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PERDANA DISCOURSE SERIES 15

'The  
Future of  
**A**ffirmative  
Action'

Keynote Address by  
Tun Dr Mahathir Mohamad  
Fourth Prime Minister of Malaysia &  
Honorary President, Perdana Leadership Foundation

Perdana Leadership Foundation, Putrajaya

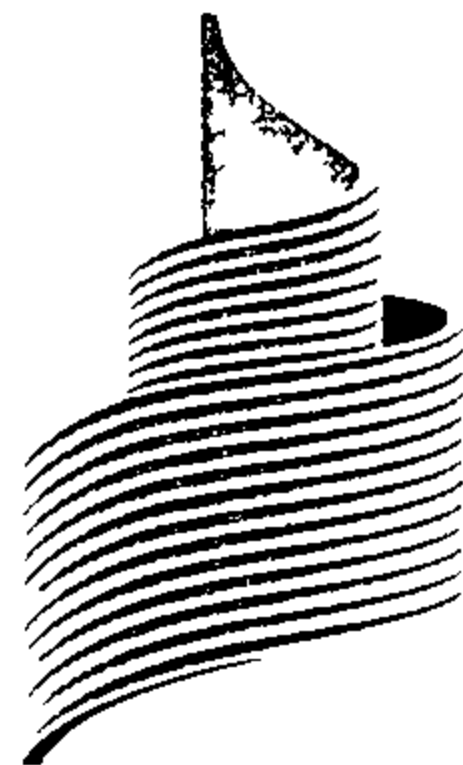


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# 'The Future of Affirmative Action'

A Publication of



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# PROLOGUE

## PERDANA DISCOURSE SERIES 15: THE FUTURE OF AFFIRMATIVE ACTION

**Affirmative action** refers to policies that take factors such as race, skin colour, religion, gender, or national origin into consideration in order to benefit disadvantaged or under-represented groups in areas of employment, education, and business. The term was first used in the United States in the Executive Order 10925, signed by President John F. Kennedy on 6 March 1961. Comparable policies are found in other countries, among them are: Reservation in India, positive discrimination in the United Kingdom, and employment equity in Canada. Affirmative action is intended to promote equal opportunity and is often instituted in government and educational settings to ensure that disadvantaged groups within a society are included in all programmes.

In Malaysia, affirmative actions are directed towards achieving stability in the country by reducing, among others, economic and social gaps. These are achieved through the New Economic Policy (NEP), a 20-year programme formulated with the overriding objective of attaining national unity and fostering nation-building through the two-pronged strategy of eradicating poverty and restructuring society. When the NEP was launched in 1971, more than half of the people in Peninsular Malaysia were poor while the national figure was even higher. Also, the incidence of poverty among Bumiputera was the highest compared with other ethnic groups. The first prong of the policy strategy was thus to eradicate poverty. The second prong sought to restructure society by eliminating the identification of race with economic function. This objective was to be achieved through the restructuring of employment pattern, ownership of share capital in the corporate sector and the creation of the Bumiputera Commercial and Industrial Community (BCIC). Since the Bumiputera were highly concentrated in the traditional agricultural sector and in low income job categories, the absorption of the Bumiputera in the industrial and services sectors was to be accelerated.

What were the good things that came from the NEP? There are quite a number. First and foremost, at the end of the NEP period, the incidence of poverty was reduced substantially from almost 50 percent to slightly below 20 percent, and was further reduced to less than five percent at the end of 2009. The Bumiputera share of corporate stock ownership rose from 1.5 percent in 1969 to 18 percent in 1990 and slightly over 20 per cent in 2008, but was still far short of the 30 percent target set in 1970. Other achievements of the NEP include a substantial increase of Bumiputera employed in the industrial sector like mining, manufacturing, construction as well as in the professional and technical categories and at the administrative and managerial levels. In conclusion, the most important positive outcome of the NEP is the eradication of poverty across all ethnic groups. However, no policy or programme is perfect. Recent statistics show that some minority groups, including the Indian communities, are still economically disadvantaged.

The NEP has since been replaced by the National Development Policy (NDP) associated with the Second Outline Perspective Plan (OPP2) for 1991-2000, and then by the National Vision Policy linked to the Third Outline Perspective Plan (OPP3) for 2001-2010. Now, in 2012, more than 40 years after NEP was first launched, the challenge of achieving the objectives remains as there is still a lot that needs to be done to ensure that all Malaysians benefit from the policy and there is no abuse. Claims of abuse refer to cases of undeserving individuals who have enough capacity to fend for themselves but have been benefited from the NEP, meant for the needy.

Questions to think about:

1. Are the objectives of NEP fully achieved?  
If yes, what is the evidence?
2. What are the indicators of success for affirmative action in Malaysia?
3. How do we ensure that any affirmative action policy is not abused?
4. Should affirmative action plans continue? If yes, in what form?
5. What should be the focal points of future affirmative action?

# WELCOME ADDRESS



**Tan Sri Dato' Sri Azman Hashim**  
**Chairman, Board of Trustees, Perdana Leadership Foundation**

I welcome you to Perdana Leadership Foundation and to the 15th Perdana Discourse Series.

Ladies and Gentlemen,

1. When the New Economic Policy was launched in 1971, I still remember it being a very uncertain time for Malaysia – two years before, we experienced first-hand the effects of uncontrolled racial conflict, and because of 13th May 1969, our country was under a state of Emergency, with gloomy predictions of our future from within and outside the country.
2. There were many people who believed that Malaysia would not recover from that dark incident – we were young and poor with a multi-ethnic society; it seemed to Malaysians and the rest of the world that we had lost even at the starting gate. Our days as a peaceful, independent nation were numbered.

3. Thankfully, fortunately, and despite the odds, we beat all expectations and survived that difficult period. And one of the most important ingredients of the healing process was the Dasar Ekonomi Baru or the NEP.
4. NEP was an ambitious and sweeping affirmative action policy designed to eradicate poverty across all ethnic groups and to disassociate specific ethnic groups with particular economic activities (for example, the Malays were associated with agriculture, the Chinese with business, the Indians with rubber estates). Its objectives were manifold – economic growth and wealth redistribution, but while its focus was on the economy, at its heart, I believe, thrummed a deeper goal: National Unity, a goal driven by the realisation that peace would be unsustainable if one ethnic group disproportionately owned the nation's wealth.
5. Fast forward to the present day and we find that after more than four decades, there has been significant progress in terms of economic restructuring and poverty eradication. The economic pie has grown by leaps and bounds – our GDP per capita in 1971 was US\$404; in 2010, it was US\$8,372; poverty has fallen from around 50% in 1970 to less than 4% now; and in terms of ownership, the largest ethnic group of the country, the Bumiputeras, now own more than 20% of the nation's wealth compared with its meager 2.4% ownership in 1970.
6. Of course, no policy is perfect and there are still areas for improvement: our income inequality needs to be addressed (in other words, we need to narrow the gap between the haves and the have-nots, regardless of ethnic group), and more importantly, we need to address the issue of implementation and execution. There have been weaknesses in implementation and some lapses have allowed abuses to occur and this has affected the policy's full effectiveness.

Ladies and Gentlemen,

7. Despite the weaknesses in its implementation of the NEP, the NEP and its subsequent incarnations have been positive for Malaysians. Affirmative action in Malaysia addressed the economic-based resentments that were flowering pre-1969, and assuaged concerns of specific ethnic groups would be left behind as the country prospers.
8. This has enabled the country to prosper and flourish in peace. This stability has been a crucial factor in Malaysia's success as a small, independent nation and it is the responsibility of all Malaysians to ensure that our country remains peaceful.

Ladies and Gentlemen,

9. The Perdana Leadership Foundation is delighted to have our Honorary President, Tun Dr. Mahathir Mohamad, speak to us today on affirmative action and whether these policies are still relevant for Malaysia, going forward.
10. Tun was in government at the time the New Economic Policy was launched in 1970. He knows how the country was at that critical time, and has been instrumental in shaping its new landscape over the ensuing decades, most particularly over the 22 years he was in power. Tun, thank you for being with us today; we look forward to your speech.
11. I also welcome eminent panelists, Yang Berhormat Senator Dato' Dr. Firdaus Abdullah, from Universiti Malaya; Mr. Steven Wong, of ISIS; Mr. Lee Hwok Aun also of Universiti Malaya, and the moderator, Dr. Shararudin Badaruddin of UiTM.

12. I believe we can all expect an interesting keynote, panel and dialogue sessions that will provide a deeper appreciation of the NEP to help us understand the events and decisions that have molded our country.
13. Apart from programmes such as this Discourse, the Foundation actively digitises documents, speeches, policy papers and audio video materials on our past Prime Ministers. To date, we have digitized more than four hundred thousand documents. Most of our materials are available on-line, as part of our goal to make history accessible to all Malaysians.
14. I would like to thank our partner, Universiti Teknologi MARA, for working together with us throughout the Series to ensure the success of this programme. A big thank you, too, to our Discourse Sponsor, PROTON, without whose support the Discourse would not have been possible.
15. I hope that we will leave today's Discourse with a renewed commitment to making Malaysia a better country for all.

# KEYNOTE SPEECH



**Tun Dr Mahathir Mohamad**  
**Fourth Prime Minister of Malaysia & Honorary President, Perdana Leadership Foundation**

A very good morning to everyone and Assalamualaikum. 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 disposses 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

This book contains the proceedings of the 15th Perdana Discourse Series on "The Future of Affirmative Action" which took place on the 12th of December 2012. The Discourse featured the Fourth Prime Minister of Malaysia & Honorary President, Perdana Leadership Foundation, Tun Dr Mahathir Mohamad, as keynote speaker, and panellists YB Senator Dato' Dr Firdaus Abdullah, Specialist, Academy of Malay Studies Director's Office, University Malaya, Dr Lee Hwok Aun, Head Department of Development Studies, Faculty of Economics and Administration, University Malaya and Mr. Steven C M Wong, Senior Director, Institute of Strategic and International Studies (ISIS) Malaysia.

This Discourse is part of the Perdana Discourse Series, organised by Perdana Leadership Foundation and UITM. The objectives of the Discourse are to facilitate inter-generational knowledge-sharing and dialogue, as well as to encourage interest in public policy and its impact on nation building.

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