

# THE CHINESE IN SABAH: AN ECONOMIC PERSPECTIVE

沙巴的华人：从经济观点探讨

PANG Teck Wai • Bruno VUN  
(彭德维) (温宗亮)  
CHONG Yun Then • Richard T. KOH  
(章文田) (许伟强)

## Abstract

The paper discusses the role of Sabahan Chinese at the height of their economic dominance in the 1950s and 1960s and in subsequent decades. Although they made up only 18 per cent of Sabah's workforce in 1960, they dominated economic activities in the higher value-added categories. Chinese involvement in state administration was also conspicuous before 1960.

The economic position of the Chinese changed significantly from the 1970s with the implementation of the New Economic Policy (NEP) to restructure society so as to reduce the identification of economic function with ethnicity and geographical location. The NEP and related policies have succeeded in promoting *Bumiputra* participation in

---

**Dr. PANG Teck Wai** is Advisor to the Ministry of Industrial Development, Sabah and Consultant to the Kota Kinabalu Industrial Park Sdn. Bhd. E-mail: TeckWai.Pang@sabah.gov.my

**Bruno VUN** is the Head, State IT Unit of the Ministry of Resource Development and Information Technology, Sabah. E-mail: Bruno.Vun@sabah.gov.my

**CHONG Yun Then** is Senior Research Associate/Research Director at Institute for Development Studies, Sabah. E-mail: vunthen@ids.org.my

**Richard T. KOH** is Research Associate at the Institute for Development Studies, Sabah. E-mail: rtkoh@e-borneo.com

all spheres of the economy. By the 1980s, Chinese economic dominance had diminished substantially in relative terms.

The latter part of the paper looks at the future of the Chinese in Sabah by advocating a framework of development based on the principle of equality of opportunities and prospects that would enable all citizens to attain their economic goals.

### 摘要

本文主要是探讨沙巴华人在 1950 至 1960 年代以及随后的数十年，如何扮演当地经济主导者的角色。在 1960 年，他们虽然只占沙巴劳动力的 18%，然而，他们却几乎垄断了经济活动中的各高层次职务。而华人在州政府行政工作方面的参与，在 1960 年代也是非常显著。

在 1970 年代，一项号召重组社会，缩小以种族和特定地域来辨别经济功能的新经济政策推行后，华人的经济地位随即发生了重大的改变。新经济政策和随后的措施，成功地提升了土著在所有经济领域方面的渗入。到了 1980 年代，华人的经济主导地位已相对的完全被降低了。

论文的最后部分探讨沙巴州华人的未来，透过提倡一个以平等机会和前景为原则的发展框架，让所有人民都能达成他们的经济梦想。

### Introduction

Although the Chinese probably arrived in Sabah many centuries ago and there has been some degree of intermarriage and assimilation, their socio-economic behaviour and role are very different from those of the indigenous people. In their generally single-minded pursuit of a better life, the Chinese have for centuries dominated commerce and industry in the state.

This paper examines the position of the Chinese at the height of their economic dominance in the 1950s and 1960s and traces subsequent developments that have diminished their economic role. The study is confined to the contemporary period from Sabah's independence in 1963 as data to appraise the role of Chinese in the economy prior to 1960 were deficient, and that it was also after this year that the state witnessed significant economic development.

### Pioneers under Chartered Company Rule

The Chinese have been the second largest ethnic group in Sabah (known as British North Borneo during the colonial period) since the 1920s.<sup>1</sup> They made up 14.9 per cent of the total population in 1921, when the first reliable census was



taken, and reached a maximum of 23 per cent in 1960 before declining to 10 per cent in 2000 (Department of Statistics, Malaysia 2001).

Historically, trade between China and Sabah could have begun in 600-700 AD (Whelan 1970; Gudgeon 1981; Leong 1982; Teo and Sullivan 1988, and Chew 1993), though Han (1975) claimed that the "earliest Chinese contact with Sabah dates back about 2000 years". Between the fourteen and fifteen centuries a Chinese settlement was known to have existed in the Kinabatangan valley (Whelan 1970; Teo and Sullivan 1988; and Ongkili 1993).

The origin of the various indigenous peoples of Sabah is shrouded in uncertainty by the lack of archaeological and anthropological evidence. Based on conjectures, one may notice that the costumes especially of the Kadazans are not unlike those found in Cambodia, Taiwan and China. Raffaele (1986) even saw "glimmerings of Chinese culture among the Kadazans", while Whelan (1970) held that the forefathers of the Kadazans and Muruts came from what is now South China and Vietnam about 20,000 years ago. Teo and Sullivan (1988) offered a view that Sabahan natives "were probably more akin to the present day Australian Aborigines", and that the "forebears of modern Sabahans, i.e. the Mongoloid Kadazan, Dusun, Murut, Orang Sungai, etc. only arrived on these shores about 5,000 years ago".

Despite the existence of Chinese links with Sabah tracing back to ancient time, it was not until the establishment of the Chartered Company that Chinese migrants arrived in considerable numbers, particularly from the late nineteen and early twentieth centuries. This influx was enticed by the Chartered Company's offer of generous terms to work in plantations and in railroad and telegraph constructions. Economic and political conditions in China also provided "push" factors as large numbers of Chinese sought greener pastures away from their native villages and to avoid poverty and political upheaval caused by the Taiping and subsequently the Boxer rebellions (Han 1975; Pan 1991). Chinese who entered Sabah in the late nineteenth century were made to work under "appalling and often brutal" conditions on the tobacco plantations (Gudgeon 1981). However deplorable conditions were, the immigrants appeared to fare better than in China, not least the ability to earn a decent living and the existence of opportunities for economic advancement. Like Chinese migrants elsewhere, their aim was to do well and return to China to raise the financial and social standing of their families. However, as their conditions in Sabah improved, many opted to stay permanently in Sabah. The successful ones returned to China to marry and some even brought over their families. Many of these returnees spoke of the opportunities in the "new world" and caused a "snowballing"

effect in the migration to the State.

During the late nineteenth and early twentieth centuries, Chinese migrants were largely young males. Except for those who could afford the trip back to China to marry, settling down with indigenous wives was a popular option, as was the case with overseas Chinese elsewhere (Teo and Sullivan 1988; Lebra and Paulson 1980; Pan 1991). Indeed, intermarriages between the Chinese and the indigenous people occurred even before the beginning of Chartered Company rule. St. John (1863) mentioned "many Bisayas, Muruts of Klias, Padas, Membakut and Putatan who could speak Chinese fairly well, and who acknowledged their mixed decent from the Chinese and Aborigines". But intermarriages and long periods of association did not give rise to cultural integration to any extent. Economic and political roles are still distinctly identified with ethnic origins, with the indigenous inhabitants engaged mainly in agriculture, forestry, hunting and fishery and the Chinese in commerce and trade.

### **The Colonial Period**

The Chinese were the key agents of economic development in Sabah in the 1950s and 1960s. They dominated the leading growth sectors such as logging, construction, manufacturing, wholesale and retail trade. Their participation in the indigenous-dominated agricultural sector was also fairly considerable, particularly in rubber production, livestock rearing, and the growing of fruits and vegetables.

In 1960, the economically active Chinese numbering 32,563 made up only 18.4 per cent of Sabah's workforce, but they were involved in higher value-added activities. Half of the professional and technical workers were Chinese as against 17 per cent for the indigenous. In sales, the respective proportions were 48 and 10 per cent, while in the service sector, it was 55 and 30 per cent. In contrast, the indigenous were concentrated in the primary sector (agricultural, animal husbandry, forestry and fishery) accounting for 77 per cent of the entire indigenous workforce. Primary industries absorbed 112,652 indigenous workers or 79 per cent of those employed in the sector. The Chinese were most dominant in the wholesale and retail trade (83 per cent of sectoral employment) followed by manufacturing, construction and service-based activities, but in primary industries only 9 per cent of the workers were Chinese.

The Chinese were dominant in professional employment. In 1960, they made up 28 out of the 74 architects, engineers and surveyors in the state. Similarly, they occupied a third of the 33 positions for physicians, surgeons, dentists and medical



specialists, and six out of 11 for lawyers, judges and magistrates. In sharp contrast, the indigenous were completely absent in all these professions but generally dominated fishing, rubber tapping and logging. The only occupations that entailed some professional skills in which the indigenous were more prominent were such government services as fire fighting, the police and security forces, in which they made up 73 per cent of the workforce (Jones 1962).

### **The Economy**

In 1967 the gross domestic product (GDP) of Sabah was RM602 million.<sup>2</sup> The largest sector was the timber industry which contributed 34.9 per cent of GDP, followed by agriculture and livestock (15.5 per cent), wholesale and retail trade (11.1 per cent) and services (9.0 per cent). In comparison, manufacturing contributed only 2.2 per cent, and mining/quarrying was insignificant. It is highly likely that the key growth sectors of the economy such as the timber industry, manufacturing, construction and wholesale and retail trade were essentially Chinese controlled.

The timber industry has been the backbone of the Sabah economy since the late 1950s. In 1958, round timber surpassed rubber as the single largest export item (Figure 1). Its export value of RM103 million exceeded considerably those of rubber (RM41 million) or copra (RM27 million). Indeed, it was the timber industry that laid the basis for rapid economic development of Sabah. With the exception of three years in the 1970s and 1980s, the timber industry consistently yielded more than half of the state revenue which funded government initiatives to establish numerous enterprises in the latter half of the 1970s and early 1980s. Over the last 30 years, the percentage of round and sawn timber comprised a substantial proportion of Sabah's total export. In recent years, downstream wood-based activities such as plywood and veneer have increased sharply especially after the 1993 ban on the export of round logs.

Despite the fact only 12,875 Chinese were involved in the primary sector in 1960, almost two-thirds were concentrated in the lucrative timber industry and the cultivation of industrial crops such as rubber and coconut. In addition, 2,962 of these, especially the Hakkas, supplied much of the vegetables and fruits to the urban centres. In terms of ownership, 28 per cent of the agricultural holdings were held by the Chinese.

The Chinese were typically concentrated in the towns and engaged in a variety of urban activities. In 1960, the largest towns of Sandakan, Jesselton (Kota

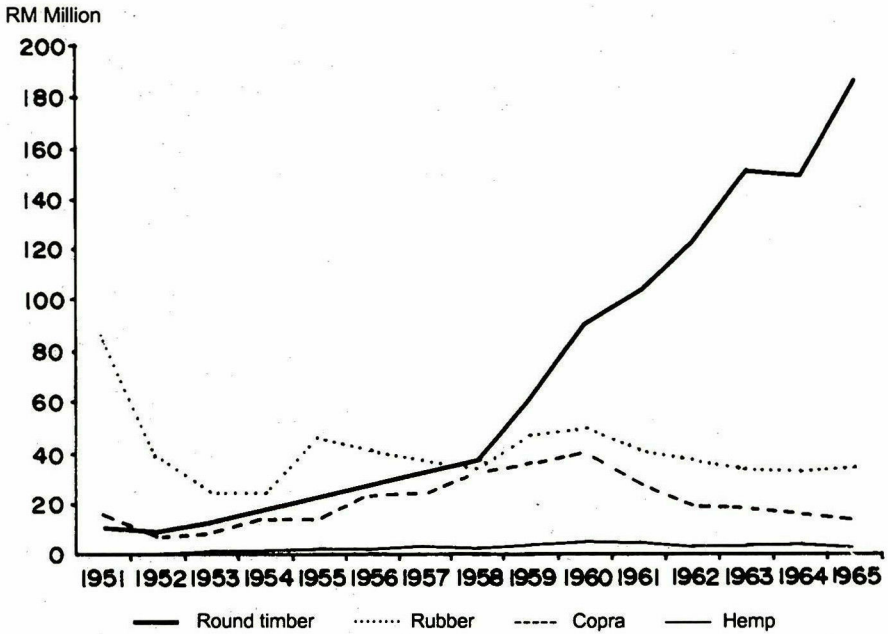


Figure 1. Export of Principle Products, 1951–65

Source: Department of Statistics, Sabah 1965

Kinabalu) and Tawau had a total population of 60,801, and 71 per cent (42,946) were Chinese. These towns enjoyed certain advantages of economies of scale and the concentration of commerce, manufacturing, port and telecommunication, and government service, and allowed the Chinese easy access to the modern urban economy.

The growing economic role of the Chinese in urban areas was enhanced by the rapid growth of the Chinese community in the first half of the twentieth century. Between 1911 and 1960, the Chinese population increased by 3.8 times from 27,800 to 104,540 persons, while the total state population doubled from 214,720 to 454,421 persons (Jones 1962). Urban living also afforded easy access to education. Of the school enrollment of 56,285 pupils in 1961, 53.4 per cent were Chinese. Education also enabled the Chinese to engage in higher value-added and higher productivity activities.

## Government

Chinese involvement in government began in 1912 when the first legislative



council was formed by the North Borneo Chartered Company. Of the seven official and four unofficial members, one was Chinese but none among the indigenous peoples (Tregonning 1965). Chinese representation was later increased to two on account of their considerable economic influence in the state. This basic structure of the council was maintained until the outbreak of the Second World War in 1941 (William 1981; Kitingan and William 1989).

Chinese presence in the early legislative council was due the dominance of the community in business and their distinct identity as an influential group. Lee (1976) also attributed Chinese representation in the pre-war legislative council to their propensity for forming associations to the extent of becoming a state within a state. The appointment of prominent Chinese *towkays* as headmen (*Kapitan Cina*) of their community was a recommended course of official action and also in keeping with the practice in British Malaya. While the indigenous were not represented in the early legislative council, they were dominant in the administration of district and native affairs.

In the Chinese community, the link between representation in the legislative council and their economic interests became institutionalized in 1950 when Chinese nominees were elected by Chinese Chambers of Commerce in the state (Lee 1976). The legislative council served more as a forum for the discussion and safeguard of business interest than as a platform for political deliberations. Instead, opinion critical of the government was likely to come from the Rubber Planters' Association and the Chinese Chambers of Commerce rather than the Chinese headmen (Tregonning 1965).

When Sabah became a Crown Colony in 1946, the *towkays* played their appointive and councillor roles with enhanced importance as citizens of the new colonial state. As Governor Sir Roland remarked, "the Chinese are an indispensable part of our population; they belong here ... as full citizens of North Borneo". Citizenship also implied that the Chinese had the right to participate in the government and civil service on an equal footing as the indigenous peoples. Notwithstanding the limited legislative power of the Chinese councillors then, the British and the favoured Chinese could, between them, settle a great part of North Bornean affairs (Lee 1976).

Under colonial rule, the Chinese enjoyed equal rights as the native peoples, and these rights added political clout to their economic influence. The indigenous communities realized that an arrangement that favoured the more advanced Chinese would prove detrimental to their own interests in the long run. Indigenous leaders such as Donald Stephens and Datu Mustapha began to preach the economic and

social salvation of the indigenous people (Lee 1976). They believed the indigenous groups, caught in a spiraling state of poverty, could not escape without special attempts to help them. Thus when Tunku Abdul Rahman put forward the merger of the Federation of Malaya and the British territories in Borneo into a new state called Malaysia, with the assurance that the indigenous peoples of North Borneo would be accorded special rights and privileges, the idea was embraced as a solution to their predicament.

### **Independence through Malaysia: Emergence of the Bumiputra**

With the formation of Malaysia in 1963, the official name of the state became Sabah in place of British North Borneo. Notwithstanding this change of name, the economy of the state in 1960 was "rudimentary" by today's standards. It was only after the end of the Second World War that some of the basic infrastructure and utilities were put in place. Yet socio-economic conditions remained primitive. The 375 kilometres of bitumen road that existed in the state in 1960 left most of the major towns unconnected. Other forms of communication were also equally limited, and air travel was available only from a few large towns. Electric supply was not available in rural areas and there were only 7,163 electricity consumers and 3,320 telephone subscribers throughout the state in 1960. Only 22.2 per cent of the population enjoyed piped water and 7 per cent were served by a proper sewerage system (Department of Statistics, Sabah 1968). Medical, education and housing facilities were grossly inadequate.

Concerted efforts to develop the state began after Sabah's entry into Malaysia. The development plan for 1965-70 specified among other goals the need to "limit and reduce economic and social inequalities, especially through improvements in the living standards and welfare of the poorest and most backward elements of Sabah's population" (Sabah 1965). Development under the sponsorship and direction of the state was to alter the configuration of Chinese economic activities considerably.

Large investments in development projects led to exponential growth rates in GDP terms, which rose from an estimated RM400 million in 1963 (Pang 1989) to RM10,770 million (current price) by 1992. Although the Chinese continued to play a significant role after 1960, the indigenous communities were brought into mainstream development in many forms. This is especially so in 1970 with the launching of the New Economic Policy (NEP) which distinguished indigenous



population as *Bumiputra* and others as *non-Bumiputra*. The increasing involvement of the Bumiputra in trade and industry reduced the identification of the Chinese with certain business and professional sectors. In order to gauge the role of the Bumiputra in the economy and the ways in which it was done would require an understanding of the socio-economic and political relationships between the Bumiputra and the Chinese.

The obvious lack of Bumiputra participation in commerce and industry, and their generally poor social conditions and low income, became the focus of the state and federal governments in their development programmes. Two major sets of instruments were used to boost Bumiputra participation in the economy, namely, government-linked agencies and corporations and the policies and measures implemented under the NEP.

### **The New Economy Policy**

The NEP was by far the most powerful policy to increase *Bumiputra* participation in the economy. Its two explicit goals were to eradicate poverty among all Malaysians and to restructure the Malaysian society so that the identification of economic functions with ethnic groups and geographical locations would be reduced and eventually eliminated (Malaysia 1976).

Launched by the federal government in 1970, the NEP sought to confront widespread poverty and economic imbalances that had generated ethnic tensions in the country. The NEP and its subsequent variant have since served as the cornerstone of Malaysian economic, political and social policies and strategies. In implementing the NEP, the government adopted a strategy of development by trusteeship under which resource allocation and investment priorities were often determined by non-competitive criteria.

The programmes instituted to eradicate poverty were elaborate and affected all sectors of the economy. The strategic thrust of Sabah's socio-economic development programmes was to raise productivity and income of the agricultural sector and to provide opportunities for Bumiputra involvement in manufacturing, construction and services (Sabah 1977). Under the Third Malaysia Plan for Sabah various means were used to assist Bumiputra to partake in mainstream economic development in agriculture, fisheries, forestry and manufacturing. Out of the RM848.9 million development funds allocated for economic development in Sabah, 41.4 per cent was for agriculture and rural improvement and the balance devoted largely to infrastructure construction. Within the agricultural sector, half the allocations went

into poverty alleviation through a comprehensive rural development programme to raise productivity and income. Emphasis was placed on improving existing agricultural production and in developing new land settlement schemes (Voon 1981). Another dimension of the war against poverty was the provision of basic social and physical infrastructure to upgrade education, health services, water and electricity and roads in order to help the economically disadvantaged, especially those in the rural areas, to gain entry into mainstream economic activities. Infrastructure development has always received the largest share of resource allocation under each five-year plan. The impact of this priority in development is seen in significant improvements in basic services and amenities (Table 1). The overall incidence of poverty in the state was reduced from 58.3 per cent in 1976 to 34.3 per cent in 1990. More importantly, significant reductions in poverty were achieved in both rural and urban areas as well as among the Bumiputra and the Chinese (Figure 2).

In attempts to "restructure" society, the chief means by which to amend socio-economic disparities between the Bumiputra and specifically the Chinese

**Table 1. Improvements in Basic Services and Amenities in Sabah, 1970-92**

Services/Amenities	1970	1992
<b>Education</b>		
Number of primary schools	695	990
Number of secondary schools	85	148
Number of vocational/technical schools	2	7
Enrollment in primary schools	110,607	375,686
Enrollment in secondary schools	30,603	113,032
<b>Medical</b>		
Registered doctors	78	393
Registered midwives	322	785
Registered dentists	11	38
<b>Water Supply</b>		
Number of towns served	16	25
Total population served	148,400	913,723
<b>Electricity</b>		
Number of consumers	25,086	180,335
Number of towns served	13	29
<b>Roads</b>		
Total in kilometres (sealed, gravelled, earth)	3267	9,753

Source: *Annual Bulletin of Statistics, Sabah*, various issues.



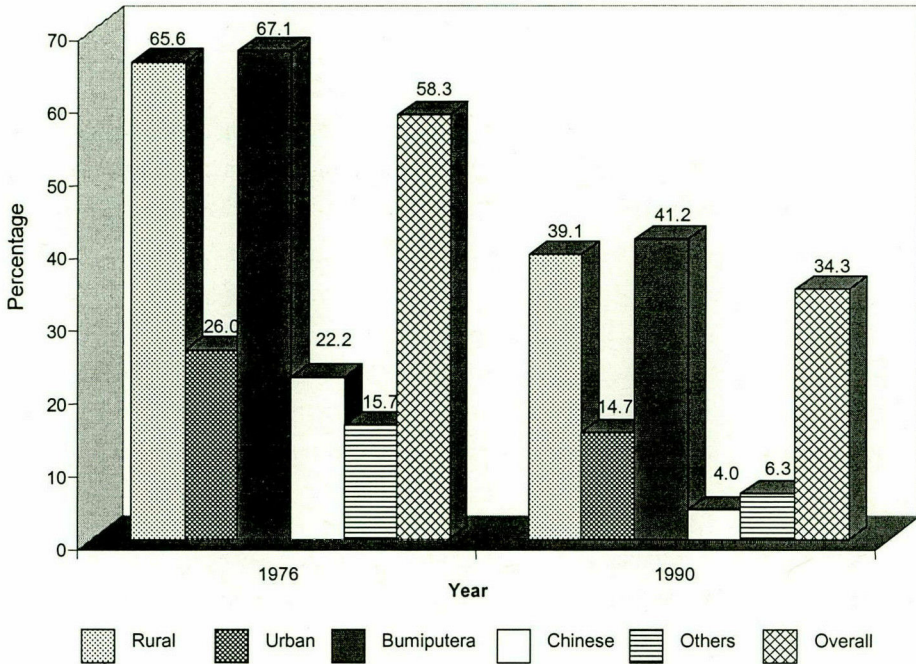


Figure 2. Incidence of Poverty in Sabah, 1976 and 1990

Source: Department of Statistics, Sabah 1968

were through government intervention with particular emphasis on three fronts. The first was a move to match "employment in all sectors and at all levels" with the ethnic composition of the population. Hence public enterprises were established and various programmes were introduced to provide loan and credit facilities and to grant special treatment to Bumiputra in the award of government contracts so as to achieve the desired pattern of employment between Bumiputra and non-Bumiputra. The second was the provision of education and training opportunities to arm Bumiputra with necessary skills. Lastly, a goal was set to raise the level of Bumiputra participation in the corporate sector according to guidelines on the structure of ownership of capital holdings.

**Bumiputra and Government-linked Agencies and Corporations (GLACs)**

Various forms of assistance and amenities were provided to enhance Bumiputra entrepreneurship in the state. A Bumiputra Participation Unit (BPU) was created in 1977 to assist indigenous community to engage in commerce and trade. The PBU

provided professional advice on matters pertaining to investment, assistance on loan applications and advice in planning and formulating strategies for the promotion of Bumiputra participation in commerce and industries.

Loans were also advanced by the Rural Development Corporation and the BPU from 1978 to 1981. Apparently due to problems relating to poor repayment by borrowers, these loans have since been suspended. Instead loans for business enterprises were advanced by banks and financial institutions. Between 1981 and 1984, RM3.3 billion was loaned to Bumiputra through the Credit Guarantee Corporation and the Special Loan Schemes that dispensed with the need for collateral, and a third was given out to Bumiputra. In 1984, for instance, Bank Negara (Sabah) provided loans to Bumiputra amounting to RM450 million, or about 28.0 per cent of the aggregate loan approved by both banks and financial institutions in the state. A total of 7,941 Bumiputra benefited from this provision or 38.0 per cent of the total number of borrowers. Loans extended to Bumiputra by banks and financial institutions went largely into financing investments in hotels and tourism, livestock rearing, agriculture, transportation, construction and retailing. In 1984 alone, there were 2,703 Bumiputra who ventured into these areas and they made up 46 per cent of the total number of investors.

The establishment of Government-linked Agencies and Corporations (GLACs) was another measure to encourage Bumiputra to invest especially in industrial, commercial, trading and financial activities. The role of GLACs was based on the fact that the public sector would act as a catalyst to the development of the private sector and to participate directly in commerce and industries. The public sector would therefore ensure proper allocation of resources to facilitate economic growth, provide more opportunities for employment and to bring about a more balanced development among regions as well as among economic groups (Sabah 1977).

Although the creation of the earliest GLACs preceded the NEP, the oldest being the Sabah Rubber Fund Board set up in 1950, their number increased rapidly in the 1970s and 1980s (Table 2). By 1987 a total of 121 GLACs had been set up but there had been no significant additions in recent years. The majority of the GLACs were the product of the 1970s. That on average one or more GLAC was established a month between 1978 and 1981 clearly indicated the government's intention and priority to hasten Bumiputra entry into all areas of economic activities (Appendix 1). Most GLACs were mandated to achieve specific socio-economic goals. The large number of GLACs in rural-based activities confirmed the priority of the government to change the plight of the indigenous communities.

A massive allocation of RM6 billion was granted to GLACs to carry out their



**Table 2. Establishment of Government-linked Agencies and Corporations, 1950-87**

Year of Establishment	Number of Agencies / Corporations
1950	2
1955	2
1958	2
1962	1
1968	3
1970	3
1971	1
1972	5
1973	1
1974	10
1975	2
1976	4
1977	6
1978	14
1979	14
1980	12
1981	10
1982	8
1983	5
1984	5
1985	9
1986	2
1987	2

Source: Khalil 1992

mandate. An examination of the biggest GLAC, the Sabah Foundation, would reveal the scale and scope of their operation. In 1992, Sabah Foundation achieved a turnover of more than RM1 billion and a pre-tax profit of RM123 million. While it is involved in commercial activities in the agricultural, forestry, manufacturing, construction, shipping and tourism sectors, its social functions were also impressive. In education, the Foundation spent RM13.4 million between 1967 and 1992 on scholarships and the construction of hostels for 29,922 students to enable them to complete secondary school education, and at the same time RM35.6 million was spent to pay for the secondary education of 3,816 students to pursue their studies in Peninsular Malaysia. In higher education, 1,297 students benefited from scholarships worth RM90.2 million, and an allocation of RM74.5 million was

invested in the form of loans to 3,121 students. Additionally, the Foundation performed various other social roles such as the distribution of milk and stationeries to pupils, support of wildlife conservation programmes, research projects, upgrading of skills and in entrepreneurship development (see Pang 1994).

### **Changing Fortunes of the Chinese in the 1980s and 1990s**

The lack of statistics hampers a comparison of the economic status of the Chinese and Bumiputra in the post-NEP era in the 1990s. Collection of statistics on educational and various socio-economic conditions according to ethnic breakdown in the 1960s was discontinued in the 1980s and 1990s. From the scanty information available it is only possible to gauge the broad economic standing of the Chinese relative to the Bumiputra in the 1950s and 1960s and in the more recent period.

Between 1960 and 1980, the entry of Bumiputra into practically all occupational categories occurred at a much higher rate than the Chinese (Table 3). The increase was especially significant in the professional, technical and clerical categories, and was more than five times faster than the case of the Chinese. The trend was made possible by the shift of indigenous people from agricultural into the urban and higher value-added activities. The same trend may be viewed in terms of industrial groups. The fastest rate of increase of Bumiputra workforce was seen in the community, social and personal services sector followed by the wholesale and retail trade, manufacturing, mining and quarrying and other services sectors. It was only the financial, insurance and real estate sectors that employment of the Chinese registered any significant increase during the same period. In the 1961-1992 period, the Bumiputra workforce rose 2-3 times faster than that of the Chinese in industry and commerce and in government.

### **Wither the Sabah Chinese?**

The structure of the Sabah economy today has been shaped largely by the Chinese, particularly in the last 50 years. The Chinese were also active in government. Their influence was so dominant as to have prompted the government, both at the state and federal levels, to help the indigenous population to catch up with the Chinese through powerful instruments such as the New Economic Policy and the a host of state agencies. The state government's assumption of a central role in economic matters and the reliance on ethnically-oriented developmental policies



**Table 3. Number of Times of Increase in Employment among the Indigenous and Chinese by Industry, Sabah, 1960-80**

Major Occupational Category	Indigenous	Chinese
Professional, technical and related workers	14.6	2.9
Administrative and managerial workers	5.8	5.8
Clerical and related workers	20.6	4.0
Sales workers	10.6	2.0
Service workers	8.5	1.2
Agricultural, animal husbandary, forestry workers and fishermen	1.4	1.2
Production and related workers, labourers	6	-0.5

Source: Compiled from Jones 1962 and 1980 Population Census for Sabah

to improve the standard of living of the Bumiputra have a direct bearing on the non-Bumiputra communities. In the process of realizing the objectives of these development policies and redefining the economic boundaries of ethnic groups, what does the future hold for the Sabah Chinese? The position of the Chinese may be examined from the aspects of the basic nature of government economic policies and the structure of this community as an economic entity. The Chinese would need to formulate broad economic policies and strategies to cope with policy changes.

We will argue that even though the Chinese are likely to make greater strides in the economic than political arena, they need to place national interest first and then determine how best to play their role in the process in the context of the NEP economic restructuring and income redistribution as the basis or prerequisite towards political stability and national unity. National interests in the form of political stability and unity are essential so that Chinese interests are not jeopardized.

Since the introduction of the NEP, Malaysia has made significant economic and social progress. Nevertheless, socio-economic restructuring will continue in the form of specific official policies and strategies. The government would need to recognize that the nation's interests and those of the Chinese are consistent and compatible. The point of convergence of these sets of interests would be based on generally accepted principles. There is indeed a great degree of consensus that the underlying principle of the NDP and other policies that would be mutually beneficial to all is one that is based on social justice.

Drawing from Tawney (1938), there are two principles of justice that may be suggested as the basis for developing a fair and workable post-1990 society. The

first is that each person is to have an equal right to the most extensive liberties compatible with similar liberties for others. The second is that social and economic inequalities are to be addressed to everyone's advantage, and appointment to offices and positions equally open to all under conditions of equality of opportunities.

The first principle defines equal liberties of citizenship to be founded on justice whereby the basic liberties of citizens are, generally, political liberty such as the right to vote as well as the freedom of speech, assembly, act and work in one's own interest on the condition that one respects similar liberties of others. Also, citizens who enjoy "equal liberties" have equal chances of using to the full their natural talents of physique, of character, and of intelligence.

The second principle addresses the issues of social and economic inequalities with respect to income, wealth and opportunities. Redressal is to be carried out by way of equality of opportunities to all so that all citizens will have at least similar opportunities to desired social positions and equal prospects for attaining economic goals.

To appreciate the implication of the social justice principle in the context of the NEP, take the case the conditions of equality of opportunity. This would mean that instead of emphasizing the quantitative aspects of Bumiputra and non-Bumiputra dichotomy in commerce, official focus should be to develop an entrepreneurial group of Bumiputra businessmen who could compete openly in the market place. Similarly, in human resource development, concern should be with quality rather than quantity. The fundamental strategic shift should be from a quota to a more efficient system based on incentives and merits (as is already done in the entry to local universities since 2003). Any deviation from such a framework may mean compromising on Malaysia's move towards a developed nation. It would also undermine Malaysia's competitiveness internationally and thus hamper the nation's rate of economic growth and development.

Essentially, for the Chinese to maintain or increase their economic role domestically and globally, they must be able to engage in higher value-added activities. In many business activities in which the Chinese are traditionally dominant, such as wholesale and retail trade or services, have limited value-added potentials. To progress, the community must explore and undertake knowledge- and skills-based activities, to produce differentiated and high value-added goods, and to compete in the regional and global markets. In order to do so requires a high degree of competence. To be successful in exporting any particular product requires a range of production skills, raw material sourcing and technology as well as an excellent understanding of the world of niche markets and how similar goods are



being produced and sold elsewhere. In addition, since the environment is likely to be highly competitive, the risks are high. A popular first-step in breaking into the world product market is through original equipment manufacturing where the buyer of the product gives the manufacturer the necessary production technology and skills in return for products at a competitive price. There are other channels of technology, skills and market access such as licensing and franchising which Malaysian firms could explore. The Chinese in Sabah may also explore other avenues or acquire technology and skills from successful companies in Peninsular Malaysia, or invite medium-sized firms to Sabah on a joint venture basis. Larger corporations could similarly be invited to Sabah to explore the potential of the vendor system.

### Conclusion

The framework to secure the economic future of the Chinese in Sabah would be as relevant in the 1980s and 1990s, when the NEP was in effect and before the impact of globalization and the knowledge economy was evident, as it is today and even more so in the years ahead. The future for the Sabah Chinese remains bright as long as the age-old entrepreneurial and competitive spirit remains burning. Competition and the pursuit of knowledge are among the defining values of Chinese culture and these values will serve the Chinese community well in the competitive age of globalization.

### Notes

- 1 This may not be so after 1980 as all the indigenous ethnic groups, including Filipinos, have been classified under the general category of *Pribumi* during the census (see Regis 1989).
- 2 Although the Department of Statistics published its first set of GDP figures for Sabah only in 1967, the economic structure in earlier years would be similar.

**Appendix 1 – Selected Government-linked Agencies and Corporations by  
Economic Sector, Sabah**

1. Agriculture and livestock	Korporasi Pembangunan Desa, Ladang Sabah Sdn. Bhd., Sabah Land Development Board, Sabah Rubber Fund Board, Turan Crumb Factory
2. Forestry and logging	Sabah Forestry Development Authority, Yayasan Sabah
3. Fisheries	Sabah Fish Marketing, Ko-Nelayan, Jayadiri
4. Manufacturing	Sabah Economic Development Corporation, Ceramica Solare, Cement Industries Sabah, Flour and Feed Mill, Sabah Forest Industries, United Rubber Corporation, Norsechem
5. Mining and Quarrying	Mamut Copper Mining
6. Electricity, gas and water	Sabah Gas Industries Sdn. Bhd., Sabah Energy Corporation
7. Construction	Sabah Economic Development Corporation, Sabah Urban Development Corporation, Town and Housing Development Authority, Borneo Development Corporation
8. Wholesale and retail trade	Sabah Economic Development Corporation, Perkasa Trading, KOJASA, SAMA
9. Restaurants and Hotels	Kinabalu International Hotel, Tanjung Aru Beach Hotel, Perkasa Hotel Kundasang, Keningau and Tenom
10. Tourism/Services	Sabah Tourism Promotion Corporation, Sabah Parks, Sabah Ports Authority, Sabah Air, Sabah Medical Centre Sdn. Bhd.
11. Insurance, banking and finance	Sabah Finance, Sabah Bank Bhd., Sabah Development Bank, Borneo Housing Mortgage and Finance, Progressive Insurance Sdn. Bhd., Sabah Credit Corporation.

Source: Khalil 1992

## References

- CHEW, Daniel 1993. Chinese: Changing the face of North Borneo. In *East Malaysia and Brunei*, edited by Wendy Hutton. Singapore: Periplus Edition.
- Department of Statistics, Sabah 1968. *Annual Bulletin of Statistics, Sabah 1965*. Kota Kinabalu.
- Department of Statistics, Malaysia 2001. *Population and Housing Census of Malaysia 2000: Population Distribution and Basic Demographic Characteristics*, Putrajaya.
- GUDGEON, Peter Spence 1981. Economic development in Sabah, 1881-1981. In *Commemorative History of Sabah, 1881-1981*, edited by Anwar Sullivan and Cecilia Leong, Kota Kinabalu: Sabah State Government.
- HAN Sin-Fong 1975. Hailam Chinese in Sabah: A study of occupational patterns and changes. *Journal of Southeast Asian Studies*. VI(1): 25-37.
- JONES, L.W. 1962. *Report on the Census of North Borneo, 1960*, Kuching.
- KHALIL 1992.
- KITINGAN, J. G. and WILLIAM, G. 1989. Development of the administrative system in Sabah, 1963-1988. In *Sabah 25 Years Later, 1963-1988*, edited by Jeffrey G. Kitingan and Maximus J. Ongkili. Kota Kinabalu: Institute for Development Studies.



- LEBRA, Joyce and PAULSON, Joy 1980. *Chinese Women in Southeast Asia*. Singapore: Times Books International.
- LEE, Edwin 1976. *The Towkays of Sabah - Chinese Leadership and Indigenous Challenge in the Last Phase of British Rule*. Singapore: Singapore University Press.
- LEONG, Cecilia 1982. *Sabah: The First 100 Years*. Kuala Lumpur: Percetakan Nan Yang Muda Sdn. Bhd.
- Malaysia, Government of 1976. *Third Malaysia Plan 1976-1980*. Kuala Lumpur: National Government Printers.
- ONGKILI, James P. 1993. Early history: Ancient Chinese trading links. In *East Malaysia and Brunei*, edited by Wendy Hutton. Singapore: Periplus Editions.
- PAN, Lynn 1991. *Sons of the Yellow Emperor*. London: Mandarin Paperback (reprint).
- PANG Teck Wai 1989. *Sabah 25 Years Later, 1963-1988*. In *Sabah 25 Years Later, 1963-1988*, edited by Jeffrey G. Kitingan and Maximus J. Ongkili. Kota Kinabalu: Institute for Development Studies.
- 1994. Formation and transformation of Sabah Foundation: The single largest social and business group in Sabah. In *The Development of Bumiputera Enterprises and Sino-Malay Economic Cooperation in Malaysia*, edited by Hara Fujio. Tokyo: Institute of Developing Economies.
- RAFFAELE, Paul 1986. *Harris Salleh of Sabah*. Hong Kong: Condor Publishing Pty. Co.
- REGIS, Patricia 1989. Demography. In *Sabah 25 Years Later, 1963-1988*, edited by Jeffrey G. Kitingan and Maximus J. Ongkili. Kota Kinabalu: Institute for Development Studies.
- Sabah, State of 1965. *Sabah Development Plan, 1965-1970*, Kota Kinabalu: Sabah Government Printers.
- 1977. *State of State: Third Malaysia Plan 1976-1980*, Kota Kinabalu: Chief Minister's Department.
- ST. JOHN, Spencer 1863. *Life in the Forest of the Far East, Vol. II* cited by Anwar Sullivan and Patricia Regis, Demography. In *Commemorative History of Sabah, 1981-1981*, edited by Anwar Sullivan and Cecilia Leong. Kota Kinabalu: Sabah State Government.
- TAWNEY, R. Henry 1938. *Religion and Rise of Capitalism*. West Drayton: Pelican Books.
- TEO, C.K. and SULLIVAN, A. G. 1988. *Sabah: Land of the Sacred Mountain*. Kota Kinabalu: Sabah Handicraft Centre.
- TREGONNING, K. G. 1965. *A History of Modern Sabah (North Borneo 1881 - 1963)*. Singapore: University of Malaya Press (second edition).
- VOON Phin Keong 1981. Rural development programme in Sabah, Malaysia, with reference to the 1970s, *Malaysian Journal of Tropical Geography*, 3: 53-67.
- WHELAN, F. G. 1970. *The Story of Sabah*. Kuala Lumpur: Oxford University Press.
- WILLIAM, V. Gabriel 1981. The general state administration of Sabah 1881-1981. In *Commemorative History of Sabah, 1881-1981* edited by Anwar Sullivan and Cecilia Leong, Kota Kinabalu: Sabah State Government.