basic reset that Malaysia needs.

²⁴ These positions are concisely presented in opinion pieces curated by a World Policy Journal feature, *Positive Discrimination: Perspectives on Malaysia*, 12 April 2016. See James Chin, ‘Malaysia’s Dismal Record’ and Edmund Terence Gomez, ‘Is Affirmative Action Market-Friendly?’ (<http://worldpolicy.org/2016/04/12/positive-discrimination-perspectives-on-malaysia/>; accessed 8 June 2021)

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