

# Should the bumiputra rule in malaysia be abolished research paper sample

[Technology](#), [Development](#)



## **Introduction**

The National Development Policy (NDP) policy is a Malaysian development blue print that was introduced into the country in 1990 by Dr. Mahathir Mohamad who was the Prime Minister then. The NDP was meant to replace the NEP. NDP was meant to continue upholding the basic strategies that were held by NEP. In addition, NDP was to look into the following issues; focus on antipoverty strategy, place emphasis on human resource development, change the focus from over reliance on private sector for economic growth and finally focus on development of Bumiputera Community of Industry and Commerce (BCIC). In this paper we will look at the fairness of the Bumiputra rule to the Bumis and nonBumis. The paper also looks at the achievements of the rule and also reasons as to why Singapore resisted the rule. The paper also gives a proper analysis of NDP rule in Malaysia.

### **Section 1(a): Bumiputra Rule to Non Bumis**

This policy has some degree of unfairness to the non bumis in Malaysia. These are the investors who committed their funds and resources to put up firms in Malaysia from different parts of the world such as China and India. However, they were forced to pick Bumis in their workforce despite their inadequacy of skills. They also bore the huge costs of training this labor force. It is evident also that the policy clearly stated that part of investor's businesses was to be partly owned by the Bumis.

## **Section 1(b): Classification of bumis and non bumis**

It is known well that not everybody was qualified to be a Bumi and different states had different rules for Bumis. Bumis were South Asia indigenous people and the Malay race. They were known also as “ sons of the soil” and they were favored more compared to non bumis. A bumiputra was inclusive of various groups such as Muslim Indian Malaysian, Indonesian Pribumis, Malaysian Siamese, Khmer people and Peranakan. Most of these communities were encompassed and established in Southeast Asia before the British colonists evolved thus altering the Malaysians demographic. In the year 1971 the Malaysian government got to introduce New Economic Policy (NEP) which would give actions programmes which are considered affirmative to this day for most of the Bumiputras who were generally claimed to be the sons of the soil especially in the States of Malaysian Siamese and Muslim Indian Malaysian. These action programmes included the civil service, business and ethnic Malays and all this was done favoring the “ sons of the soil” (Malays) so as to help compensate for the backwardness of Malaysians economy and social background. This came as a big disadvantage to the foreigners or those who came from external states as investors such as Chinese and the British who came later as colonialists. The foreigners also who were referred as the non bumis lacked a slice of the economic cake in Malaysia since a bigger slice was given to the bumis by the NEP. According to Nelson the policy was a good favor for the Malaysia people but a big disadvantage and disappointment to other countries since they could not take their trade to the country due to business discrimination. The different races in Malaysia including Indians and Chinese were economically

discriminated and this resulted in interethnic tensions in Malaysia between the sons of the soil (Bumis) and non bumis. .

### **Section 1(c): Rights of bumis**

It is clear according to the Indian developers were each forced to sell a part of their property to the bumis or Malays and this of course acted in favor of Malaysians. Their economy was on the rise and high profits were attained by the Malays. A minimum of thirty percent shares was given to the Malays by each public company. It is also clear according to various reports analyzed that government jobs were only reserved for the Malaysian people and not the Chinese and Indians or any other foreigner and this has resulted to formation of forces such as HINDRAF(Hindu Rights Action Force). The reason for this fairness on Malays according to the government was in order to uplift the equity share of Maley and create a different of wealthy Malays who are middle class. The bad thing is apart from this fairness there was not a single step that NEP took to reduce poverty as they had promised effective even to the Bumis group.

The fairness that has been brought by this policy deals with the exercise of rights such as education for bumis. The bumis have gained access to globally competitive education that has been brought about by the requirement that they be employed, proportionally though, to middle and top levels of management.

### **Section 2: Problems with NEP**

There are a variety of problems associated with NEP. To begin with NEP aimed at alleviation of poverty in general as one of its strategies- the

antipoverty strategy. This problem has been addressed by NDP which has changed the focus to alleviation of hardcore poverty thus making it more specific. Secondly, NEP had a focus of employment and rapid development as a way to increase the participation of Bumiputra the sectors of the economy that were modern. This challenge has been countered by NDP whereby it focuses on ownership and control of corporate shareholding. The third challenge that NEP had laid focus on the public sector as the one that should have been involved in restructuring of the economy. NDP revised this and considered that the private sector would handle this and lead to greater opportunities for growth.

The fourth element that NEP had earlier failed to focus on was the potential of developing human capital. NDP however looked into this matter and discovered that having a highly skilled labor force was fundamental for economic growth.

In addition, NEP failed to help a good number of non Bumis to secure better livelihoods out of affirmative action. A group that was left out is the Indian poor. The data from NEP showed that share of wealth of non Bumiputeras had increased to 46.8% in 1990 of which 44.9% was the share of the Chinese, 1% Indian and 0.7% to the others.

The NEP was crippled by the above challenges to the extent that it had to be done away with in 1990, opening the gate to NDP which brought in changes so as to lead to better economic performance and progress for Malaysia. The NEP was hence dragged by the above problems hence it was of more benefit abolishing it.

### **Section 3: Successes of Bumiputra law**

The Bumiputra law has recorded key successes since its implementation in 1971. A large number of Bumis and sons of the soil were able to acquire jobs thus address the issue of unemployment in the country. An example is the pressure on investors to comply with hiring guidelines for Bumiputras throughout the 1970s and 80s and this created a lot of jobs for the Bumis though the investors felt harassed. Another achievement of Bumiputra law was the government advancement of its employment restructuring guidelines. For instance Pernas used its shareholding in Goodyear's subsidiary to give tire distributorships to the Malays. It also enforced a requirement that 50% of the staff at Kuala Lumpur Hotel were to be Malay since it had 50% shareholding here. Another achievement that Bumiputra law had is that it increased the proportion of ownership by Bumiputras thus allowing them more control of the booming enterprises. There were efforts to sell ownership to Malays via Malay mutual funds.

In fourth, the Bumis gained more education. Since companies found it challenging to employ unskilled Bumis, they took it upon themselves to train the Bumis and have a more skilled and productive labor force. E. g. National Semiconductor which established 11 training programs and also offered scholarships. Achievement number five was that the government tightened regulation and thus ensured fair play by market participants. It passed the Industrial Coordination Act in 1975. This regulation allowed the Industries Minister to override any management decisions that would go against directives on equity, pricing, production and distribution. The government cushioned itself from the energy crisis that would have frustrated the

industrial sector. It relaxed the terms it required oil companies to meet. This move was aimed at encouraging production and exploration so as to foreign exchange losses that arose out of the energy crisis.

The other success that is credited to Bumiputra law is the government managed to transfer ownership of equity in firms from institutions such as Pernas to private individuals. This was a great move since individual shareholding was proving to be a challenge as many of the locals' faith was against entrepreneurship. A 10 year program to shift the ownership was headed by Permodalan Nasional Berhad (PNB). The shares were widely marketed through media and distributed at post offices and banks. The above strategies led to substantial progress towards NEP goals by 1980. The country had witnessed an average of 7.8% growth in the 1970s. Bumiputra shareholding was up 10% in local companies. The Bumis had also increased their share in administrative and managerial jobs from 24 percent in 1970 to 32% in 1980.

#### **Section 4: Focus on NDP rule for Malaysia**

Since the previous election in 2008, NDP has attained some tangible goals. To begin with, NDP has secured social justice for a sizeable proportion of population. It has addressed key areas such as high minimum wages for low income groups thus improving their welfare. Secondly, NDP has also improved government stability. Malaysian current government head by Tuanku Abdul Halim has had a relatively stable tenure as compared to other Asian countries that have had political upheavals. This stability is a major ingredient for economic growth. The third achievement that NDP has is

unifying the citizenry. There is unity among all the races, encompassing the locals and foreign investors. The NDP has successfully prevented social unrest that came out of ethnic and racial disputes. These disputes were originally perpetuated by economic inequalities and income disparities. In fourth, NDP has improved the quality of life for the urban poor. It has effectively achieved this by providing amenities such as health facilities at a price which this income group can afford. NDP has promoted employment in these key sectors of the Malaysian economy; manufacturing, construction and many urban based industries. NDP has achieved this by ensuring competitiveness of these sectors at a global platform. Innovativeness and research and development have been essential.

The other achievement that is credited to NDP is the current population has gained highly competitive education on a global platform. These citizens can compete in any labor market worldwide as compared to the residents of the 60s who were mainly farmers residing in the rural areas. NDP has also revived small scale agricultural and commercial development. This revival has been achieved by providing loans to these sectors that is modeled on the Grameen Bank model. Loans are advanced to people in groups and each member acts as collateral for the other.

In addition to this, NDP has lead to balanced development in Malaysia as a whole. This has arisen from efforts to promote growth in areas that may not be so attractive for private sector. There have been efforts to provide incentives to enterprises in a view to promote industrialization out of the major centers. NDP is duly credited for is fostering economic growth and the required structural changes to accompany this. For instance it was 7. 5% in



2008 despite the global financial crisis. This was a good record compared to many European countries which recorded negative GDP rates. More so, NEP has allocated land settlements and agricultural schemes to the Bumiputras. Examples of these settlements are schemes are Felda, Mada and Kejora. These settlements have alleviated problems associated with severe drought that led to devastating crop failure and have resulted in increased output per acre. They have also helped in relocating residents that were in areas prone to border confrontations.

Finally, the NDP forms a key basis for the Prime Minister Dr Mahathir's noble vision of attainment of developed country status or the "vision 2020". This policy guideline requires the other strategic sectors of the economy to grow hand in hand so as to attain the vision. From all those achievements, it's clear that NDP has achieved a lot for Malaysia. NDP is thus far much better than the previous NEP. This implies that implementing NDP policy was a very bright idea and that its success has brought in a lot of progress than NEP could never have achieved.

## **Section 5: Singapore and Bumiputra Rule**

Economic transformation in Singapore and Malaysia was attained out of integrating foreign direct investment into the countries. Singapore has successfully integrated an upgrade strategy in both manufacturing and technological sectors. Singapore has relied on multinationals to foster its growth as opposed to other Asian countries that relied on local enterprises. Singapore as a country faces several economic challenges. To begin with, Singapore has problems with high inflation levels. This has led to high prices

in general and especially in the real estate sector. The country also faces the challenge of high dependence on cheap imported labor. These labor constraints impact negatively on GDP growth and thus derail economic development.

In addition, Singapore has a problem in declining exports due to the current crisis in Europe and China. Dependency on exports has left the country in a situation of inadequate foreign exchange reserves after having witnessed export led growth. However, despite the above challenges, Singapore shouldn't adopt Bumiputra laws like Malaysia. Adopting of such laws may do more harm than good to Singapore. In spite of having symbiotic relationship with Malaysia, Singapore could lose since it isn't under similar economic and social scenario with Malaysia. An example is in the case of religious extremism which was observed in Malaysia. The local Moslems were against the Chinese Buddhists. Instead of such considerations, Singapore decided to keep up with its current developments in research, development and innovation. Looking back at the successes it has had out of cutting itself the edge as the regional innovation hub, Singapore should keep up with such efforts such as the research centers in IT, microelectronics and also life sciences.

## **Conclusion**

My stand is that; in this developing stage of Malaysia, where democracy and equality is key there is no room for such affirmative action which favors a certain race. All races should be treated equitably and economic opportunities should be accessed without favoritism. In the current world we

believe that the world is one and since this is the twenty first century, we need to preach equality in all aspects in order to improve the world socially, economically and politically.

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