

THE NEW ECONOMIC POLICY AND CHINESE IN MALAYSIA: IMPACT AND RESPONSES

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The New Economic Policy (NEP) was conceived immediately after the racial riot on May 13 1969 to eradicate poverty, irrespective of race and correct economic imbalances among ethnic groups with the ultimate objective to achieve national unity. The policy was vigorously implemented since 1971 by the Malaysian government for a span of two decades during the period 1971-90. The NEP which represented a watershed in the economic history of Malaysia^① exerted a profound impact on the local Chinese who are Malaysian citizens. The impact is not only pervasive to cover a wide spectrum of economic and industrial sectors, but also deeply rooted in bringing about structural transformation and social-cultural changes in the Malaysian society.

The NEP was implemented within the time frame of the First Outline Perspective Plan, 1971-90. The more specific targets, strategies and allocations to attain the

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① Malaysia comprises 13 states, with 11 states in Peninsular Malaysia or West Malaysia and two states, namely Sabah and Sarawak in East Malaysia. Peninsular was formerly known as the Federation of Malaya, which gained independence from the British rule in 1957. In 1963, Sabah, Sarawak and Singapore joined with Malaya to form Malaysia. In 1965, Singapore withdrew from Malaysia to become a separate independent state.

NEP's objectives were clearly spelled out in the subsequent four development plans within the time framework; from the Second Malaysia Plan, 1971-75 to the Fifth Malaysia Plan, 1986-90. Following the expiry of the NEP in 1990, the Malaysian government introduced the National Development Policy (NDP) to replace NEP with no quantitative targets and time frame. While the NDP emphasizes relatively less on inter-ethnic redistributive goal, the promotion of general Malay's interest is still pervasive in the Sixth and Seventh Malaysia Plan.

The purpose of the paper is to assess the impact of the New Economic Policy (NEP) on the Chinese in Malaysia and also give a historical account of Chinese responses towards the policy. The paper comprises four sections. Section One provides historical background prior to the formulation of the NEP while Section Two depicts the objectives, targets and strategy of the NEP. Section Three attempts to assess the impact of the NEP on the Chinese in Malaysia and also accounts the various Chinese responses towards the policy. With the phasing out of the NEP, last section discusses the problems and challenges encountered by the Chinese community in the decades ahead.

1. Historical Background

On the eve of the Independence in 1957, the "historical bargain" among various ethnic groups in the then Malaya had been apparently settled (Osman-Rani, 1990: 206). The "bargain" was an unwritten mutual understanding that Malays were accorded with "special rights" to improve their economic conditions in exchange for the extension of citizenship to the non-Malays, especially the Chinese. The "historical bargain" also included the notion that Malays would play a greater role in politics and public administration while Chinese were expected to involve actively in commerce and industry. The Chinese which had a 34 percentage share of the population then (see Table 1) were already playing an active role in commerce and industry in which Malays bureaucrats and aristocrats were hardly interested. It was also expected that rapid economic growth coupled with conscious government effort in promoting rural development would eventually bring about smaller income disparity between Malays and non-Malays over time.

However, the income disparity between Malays and non-Malays widened since Independence up to 1969 with a high incidence of poverty in the rural areas where Malays mostly reside. In particular, the incidence of poverty concentrated mainly among padi farmers, coconut smallholders, rubber smallholders and fishermen. A-

gainst this background, there was then underlying grievances among Malays with the government policy, especially its "liberal" attitude towards the non-Malays. Chinese also felt alienated by the government in connection with a number of sensitive issues, such as citizenship, land alienation, Chinese education and cultural heritage. All these resentment and dissatisfaction finally vented through the 1969 general election such that the ruling party, the Alliance ^② lost substantial support from both Malay and Chinese electorates. Post-electoral celebrations by the opposition parties then sparked off bloody racial riots in Kuala Lumpur on May 13 1969. The government subsequently dissolved the parliament and declared a state of emergency. The country was then run by the National Operations Council (NOC) which concluded that the major cause of the racial riots was due to the wide income disparity between bumiputeras or sons of soils (which included mainly Malays and indigenous people ^③) and non-bumiputeras, comprising mainly Chinese and Indians. The complaints by the non-Malays were simply brushed aside. The NEP was thus formulated in such a background with an overriding objective of promoting national unity. One was narrowing inter-ethnic economic disparities and the other, reducing incidence of poverty. It was expected that the two prongs of the NEP would improve inter-ethnic relations and hence achieving national unity.

2. Objectives, Targets and Strategies

The NEP's objectives were clearly spelled out in the Second Malaysia Plan, 1971-75. The excerpt is as follows:

“The Plan incorporates a two-pronged New Economic Policy for development. The first prong is to reduce and eventually eradicate poverty, by raising income levels and increasing employment opportunities for all Malaysians, irrespective of race. The second prong

② The Alliance was a coalition of three racial parties, namely the United Malay National Organization (UMNO), the Malayan Chinese Association (now the Malaysian Chinese Association) or MCA and the Malayan Indian Congress (now the Malaysian Indian Congress) or MIC. The three parties represent three different ethnic groups, namely Malays, Chinese and Indian respectively. The coalition was later broadened to include six other parties to form the National Front. Among these parties, UMNO stood out as the most dominant and powerful party.

③ Other indigenous people include mainly Iban, Bidayuh and Melanau in Sarawak, and Kadazan, Bajau and Murut in Sabah.

aims at accelerating the process of restructuring Malaysian society to correct economic imbalances, so as to reduce and eventually eliminate the identification of race with economic function. This process involves the modernization of rural life, a rapid and balanced growth of urban activities and the creation of a Malay commercial and industrial community in all categories and at all levels of operations, so that Malays and other indigenous people will become full partners in all aspects of the economic life of the nation." (Government of Malaysia, 1971:1)

The above objectives were subsequently translated into quantifiable targets in various development plans, especially the Mid-term Review of the Second Malaysia Plan, 1971-1975 for policy implementation. Unfortunately, the targets were only available for Peninsular Malaysia mainly because data for Sabah and Sarawak were not readily available and secondly, racial tension in the two states was not as serious as in Peninsular Malaysia. The targets were expected to be achieved within the two decades from 1971 to 1990 (see Table 2).

The underlying assumption in formulating the NEP was that the policy would be implemented in the context of an expanding economy. Apparently, this was to ensure that "no particular group would experience any loss or feel any sense of deprivation in the process" (Government of Malaysia, 1971:1). With this assumption, the role of the government is to act as "protector and trustee" of bumiputera interest. As a "protector", the government provided generous subsidies, loans and grants as well as special treatment under licensing, quotas in employment and tertiary education enrollment for the bumiputera community. As a "trustee", the government set up "trust agencies" by using public fund to purchase shares of non-bumiputera companies or initiate takeovers and mergers of well-established foreign companies in trust of the bumiputera community until such time the community itself has enough savings and funds to purchase these shares. The government also actively involved in commerce and industry through its state enterprises to compete directly with non-Malay businessmen. In most instances, the government deliberately "by-passed" the latter in most of the joint ventures with foreign enterprises (Jesudason, 1989).

In short, the strategies to achieve the restructuring objectives included the increase of bumiputera share in corporate ownership and management control, the expansion of bumiputera share in employment in modern sectors such as commerce and industry, as well as the promotion of bumiputera entrepreneurship in these sectors. Apart from such strategies, the government continued to provide substantial allocation

of government expenditure for rural development in the subsequent four development plans following the announcement of the NEP in 1970.

3. Impact of the NEP and Chinese Responses

Basically, the NEP was widely regarded as necessary in principle by all ethnic groups to ensure sustainable national unity and also provide assistance to underprivileged groups to become full partners in economic life in Malaysia. In particular, there were not many debates as regard to the first objective, i.e. eradication of poverty irrespective of race. It is the second objective to redistribute wealth among ethnic groups and the distinction between bumiputera and non-bumiputera that cause much controversy. Again, it is not so much the opposition to the redistributive goal, it is the implementation which often resulted in racial discrimination through bureaucratic means against non-Malays that caused a sense of deprivation among the non-Malays, especially the Chinese. The distinction between bumiputera and non-bumiputera often facilitated the so-called positive affirmative policies to correct economic imbalances among ethnic groups. Consequently, public perception of the NEP including many government servants has been incorrectly identified as primarily inter-ethnic redistribution, and the objective of poverty eradication was unfortunately relegated to secondary importance.

As mentioned earlier, the formulation of the NEP was based on optimistic assumption of high economic growth during the OPP period. However, such basic assumption had been taken for granted or forgotten such that the NEP's redistributive objective was vigorously implemented with much enthusiasm by the civil servants to the extent that not much regard was given to the hardship suffered by the business community during the recession periods, in particular, the 1985 recession. Private investment, both from the local Chinese and foreign countries did not achieve significant growth during this period. The government was then forced to re-consider the NEP guidelines and decided to liberalize some of the existing ownership requirements since 1986.

The major implication of the NEP was that non-bumiputeras, especially the Chinese who had been left alone previously to seek profit through business ventures, would have to face from now onwards additional constraints in their pursuit of well-being and wealth accumulation. Specifically, they had relatively less freedom as compared previously as they had to take into account in their consideration the economic position and feeling of the bumiputeras and any constraints imposed by the

government as the “protector and trustee” of the bumiputeras.

3.1 Share Ownership and Control

To increase the share ownership of the bumiputeras, the government deployed six groups of measures to acquire corporate wealth. The first four which aimed at purchasing shares in trust of the bumiputeras included takeovers and mergers of foreign companies, stipulation of listing rules by the Foreign Investment Committee and the Capital Issues Committee (CIC) to increase bumiputera share ownership, licensing under the Industrial Co-ordination Act, 1976 (ICA) and active participation by and privatization of government enterprises to ensure at least 30% share for bumiputeras. The fifth method is to set up “trust agencies” such as Permodalan Nasional Berhad (National Equity Corporation) or PNB, Perbadanan Nasional (National Corporation) or Pernas and state development corporations (SEDCs) to hold shares and accumulate assets in trust of the bumiputera community. Lastly, Majlis Amanah Rakyat (Council of Trust for the Indigenous People) or MARA, and the Urban Development Authority (UDA) were set up to promote Malay entrepreneurship.

The takeovers of foreign companies such as London Tin, Sime Darby, Guthrie Corporation, Harrisons and Crosfield, Dunlop Holdings and Barlow Holdings increased Malay ownership easily without deprivation of other ethnic groups, including the Chinese (Jesudason, 1989). Such acquisition of mainly rubber plantations and tin mining companies did not face much opposition in the country but the costs of acquisition was considered as hefty and inappropriate use of public funds. From the hindsight, the acquisition did not seem to be profitable, given the secular decline in commodity prices since the takeovers.

The FIC and the CIC were also instrumental to increase bumiputera ownership. The former which was created in 1974 to oversee foreign investment enforced mainly NEP ownership and employment requirements for joint ventures between local and foreign companies while the latter which was originally formed in 1968 to supervise the capital market stipulates 30% bumiputera ownership requirement for any listing of private companies in the Kuala Lumpur Stock Exchange (KLSE). In addition, the Industrial Co-ordination Act enforced the ownership requirements through its licensing system under which licenses were only issued conditional upon meeting the NEP guidelines on equity and employment.

The two committees' rulings largely affected the large Chinese companies directly. However, these companies were in general more receptive to such ownership

restructuring because they had more ways of manoeuvring through expansion. But then, these enterprises also tried to avoid venturing into the manufacturing sector in which they had to comply with the ICA. Most importantly, the ICA threatened directly the tightly knit structure of small and medium Chinese family businesses. The Act caused most grievances among owners of long established enterprises because they had been toiling in business for long hours, bearing many years of risk taking and accumulating hard earned savings for investment over the years. And now with the Act, the owners were expected to recruit new business partners of different culture, religion and race to share their fruits of business success (ACCCIM, 1978). This was a really big pill that they found difficult to swallow.

Majority of the Chinese businessmen opposed vehemently the introduction of the ICA but their voices often went unheard. In the face of mounting pressure from the government, especially by the over-zealous government officials, their increasing anxiety and grievances forced them to think of alternatives just to maintain the status quo. One way was to circumvent the ownership ruling by taking a negative attitude not to invest locally further. The other way was to invest abroad. Some events went to the extent by restricting the sizes of their companies or splitting up their existing companies into two or more business enterprises (Jesudason, 1989:149). Chinese businesses, in particular the big ones also tried to divest away from the manufacturing sector and went into the more lucrative property sector to avoid the depressive effect of the ICA. Accordingly, private investment including those in the manufacturing sector slowed down significantly between 1980 and 1984. With the onset of the recession in 1985, private investment recorded significant declines of 8.1% and 16.7% in 1985 and 1986 respectively, in contrast to positive growth of 11.6% and 5.2% in 1983 and 1984 respectively. These were much opposition from the business community against the ICA. In view of the severe recession, the government decided to liberalize the equity and employment rulings under the ICA.

At the end of 1990, the bumiputera ownership increased substantially to 20.3% from 2.4% in 1970 but still fell short of the 30% target (See Table 3). Surprisingly, the non-bumiputera share ownership rose to 48.6% of which the Chinese share of 44.9% well exceeded the allotted share of 40%. The relative high percentage share for the non-bumiputera share ownership was due to the exclusion of significant Malay ownership in nominee companies and "locally controlled companies" (Kok, 1994:93). Following the apparent shortfall of the bumiputera ownership target, the New Development Policy (NDP) which replaces the NEP after 1990 still emphasizes the redistribution objective.

3.2 Business Opportunities and Chinese Entrepreneurship

Apart from ownership rulings especially through the ICA, the NEP also affected Chinese business opportunities directly in three major ways. The first was through displacement of business opportunities for the Chinese by giving new licenses and government contracts mainly to the bumiputeras. For instance, most government ministries and state governments reserved at least 30% of its contracts for Malay companies. In actual fact, the reservation always far exceeded the minimum 30% level. Moreover, the government development agencies such as Pernas and the Federal Land Development Authority (Felda) were equally anxious to enforce NEP guidelines with no due regard for the Chinese as fellow partners in the development process. In particular, Pernas, because of its special status with the government and development agencies was given special rights to import merchandise from abroad, such as machinery and equipment, industrial chemicals and fertilizers on behalf of the government. Pernas then, in turn, provide sub-contracts and dealership mainly to Malay businesses.

As a consequence of the deliberate displacement, “Ali-Baba”^④ enterprises proliferated especially in the commercial sector. Such enterprises were arrangements of convenience between two parties, in which “Ali” (a common Malay name), the Malay “lent” his name to a Chinese businessmen, so called “Baba” for that matter, to slip through the government regulatory net so as to obtain government contracts or licenses which were normally given out to Malays. In return, “Ali” earned a commission or being a sleeping partner, received a share of profit (Bowie, 1988:64).

The second way was through the deliberate “by-pass” of Chinese businessmen in joint ventures between government enterprises and foreign investment. Such a “by-pass” phenomenon was particular prevalent in the manufacturing sector. For instance, Pernas had engaged numerous joint ventures with foreign companies in manufacturing, construction, trading and insurance and these joint ventures had hardly any direct Chinese participation. Again, when the government launched several heavy industrial projects through the Heavy Industry Corporation of Malaysia (HICOM), the

④ “Baba” actually refers to those Chinese descendants who had been in Malaysia for the past centuries that they have forgotten their own language. Instead, they use Malay language mixed with Chinese dialects in their daily communication. However, many of them still practise traditional Chinese customs mixed with Malay customs. “Baba” in this context has nothing to do with these people. It just simply means Chinese in general.

involvement of Chinese entrepreneurs in the projects was insignificant.

Chinese businesses also encountered increasingly severe competition from government enterprises and Malay firms in areas, which were traditionally the domain of the Chinese businesses. These “traditional sectors” include construction, wholesale and retail trade, and transport sector. Wherever the government or government agencies have a direct control over entry and business opportunities, these entities would ensure that Malays would get priorities in terms of contracts and licenses. For instance, Pernas Trading, a subsidiary of Pernas, made several attempts to encroach on the traditional trade between the Malaysian Chinese and the Mainland China.

In the face of various forms of displacement, deliberate “ethnic by-pass” and severe competitions from increasing number of Malay firms and government enterprises, the Chinese had to think of new ways not to be left out in the mainstream economic activities and to preserve their legitimate share of the nation's economic cake. The immediate response from the Chinese was to set up large enterprises such as the Multi-Purpose Holdings Berhad (MPH) in 1975 by the Malaysian Chinese Association (MCA), a ruling political party in the coalition government under the National Front. Chinese clans and associations also followed suit by setting up various holding companies. The purpose was to pool Chinese resources together and compete with large government enterprises and private Malay businesses with strong government support. However, like any other Chinese enterprises, they avoided the manufacturing sector and tended to concentrate on commerce and property development.

Instead of direct confrontation with the government, another group of Chinese businessmen such as Hong Leong Group and Kuok Brothers Group had made significant inroad by having joint ventures with Malay conglomerates. They readily accepted the NEP's guidelines on ownership and management controls (Heng, 1992). In return, they gained more leeway in expanding their businesses.

3.3 Employment and Occupations

The other aspect of the NEP was employment restructuring. The purpose was to ensure that the bumiputera community had a fair share of employment in all sectors of the economy, such that “identification of race with economic functions” could be eliminated. In the 1970, bumiputera employment concentrated in the agricultural sector and civil services (see Table 4). In the agricultural sector, Malays were identified as padi farmers, fishermen, rubber smallholders and coconut smallholders with widespread poverty among them. The public sector also had a high concentration of

Malays as civil servants, school teachers, police officers and nurses. This was partly due to "special privileges" accorded to in the Malaysian Constitution, Article 153 under which a quota system has been reserved for Malays in the public sector employment. In contrast, there was a general low employment for Malays in the private sector especially in the categories of administrative and managerial, sales workers, production workers and clerical workers in the modern sectors (see Table 5). Chinese, on the other hand, tended to be employed in the commerce and industry and less in the government sector.

With the introduction of the NEP, Malay employment in the public sector rose rapidly through expansion of the public sector in the late 1970s and early 1980s. Most of the new recruits were Malays, and Chinese had fewer chances to join the civil service. For instance, during 1970-77 period, Malays constituted more than 60% of the new public sectors jobs. From 1978 to 1980, the situation for Chinese employment in the public sector deteriorated further as the share of Malays in the new recruits rose sharply to 80% (Kok, 1994:94). Even for the existing employment, Chinese were promoted somewhat slower than their Malay counterparts, despite their good qualification, years of experience and seniority.

In the private sector, the ICA and the FIC were instrumental in promoting Malay employment especially in the manufacturing sector. At the same time, the rapid rise in Malay corporate ownership following the implementation of the NEP also provides ample employment opportunities for the Malays in the modern sectors. Foreign companies also tended to comply with the NEP's employment guidelines by employing substantial number of Malay workers. As a whole, Malay made a significant inroad in the participation of the secondary and tertiary sectors. As a consequence, there was a net transfer of Malay labour from the low productivity agricultural sector to the high productivity modern sectors. This had helped in reducing high incidence of poverty among Malays.

Despite the adverse situation they encountered, the Chinese, on the other hand, still managed to have a significant share of employment in the wholesale and retail trade, hotels and restaurants, mining and construction sectors. In terms of occupation category, the Chinese were able to maintain dominant position in the administrative and managerial category as well as sales workers. Chinese shares in other categories showed a noticeable decline over the last two decades in the NEP period. In terms of registered professionals, Chinese still dominated in the professions of accountants, architects, dentists, engineers and lawyers, albeit with declining shares (see Table 6).

3.4 Educational Opportunity in Tertiary Education

Another major thrust of the NEP was to use a system of preferential education opportunities for the Malays to narrow the inter-ethnic income disparity. In terms of placements, Malays were given preferential treatment in local university enrollment. In 1970, Malays accounted for 40% of the total university enrollment while the Chinese and Indians shared 49% and 7% respectively. By 1988 (the latest figures available), the proportion of Chinese students in local universities declined to 41% while the share of Malays rose sharply to 48%. The Indians also rose to 10% (see Table 7). In order to increase Malay students in the tertiary educational institutions, the government imposed quotas in favour of Malays for the existing universities. At the same time, the government also established new tertiary educational universities such as the Islamic University and MARA Institute of Technology exclusively or near-exclusively for Malays. When the Chinese community applied for setting a private Chinese university called the Merdeka University, it was rejected outright by the government.

The government also practised discrimination in offering scholarships and grants as part of the affirmative action. As a result, most of the government scholarships for local universities (as high as 80%) were awarded to Malays (Kok, 1994:95). This was also true for overseas scholarships provided by the government to the extent that the share for Malays went as high as more than 90%.

Against such background, the Chinese students had no alternative but to enroll in universities abroad or local private tertiary educational institutions. Foreign education, coupled with ethnic discrimination especially in terms of employment opportunities had somewhat encouraged non-Malays, especially the Chinese to emigrate to other countries. The increase in overseas enrollment by non-Malays also resulted massive outflows of foreign exchange, which contributed partly to the severe services account deficits in the balance of payments especially in the early 1980s. This prompted the government to allow foreign universities to set up branches in the country in order to conserve foreign exchange. Most of the enrollment in these twining universities were mainly Chinese.

3.5 Eradication of Poverty among Chinese

Although the NEP objective of poverty reduction was achieved to a great extent but the impact of the NEP on the Chinese poor was not apparent. During the two decades, the NEP target for overall incidence of poverty was to reduce from 49.3% in

1970 to 16.7% in 1990. Under the NEP, the government made considerable effort in eradicating Malay poverty by allocating substantial funds for rural development such as land development, integrated agricultural projects as well as irrigation and drainage. Generous subsidies were also provided to padi farmers, fishermen, rubber smallholders and coconut smallholders. Consequently, the incidence of poverty among Malays in Peninsular Malaysia reduced sharply from 65% in 1970 to 20.8% in 1990.

However, only a meager sum of government expenditure were only allocated during the NEP period for "New Villages" ^⑤ where majority of the residents were Chinese (see Table 8). Notwithstanding the little attention paid by the government to reduce Chinese poverty, the incidence of poverty among Chinese fell even more significantly from 26% in 1970 (for Peninsular Malaysia) to 5.7% in 1990. Such a reduction is no way directly attributed to the implementation of the NEP. It is more of the resilience of the Chinese community against all odds and hardship that helped reduce the incidence of their poverty in a generally high growth environment over the two decades under the NEP. However, the ratio of the Chinese monthly household income to the national average monthly household income declined from 1.6% in 1976 to 1.4% in 1990 (see Table 9).

4. Challenges and Prospects

After two decades of implementation, the NEP has generally achieved its two objectives, i.e. eradication of poverty irrespective of race and restructuring of Malaysian society to correct economic imbalances between bumiputera and non-bumiputera. Although the share ownership of bumiputeras still fell short of the 30% target, other targets have been achieved at levels well beyond the target levels. By 1986, it was clear that the NEP had strained the sustainable growth for inter-ethnic distribution. The government since then liberalized gradually the ownership and employment requirements to achieve the NEP objectives. In fact, several policies aimed at relieving the NEP's stress were implemented. These policies included the Look-East Policy, the Seventy Million Population Target, the National Agricultural Policy, the

⑤ "New Villages" were created during the British colonial period to prevent communist infiltration into the Chinese communities in the mining and rubber plantations in the sub-urban areas. These villages were left on their own with little government assistance. As a result, they tend to have a high concentration of Chinese poverty in the country.

“Malaysia Incorporated” concept, privatization policy and the recent industrialization policy. All these policies emphasize growth rather than redistributive objectives. When the NEP expired in 1990, the government thus replaced the NEP with the NDP with relatively less concern about race and numerical targets. The time frame for the NDP has also been shortened to ten years with the following emphasis:

- * Emphasize on eradication of hard-core poverty and reduction of relative poverty;

- * Focus on the promotion of a “viable and resilient” bumiputera commercial and industrial community;

- * Rely more on the private sector's effort in restructuring and focus on human resource development to achieve growth with redistribution.

These new emphasis of the post-1990 policy thus paved the way for growth, modernization and industrialization, albeit with muted commitment on redistribution objective. This is possible because the NEP objectives have been substantially achieved with the emergence of rapidly growing Malay middle class. More importantly, the more tolerance expressed by Malay leaders in the press in recent years signals the disappearance of anxieties and fears among the Malays which were prevalent in the first decade of the Independence. Despite some ill feeling and antagonism created in the process, the NEP has, indeed, laid a strong foundation for social and political stability in the country. Such stability is critical in providing a conducive environment for sustainable rapid economic growth, which, in turn, is essential for further redistribution.

With the phasing out of the NEP, the Malaysian economy is poised to take off with successive years of rapid growth since 1989. The long-term outlook is to achieve a sustained rapid growth of 7 per cent per annum over the next 20 years or so such that by year 2020, Malaysia will become, as envisaged in Vision 2020, a fully developed country. Given the nation's new vision, the Chinese community will have to be well prepared to face these challenges in the 21st century. Of these, three most important challenges are identified as follows:

- * Achieve national integration through joint ventures with the bumiputera business community;

- * Upgrading and self-renewal of their business enterprises so as to participate fully to help achieve Vision 2020; and

* Continue to be a viable, versatile and resilient community with its inevitable decline in birth rates.

There may be many difficulties in developing viable joint ventures with the bumiputera business community. This is especially so in view of great differences in religion, language, culture, historical experience and perception between Chinese and Malays, not to mention the fact that a considerable amount of mistrust, suspicion and prejudice had been created during the NEP period. However, these difficulties can be overcome with the passage of time. The more challenging task facing the Chinese community is how to upgrade the Chinese enterprises in terms of science and technology as well as reengineering the family business units into viable and resilient enterprises to face future challenges. Wisdom and sheer determination on the part of the Chinese community are required to forge forward and not being left behind in the race for better well being. However, the most crucial issue facing the Chinese community now and the future is the consistently declining birth rates which may serve as a major factor that underlies the marginalisation of the Chinese community in the Malaysian society in the future. The share of the Chinese community in the Malaysian population has been declining steadily from 34% in 1970 to 26% in 1995 and is expected fall further to 24% in the year 2000. No effort on the part of the Chinese community has yet in sight to handle this delicate issue.

Until and unless the above three challenges can be overcome, will the Chinese community be able to continue to play an important and meaningful role in the Malaysian economy.

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Table 1: Population by Ethnic Groups, 1970-90

	1970		1980		1991		1995		2000	
	000	%	,000	%	,000	%	,000	%	,000	%
Bumiputera	5,761.0	55.4	8,081.0	58.7	10,730.0	57.8	11,950.0	57.8	13,610.0	58.5
Chinese	3,553.0	34.2	4,419.0	32.1	5,020.0	27.1	5,290.0	25.6	5,600.0	24.1
Indians	905.0	8.7	1,173.0	8.5	1,410.0	7.6	1,500.0	7.2	1,610.0	6.9
Others	185.0	1.7	91.0	0.7	1,390.0	7.5	1,950.0	9.4	2,440.0	10.5
Total Malaysia (000)	10,404.0	100.0	13,764.0	100.0	18,550.0	100.0	20,690.0	100.0	23,260.0	100.0

Source: Government of Malaysia, various plan documents

Table 2: Poverty Eradication Targets and Achievements
Incidence of Poverty (%)

	1970.0	1976.0	Target 1990	Achieved 1990
Malaysia				
Overall		42.4		17.1
Rural		50.9		21.8
Urban		18.7		7.5
Bumiputera		56.4		23.8
Chinese		19.2		5.5
Indians		28.5		8.0
Others		44.6		12.9
Peninsular Malaysia				
Overall	49.3		16.7	15.0
Rural	58.7		23.0	19.3
Urban	21.3		9.1	7.3
Bumiputera	65.0			20.8
Chinese	26.0			5.7
Indians	39.0			8.0
Others	44.8			18.0
Sabah				
Overall		58.3		34.3
Rural		65.6		39.1
Urban		26.0		14.7
Bumiputera		67.1		41.2
Chinese		22.2		4.0
Others 1		15.7		6.3
Sarawak				
Overall		56.5		21.0
Rural		65.0		24.7
Urban		22.9		4.9
Bumiputera		68.7		28.5
Chinese		29.6		4.4
Others 1		9.4		4.1

Note: Includes Indians

Source: Government of Malaysia, Second Outline Perspective Plan, 1991-2000

Table 3: Ownership of Share Capital of Limited Companies, 1970-90
(Percent)

Ownership group	1970	1975	1980	1985	1990
Malaysian residents	36.6	46.7	57.1	74.0	74.9
Bumiputera	2.4	9.2	12.5	19.1	20.3
Individuals	1.6	3.6	5.8	11.7	14.0
Trust agencies	0.8	5.6	6.7	7.4	6.3
Other Malaysians	34.2	37.5	44.6	54.9	48.6
Chinese	27.2	n/a	n/a	33.4	44.9
Indians	1.0	n/a	n/a	1.2	1.0
Other	n/a	n/a	n/a	1.3	0.3
Nominee companies	6.0	n/a	n/a	7.2	8.4
Locally controlled companies	n/a	n/a	n/a	11.8	n/a
Foreign Residents	63.4	53.3	42.9	26.0	25.1
Share in Malaysian companies	n/a	31.3	24.0	16.2	n/a
Net assets of local branches	n/a	22.0	18.9	9.8	n/a
Total	100.0	100.0	100.0	100.0	100.0

Note: Figures for 1970 refer to Peninsular Malaysia

Source: Government of Malaysia, various plan documents and Second Outline Perspective Plan, 1991-2000

Table 4: Employment by Sector and Ethnic Group, 1970-90

(percent)

Sector	Bumiputera			Chinese			Indian			Others		
	1970	1980	1990	1970	1980	1990	1970	1980	1990	1970	1980	1990
Agriculture, forestry & fishing	67.6	73.1	75.2	21.4	16.4	15.1	10.1	9.7	9.1	0.9	0.8	0.6
Mining & quarrying	24.7	34	35.3	66.0	54.7	54.5	8.4	10.6	3.1	0.9	0.8	7.2
Manufacturing	28.9	40.9	44	65.4	50.4	45.3	5.3	8	10.3	0.4	0.6	0.4
Construction	21.6	39.1	42.9	72.0	53.4	49.1	6.1	6.4	6.8	0.3	1.1	1.2
Electricity, gas & water	48.2	67.1	70.1	18.1	9.7	12.7	32.5	22.6	15.9	1.2	0.7	0.9
Transport, storage & communication	42.6	52.6	52	39.6	35	34.6	17.1	11.9	12.8	0.7	0.5	0.6
Wholesale & retail trade hotels & restaurants	23.5	36.9	34.7	65.3	55.3	57.7	10.7	7.4	7.1	0.5	0.4	0.5
Finance, insurance & business services	48.5	36.9	43.4	35.7	55.3	38.4	14.0	7.4	15.8	1.8	0.4	2.4
Government services	n/a	59.1	68.2	n/a	29.8	22.5	n/a	9.8	8.7	n/a	1.4	0.6
Other services	n/a	59.6	66.9	n/a	28.7	23.8	n/a	10.4	8.7	n/a	1.3	0.6

Note: 1970 figures refer to Peninsular Malaysia only

Source: Government of Malaysia, various plan documents

Table 5: Employment by Occupation and Ethnic Groups, 1970-90

(percentage share, %)

	Bumiputera			Chinese			Indians			Others		
	1970	1985	1990	1970	1985	1990	1970	1985	1990	1970	1985	1990
Professional & technical	47.0	54.4	60.5	39.5	32.4	29.1	10.8	11.1	7.7	2.7	2.1	2.7
Teachers & nurses	n/a	64.5	68.5	n/a	28.7	24.6	n/a	6.3	6.4	n/a	0.5	0.5
Administrative & managerial	24.1	28.2	28.7	62.9	66.0	62.2	7.8	5.0	4.0	5.2	0.8	5.1
Clerical workers	35.4	54.0	52.4	45.9	36.8	38.6	17.2	8.7	8.6	1.5	0.5	0.4
Sales workers	26.7	37.9	29.9	61.7	56.8	58.4	11.1	5.2	6.8	0.5	0.1	4.9
Service workers	44.3	57.9	57.8	39.9	31.2	26.8	14.6	9.7	9.5	1.2	1.2	5.9
Agricultural workers	72.0	73.5	69.1	17.3	17.2	13.8	9.7	8.3	7.0	1.0	1.0	10.1
Production workers	34.2	45.5	43.6	55.9	43.1	39.6	9.6	10.9	10.8	0.3	0.5	6.0

Note: 1970 figures refer of Peninsular Malaysia only. Professional & technical included teachers and nurses for 1970.

Source: Government of Malaysia, various plan documents

Table 6: Registered Professionals by Ethnic Groups, 1980-95

(percent)

	1980	Bumiputera			Chinese			Indians		Others		
		1990	1995	1980	1990	1995	1980	1990	1995	1980	1990	1995
Accountants	7.4	11.2	16.1	77.9	81.2	75.2	7.2	6.2	7.9	7.5	1.4	0.8
Architects	10.7	23.6	27.6	86.5	74.4	70.7	1.3	1.2	1.5	1.5	0.8	0.2
Dentists	10.3	24.3	30.9	65.7	50.7	45.7	21.3	23.7	21.9	2.7	1.3	1.5
Doctors	9.7	27.8	33.4	43.7	34.7	32.1	41.7	34.4	32	4.9	3.1	2.5
Engineers	18.5	34.8	38.1	71.3	58.2	55.2	6.3	5.3	5.2	3.9	1.7	1.5
Lawyers	14.8	22.3	29	48.5	50	43.3	35.4	26.5	26.6	1.3	1.2	1.1
Surveyors	31.2	44.7	48.3	58.7	49.6	45.6	7.2	3.7	3.2	2.9	2	2.9
Veterinary surgeons	17.8	35.9	40.2	27.8	23.7	23.7	46.5	37	33.5	7.9	3.4	2.6
Total	100	100	100	100	100	100	100	100	100	100	100	100
% of total professionals	14.9	29	33.1	63.5	55.9	52.4	17.4	13.2	12.9	4.2	1.9	1.6

Source: Government of Malaysia, various plan documents

Table 7: Enrollment in Tertiary Education by Race, 1970-88

(percent)

	Bumiputera	Chinese	Indians	Others	Total
Certificate courses					
1970	41.0	56.6	2.4	0.0	100.0
1980	19.6	69.3	10.1	1.0	100.0
1988	30.2	59.4	9.4	1.0	100.0
Diploma courses					
1970	86.5	11.8	1.0	0.7	100.0
1980	56.3	36.4	6.6	0.7	100.0
1988	66.8	28.3	4.2	0.7	100.0
Degree courses					
1970	40.2	48.9	7.3	3.6	100.0
1980	47.3	42.1	9.7	0.9	100.0
1988	48.4	40.8	10.1	0.7	100.0
All tertiary courses					
1970	53.7	38.3	5.3	2.7	100.0
1980	45.9	44.5	8.8	0.8	100.0
1988	51.2	39.6	8.4	0.8	100.0

Note: Figures for 1970 do not include enrollment in private and overseas institutions
Government does not publish these figures by ethnic groups from 1989 onwards.

Source: Government of Malaysia, various plan documents.

Table 8: Public Expenditure Allocations for
Rural Projects and New Villages, 1981-90

	RM\$000		
	4th Plan	5th Plan	
	Allocation	Allocation	
	1981-85	1986-90	Total
Land development	2,218.0	2,878.0	5,096.0
Regional development	930.0	1,541.0	2,471.0
Integrated agricultural devt. projects	505.0	1,560.0	2,065.0
Drainage & irrigation	1,451.0	337.0	1,788.0
New Villages	30.0	25.3	55.3

Source: Government of Malaysia, Fifth Malaysia Plan

Table 9: Mean Monthly Household Income

	Current prices			As ratio of mean income		
	1970	1976	1990	1970	1976	1990
<i>Malaysia</i>						
Overall		505	1,167		1.0	1.0
Bumiputera		339	928		0.7	0.8
Chinese		796	1,631		1.6	1.4
Indians ¹		537	1,201		1.1	1.0
Others		996	3,292		2.0	2.8
<i>Peninsular Malaysia</i>						
Overall	264		1,163	1.0	1.0	1.0
Bumiputera	172		931	0.7	0.7	0.8
Chinese	394		1,582	1.5	1.5	1.4
Indians	304		1,201	1.2	1.2	1.0
Others	813		3,446	3.1	3.1	3.0
<i>Sabah</i>						
Overall		513	1,148		1.0	1.0
Bumiputera		344	895		0.7	0.8
Chinese		1,191	2,242		2.3	2.0
Others		1,415	2,262		2.8	2.0
<i>Sarawak</i>						
Overall		427	1,208		1.0	1.0
Bumiputera		288	932		0.7	0.8
Chinese		708	1,754		1.7	1.5
Others		2,913	4,235		6.8	3.5

¹ Peninsular Malaysia only

Source: Government of Malaysia, Second Outline Perspective Plan, 1991-2000