Counting Ethnicity:
the National Economic Policy and Social Integration

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Abstract: This paper is concerned with how numbers on ethnicity in Malaysia have been used to guide policy on social integration, and how their absence is no less informative of policy priorities and impact. Of interest here is rather what these numbers (taken at face value) tell us about policy efficacy with respect to national unity in the context of the NEP. Our analyses indicate that the primary focus of government policies, including their implementation, monitoring and assessment, has been the achievement of the twin strategies of the NEP (reduction of poverty and restructuring of society) rather than the stated primary goal of national unity. This implementation of the NEP, in the long run, has had the effect of contributing to the very problems that its strategies aimed to solve. It is imperative that the strategies of the NEP be re-defined in line with the visionary objective of Tun Abdul Razak. Counting ethnicity and government policies must now be directed toward the primary goal of the NEP so that ethnic counting is no longer about benefiting a narrowly defined group but benefitting all Malaysians, especially the lower socioeconomic group, regardless of ethnicity.

Keywords: Economic policy, ethnicity, Malaysia, social integration
JEL classification: N45, O20, P16, Z13

1. Introduction

Ethnicity plays an important role in Malaysia's social and political fabric. Counting ethnic numbers gives substance to this role. This paper is concerned with how these numbers have been used to guide policy on social integration, and how their absence is no less informative of policy priorities and impact. Our discussion is framed by the National Economic Policy (NEP) and its close cousins, the National Development Policy (NDP) and the National Vision Policy (NVP),[1] which form the bedrock of Malaysia's economic development strategy. Introduced in 1970 under the Second Malaysia Plan (1971–1975), the NEP was implemented for two decades before it was succeeded by the NDP in 1991 and then by the NVP in 2001. Since the thrust of the NDP and NVP has not changed even though the *modus operandi* was modified through greater attention to growth rather than redistribution (Economic Planning Unit 2004: 4), we shall continue to refer to their core strategies as the NEP.[2]

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[1] The NEP (Malaysia 1971) aimed specifically at eradicating poverty irrespective of ethnicity and the restructuring of society to eliminate the identification of ethnicity with economic function. The NDP (Malaysia 1991a) focused on balanced development, while the NVP (Malaysia 2001a) aimed to build a resilient nation that is able to participate in the global economy.

[2] The NDP's adjustments to the NEP and the rationale for these adjustments are detailed in Economic Planning Unit (2004: 5-6).

The paramount goal of the NEP, as stated in the relevant policy documents, is national unity. It remains a critical concern even today, more than three decades after the NEP was designed for that very purpose. As the NVP (Malaysia 2001a: 8) states, "The central task of development is to continue this mission of forging a united nation, based on fairness and prosperity, with abundant opportunities for all and removing socioeconomic differences among and within ethnic groups on the back of a strong and resilient economy." In other words, the greater integration among ethnic groups is premised on a reduction in economic differences between ethnic groups.

The measurement of the NEP's progress focuses and depends critically on the identification of the target ethnic group whether enumerated in censuses, surveys or in other official documents of public and private organisations. Implementation, monitoring and refinement of the NEP's policies require the counting of ethnic numbers. The nature and quality of this counting have been analysed in detail (Nagaraj *et al.* 2009) and is not the focus of this paper. Of interest here is rather what these numbers (taken at face value) tell us about policy efficacy with respect to national unity in the context of the NEP. We do this by first placing the NEP within the general framework of social integration, and evaluating the extent to which the achievement of NEP objectives has been consonant with the broader objectives of social integration. This requires the use of official statistics by ethnicity in measuring not only the dimensions but also the progress of social integration. Where data gaps exist in the public domain, we rely on other statistical sources to provide a fuller picture of social integration in Malaysia.

The paper is organised as follows. We begin with a brief introduction to the NEP and its concerns with national unity in Section 2. This is followed by a discussion evaluating the NEP with regard to first social inclusion in Section 3 and then social integration in Section 4. Section 5 highlights the policy issues related to counting and social integration. A brief commentary concludes the paper in Section 6.

2. The NEP and National Unity

With national unity as its overarching objective, the NEP's main strategies (central also to the NDP and NVP) are to (Malaysia 1971: 3):

- eradicate poverty, irrespective of race or ethnicity; and
- restructure society so as to 'eradicate the identification of race or ethnicity with economic function'.

These strategies have been operationalised in several major areas of economic activity and in education. The effect of economic policies can largely be seen in the short term, while the effect of education policies in the economic sphere can be observed only in the long term. In the economic sphere, the approach is a three-pronged one in which the government intervened actively to:

- provide opportunities for the *Bumiputera* as the disadvantaged ethnic group. Pro-*Bumiputera* employment quotas in the government sector with proportions exceeding their weight in the nation's ethnic composition, and employment quotas in large (mostly government-owned) firms that reflect the nation's ethnic composition are manifestations of this approach, as are discriminatory pricing and earmarking of credit. Schemes were

also introduced to target the poorest households, including support for small and medium-sized enterprises (SMEs);

- regulate business, with the openly expressed aim of fundamentally restructuring the economy for the benefit of the *Bumiputera*. The explicit target of 30 per cent *Bumiputera* ownership of share capital is primary to this approach; and

- invest public capital to acquire corporate assets on behalf of *Bumiputera* businesses and to create government-linked corporations that cater to *Bumiputera* interests.

In education, the approach is also three-pronged, although here government policies were more easily implemented given the centralised system of education. The three approaches were to:

- provide opportunities for the *Bumiputera* as the disadvantaged ethnic group. These included pro-*Bumiputera* quotas in entry to public universities (dismantled only very recently after the setting up of a dual entry system into universities, see below) and pro-*Bumiputera* policies in the availability of scholarships especially those tenable overseas for higher education;

- establish elite schools and a university catering to the *Bumiputera*, now admitting a small proportion of non-*Bumiputera* students; and

- provide alternative technical and pre-university education programmes catering almost exclusively for *Bumiputera*.

The fundamental premise of the NEP has been that harmony between Malaysia's ethnic groups requires equitable sharing of economic welfare so that the link between wealth and ethnicity can be broken. In this context, the central question is whether the NEP strategies have been effective in achieving the primary objective of national unity. We consider this question within the framework of social integration. Although understood to be important in a societal context, the concept of social integration means different things to different people in different situations (UNRISD 1994). For some, it has a positive outcome, implying equal opportunities and rights for all human beings (cultural plurality). To others, increasing integration suggests the negative outcome of greater homogeneity (or assimilation).[3] However, it could also be just a way of describing the interactions of people within a given society.

Traditionally, governments were more concerned with economic integration, believing that this would lead automatically to social integration so that policies were directed primarily to the former. That economic integration is a necessary but not sufficient condition for social integration gradually gained recognition, however, so that social policy has now been accorded greater priority (Soroka *et al.* 2007: 563). Social integration in Western countries and as reflected in Western writing was associated with correcting market failures and with strengthening social solidarity and hence citizenship (Varshney 2005: 6-7). In these countries, the target groups were typically immigrants but also racial, regional and linguistic minorities, who needed to be assimilated into the mainstream society of the relatively homogenous population who made up the majority of the population. In developing

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[3] See, for example, Gordon (1964). The advocates of cultural pluralism argue that socioeconomic equality can co-exist with separate societies and cultures.

countries like Malaysia, ethnic diversity complicates the picture, and with the potential for conflict heightened by specialisation in terms of economic activity, social integration takes on added significance.[4]

From a policy perspective, social integration concepts must be translated into operational dimensions that lend themselves to measurement. The definition advanced by the United Nations Research Institute for Social Development (UNRISD) fits this criterion reasonably well. This conceptualisation consists of (UNRISD 1994: 5–6):

- Social integration as an inclusionary goal, that is, through greater justice, equality, material well-being and democratic freedom. This means lessening disparities in some or all these dimensions. Among these, economic disparity occupies a central place (Lee and Phillips 2003).

- Social integration as heightened solidarity and mutual identification. In this sense, it refers to promoting harmonious relations but more importantly building a sense of a single identity or of nationhood. Harmonious relations are reflected in interpersonal trust and the ability to engage one another by bridging social networks. Many analysts believe that a single identity is vital for any society to have the capacity to act collectively and sustain itself over time (Soroka *et al.* 2007: 567).

We shall refer to the first dimension as social inclusion, leaving the term 'social integration' to refer to the second dimension which more accurately describes this concept. As recognised by UNRISD (1994), these dimensions need to be discussed within the context of sustainability, socio-cultural diversity and integration costs. An even more important consideration may be whether these dimensions are compatible, that is, whether making progress in one dimension would also advance the other. We turn now to an assessment of the progress of the NEP in terms of the two goals of social inclusion and social integration. Inclusion is discussed in terms of reduction in economic disparity across ethnic groups while social integration is discussed in terms of national unity achieved through a common and shared identity.

3. The NEP and Social Inclusion

The period during which the NEP was implemented saw impressive reductions in overall poverty (Economic Planning Unit 2004: 20; Jomo 2004: 3). By all accounts, the NEP has been relatively successful in leveling the playing field for the *Bumiputera* community, but especially the Malay community, relative to the *non Bumiputera* community, and for rural inhabitants relative to urban inhabitants (Haque 2003; Roslan 2003; Economic Planning Unit 2004; Jomo 2004; Edwards 2005). Economic Planning Unit (2008: Table 3.3) data show poverty incidence falling from 49.3 per cent in 1970 (for Peninsular Malaysia) to 7.5 per cent in 1999 (Economic Planning Unit, 2004). The poverty incidence for rural and urban households was 11.9 per cent and 2.5 per cent respectively, by 2004. While rapid economic growth brought about significant reduction in poverty, the NEP contributed to narrowing the disparity between *Bumiputera* and non *Bumiputera*: the Chinese[5] to Malay income ratio reduced

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[4] Ethnic division of labour is common in developing countries which are former colonies. See Khoo (2004: 3).

[5] In the Malaysian context, the terms 'Chinese' and 'Indian' refer to a Malaysian of Chinese or Indian ethnicity, not to a national of China or India.

from 2.3 in 1970 to 1.8 in 2002 (Brown 2005a: 2). However, in absolute terms, the income gap between the groups remained sizable (Lee 2000: 23; Jesudason 2001: 90).

Success has also been achieved in terms of blurring the identification of ethnicity with economic function, one of the two strategies of the NEP. In particular, social re-engineering has succeeded in bringing about gains for the *Bumiputera* community especially in reducing the identification of ethnicity with occupation, and significantly so for higher level occupations (Singh and Aziz 2003; Nagaraj and Lee, 2003). For example, between 1970 and 2000, the increase in the proportion of professional, technical and related workers in the workforce has been greatest for the *Bumiputera* (8.7%) compared to the Chinese (5.4%) (Nagaraj and Lee 2003: Table 2) even as the public sector has been the preserve of the Malays who make up the bulk of the *Bumiputera*. Hiebert (1998) attributes much of the NEP's success to "education as the number of Malay doctors, lawyers, and engineers drastically increased and racial stereotypes became obsolete." Overall, the percentage in the population with no formal education has dropped from 41.0 per cent in 1970 to 6.1 per cent in 2000, while the percentage with secondary or tertiary education has increased from 8.6 per cent to 67.7 per cent over the same period (Nagaraj and Lee 2003). With ethnic quotas for entry, the proportion of Malay students enrolled in tertiary institutions nearly doubled between 1970 and 1999 (Haque 2003: 252). Between 1970 and 2000, the percentage of *Bumiputera* among registered professionals increased from 4.9 per cent to 37.2 (Maznah 2005: Table 6). These achievements notwithstanding, a precise estimate of the NEP's impact on de-segregation of occupation has not been made; the shift out of agriculture towards more urban-based and modern-sector occupations would have occurred as the country developed, regardless of whether the NEP was implemented. No attempt had been made to untangle these effects.

More controversial (arising from differences in methodology) is wealth redistribution, measured by corporate ownership. Data from the Department of Statistics, Malaysia show that the percentage of *Bumiputera* equity ownership at par value of limited companies rose from 2.4 per cent in 1970 to 19.4 per cent in 1998, while that for Chinese equity rose from 27.2 per cent to 32.6 over the same period (Lee and Lee 2003: Table 3), the gain coming mostly from the reduction in foreign ownership. The government's statistics thus show that the NEP was only partially successful in meeting the targeted 30 per cent for *Bumiputera*. More recently, official figures show *Bumiputera* equity ownership at 18.9 percent in 2004 (Economic Planning Unit 2008: Table 4.1) but this figure has been challenged as reflecting defective methodology (Lim 2006). Lim (2006) was not the first to claim *Bumiputera* equity to be much higher (see, for example, Jomo 2004: 12). Indeed as early as the mid-1980s, researchers had argued that *Bumiputera* ownership of equity was much higher than that shown in official figures (see Chan and Horii 1986). Also escaping attention is the fact that the Economic Planning Unit statistics for 2004 are actually *lower* than the Department of Statistics counterpart for 1998.[6]

The NEP strategies have worked even though the *Bumiputera* population has increased faster than that of the other ethnic groups between 1970 and 2000. Undoubtedly, the achievement of the NEP's strategies of inclusion has been helped by the economy's robust

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[6] The lower figure (despite the NEP) could be due to differences in valuation of equity over the two periods or to an increase in inter-ethnic inequalities in wealth.

growth during the period. The economy experienced growth in excess of 8 per cent during the Second and Third Plan periods 1971 – 1980, saw this growth dip to 5.2 per cent during the Fourth Plan period due to the recession of 1985–86, recovered to 6.9 per cent in the Fifth Plan period 1986 – 1990, and accelerated again to above 8 per cent during the following five years. This growth allowed the NEP to deliver on the promise that its implementation would not reduce the economic pie of the non *Bumiputera* who tacitly accepted the political compact (Brown 2005a: 5). When growth faltered, as occurred in the mid-1980s, and recession struck, ethnic tensions rose, and the NEP as originally formulated had to be modified (and re-labeled the National Development Policy) to provide more incentives for growth.

Nevertheless, the overall success of the NEP masks the disparate gains of the different sub-groups that are classified as *Bumiputera*. As Nagaraj *et al.* (2009) note, this grouping includes the Malays (who formed the majority at 82.2 per cent in 2000), Aborigines or *Orang Asli* of Peninsular Malaysia (0.8 per cent in 2000) and indigenous tribes of East Malaysia (the remaining 17.0 per cent),[7] the latter two groups sometimes referred to as *pribumi* or 'natives of the land'. There is alarming deprivation among some sub-groups of *Bumiputera* (Nair 2003; Malaysia 2006: 34). In 2004 in Sabah, which is not just home to many of the indigenous tribes but also sees a great influx of migrants from neighbouring islands, the incidence of poverty was four times as high at 23.0 per cent compared to the national figure of 5.7 per cent, and the incidence of hard-core poverty was six times as high at 6.5 per cent compared to the national figure of 1.2 per cent (Malaysia 2006, Table D: 329). Arguably the most deprived are the indigenous groups in the relatively better off states of Peninsular Malaysia, the *Orang Asli*. According to the Department of *Orang Asli* Affairs Malaysia, in 2003, 60 per cent of the *Orang Asli* live below the poverty line as compared to the national figure of 11.8 per cent (Abdul Hamid 2004). The top-down assimilationist policy linking assistance to willingness to integrate with the Malay community, combined with instances of alienation of their ancestral land for development, has clearly contributed to the *Orang Asli's* plight (Nicholas 2002). The *Orang Asli* are generally not consulted, and have no voice in the decisions made that affect their future (Kreuzer 2006). All in all, it would be more accurate to say that the NEP benefitted the majority Malays more than the minority groups among the *Bumiputera*.[8]

Intra-ethnic inequality has also been on the rise. Although the government ceased to make public information on this subject since the 1990s, the trend has been extensively documented (Roslan 2003; Ragayah 2008). For example, between 1990 and 1997 the Gini coefficient rose from 0.45 to 0.46 overall, but increased from 0.43 to 0.45 for the *Bumiputera* and from 0.39 to 0.41 for the Indians and did not change much for the Chinese at 0.42 (Roslan 2003). Furthermore, Ragayah (2008) points out that earlier studies in the 1970s (carried out when data were made available) of the decomposition of income inequality into

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[7] Figures are from the 2000 Census (DASM 2001) except for the *Orang Asli* count which is from Abdul Hamid (2004).

[8] Bowie (1994: 171) referred to the NEP as representing "a form of Third World economic nationalism (in which) the principal antagonist was not foreign but domestic."

within and across ethnic groups showed that the contribution of the latter was small,[9] and that there was little reason to believe that the situation is any different today.

What of the non *Bumiputera*, mainly the Chinese and Indians? In terms of higher educational attainment of the labour force, whether male or female, a greater proportion of Chinese, and a lower proportion of Indians had tertiary education compared to the *Bumiputera* (Nagaraj and Lee 2033: Table 4). Maznah (2005: Tables 6 and 10) shows that in 2002, ethnic Indians accounted for 11.2 per cent of the professional class, higher than their population share, but they were also over-represented in the elementary (low wage and unskilled) occupations (14 per cent compared to 10 percent for *Bumiputera*). In terms of equity, Indians only owned 1.2 per cent in 1998, even less than foreigners at 4.6 per cent (Lee and Lee 2003: Table 3). Indeed, other research (Kuppusamy 2003; Nair 2003; Nagaraj and Balakrishnan 2005) point to a situation much more alarming than these figures suggest.

The NEP strategies in education have also had costly consequences for the society at large. Two among those highlighted by Nagaraj and Lee (2003) are pertinent here. Firstly, the distribution for academic achievement among the Chinese has a higher mean and much less variation compared to that for the *Bumiputera*. This could explain the comparatively lower proportionate attainment in higher education of the labour force in 2000 among the *Bumiputera* as compared to the Chinese. The need to meet the quota system in government employment may be a reason why the "bureaucracy in general may have become increasingly problematic in terms of its ability to successfully plan and implement its development strategy", a conclusion reached by Henderson *et al.* (2002) in their analysis of economic governance and poverty reduction in Malaysia. Secondly, a dual higher education system in terms of language, cost and entry has been created wherein the public universities with a lower fee structure and entry based on two – again ethnically spliced – local examination qualifications largely deliver undergraduate instruction in *Bahasa Malaysia*, while the private sector higher education institutions with a much higher fee structure and entry based on internationally recognised or local entry qualifications deliver instruction almost exclusively in English. The educational strategies of the NEP have had the effect of driving the non *Bumiputera* to the private education institutions set up since the early 1990s, where their numbers predominate. These strategies may even have had a concomitant impact on the ethnic dimension of occupational structure[10] thus in turn contributing to ethnic imbalance in the occupational structure. Thus, even as inter-ethnic disparity in access to education has been reduced, the NEP has through education jeopardised one of the two strategies of the NEP and contributed to further ethnic polarisation.

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[9] One reason for the intra-ethnic inequality among the *Bumiputera* is the way the benefits of the NEP were disbursed so that the poorer groups benefited less than others whether in terms of development funds (Shamsul 1983) or education (Mehmet and Yip 1986).

[10] Employers prefer graduates who are to some degree proficient in English. In a survey carried out by the Malaysian Employers Federation (MEF) involving 205 member companies, it was reported that the major problem among local graduates is their inability to communicate well in English (*Sunday Star*, 9 June 2002).

4. The NEP and Social Integration

The primary goal of the NEP is national unity. This is stated in all the Malaysia and Outline Perspective Plans. Some of these documents elaborate on the concept of national unity to include nation-building in the Fifth Malaysia Plan (Malaysia 1986), national integration in the Second Outline Perspective Plan (Malaysia 1991a), a more united and just society in the Sixth and Seventh Malaysia Plans (Malaysia 1991b; 1996), engaging in full and fair partnership in the Third Outline Perspective Plan (Malaysia 2001a) and living in harmony in the Eighth Malaysia Plan(Malaysia 2001b). The official understanding of national unity is closest to our definition in the Ninth Malaysia Plan (Malaysia 2006: 23, 298, 301, 303, 306-307, 318-319, 465, 469, 476). "In this regard," the Ninth Malaysia Plan (Malaysia 2006: 259) states, "values of tolerance and moderation as well as a sense of belonging and pride in the nation, which are crucial in a multi-racial country, will be given emphasis." In particular, the Ninth Malaysia Plan (Malaysia 2006: 306) succinctly identifies national unity with "a sense of common and shared destiny."

Yet, the lack of readily available official data on national unity despite its importance as a primary policy objective stands in stark contrast to the considerable effort to measure the NEP's impact on restructuring (inclusion) objectives. Although the government also ceased to release figures on one aspect of inclusion, intra-ethnic economic disparities, around 1990, there is a distinct likelihood that monitoring of the development of national unity has been much less focused. This raises the question of why this counting disparity exists. We postulate two possible causes, one conceptual and one practical. The first relates to the concept of nation building. The NEP implicitly regarded national unity as synonymous with the correction of ethnic economic imbalances (Mauzy 1997: 120). It is asserted that the absence of serious ethnic conflict since the 1969 race riots suggests that goal of reduction of communal conflict was well served by the NEP (Faaland *et al.* 2003).[11] National unity is furthermore interpreted in terms of maintenance of a workable ethnic bargain rather than on nation building (Maznah 2005: 3). Shamsul (2005) ascribes the ability to work together to the "break-down" perspective where there is agreement that all groups cannot agree on everything and so look for viable alternatives that enable the survival of Malaysian society. As Khoo (2004: 6) and Kreuzer (2006: 8) have noted, this has been eminently successful.

Yet, this by itself cannot be equated to social integration. At best, it is social stability that may be achieved negatively through fear of the consequences of failure. National unity, on the other hand, is achieved positively through mutual understanding and trust and the achievement of common purpose – the creation of a single identity. Malaysian politics have nevertheless not been remiss in engendering social stability through the former means.[12] Moreover, as Brown (2005b: 15) observes, students in the Malaysian education system are not taught to have a critical view of authority but learn about the importance of respect, loyalty and obedience to the present authority as protection for a "national unity that is constantly under threat". It is possible that the distinction between social stability and national unity may not have been perceived by government and by

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[11] However, Maznah (2005: 14) argues that it is "extraneous political factors", including the adoption of Malay as the national language, that have contributed to the lack of communal violence.

[12] Shamsul (2005:4-5), referring to writings that adopt an alarmist approach, calls this the 'break-down' perspective.

Malaysian civil society as a whole, since both aspects have been frequently used interchangeably. For instance, Prime Minister Badawi referred to national unity as a major challenge facing Malaysia after 50 years of independence but most likely meant social stability when he decried those out to "wreck our precious identity and national unity" (*Bernama* 2007).[13]

The practical cause relates to the much greater difficulty of identifying who is a *Bumiputera* consistently across time. While this issue is pertinent to the measurement of the impact of inclusion, it is much less controversial. Measurement of changes in inequalities across ethnic groups identified by some criteria is easier than measurement of the development of a national identity when that identity is confounded with its measurement. Part of the difficulty arises from the definition of *Bumiputera* itself. First, given the country's long history of ethnic diversity and immigration, it is likely that a sizable number of Malaysians can trace their ancestry from more than one ethnic group while others can claim to be local by virtue of their families' length of domicile.[14] Nagata (1974: 39-342) describes three primary "pressures involved in the selection of reference groups" for Malaysian Muslims (Malays, Indians, Arabs, etc.). Jones (1962) has also commented on the mixture of ethnic groups in Sarawak. This issue has surfaced in today's writings with no less frequency. Well-known columnist Dina Zaman (2007) wrote of an email from a young woman: "My father's Chinese Muslim and my mother's of Arab descent. Why should he tick 'Malay' and consider himself Malay when he is Chinese and Muslim, and is proud of his culture and heritage. We have a richer culture and longer heritage of Islam." Chong (2009) writes of the dilemma faced by young persons of mixed parentage faced with having to pick their ethnicity in official documents.

Second, the term *Bumiputera* itself applies to a diverse group. Kessler (1992) notes that there are Malays who are Muslims, Malays who are not Muslims (e.g. certain aboriginal groups), Muslims who are not Malays (e.g. the Melanau of Sarawak) or persons who are neither Muslim nor Malay (e.g. ethnic Thai Buddhists and some indigenous groups in East Malaysia). On the other hand, the non *Bumiputera* populace includes Muslim Malays (e.g., Acehnese immigrants), Malays who are not Muslim (e.g., Javanese and Batak Christian immigrants), and Muslims who are not Malay (e.g., Indians, Chinese, etc.). Furthermore, Kessler observes that the labels 'Chinese' and 'Indian' mask equally broad categories, encompassing people who speak distinct languages or dialects, profess diverse religions, and whose ancestors came to Malaysia for different reasons at divergent points in history from disparate parts of their home subcontinents. Some–like the Baba (Peranakan or Straits-born Chinese), Chitty Melaka (Straits-born Indians) and Portuguese Eurasian communities–have resided in Malaysia for so long that their language, dress, food, and many other customs are effectively Malay but they are not Muslim and are not considered *Bumiputera*.

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[13] See also remarks by the Perak Regent Raja Nazrin Shah in his opening address to the Roundtable Discussion on National Unity and Development in Malaysia: Challenges and Prospects for Nation Building, 3 April 2007 *(http://www.cpps.org.my/sub_page.aspx?catID=12&ddID=47)*.

[14] This is true even for the Malays. Nevertheless, as Vlieland (1934: 5), the Superintendent of the 1931 Census of British Malaya observed, "A Malay is a Malay and is habitually accepted as a 'native of the country and owner of the soil' without inconvenient inquiry into his antecedents."

However, the latter two groups have been granted certain benefits (like preferential shares) reserved only for the *Bumiputera* community (Sarkissian, 1997).

Inference of the extent to which the NEP has contributed to the development of a national identity can nevertheless be gleaned from small studies and anecdotes. These suggest that progress in this area lags well behind that achieved in restructuring, if at all progress has been made. Zainal (2007) laments that "ethnicity still appears to be . . . a widespread criterion of identity" and believes that "Malaysia is moving away from rather than towards national integration." Lee (2003) observes that the young people of the nation have grown up "bred under the NEP…in a stable [Malaysia]…perceivably more integrated…highly conscious of their ethnicity…more Islamised…more polarised." Lee's (2003) views refer really to integration in Peninsular Malaysia where the issue of race relations among the Malays, Chinese and Indians has been much discussed and debated. East Malaysia is a society of far greater diversity. Indeed, in her essay, Chong (2009) notes that young East Malaysians find society in Peninsular Malaysia somewhat more racist.

The existence of the ethnic divide has also been commented upon by international observers (Gatsiounis 2006; Palmer 2006; Beech 2007). Palmer (2006), for instance, notes that "Ethnicity is the key to any discussion of identity in Malaysia." Such perceptions are supported by a public opinion poll of ethnic relations (Merdeka Centre 2006a).[15] Over two-fifths (42 per cent) of those polled viewed themselves more in terms of their ethnic identity than as a Malaysian. Ironically, this ethnic identification was highest among the Malays (52 per cent), the (principal) beneficiaries of the NEP (Merdeka Centre 2006a: 8). This was despite the fact that 78 per cent of those polled considered ethnic relations good or very good (Merdeka Centre 2006a: 9). What could explain this separateness? The poll provides a few clues. First, ethnic identification could begin to be reduced if there was adequate knowledge about other ethnic groups since such knowledge would help bridge ethnic social networks. Unfortunately, only just over a third (36 per cent for both) of the Malays and Chinese polled considered themselves knowledgeable about the other community's culture and customs (Merdeka Centre 2006a: 16). Second, inter-ethnic discussion of issues of race and religion had long been considered taboo by government, and this was also reflected in the perceptions of those polled. Half (49 per cent) of those polled considered these 'sensitive subjects' they could not discuss (Merdeka Centre 2006a: 40). Third, a sizable proportion of non *Bumiputera* (39 per cent of the ethnic Chinese and 46 percent of the ethnic Indians polled) felt they were treated like second class citizens in their home country (Merdeka Centre 2006a: 36). Fourth, three quarters of those polled lived in neighbourhoods in which their ethnic group dominated (Merdeka Centre 2006a: 26). However, it is hard to determine if this physical separation is a cause or an effect of strong ethnic identification. Finally, a separate poll of Malaysian youth by the Merdeka Centre (2006b) showed the ethnic trauma of the 1969 riots remained entrenched in the minds of Malaysian youth.[16]

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[15] The poll was conducted over two rounds, the first covering 1,113 respondents aged 20 and above between 21 and 26 February, 2006 and the second covering 1,024 respondents between 2 and 4 March, 2006.

[16] This finding came from another Merdeka Centre poll of 1,026 Malaysians aged 18 to 30 during July 2006. This poll found the 1969 riots topped the list of significant events in the country since independence (Merdeka Centre 2006a: 26). All those polled were born after that date.

If a sense of identity is still nascent, is there at least evidence of interpersonal trust? The result of the Merdeka Centre poll was no more encouraging. Fewer than half of those polled trust their fellow Malaysians, with ethnic Indians the least trusted among the three ethnic groups (Merdeka Centre 2006a: 19). Negative ethnic stereotyping was also widespread, involving around 60 per cent of those polled (Merdeka Centre 2006a: 20). Education had limited success in redressing these negative impressions (Merdeka Centre 2006a: 21). The positive finding that ethnic relations are good (77 per cent overall, with little variation across ethnic groups, Merdeka Centre 2006a: 9) is thus attributable neither to social interaction nor to interpersonal trust. Rather, economic factors, reduction of inter-ethnic inequality and rapid economic growth (Lee 2000: 26), as well as political factors related to the reduction of Malay political discontent (Maznah 2005: 14), in addition to factors cited earlier, are likely to be responsible for ethnic accommodation.

Affirmative action in education, one of the strategies of the NEP, is widely believed to have led to this state of affairs. At this point, it is useful to be reminded that by 1956, just before Independence, the government had already decided to restructure education so that a common syllabus (across different school types) based on a national language (and common curriculum) would promote a common culture and national identity in the pluralistic new nation (Pillay 1998). Indeed, Denny (2001) cites Malaysia as an example of a country that used "the inextricable tie of language and culture…as a mode of social planning in hopes of creating a viable national identity." He notes that "current and past ruling administrations have placed great effort on the introduction and management of policies which have focused on the issues of realised and perceived national culture. …Therefore, language status planning consists of three components: planning for the national language, a nationally sponsored medium of instruction, and a change to one official language."

Hirschman (1987), evaluating national integration and education between 1957 and 1987, found that the education policy has led to fluency in *Bahasa Malaysia*, but that the expansion of education had not brought about an integrated schooling experience for Malaysians. Children can receive primary schooling in public national schools (medium of instruction: *Bahasa Malaysia*), public Chinese schools (medium of instruction: Mandarin) or public Tamil schools (medium of instruction: Tamil), albeit with common syllabi for the various subjects, or in private schools. Selected *Bumiputera* (and today a few selected non *Bumiputera)* go to special schools. The education system thus promotes segregation by ethnicity, stark in Peninsular Malaysia. The dichotomy is further ingrained in schools where children are separated for religious instruction (Muslims) and for moral studies (non Muslims). Hirschman's view was echoed by Ong (1989) whose survey of Malaysian students abroad showed great differences in the perceptions of students of various ethnic groups towards the education quota system and *Bumiputera* special rights. Ethnic segregation in schools has been echoed in Malaysia's tertiary institutions. Two surveys of undergraduate students at the University of Malaya showed superficially favourable inte-rethnic relations but revealed a less positive picture in practice (Jahara *et al.* 2004; Tey *et al.* 2009). Most students socialised within their groups with this segregation extending also to academic interaction. Only about 50 per cent of the students surveyed in 2008 (Tey *et al.* 2009), albeit an improvement over the 33 per cent in the 2002 survey (Jahara *et al.* 2004), considered interethnic relations good or very good. It is therefore not surprising that de Micheaux (1997: 14) concluded that the education policy under the NEP was still "far from … overcoming

ethnic divisions" while Lee (2000: 1) opined that ethnicity was "the most potent force in Malaysia." It is thus very possible that affirmative action in education arising from the NEP may have reduced or even negated the gains from the post-Independence education policy that sought to create a national identity.

Educational policy is just one of the, although arguably the most important, contributing factors to the primacy of ethnicity over national identity. Ethnic differentiation has also been abetted by the government controlled media which create market niches by targeting audience through the use of language and ethnicity. Firdaus (2006) writes that "the fact that vernacular newspapers tend to differ in agenda … may mean that readers of these different newspapers have different agendas and different perceptions of important issues." The ethnic fissures in Malaysian society notwithstanding, Malaysian society manages to portray a sense of 'civil and friendly' accord (Hirschman 2007). Denny (2001) observes that the adoption of a single unifying language may have been an important contributing factor to the semblance of harmony, while Khoo (2004: 12) argues that "the Mahathir regime's economic solutions to cultural problems in the 1990s encouraged a deeper sense of national purpose and identity."

5. Counting Ethnicity and Policy Efficacy

In the previous two sections, we have, with reservations, taken existing definitions of ethnicity at face value and used data based on these definitions to tell us about the NEP and integration. Some of this data are from official statistics while others are from other agencies. Although the information on ethnicity is most likely collected by self-identification, we expect the measurement of ethnicity across these different sources to be reasonably consistent. This is because Malaysians live in a society with dichotomous access (*Bumiputera* versus non *Bumiputera*) to scholarships, other educational opportunities, finance, licenses, housing and ownership of capital. In order to access these benefits, they have to therefore declare their ethnicity. Ethnicity is now a necessary part of the Malaysian identity.[17]

Beyond definitional consistency, how useful are numbers based on these definitions in measuring policy efficacy with specific reference to the NEP? Two aspects are important: the measurement and the identification of an ethnic group. If we consider the NEP goals, then for effective policy, both in the case of the eradication of poverty and the reduction of inter-ethnic inequalities, we would need as detailed a breakdown of ethnicity as possible because broad categories may conceal intra-category inequalities. Related to this is the issue of identification of the *Bumiputera* group. Nagaraj *et al.* (2009) show that not only is the target *Bumiputera* group growing (and not just from natural increase), its composition is also shifting. Furthermore, the constitutional definition of Malay brings in an added dimension into the issue of ethnic identity of members of this group. In particular, as

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[17] Probably unique among nations, Malaysian nationals of minority ethnic descent refer to themselves as Chinese or Indians when these terms should be used only for nationals of these respective countries. The use of this terminology in official documents and the media is one of the strongest manifestations of the institutionalisation of ethnicity in Malaysia. This state of affairs contrasts sharply with that in the much more ethnically diverse United States where, say, an American of Chinese descent would refer to himself first as American.

Nagaraj (2009) shows, when Malays, Chinese and Indians intermarry, it is largely with Other *Bumiputera*, Others and Non citizens. To the extent that there are strong Muslim communities on either side who intermarry, there will be a weakening of boundaries of the Malay group.

If the design, implementation and monitoring of policy targets is based on the measurement of an ethnic group which is growing (in an unpredictable fashion), then it is likely that policy measures to achieve that target will fail to address growing intra-ethnic inequalities as observed in the case of income and education as noted above. It is therefore possible that the NEP strategies, particularly that of its primary objective of national unity, cannot be met as the distinction between its peoples (especially peoples termed Malay) gives rise to greater grounds for diversity than unity. Intra-ethnic inequalities can arise from the inadequate measurement of ethnic groups within the *Bumiputera* category to receive special benefits (and this can aggravate tensions and therefore disunity within the category). For example, Nicholas (2004) notes that the 'Other *Bumiputera'* perceive themselves as the 'lesser *Bumiputera*' at least in so far as special benefits are concerned. Furthermore, evaluation of the policy targets becomes uncertain. It is possible that the majority of the target group has been reached but the smaller groups which have not, are so behind that they have contributed to the overall lack of achievement. Alternatively it could be that the achievement of policy targets requires as detailed a breakdown of ethnicity as possible so as to reach those in need.

The measurement of the efficacy of the NEP highlights the fact that the focus is, and has been, on the achievement of its twin strategies of poverty reduction and ethnic imbalance in occupation[18] rather than the primary goal of national unity. One could even argue that the policies focussed on by the two strategies of the NEP have made ethnicity, usually a social construct of identity, a market construct of identity in Malaysia in the sense that there are prescribed monetised gains or losses to an identity. Although the states that comprise Malaysia have long collected information in the decennial censuses on the ethnic diversity in their society (see Nagaraj *et al.* 2009), historically the information on ethnicity aimed to obtain information on, and identify, social groups that had a common cultural and social identity. To the extent that being a *Bumiputera* provides a distinct identity, social inclusion has led to a degree of solidarity and mutual identification among the diverse cultures and communities that comprise the *Bumiputera* group. In particular, for those from diverse cultures who practise Malay culture and Islam, there has been greater assimilation of different groups into the majority Malay grouping.[19] This is not quite the case for non Malay *Bumiputera*, however, given the significant cultural differences and diversity among the Kadazans, Muruts, Ibans and other groups that make this category different from the Malays. It is questionable whether there is the interpersonal trust and social networks that indicate social integration given that the non Malay *Bumiputra* see themselves as the 'lesser' *Bumiputera*. Indeed, in the larger context of national unity, the market construct of the *Bumiputera* identity has not evolved into a social construct of identity.

Ariff (2008) suggests that the benefits of the NEP have not reached all sections of the *Bumiputera* community because the NEP has been 'erroneously' associated with

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[18] In fact, most discussion on the NEP highlights its economic agenda (see, e.g., Shamsul 1997).

[19] Nevertheless, as Shamsul (1997: 257) highlights, the new Malay rich face a cultural predicament, are they Malay first and *Bumiputera* second or the other way around?

constitutionality enshrined special rights of Malays. However, historically, the NEP is linked to the special rights of the Malays in the constitution.[20] In their documentation of the development of the NEP in 1970, Faaland *et al.* (2003: 37) describe the NEP as a translation of the special rights of Malays into "a comprehensive strategy with specific programmes and projects." The accepted wisdom at that time in the wake of the 1969 civil strife prioritised the need to reconcile competing ethnic-based interests to prevent further communal friction (Khoo 2009). Accordingly, the strategy of the then Prime Minister, Tun Abdul Razak, to assist Malays was thus based on the "redistribution of the increments of growth" to Malays without "taking away the rights of non Malays, in order to develop a new Malaysian society with a common value system transcending ethnic, cultural and socioeconomic difference" (Faaland *et al.* 2003: 37).

Independence in 1957 had brought growth but not an ethnically more equitable restructuring of corporate ownership (Hirschman 1989). The NEP made this possible, and it represented a shift in approach to economic policy-making from "a *laissez-faire* approach to economic growth" to "a planned approach to development in which the government bureaucracy played an important role in economic decision-making" (Puthucheary 1990: 284-285). The primary aim of the latter approach was national unity which "for planning purposes was regarded as synonymous with the correction of racial economic imbalances" (Faaland *et al.* 2003). The NEP thus was never intended to be an instrument for social integration as defined in this paper. It is not surprising then that Tun Abdul Razak's vision of a society transcending ethnic differences (which does meet our definition of social integration) has not evolved 38 years later; instead Malaysian society appears to have become more divided ethnically. Indeed, various writers observing the plural society of the Malayan peninsula had recorded their concerns regarding the fragility of the ethnic equation (e.g., Morrison 1949), the need for bargaining and compromise (e.g., Peterson 1955) and the possible effect of communalism if not properly managed on divisiveness of society (e.g., Freedman 1960). The policies may have even worked against the objective of the education system which also aimed to, and focused on, the target of national unity.

As a final remark, it is of little comfort to know that the Malaysian model provides empirical support for various findings on diversity and political power. By Lijphart's (1977) description, Malaysia is a 'consociational democracy' with a power sharing model based, among others, on proportionality. Alesina *et al.* (2005) suggest that agreements among groups may be the result of pre-existing attitudes to inter-ethnic cooperation. It is thus likely that it was pre-existing positive attitudes to inter-ethnic cooperation that led to the agreements between the different ethnic group leaders on adopting *Bahasa Malaysia* as the common language of instruction in schools post- Independence and on the NEP policies in the aftermath of the racial riots of 1969. The work of Aghion *et al.* (2004) provide evidence that the more ethnic groups there are, the greater is the likelihood that the power will be vested in one group. As Alesina & Ferrara (2005) find, when there is no external

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[20] The historical basis for the placement of these rights in the constitution at the time of independence can be traced to pre-Independence (see, e.g., Shamsul 1997; Khoo 2009). Puthucheary (2008) notes that these provisions define who is a Malay but that there were no provisions for the definition of a Malayan. She also notes that in the 1960s, benefits were extended to other indigenous groups identified as also being *Bumiputera*. It is pertinent to note that there is no constitutional definition of *Bumiputera*.

threat, agreements between groups become ultimately unstable unless there is a strong tradition of power sharing among the different leaders.

6. Conclusion

The visionary aim of the then Prime Minister, Tun Abdul Razak, for the NEP when first introduced in 1970 was "… to develop a new Malaysian society with a common value system transcending ethnic, cultural and socioeconomic difference." This is precisely what we mean by social integration: the achievement of national unity not only through harmonious relations but also a "common and shared identity." As commonly understood, however, social integration includes also social inclusion. Social inclusion describes only the willingness to include those who are different into a given group without making them an integral part of the group. It is not about integrating them into a set of shared values and working together toward a shared destiny. Thus, at best, social inclusion may facilitate social integration.

Our analyses indicate that the primary focus of government policies, including their implementation, monitoring and assessment, has been the achievement of the twin strategies of the NEP (reduction of poverty and restructuring of society) rather than the primary goal of national unity. More than that, government policies have been directed toward a narrow understanding of these strategies of the NEP. The NEP has aimed at the mutual and peaceful settlement of opposing ethnically defined needs, rather than the development of a Malaysian identity and national unity. The implementation of the NEP has thus provided for social inclusion but even so, in the long run, has had the effect of contributing to the very problems that the strategies aimed to solve. Focusing on social inclusion alone has almost certainly made social integration harder to achieve.

To meet the needs of the strategies of the NEP, government planning and monitoring have required the measurement of ethnicity in almost all market-related aspects of life. Given the complexities involved in defining ethnicity and measuring ethnic inequalities, it is not surprising to find that the relentless focus on ethnicity (meant to be the great equaliser) has failed far too many, particularly *the Bumiputera*. It has made some of the *Bumiputera* groups feel that they are in many ways 'lesser' *Bumiputera* than others. Further, it has made the non *Bumiputera* feel that they have been included but not integrated into a common or shared destiny. On the other hand, as intra-ethnic inequality has increased over time; many among the *Bumiputera* feel that they have not had a fair share of the benefits of economic growth and redistribution. The effect of focusing on the narrow strategies of the NEP has been to make ethnicity so important an identity for all Malaysians that counting ethnicity has been detrimental to social integration. Nevertheless, it is not counting *per se* but the focus on the narrow strategies of the NEP, the complexities involved in counting and the use of such data, based often on imprecise counting, that leads to discontent.

Since the NEP was first launched, the world has been transformed into an increasingly integrated market where natural resources, financial and human capital flow with great ease. Unless Malaysians cultivate a common and shared destiny, they will fall behind other, more homogenous and united countries in climbing the ladder of economic development in an increasingly competitive world. It is imperative that the strategies of the NEP be re-defined in line with the objective of social integration that is more relevant and of urgent consequence

to the Malaysian society. Malaysia needs to return to the visionary objective of Tun Abdul Razak. In this context, it is heartening to note a subtle but significant alteration in the official understanding of the relationship between social integration and social stability. In the Ninth Malaysia Plan (2006: 306), the ultimate goal of the NEP is "unity and integration among Malaysians to ensure social stability." In other words, social integration (synonymous with national unity) is now recognised as the key to social stability. Counting ethnicity and government policies must now be directed toward the primary goal of the NEP so that ethnic counting is no longer about benefiting a narrowly defined group but benefitting all Malaysians, especially the lower socioeconomic group, regardless of ethnicity.

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