

**KEYNOTE SPEECH BY TUN DR. MAHATHIR MOHAMAD AT
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Assalamualaikum and a very good morning to everyone. I would like to thank the organisers, Perdana Leadership Foundation and MARA University of Technology (UiTM) for this invitation to talk on “The Future of Affirmative Action”. I always believe that if you want to talk about the future, you must know the past. Otherwise you don’t know where you stand, and when you don’t know where you stand and you don’t know what has happened in the past, you may think that you are going forward but in fact, you are actually going backwards.

Let me say a few things about the past.

The idea of Affirmative Action arose after the riots of 1969, which involved a confrontation between the Malays, the Chinese and the other races. It was imperative that we learned something from this riot. The situation was bad and many people were killed. What was the lesson learnt in order for us not to have any more of such riots? We came to the conclusion that disparities were the reason behind the confrontation.

There were initially ethnic disparities. In our country, we accept that people will continue to identify themselves with their countries of origin, and it was found that the people of Chinese and Indian origin were far better off than the indigenous Malays. Because of this, there has always been resentment from the Malays towards the non-Malays. And this, I think, was reciprocated. In any society, even within a single ethnic group, there will be confrontation between the rich and the poor. But if these confrontations are amplified by the fact that the rich belongs to one race and the poor belongs to another race, the tension will lead to confrontations and the violence would be much greater.

I’d like to illustrate this by drawing a square. You draw a square, and then you divide the square into four squares of equal size, by dividing along the midlines on the north and the south, then the east and west. Now, the lower squares represent the poor, the upper squares represent the rich; obviously there will be a confrontation between the lower squares and the upper squares. On the other hand, if one square in the upper square is much richer and one lower square is the opposite, then the potential for confrontation is that much higher because confrontation or animosity on the part of the poor against the rich will be amplified by the fact that they are of different races.

This was the diagnosis of the causes of the 1969 race riots, and the factors that need to be corrected. We cannot change our race, we cannot change our ethnicity, and we definitely can't change the Chinese to become Malays or Malays to become Chinese. But we can reduce the disparity between the rich and the poor. It is not something difficult. Even in the single ethnic countries, when there are confrontations between the rich and poor, the solution lies in trying to reduce the disparity between the rich and poor. If you reduce the disparity, the potential for confrontation will decrease.

That is why we now have ideologies such as socialism and communism. What is socialism? It is about gathering the poor people together in order to confront the rich and reduce the wealth of the rich so that the disparity between the rich and poor become less. In the communists' ideologies, it's the same thing. It's not just a confrontation, they actually have an uprising. The revolution in Russia in 1970 was a very good example where the Tsar was killed and all the elites and the aristocrats were also killed.

Another example was in 1789, during the French Revolution. The confrontation was between the rich and poor, when the disparity between the rich and the poor was very big. The confrontation ended up in violence and resulted in a civil war. We know that the potential for violence between the different groups in Malaysia is much greater because the rich belongs to one race and the poor belongs to another race. This needs to be corrected. We cannot change the race, therefore we decided to reduce the disparity in terms of wealth between the rich and the poor. This is easily said than done. We could have become another Socialist country, adopting the Socialist method of dispossessing the rich in order to give to the poor. But we are not Socialists; the Socialists did not do well either. Communism was out of the question, it was not something that we believed in. We decided to invent and devise our own ways of solving and reducing this disparity between the rich and poor. We concluded that the best way would be through Affirmative Action.

What is Affirmative Action?

It is to recognise the need for certain actions to be taken which may become discriminatory. You have to discriminate in order to achieve parity and equality. In socialism, the discrimination against the rich is by taxing them in order to give to the poor.

There was a time in Britain when taxes on the rich were 99%; for every pound that rich people earned, they had to pay 99 pence to the government through tax. That was in order to reduce the wealth of the rich. But that is not going to be a good thing because when you disposes the rich to give to the poor, the total sum doesn't increase. It remains the same because you are taking from one to give to the other.

What we needed was to grow the economy. From the growth, we could give more to the poor and less to the rich; you are not taking away (from the rich) but you are just simply not giving as much to the rich as they think they are entitled to have. Then we may be able to reduce that disparity. That was why we adopted the idea of Affirmative Action and we tried to interpret it in ways that are within the government's jurisdiction. The government of course has certain powers to rearrange the economic scene in the country. In order to enrich the poor, we had to discriminate against the rich in favour of the poor. The idea is not by taking away from the rich, but by giving more to the poor than to the rich.

Let's take education, for example. During the period of British colonisation, there were no such attempts to establish affirmative action but I suspect that even they realised the need for it. This is because I was a recipient of Affirmative Action during the time of the British. When I went to the Medical College in Singapore, out of the 70 students, there were 7 Malay students, and the qualifications of these Malay students were much lower than the non-Malay students. I had the best results (of all the Malays) - I had 3As, but all the other boys, the Chinese and Indians all had 6 to 7As. So it seemed that the British knew that I was not among the top students and they selected me not based on merit but on the need to have a Malay doctor. That is why they gave us a chance. There were seven of us but unfortunately not all of us got through. But the seven of us were the result of the British version of Affirmative Action, which was not announced as Affirmative Action.

But in an independent country, we have the authority; we could enhance this approach by actually giving more places and opportunities in university to Malay students even if their qualifications are not the best. The top students may be the non-Malays, be it the Chinese or the Indians; the Malay students, however, did not score the highest marks. Though a few of them did brilliantly, theirs were not the general results. The general results were that the Malay students' qualifications were lower. It did not mean they were not qualified – they were qualified to enter university to further their studies, but there were better students among the non-Malays.

How do we deal with this? Obviously there will be some dissatisfaction among the non-Malays because you have to give away places to people who are less qualified than them. This obviously makes them feel discriminated against, despite the fact that we are not taking away from them, but instead, we are just not giving as much to them. This (policy) has resulted in more Malay students in universities. These students came from villages, with very poor backgrounds and such. Maybe they were not as high-achieving as the non-Malay students, but they were qualified.

Through this policy, we managed to correct the imbalance in terms of educational qualifications. For that reason, from Malay doctors constituting only 2 percent of doctors in the country, 40 percent of the doctors in Malaysia today are Malays and other indigenous people. 60 percent are non-Malays, with the Indians the majority because of their love for the field of medicine.

The fact is that because we discriminated by applying affirmative action, we gave qualified Malays more opportunities to correct the imbalance between the Malays and the non-Malays in Malaysia in terms of education. Education is the gateway for people to advance and succeed in life.

Today, it is well known that the non-Malays are not satisfied with affirmative action because 60-70 percent of students in universities are Malays, and there are lots of non-Malays who are better than them in terms of qualifications but who have not been admitted into university. During my travels, when I visit the UK for example, many of the Malaysian students there are non-Malay students. They said that they are studying in UK supported by their families. There are many non-Malays who are qualified to go to university but because of affirmative action which gave the Malays more opportunities, a lot of these non-Malay students who come from poor families are unable to enter university.

To balance affirmative action in education, we decided to have institutions of higher learning in Malaysia through a twinning arrangement with foreign universities. This is an initiative to reduce the cost of education. By spending 2 years in Malaysia and 1 year in the foreign university, the cost of education is reduced so much that even non-Malay parents who initially were unable to send their children abroad could send their children to any local university and get the university degrees from well-known international universities.

Eventually this twinning arrangement became unnecessary because our local private universities began to achieve the same standard as foreign universities. Today we have many prestigious private universities in Malaysia. As for local government universities, the government has taken the

initiative to reduce the quota for Malays except in MARA. MARA is of course balanced by Universiti Tunku Abdul Rahman. But in general, if you take a census of all students in university, I'm afraid that the imbalance is still there. The number of Malays going to university is less than the number of non-Malays.

But nevertheless, the idea of affirmative action in giving more scholarships to Malay students has enabled us to reduce the disparity in terms of educational qualifications between the Malays and the non-Malays. There is also an increased number of local institutions which previously had collaborated with foreign universities but which has now become full-fledged universities.

However, there are also problems in terms of business. The business field is generally dominated by the Chinese, because they have the business acumen and skills to run businesses. But the Malays were without any business background. So how do you get Malays into business? The government's initiative was to give them APs – Approved Permits to import cars, because in the past, there were no Malays who were involved in selling cars at all because people who had the dealership monopoly for foreign cars felt that they should not give their agencies to Malays who were not experienced in this field. Therefore, there were no Malays involved in the automotive industry in the past.

Due to this, the government created 'Approved Permits' for the Malays to import reconditioned cars from Japan and sell it. This was an opportunity for them, but when you give such a thing to a person who has no capital, he cannot import (the cars). So this person applies for the AP but he has no capital, no idea of how to start the automotive business and had little to no experience and so, he sold the APs. That's the easiest way out. Selling APs is a good source of income and I know some people can easily make up to RM80,000 a month, just by selling APs. But when you get money easily, it doesn't stay for very long with you. Out of the many APs that were given to the Malays, a few did venture into the automotive business. The evidence of that is a company like NAZA which made use of the APs and actually bought APs from other Malays in order to grow their business. Today you can see that if every other Malay were to behave like NAZA, they would have actually dominated the automotive industry. But because they had no capital, no skills and no knowledge about starting an automotive business, the APs did not achieve what affirmative action in education achieved.

But there are other things that we have tried to do such as giving the Malays licences. Again, the same thing happened; instead of using the licences to do business, they sold the concessions. Give them a license, they sell the license; give them contracts, they sell the contracts. It is alright to sell

and if you use the money that you earned from selling the contract to do business, then you'll be able to generate more capital and you will be able to grow your business with more capital. But people find that this is too tedious.

This is just a generalisation; there are a lot of Malays who started by selling their APs and contracts but have now become good contractors. They are able to go abroad, to the Middle East. Contracting with the government helps and they have the experience so they can fulfil contracts in other countries. It is because in this country, there are Malays and other Bumiputeras who were given contracts and who can actually implement the contracts. However, the percentage of these people is still relatively small. Most of them are still selling contracts or have an 'Ali Baba Corporation'.

We have not yet achieved the target that we wanted in terms of the possession of wealth in this country. We targeted for Malays to own 30 percent of this country's wealth even though they make up 60 percent of the population. Even though the target is modest, we have yet to achieve it. But in order to ensure that the Malays feel that they own some of the big businesses in the country, we created 'Unit Trusts'.

We built up PNB (Permodalan Nasional Berhad) and Unit Trusts to enable Malays to invest small sums of money; they can access the money if they want to but they can only sell back shares to the Unit Trust Manager. Today, PNB holds billions of dollars in terms of shares and Khazanah also does that. There are a few other organisations that are entrusted with holding shares for Bumiputeras.

We hope that one day there will be enough Bumiputeras to buy up the shares and manage the businesses by themselves. From what we have seen, there are partial successes in terms of affirmative action. To expect a 100 percent success rate is not realistic. You're asking somebody who does not know business to go into business. If I can give out money as capital to a trishaw peddler, do you think he is going into business and make more money? He is going to spend the money and he'll be back peddling trishaw. It is because he knows no other way of using money. To the Malays and the other Bumiputeras, money is something to exchange for goods or services. We need to change their mindset into thinking that money is capital. And I'm glad to say that MARA (Majlis Amanah Rakyat or the Council of Trust for the People) has succeeded in changing some minds whereby they realise that money is capital that can be invested to make more money.

For the Chinese and the Indians, money is regarded as capital and they invest the money and manage the money to grow their businesses. Today, despite the NEP and the rest, they are doing very well. If we conducted a census of who holds the wealth of this country, you'll find that the Bumiputeras still hold a minority share of the wealth of this country. We have not achieved the 30 percent targeted share of the wealth of this country because of the poor holding capacity of the Bumiputeras.

Because of this, we have to still the maintain affirmative action. But do we maintain affirmative action in its entirety? I don't think so. I think even during my time, we didn't apply the Industrial Co-ordination Act (ICA) fully. At one time, the ICA meant 30 percent of the shares of any new company must be given to Bumiputeras. But we did realise that within private companies, an individual has difficulty giving or selling a 30 percent stake to Bumiputeras. So, we did not demand a blanket 100% compliance with the ICA.

During the period when the NEP was fully implemented, we achieved the highest growth rate in this country. Between 1987 to 1997, the growth rate was around 9 percent to 10 percent. That was the period of the NEP. To say that the NEP prevented growth is of course to deny the reality of the situation. During the NEP, this country grew much faster than other countries which became independent together with us. Indeed it grew much better than some of the so-called developed countries; our growth record was very high. So we cannot just say, "Well, get rid of the NEP and this country will grow".

If you abolish the NEP, the disparity between the rich and poor will be more and the disparity between races will be amplified. We need a stable country. We don't want people to be fighting one another. In many countries, almost every day there is a demonstration, in (Egypt's) Tahrir Square, for example. If they have no causes to fight for, they invent causes. Lynas¹ for example is supposed to be dangerous to human lives which is nonsense. Lynas processes this rare earth which is used to make lithium ion batteries, which is used in your telephone (mobile phones) and put to your ear. If it is as dangerous as claimed, today you'll have no brains. But it is quite obvious that you still have your brains functioning.

¹ Lynas is a project based in Kuantan to process rare earths

But the demonstrations in this country are not so big or violent that they reflect badly on the stability of this country. But in future, we have to accept that this is not a privilege for the Bumiputeras. Affirmative action has to be whittled down until one day we can remove it completely.

Of course a lot of Malays see the policy as a symbol of their superior status but I often said that it is not a symbol of a superior status. If it is a symbol of superiority, then you can say that in America, the Red Indians are superior to the white people. But in America the Red Indians live on reservations and they are among the poorest people in the country. The reason why they have reservations is because without reserves, they will have no land of their own at all. They would be roaming the streets without any homes to go to.

Here, we have the Malay Reserve and we have Affirmative Action but these should be regarded as temporary crutches. We have enabled (the Bumiputeras) to walk forward and eventually, they will throw away the crutch. The '*tongkat*' (cane) will have to go. It has to go when we are certain that the Malays and non-Malays can compete in the market without any crutches.

This takes time and we'll have to be patient, because the country needs stability to grow its economic cake. A slice of the economic cake that you get is far bigger than the whole economic cake at the beginning. At the beginning, the per capita income was about RM1,000 (1970); it was very small. If you have a slice of a thousand dollars, maybe you'll have 250 dollars. If you let the economic cake grow until it is then worth 8,000 dollars, obviously your share would be far greater even though you will only get 25 percent out of it. But that 25 percent has become bigger than 100 percent of the original economic cake. One should accept the reality of the situation and accept the need for affirmative action to continue; but this will not be forever, it is not a standing order.

I don't feel proud that I'm privileged to live on Malay reserves. I feel like a Red Indian. I want to be able to stay and live on a piece of land that is accessible to the non-Malays, but despite my (lack of) economic strength, the non-Malays cannot just buy up my land and chase me out of the city. This was what happened before when I was a boy in Alor Setar.

In the middle of Alor Setar at that time, there were Malay houses, real Malay houses along Jalan Langgar, but because the Malay families could not prosper, they became gradually or relatively poorer than the business people in the town (who were mainly Chinese). The Malays were offered very high prices for their lands. They sold their land and they moved out to the suburban areas or to

places near the town where they built their houses with the money earned. But then Alor Setar grew and the place where they went to became a part of the town of Alor Setar. The value of the land that they bought at a cheap price has now increased and somebody offered to buy their land at a very good price and they became tempted. They sold off their land and they moved further out.

If they do this continuously, they will end up living in the jungle and that is not going to be very good for us. If you have the monetary strength, the wealth to buy land and compete in the market with the others, you will not be selling your land. You will probably develop your own land and if you have to move to some other place, you would buy more land at the market price, not at some lower price. That capacity is still not there.

So because of this, we need to maintain certain elements of affirmative action, not all the elements. As I said just now we have to do away with the ICA but we need to continue perhaps to give more scholarships to the Malays, more licences, more APs and contracts to the Malays who are capable. However, now this causes a problem, as non-Malays claim that affirmative action has been abused by the Malays, by the government specifically.

Why do they say that it has been abused? They say it is because affirmative action is used to enrich the “cronies” of the government. Because of that, we should throw away affirmative action. But what is the truth in that? There are lots of cronies in the government. I have lots of cronies but most of them are very poor including my own relatives. They are very close to me, but if I want to give them a contract for a hundred million dollars, I know they are going to sell it out. I wouldn’t like to approve or encourage this kind of lopsided implementation of affirmative action.

You can only give opportunities to people who have a good track record; people who have shown that they know how to manage contracts will get the contract. And as a result, they become rich and successful. Just because they are successful, they are labelled as “cronies”, and if they are not successful then they are not cronies; so for the government to avoid being accused of cronyism, we must ensure that every Malay fails and never succeeds in business. Then there’ll be no accusation of cronies. But if the Malays fail, what is the result of affirmative action? There will be nothing. So those people who succeed using the NEP are selected and given opportunities because they have shown a good track record that convinces the government that if they were given more opportunities, they are going to grow.

So what is wrong about that? The non-Malays also get opportunities. How else can they become so much better off if we actually discriminate and dispossess them? We don't dispossess them.

In fact, there are benefits from the NEP simply because of the lack of capacity on the part of the Bumiputeras who were given the opportunities; they have to sell (the contracts) out to the non-Bumis who can make better use of it. In the end, it is the capacity of Malays that determines the success of affirmative action.

For years I've been trying to change the Malays' mindset and value system. The desire to get rich quickly, this is their undoing. In business you don't become rich quickly; you'll take a long time. I have been advising people to do business, so now that I'm retired and there is no restriction for me to do business, I decided to sell *roti* (bread), *mamak roti*. I find it very difficult to make money and an ordinary Malay going into that business is not going to become a millionaire overnight. I have yet to become a millionaire.

Some of my friends told me that I'm already a millionaire because of my books. I get RM15 for each book sold. And they said, if you sold 100,000 books, you are now a millionaire because now you have RM1.5 million. Others have more than that and I didn't receive that RM1.5 million yet; but I agreed, I have more than a million dollars (Ringgit) simply because I saved money during the time I was in the government, because the government paid for everything. They paid me a salary, they paid for my electricity, water, gave me a car, they paid me for travelling and I travelled for free, so what did I need the salary for?

So I saved up most of my salary. Now, I'm using the salary not quite wisely because I have used quite a lot of money. But that is my part of the affirmative action and now I understand how difficult it is for most people to use the opportunity given to them through affirmative action. We still need to have these crutches, but maybe not on both sides; we could discard one crutch and use only one crutch on one side and eventually we'll exchange the crutch for a walking stick.

Eventually, we will need to throw away the walking stick. I pray and hope that this will be soon and I think it can be soon if you change your way of understanding wealth accumulation and wealth creation. Then the opportunities given by the government should help us to reduce the disparity between the rich and the poor as well as between one race and another. If you succeed with much less than what we had before, I'm quite sure that eventually there will be no Affirmative Action in this country.