

Conclusion of new economic policy



The New Economic Policy or Dasar Ekonomi Baru of Malaysia was a socio-economic restructuring affirmative action plan. The Malaysian NEP was launched and implemented by then Prime Minister Tun Abdul Razak in 1971 in response to the post-election racial riots of 1969. Supposedly, the time period for the implementation of the NEP was from 1971 to 1990. The conceptual policies of the NEP were implemented in the Second to Fifth Malaysian Plans. However, some of the underlying principles of it still remained in effect through subsequent government policies like the National Development Policy in 1991 and the National Vision Policy in 2001. The main objective of the NEP through government intervention was to instil national unity since the incident of May 13th 1969 which caused racial tension between the racially diverse people in Malaysia. The NEP had two main goals which were to eradicate poverty and socio-economic restructuring so as to eliminate the identification of race and ethnicity with economic function without denying opportunities to the other races particularly the minority Indians and Chinese. The plan of the NEP was to promote national economic growth and at the same time to provide more benefits to the disadvantaged. The NEP also involved greater state intervention and the expansion of public sector (Jomo, 1993: pg. 2).

Historical Background of NEP

There were some historical foundations behind the development of the NEP. During the British colonial rule in Malaya before Independence, the majority Malays or the so called indigenous ethnic group of Malaya were given special privileges by the British administration over the non-Malays. Some of these special privileges include employment in the civil service sector and quotas

for public education scholarship. The society and economy of Malaya was affected by the British administration in which the geographical location of where the people worked and lived during that time was divided accordingly to race. This in turn affects the economic system among the races whereby the Malays were concentrated in the agricultural sector by becoming farmers with low per capita income and high poverty. On the other hand, the Chinese were concentrated in the industrial sector particularly carrying out business and the Indians were concentrated in estates and mining sector by becoming labourers.

When the declaration of the Independence of Malaya took place in August 31st 1957, its Federal Constitution contained a provision called Article 153 that provided special rights and position for the majority Malays. That was the time when the concept of Bumiputera came about. Before we go further into the historical background of NEP, the term Bumiputera is used to describe the majority Malay race and the indigenous peoples in Malaysia. This term was first introduced by Tunku Abdul Rahman and it is mainly used to recognize the special position and special rights of the majority Malays. Coming back to the historical background of NEP, when the Federation of Malaysia was formed in September 16th 1963 through the merging of Malaya with Singapore, Sabah, and Sarawak, the new Federal Constitution retained Article 153 with the expansion of the term Bumiputera to include the indigenous people of Sabah and Sarawak. Due to the special rights given by the Malaysian government to Bumiputeras especially the majority Malays, the governments of Malaysia and Singapore were constantly in dispute over it. This incident had lead to a strained relationship between the two

governments which eventually lead to the separation of Singapore from the Federation of Malaysia in 1965. In other words, Singapore was expelled by the Malaysian government.

Following the Malaysian independence, the Bumiputera share of the economy did not increase even though they were given special rights and position by the Federal Constitution. As late as the 1970, the estimated share of economy held by the Bumiputeras was only 2.4%, while the rest was held by the Chinese and foreign hands (Jomo, 2004: pg. 9). This socio-economic imbalance was the root cause which prompted the racial tension largely between the Malays and Chinese communities which then lead to the racial riots in May 13th 1969. After the incident, it was clear that the problem of poverty caused by socio-economic imbalance among the races will negatively affect social stability and national unity. In the aftermath of the racial riots, the government had to address this problem immediately and therefore the NEP was developed as an effort to curb poverty and restructure the socio-economic condition in Malaysia.

Targets of NEP

As I mentioned earlier, the two main goals of NEP were to eradicate poverty and socio-economic restructuring so as to eliminate the identification of race and ethnicity with economic function. In terms of eradicating poverty, the official poverty level should be reduced from 49% to 16% by 1990 (Jomo, 2004: pg. 3).

On the other hand, in terms of socio-economic restructuring, the NEP had an objective to restructure the society that aimed at increasing the share of

Bumiputeras capital, as well as the number of Bumiputera businessmen and professionals by the use of public sector and state intervention (Jomo, 2004: pg. 9). The strategy of NEP society restructuring mainly involves the redistribution of education, corporate share ownership, and employment (Jomo, 2004: pg. 9).

The other objective of NEP was the wealth distribution or restructuring of Bumiputeras which was also the main concern in most of the debates about the NEP. The target of this objective concerned particularly the 30% target for Bumiputeras' share ownership of corporate capital from 2.4% by 1990 (Jomo, 2004: pg. 9). For the Non-Bumiputeras, the share of other Malaysians was targeted to increase from 34.3% to 40%, while the share held by foreigners was to be reduced from 63.3% to 30% (Jomo, 2004). Thus, this target of NEP was to modify the ratio of wealth distribution among Bumiputeras, other Malaysians, and foreigners from a ratio of 2.4: 34.3: 63.3 to 30: 40: 30.

Critics of NEP

The NEP was racially based and not deprivation based whereby it gave more advantages to the Bumiputeras in terms of economic ownership, education, and employment. Bumiputeras were given quotas in share ownership and in getting tertiary education. Besides that, houses were being sold exclusively to Bumiputeras at a discounted price which Non-Bumiputeras will not be eligible to get. These advantages given to them were clearly discriminatory to the other races. The 30% target for Bumiputeras share ownership of corporate capital would signify a better equality in terms of opportunity. They will undergo training and will be certified to operate companies but

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those training and certification will not guarantee equality of opportunity as the ability and capability of attaining it were not questioned.

In addition, the NEP also did not handle the problems of economic inequality and wealth distribution directly whereby it does not help the poor. Instead, the NEP gave more opportunities and benefits to the majority Malays without discriminating them based on their economic class which means that Bumiputeras from the higher or lower economic class were given the same opportunities and benefits. This statistical imbalance is the reason why some Malays were economically marginalised. There were also a number of high economic class Malays who were economically capable that took advantage of the opportunities and benefits given to them by the NEP. For instance, one of them held several high profile companies which were intended to monopolise several economic sector. I believe this was the reason why the other Malaysians are not satisfied with the NEP.

Moreover, the NEP did not provide any planned assistance for the Non-Bumiputeras or other Malaysians to achieve the 40% target of their economic ownership. Therefore, the NEP failed to help a large number of Non-Bumiputeras who deserved to be given more opportunities and benefits. The poor Indian communities, particularly from the rural estate area, still live in poverty until today. As we all know, the 2007 rally by the Hindu Rights Action Force (HINDRAF) movement took place because of the economic imbalance between the Indians and the other races which resulted from the NEP after years of implementation.

The brain drain from Malaysia was also one of the results from the years of implementation of the NEP. The brain drain or human capital flight is where a large group of individuals with knowledge and technical skills go through a large scale migration to other countries. This large group of individuals were mostly represented by the Malaysian Chinese and Indian individuals. This brain drain occurred in Malaysia because these individuals see a better career opportunities abroad in countries such as the United States of America, Australia, United Kingdom, China, and Singapore.

On the other hand, there NEP did manage to reduce poverty. The overall poverty in Malaysia was reduced from 49.3% in 1970 to 16.5% in 1990 and again fell to 5.1% in 2002 (Jomo, 2004: pg. 3). Besides that, the NEP also managed to restructure the socio-economic status of all the ethnic races in Malaysia. According to Jomo (2004), the bumiputera share ownership increased from 2.4% in 1970 to 19.3% in 1990. The Chinese share ownership increased drastically from 22.8% in 1969 to 45.5% in 1990. Meanwhile, the Indian share ownership increased slightly from 0.9% in 1969 to 1.5% in 2002.

Furthermore, the employment rate of Bumiputeras in the industrial sector also increased significantly as well as their involvement in the administrative, managerial, technical, and professional levels. The increase in their employment rate had also helped in creating a large proportion of middle income class Bumiputeras.

The NEP has also contributed in achieving National Unity whereby with the increased involvement of all the races into various sectors, they can now interact together both socially and economically.

Evaluation of NEP

First of all, if the NEP was implemented to eradicate poverty then it must be stated clearly that it will only provide more opportunities and give more benefits to the poor and must not include the rich in it. For instance, one of the races which were neglected in the NEP was the Indians communities from the rural estate area. Besides that, in order to eradicate poverty, the NEP must first understand the reason behind the causes of poverty by studying and defining the root problems of poverty. Without a clear understanding of the causes of poverty, the NEP will continue without considering its effectiveness in terms of eradication and those who benefit from the NEP will tend to ensure the continuation of it. The NEP should not be one sided if its objective is to eradicate poverty as it will only cause imbalance to the other sides. Hence, it should be fair in its policies by opening opportunities to all ethnic groups which all of them can benefit from.

Besides that, those who formulated the NEP must state clearly that the NEP cannot be made a permanent solution to help a particular majority ethnic group. This is because if they continue to receive assistance from the NEP, they will start to develop a laid back attitude whereby they will not strive to get a better future and work harder to help the country develop economically. Then, they will eventually not be able to work things out on their own without the assistance from the NEP. During the United Malays National Organization (UMNO) general assembly in 2004, Datuk Seri

Abdullah Ahmad Badawi, the 5th Prime Minister of Malaysia, in his maiden speech as the president of UMNO, he stated “ Let’s not use the crutches for support all the time as the knee will become weak. Continued usage of crutches would eventually result in needing a wheelchair instead”. We all can agree that it is impossible to totally abolish the special rights given to the Malays at a time because this will only lead to another rise of racial tension and eventually the repeat of the 13th May 1969 racial riots. Therefore, as the level of poverty and socio-economic status of the Bumiputeras gets better, the special rights given to them by the NEP need to be withdrawn phase by phase.

Moreover, education policies like the Bumiputeras quotas for admission to tertiary education particularly to public universities should not be included in the NEP. The education sector should be a different entity. There should be some standardized academic requirements for the students among all the ethnic races to gain admission to public universities. My reason behind this is because if someone is really determined in pursuing higher education, he or she will strive to achieve those requirements of admission. There is no point setting quotas for Bumiputeras to pursue tertiary education in public universities as some of them who are not interested in pursuing higher education will only take this opportunity given to them for granted. On the other hand, some students from the other races who met the requirements and deserved to gain admission into public universities might be neglected over those undeserved Bumiputeras as they are given priorities firsthand.

Some parties have data which reported that the NEP has achieved its target, while the other parties have data which reported that the NEP has yet to

achieve its target. They need to reason out this disparity with maturity and based the data on facts. The government itself should keep the public informed about the objectives and targets of the NEP of its achievement. By doing so, the government could have ended the NEP and move forward with other more effective policies which can support the development of the country. The government should not practice cronyism in implementing a policy as it has a disparaging effect to the development of the country as well as affecting the country's economic dynamism and competitiveness.

Conclusion

In conclusion, the NEP has yet to completely achieve its objectives and it had also created or stirred up other problems pertaining mostly on racial inequality. The implementation of NEP had already taken place and we all cannot deny that it happened. Instead of looking at the NEP negatively and constantly complaining about its flaws, I suggest that we should try to start identifying the good things that resulted from the NEP and learning from its flaws. We should also start finding ways to improvise the NEP instead of constantly criticising it.

Besides that, we should start thinking about moving forward from where we are now. We need to learn what we can from the NEP in order to move forward and develop further by reading more balanced and informative materials about the NEP, not those written with political purposes. The government should also play its role when it comes to the formulation and implementation of its future affirmative action plans by setting the targets of its plans clearly. The government need to make it clear to the entire nation

on the goals that both the government and the nation are assenting on and what strategies will the government carry out to achieve those goals.