

Race Relations in Malaysia

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For a country on the equator, Kuala Lumpur is especially hot these days. A recent report on race has stoked debate on the country's longstanding affirmative action policies. That's the good news. The bad news is that these policies are likely to endure for a long time yet.

Last week, the Asian Strategy and Leadership Institute, a Kuala Lumpur-based think tank, issued a report showing that Malays own 45% of total corporate equity. The report examined shareholdings in more than 1,000 companies listed on the Kuala Lumpur stock exchange. The institute also counted government-linked companies, which dominate Malaysia's corporate land-

scape, as Malay-owned.

The think tank's findings challenge the government's contention that Malays control only 19% of the country's corporate equity. And its findings are way above the goal set by Prime Minister Abdullah Badawi, who is following Malaysia's 1971 New Economic Policy agenda. That plan calls for Malays to own 30% of total corporate equity by 2010—a stab at equalizing the balance with the Chinese population, which is a quarter of the population and controls 40% of the country's corporate equity, according to the government.

True, there are different ways to cut the economic pie. The government's economic policy unit surveyed more than

600,000 privately and publicly held Malaysian companies in 2004 and found that Malays own only 19% of total equity. And Kuala Lumpur takes issue with the institute's inclusion of government-linked companies into its findings.

But in a free society, there's room for debate—and it's rare for a prime minister to get so personally involved. Mr. Abdullah's government, however, has a lot at stake. During his recent five-year development speech, the prime minister predicted it may take until 2020 before the 30% target can be met. That message sat well with the Malay majority, upon whom Mr. Abdullah's political power rests.

Earlier this month the prime minister called for the think tank to retract the re-

port. Last week the institute's president, Mirzan Mahathir, acquiesced, claiming its conclusions could not be "vigorously justified." That was news to Lim Teck Ghee, the institute's director, who stood by his findings and tendered his resignation. So much for independent research.

Malaysia's affirmative action policies are meant to end poverty, redress inequality and foster harmony within Malaysia's multiracial society. But history shows racial quotas only breed contempt and a sense of entitlement.

If Malaysia wants to empower its Malay majority, it would be better off letting them compete than giving them hand-outs. But as this think tank flap shows, that's a debate that's yet to be aired.