

# The slaughter of sacred cows

Some cherished policies are being re-examined *ECONOMIST 7.5.4.2003*

IS DR MAHATHIR an old man in a hurry? It certainly seems so. With his long reign drawing to a close, he has been reversing some of his party's most cherished policies, perhaps secure in the knowledge that it is his successor who will have to deal with any backlash.

Malaysia is probably the only country in the world with racial discrimination explicitly written into its constitution. The Malays—or to be more accurate, the *bumiputras*, or “sons of the soil”, a term that covers not only the Malays but other indigenous ethnic groups as well—felt themselves at a serious disadvantage when independence came in 1957. Under British protection, Malaysia's Chinese traders and businessmen had prospered. The *bumiputras*, who lived mainly in the rural areas and had little access to education, owned only 2.5% of the country's corporate assets, against over 30% for the Chinese. (Foreigners, mainly British, owned the rest.)

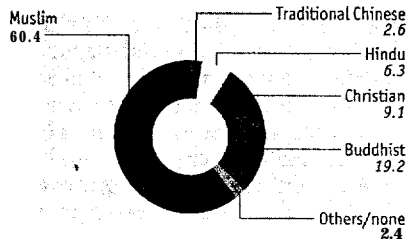
On May 13th 1969, simmering tension between the Malays and the Chinese burst on to the streets. By the end of that day, 200 people were dead, and Malaysia was on its way to adopting a wide-ranging policy of positive discrimination. Launched in 1971, the New Economic Policy (NEP) reserved the lion's share of government jobs and university places for *bumiputras*. Publicly quoted companies had to ensure that at least 30% of their shares were held by this group, and to hand out a similar share of jobs to them. At the same time the government “Malayised” education: Malay schools had to teach solely in Malay, not English, though Chinese-language primary schools, paid for by the government, and Chinese secondary schools, mainly funded by the Chinese community, were allowed to continue as before.

These policies have had a big impact, not all of it as planned. Counterproductively, the education provisions have kept Malay and Chinese children apart, because they are educated in different establishments and in different languages. Not many Chinese go to the national universities either, partly because of the language issue, but mainly because there is a quota system. Although this has been relaxed in recent years, so that only 55% of places are

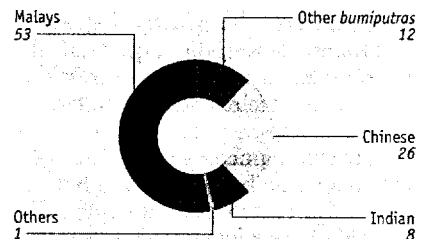
## Malaysia's mix

Composition of population, % of total, 2000

By religion



By ethnic origin



Source: Malaysian Department of Statistics

now reserved for *bumiputras*, the Chinese are far more likely to send their children to university, so a Chinese student needs much better grades to be sure of a place. The solution until recently has been for tens of thousands of young Chinese Malaysians to be sent to study abroad, at great expense. For the Malays, the consequent decline in the standard of English has become quite marked.

The NEP and its successor plans have also left their mark on business, again not quite as intended. Chinese companies have, by and large, chosen to stay small and private, rather than growing to the point of having to comply with the NEP's requirements. At the same time, the encouragement given to Malay businessmen has led to some spectacular and expensive misjudgments. Critics argue that the NEP promoted crony capitalism (see the next article), with asset sales, cheap credit and large contracts being directed to a favoured few ethnic Malays. The Asian economic crisis in 1997-98 exposed the consequent weaknesses.

## Learning to love the NEP

Even so, it appears that Malaysia's Chinese have come to accept the NEP. For all its limitations, the Chinese in Malaysia think themselves better off than in neighbouring Thailand or Indonesia, where they had to assimilate completely. In Thailand, they were forced to take Thai names: if you did not know that, you might think there were no Chinese in Thailand at all. In Indonesia, most manifestations of Chinese culture

(though not names) were suppressed: at one time, it was illegal to import Chinese books or papers. Even so, Indonesia experienced repeated pogroms. “If the NEP is the price we pay to keep our culture and live safely, it is not a bad price,” says one Chinese businessman. “The policy has actually helped us,” argues Ng Lip Yong, a Chinese member of parliament. “It has made us more resilient, more competitive. We have had to fight the handicaps, and it has made us tougher.” No business could sound more Malay than Royal Selangor, Malaysia's famous pewter-maker, but it is owned and run by a Chinese.

Politically, too, the Chinese are well placed these days. The success of the PAS Islamists has meant that, in effect, the Chinese (and other non-Malays) hold the balance of power between the two big Malay parties, PAS and UMNO. Ling Liong Sik, the leader of the Malaysian Chinese Association, which is part of the ruling coalition, says that his members are less bothered about the restrictions than they used to be. No Chinese, for instance, would want a civil-service job anyway, and there are now so many private universities in Malaysia that would-be Chinese students no longer have to go abroad.

In any case, the days of the NEP now appear to be numbered. In a famous book published in 1970, “The Malay Dilemma”, Dr Mahathir, who had just been expelled from UMNO for criticising the leadership, argued that Malays had to decide “whether they should stop trying to help themselves in order that they should be ▶▶

pride to be the poor citizens of a prosperous country, or whether they should try to get at some of the riches that this country boasts of, even if it blurs the economic picture of Malaysia a little". In the 1970s, UMNO chose the second of those options. But Dr Mahathir called it a dilemma advisedly, and it seems that he still sees it as one. At any rate, the first option now seems to be finding increasing favour.

For the past couple of years, Dr Mahathir and Mr Badawi have been calling on Malays to "throw away their crutches". If anything, Mr Badawi believes this even more strongly than his boss. In 2000, he was the first to break the taboo, describing the NEP as "mollycoddling", and extolling the virtues of competition. Mr Badawi says that bumiputras now own 23% of Malaysia's assets. That is less than the 30% target that was supposed to be achieved by 1990, but the government seems to think that discrimination has done its work.

#### Rules are for bending

The relaxation of the university quota is one sign of this, but there are others. In high-tech, for instance, the terms of the NEP do not apply to the huge area designated by the government as a Multimedia Super Corridor, where all sorts of tax breaks are available. In principle, most public businesses, for instance stockbrokers, have to ensure that 30% of their staff are bumiputra. "In practice, it isn't really like that," says one broker. "I go along to the central bank, and I show them that we have advertised for bumiputra stock analysts, but that we haven't been able to find any with the right qualifications. They never actually fine us."

Even the requirement that 30% of a firm's equity be held by bumiputras is not as arduous as it seems. For instance, it does not apply to foreign firms manufacturing for the export market. And where it does apply, these days an increasing number of well-managed bumiputra firms can be drawn in as partners.

None of this is to suggest that race relations in Malaysia are perfect: far from it. It seems invidious, for example, that Malaysia's political parties are all race-based (a few of the small parties claim to be otherwise, but Keadilan is overwhelmingly Malay, Gerakan and the DAP are overwhelmingly Chinese).

The past year has also seen a first-class inter-racial row on the subject of schools. It is difficult to overestimate the importance of education in Malaysia, because it cuts to the heart of both religious and racial tensions. That is why the job of education minister, considered something of a backwater in most countries, carries huge weight in this one. Dr Mahathir once held the job, as did his predecessor as prime

minister, Hussein Onn. Anwar Ibrahim held it, and so did Mr Badawi. The latest dispute was over another of Dr Mahathir's attempts to unravel a cherished policy from the past: the teaching of English. This year marked the start of the re-introduction of English as a language of instruction in Malaysia's primary schools, to the vigorous opposition of nationalist Malays and Chinese alike. Dr Mahathir inherited the Malay education policy, as he did the NEP, when he became prime minister in 1981, but has felt bold enough to change it only towards the end of his long tenure.

In the event, the loudest protests came from the Chinese, whose schools have had to fend off many assaults on their independence, and the government had to give ground to them. Maths and science classes in Chinese primary schools will continue to be taught mainly in Chinese, though there will be extra tuition in English in those subjects. To the MCA and Gerakan, this demonstrates that being inside the BN coalition confers real benefit, and that the Chinese are becoming more equal. ■