THE ECONOMIC DIMENSION OF MALAY NATIONALISM
—The Socio-Historical Roots of the New Economic Policy
and Its Contemporary Implications—

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INTRODUCTION

It is not uncommon for the pro-Malay affirmative action policy introduced by the Malaysian state in 1971, called the New Economic Policy (NEP), to be described, particularly by concerned non-Malay analysts, as one which has been inspired by the exclusionist and chauvinistic forces of Malay economic nationalism. Such a racially nuanced non-Malay reaction to the NEP is only expected. In fact, I have argued elsewhere that the discourse on the NEP provides some of the best examples of how the social scientific knowledge in Malaysia has been highly ethnicized (Shamsul 1997, pp. 27–31). Perhaps for that reason no serious attempt has been made to explain the phrase “Malay economic nationalism,” although it has often been used by both non-Malay and Malay analysts. One gets the impression that it has been used in a rather literal and ethnically loaded sense and clearly in a conceptually and historically uninformed manner.

One possible reason that this has happened is that the discourse on Malay nationalism has focused overwhelmingly on the political aspect of the movement, namely, the Malay anticolonial struggle motivated by the nationalist ideal of creating a Bangsa Melayu, or a “Malay nation.” The discourse on this aspect of Malay nationalism has been rather well developed despite the fact that the “Malay nation” project itself has failed to materialize. A considerable amount of literature exists on this subject (see, for instance, Roff 1967; Firdaus Abdullah 1985; Ariffin Omar 1993; Milner 1994).

However, one very rarely comes across writings on the economic aspect of

I must first and foremost thank Takashi Torii for mooting the idea about a special volume on Malaysia for the journal of The Developing Economies, particularly one that compiles a set of essays critically examining some aspects of the impact of the NEP on Malaysian society. I must also thank my university, Universiti Kebangsaan Malaysia, for allowing me to embark on a research on “identity formation in Malaysia” since 1988 and supporting me in various ways for the last decade or so. However, I wish to dedicate this article to the late Kenzō Horii, both a colleague and friend, whose commitment to Malaysian studies was exemplary and unparalleled amongst his peers in Japan.
Malay nationalism, the closest being the admirable contribution of Shaharuddin Maaruf (1988). This situation could be attributed to the fact that the discourse on the economy by Malay nationalists did not address the issue using known economic nomenclature, such as productivity, growth, supply and demand, or market share. Instead, terms such as pembangunan (development), kemajuan (progress), and perniagaan (commerce) were used to describe the economic interest, predicament, and future of the Malays in the envisioned “Malay nation.” In other words, early discussions on this aspect of Malay nationalism have been conducted in a different set of idioms, leading possibly to neglect of discussion on economic aspect, or subsumption of economic aspects to political ones. Even in the general discourse on nations and nationalism, be it by Gellner (1983), Anderson (1983), Smith (1986), or Hobsbawm (1990), there is a conspicuous absence of discussion on the economic aspect. There seems to be a general consensus that it is of secondary importance. Besides, the powerful popular image that has been projected by the mass media to the public is that nations and nationalism are all about politics. Against this background, the recent volume edited by Albert Breton and his colleagues (1995), entitled Nationalism and Rationality, is an extremely important and timely contribution on the economic aspect of nationalism.¹

This essay is a modest, preliminary attempt to examine the economic aspect of Malay nationalism, a framework within which, I believe, both in the political and analytical senses, the NEP should be located. It is meant to give some substance to the phrase “Malay economic nationalism” beyond the popular use and meaning offered thus far by both academic analysts and general observers of Malaysian affairs. The essay also intends to offer an analysis and evaluation of how the successful reincarnation of the economic dimension of the Malay nationalist agenda, in the form of the NEP, has brought about tremendous change in Malay politics and culture.

I shall begin, in the first part, by outlining the interplay of political, economic, and cultural factors in the making of Malay nationalism—its ideals, discourse, and agenda, both political and economic—and describe how these factors interacted and became articulated as the political and economic agenda of the nationalist movement. The debate regarding ideas, problems, and solutions related to the Malay economy shall be touched on, too.

The second part presents a brief analysis on how the colonial, and later the postcolonial, government in Malaysia, through numerous policies, resuscitated

¹ See also the important contribution of Granovetter (1985) who outlines in some detail how market forces are embedded within the culture and politics of a particular society. Leftwich (1996), on the other hand, offers an interesting (re)definition of politics that include economics and culture. In this context, Breton’s seminal piece (1964) on the economics of nationalism must not be forgotten here.
the prewar economic agenda of the failed Malay nationalistic movement. This created Malay entrepreneurs from peasants, who later organized themselves and agitated for greater influence by holding national-level economic congresses in the mid-1960s. Their wishes were finally granted when the NEP was launched in 1971.

The third part discusses the direct impact of the NEP on Malaysian class structure, politics, and culture, especially through the successful creation and expansion of a community of Malay entrepreneurs and its subsequent fractioning. I also intend to examine the conceptual usefulness of the terms “new rich” and “middle class” as analytical tools when applied to post-NEP Malay society, particularly within the context of the influential Islamic religious revivalism.

The conclusion looks at the evolution of the Malay nationalist ideal: its successes and failures, and in particular the resuscitation of the economic agenda with the NEP. The NEP radically changed the course of Malay politics and culture by reconstituting a concept of “Malayness,” engendered by material forces but which has caused a Malay cultural predicament.


The making of a Malay nationalist ideal, and a movement based on one, revolves around the politico-ideological problem of resolving what constitutes “Malayness,” and, subsequently, the vision and nature of the “Malay nation.” Such preoccupation is a direct response to the European colonial presence and the influx of Chinese migrant population in Malaya since the mid-nineteenth century. Initially, it resulted in the formulation of a popular expression of group identity by the long-established peasant Malays. With the introduction of census and “racial-based” laws during the colonial era, informed by “scientific racism” principles, the group identity called “Malay” was transformed into a definite legal category, namely, a “race,” with all its social Darwinistic underpinnings (Hirschman 1986; Shamsul, in press).

Afterward, the Western racial concept “Malay” became popular and was readily accepted as a source of identity, taken up, developed, debated, and elaborated by Malay journalists, creative writers, literary figures, and intellectuals such as: Abdullah Munshi, in the late nineteenth century; Mohd. Eunos Abdullah, in the first decade of the twentieth century; Syed Sheikh Al-Hadi, in the 1920s; Za’aba and Kajai, in the 1930s; Ishak Hj. Muhammad, in the early 1940s; and Dr. Mahathir Mohamad under the pen name of C. H. E. Det, in the late 1940s (Shaharuddin 1988; Arifin Omar 1993; Khoo 1995).

The protracted discussion on what should constitute “Malayness” eventually
shaped the two central agendas of the Malay nationalist movement in colonial Malaya. The political agenda was rather complex in content and nature and hence became a source of continuous contestation. The objectives of the economic agenda were clear and simple, though its programs were unclear and its future uncertain.

A. The Political Agenda

In political terms, there was a general consensus amongst the three major factions—the administrator-aristocrat or “administocrat” faction, the “Malay left” faction, and the Islamic faction—within the Malay nationalist movement as to what should constitute “Malayness,” namely, “bahasa, agama, dan raja” (language/Malay, religion/Islam, and royalty/sultan-chiefs). All agreed that the Malay language should be the sole medium of official communication and education in their proposed “Malay nation.” But they disagreed over the role of religion and royalty. The administocrat faction emphasized the symbolic importance of the royalty as the custodian of Malay culture and religion; the Malay left faction recognized the importance of religion but not royalty; and the Islamic faction felt that the ultimate form of a Malay nation was an Islamic one.2

The British, who had to abandon their “unitary nation” concept, the Malayan Union, in 1946, opted afterwards for the “federation nation” favored by the Malay administocrat faction. Eventually, in 1957, the British entrusted the running of the independent Federation of Malaya to the administocrats, after the group’s elites underwent a political internship in the management of a multiethnic government. The administocrats formed the UMNO (United Malays National Organization) in 1946, and, together with the MCA (Malay[si]an Chinese Association) and the MIC (Malay[si]an Indian Congress), both set up in the latter half of the 1940s, formed the Alliance, a coalition party with British blessing. The Alliance won its first national election in 1955 and continues to enjoy success today under a much expanded coalition called the Barisan Nasional, or the National Front (Mauzy 1988).

The adoption by the British of the administocrat-endorsed federation concept meant that the primacy of each of the Malay states (negeri), and its sultan and chiefs as rulers to whom all Malay should be loyal came to be recognized and institutionalized, first in the Federation of Malaya Agreement in 1948, and, later, in

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2 Elsewhere, I have examined in some detail the different versions of “the nations of intent” that have been entertained not only by the factions within the Malay and bumiputera (sons of the soil, i.e., Malay) groups but also amongst the non-Malays (see Shamsul 1996). The importance of the religious aspects of Malay identity, especially after the advent of Islamic revivalism in Malaysia in the 1970s, is dealt with in my three recent articles (Shamsul 1994a, 1995, forthcoming). Milner (1994) argues that the struggle between the different strands of Malay nationalism—kerajaan-based, bangsa-based, and ummah-based—is responsible for the “invention” of Malay politics, in the Western sense. For an illuminating discussion on the origin and practice of kerajaan, the feudalism-based Malay concept of governance, see Milner (1982).
the Constitution of Federation of Malaya in 1957. It could be argued that the administocrats (read UMNO) had no clear concept of “nation,” or negara, but strongly upheld the negeri-based concept kerajaan thus institutionalizing the internal plurality of the Malay bangsa, or race. It is not surprising, therefore, that they, too, accepted the British-endorsed “plural society model,” despite its compromises, as a model of nationhood. The adoption of the British system signaled the failure of the Malay nationalist to institute their concept of a “Malay nation.” What came into being was a compromised choice, namely, the United Malay Kerajaan, otherwise known as Persekutuan Tanah Melayu. Its English translation, the Federation of Malaya, does not really capture and convey the full meaning of the term Persekutuan Tanah Melayu and what it symbolizes for the Malays and their concept of “Malayness.”

The Malayan Constitution, significantly, was considered by many as a “social contract” between the different ethnic groups in the country. The British were always the mediator in negotiations between ethnic groups. The immigrant population, mainly Chinese and Indian, were made citizens by the new constitution, but in turn they also have to accept Malay special position, rights, and privileges given to Malays. Malay dominance, or ketuanan Melayu, was written into the constitution. However, the constitution also guaranteed the right of freedom of speech to all citizens. As rightful citizens, Chinese and Indians were allowed to question the policy of Malay dominance. From then on, the issue of special rights and privileges became one of the central issues of contention in Malaysian interethnic relations (Shamsul 1994b).

In short, the federation concept, as understood and practiced in the Malayan (later Malaysian) nation, has, since its beginning in 1948, recognized Malay dominance as central to its existence because it was put together and introduced to the British, in the wake of Malay opposition toward the British-proposed Malayan Union, by the administocrat faction of the Malay nationalist movement. The protection of Malay dominance by the constitution is accomplished by protecting the three pillars of Malayness (language, religion, and royalty). In this sense, a part of the political agenda of the Malay nationalist ideal was realized, though the all-important “Malay nation” was not.

B. The Economic Agenda

Though the political agenda of the Malay nationalists enjoyed limited success with the ratification of the constitution, its economic agenda remained unfulfilled even a decade after independence, not only because its details were unclear but also because it was overwhelmed, for a long time, by the perceived need to control the political sphere before the economic sphere. This was understandable in view of the fact that the British were in total control of the economy while conducting negotiations for a peaceful transfer of power to the locals. The British were con-
cerned that the bitter experience of the Dutch in Indonesia was not repeated in Malaya.

The British were also aware of the economic agenda of the Malay nationalist movement, which was closely linked to the political one. The link was provided by the perceived notion of “being dispossessed at one’s own home” (*dirampas segalanya di rumah sendiri*), with the colonialists and the immigrant population perceived as the “dispossessors.” The Malay nationalist struggle was always put in terms of repossessing (*merampas kembali*) political and economic dominance from the British and the immigrant population (Syed Husin Ali 1979; Ariffin Omar 1993).

The Malay nationalists argued that before the coming of the European colonialists and immigrant population the Malays enjoyed a period of economic independence and were involved in sophisticated commerce dealings with the Chinese, Indians, Arabs, and others. Native commerce, they argued, was arrested and indigenous economic development marginalized by colonial subjugation and immigrant encroachment, hence contributing to Malay economic backwardness. However, some Malay nationalists, such as Sheikh Al-Hadi and Za’aba, argued that there were other Malay cultural traits that contributed to Malay economic backwardness, such as a lack of awareness of time, a lack of rationality, fatalism, and a “tak apathy” (apathetic) attitude toward work. Al-Hadi and Za’aba were referring to the Malay peasant inability to break the vicious circle of poverty that imprisoned them. With the Malay entrepreneurs in mind, Al-Hadi and Za’aba also suggested that Islamic ideas and values are compatible to capitalistic values and it is not a sin to become rich and have a lot of money (Ungku Aziz 1987; Shaharuddin 1988).

Mahathir, in a series of articles written for the *Sunday Times* (September 1948–April 1950), also lamented about the problems, firstly, of rural Malays, who were unable to understand the difference between property, land, and money and who were continuously subjected to exploitation by Chinese middlemen, and, secondly, of the incipient Malay entrepreneurial class being denied a fair share of the colonial legacy. Although education was important to change these conditions, it was capital and skill which the Malays needed most to transform their disadvantaged economic condition.³

In short, it was clear to the nationalists that the struggle in the economic sphere was to regain control both in the rural agricultural sector (dominated by British- and Chinese-owned plantation and mining), and the urban commercial sector (dominated by British agency houses and Chinese family businesses). A successful implementation of this agenda should have solved both the poverty problem of the poor rural Malays and the problem of creating a niche for Malay entrepreneurs in the ever-expanding urban business sphere. Unlike the political agenda, the eco-

³ The best study thus far on Dr. Mahathir Mohamad’s intellectual concerns is by Khoo (1995).
nomic one for a long time remained on the drawing board, never seriously followed up, detailed, or discussed with great enthusiasm when the nationalist leaders talked about the issue of Malayness or the Malay nation.

II. THE FAILED MALAY NATIONALISM AND THE FATE OF THE ECONOMIC AGENDA

In March 1947, a group of Malay religious teachers based at the Madrasah Gunung Semanggol Perak (a traditional religious school, in Arabic known as Maahad Il Ihya Assyariif) established a Centre for the Malay Economy in Malaya (Pusat Perekonomian Melayu SeMalaya, with an acronym PEPERMAS) in an effort to revive Malay interest in the economy and also to set up a Farmer’s Bank, a Malay National Bank, and a Bank of Commerce (Nabir Hj. Abdullah 1976, pp. 124–29). But this attempt did not take off. Instead, concerns over the plight of Malay peasants, voiced mainly by Malay nationalists in the then Federal Legislative Council, such as Dato’ Onn Jaafar (Johor’s Chief Minister), Dato’ Hamzah Abdullah (Selangor’s Chief Minister), and Datuk Nik Ahmad Kamil (Kelantan’s Chief Minister), had more impact in influencing the British colonial government to do something about the Malay rural economy. In fact, the formation of an interethnic body by the colonial government called the Communities Liaison Committee (CLC), at the end of 1950, gave an opportunity for Malay leaders such as Dato’ Onn Jaafar to demand the British to give special attention to efforts to improve the economy of Malay rural dwellers.4

It was under these circumstances, and in the context of the colonial Draft Development Plan, 1950–1955 (DDP) that RIDA (Rural Industrial Development Authority) was finally launched in 1950, by Sir Henry Gurney, and legally instituted as a full-fledged government body through the RIDA Bill of 1953. This was an official recognition by the colonial government of the Malay nationalists’ economic agenda. It was also clear to the British that the affirmative action policy was a better alternative than having their commercial interests being nationalized by the nationalists, as had happened in Indonesia. By this time the political context was quite different, too, especially after political parties were allowed to be established by the colonial government. The establishment of RIDA was perceived by the

4 In mid-1950 the British government held the Conference on South East Asian Economies in London to discuss strategies to improve further the war-torn economies of British colonies in the region. Dato’ Onn Jaafar attended the meeting. Later, in mid-1951, he visited Ceylon, another ex-British colony that gained independence in 1948, to observe the local government’s successful approach to solving the problems of rural peasants. He was accompanied on the trip by Dato’ (later Tun) Abdul Razak Hussein, who was then the State Secretary of Pahang. Razak became the Minister of Rural and National Development in 1959, then the Deputy Prime Minister of Malaya, and finally the Prime Minister of Malaysia in 1971. He is known as the “father of the New Economic Policy (NEP).”
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Malay administrocrats as a victory, and furthermore, they now became part of the ruling power. They had their federation concept endorsed by the British (with Malay special rights and privileges guaranteed and protected), successfully formed a political alliance with the elite-led Chinese and Indian political parties, and even began to talk about independence from the British (Shamsul 1977, 1986).

The British were quick to react to the nationalists’ concerns about the Malay economy and institutionalized the concept of pro-Malay affirmative action in the DDP, which incorporated the special rights and privileges framework of the Federation of Malaya Agreement of 1948. A number of special economic programs emerged from the DDP but many others were built into the overall development strategy and its implementation. RIDA was established within the context of such circumstances, with the aim to assist rural small and medium Malay entrepreneurs to obtain capital and skill, either to start or expand their own small and medium businesses or participate in the business of buying and trading shares. At the beginning of the First Five-Year Malaya Plan, 1956–1960 (FFYMP), another semigovernmental body called FELDA (Federal Land Development Authority) was set up specifically to help the very poor and landless Malays.

When Malaya gained its independence in 1957, the political agenda of the Malay nationalists was well in place but the economic one was not. The colonial government did what they could without endangering well-entrenched Chinese and British commercial and economic interests. Besides, no amount of money and planning could change the situation very much, within a decade, in a country devastated by a major war. The push to fulfill the nationalists’ economic agenda came after the independence. It was targeted at the Malay peasant as well as the Malay entrepreneurs.

It began with the setting up of a Ministry of Rural and National Development in 1959 by Dato’ (later Tun) Abdul Razak Hussein, the then Deputy Prime Minister, who later became the architect of the NEP. A massive rural development program was launched countrywide to provide infrastructure facilities to rural Malays. These programs, politically, were meant to buy rural votes for the UMNO, which was facing fierce opposition from Parti Islam SeMalaysia (PAS) and the Socialist Party. A retired UMNO politician once narrated to me that what he did then was: “. . . drop a bus stop here, throw a phone booth there, leave behind a road here,

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5 Undoubtedly, Professor Martin Rudner of Carleton University, Canada, has been the most prolific contributor on the theme of the political economy of planning in Malaysia. Many of his major essays on this theme are now put together in a volume called Malaysian Development: A Retrospective (Ottawa: Carleton University Press, 1995).

6 The Fiennes Report (1957), which evaluated all of RIDA’s activities between 1953 and 1955, gives an excellent rendition of the general patterns of the Malay rural economy, successful and failed efforts to improve the economy, and suggestions for the future. Many of the report’s suggestions were adopted when the Ministry of Rural and National Development was set up in 1959 by the postcolonial government.
built a mosque there, or just leave a bundle of red notes [red was, and still is, the color of a ten ringgit note], and UMNO was OK!" For urban-based Malay businessmen the Ministry of Commerce and Industry, in 1961, set up a National Investment Company to allow Malay civil servants and professionals to buy shares allocated for Malays in the pioneer manufacturing companies, which were mostly foreign. Then, in 1963, the same ministry set up an Organisation for the National Timber Industry for Malays which was involved in the logging and timber-based industry. Other forms of support were also made available for those conducting business in mining, transportation, and construction (Faaland, Parkinson, and Saniman 1990).

Seen from another angle, the rural development programs of the 1960s, awash with funds, were really the NEP before the NEP, especially for those who were already in the UMNO. As a result, UMNO politicians became not only more interested in the business of politics but also increasingly knowledgeable in the art or the politics of business, particularly, in the business of rural development—generating income, wealth, and influence from projects related to the rural development programs. Because most of these development projects were infrastructural in nature, they involved large amounts of construction, an industry dominated by the Chinese. 7 Tenders and contracts for these projects were won by UMNO politicians but eventually subcontracted to Chinese companies. The former received a certain percentage from the latter, literally for doing nothing, the rest was for the latter. So, it is not really difficult to understand the rise of the OKBs (Orang Kaya Baru or, literally, “new rich person”) in the 1970s, who were predominantly rentier capitalists. 8

It came to be planted in the minds of many young Malays and aspiring Malay entrepreneurs that there seemed to be a shortcut, a “political way,” to make the materialist leap, to become rich rather quickly, to climb the social ladder, to enjoy a better social status, and, at the same time, to have power. This reflected very much macro thoughts of the prewar Malay nationalists, who prioritized politics to get access to the economic realm. For average Malays, in the 1960s, it began with the idea “jadi ahli politik untuk buat duit” (literally, be a politician to make money). This became a popular folk political philosophy. In fact, it was adopted as an

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7 The material benefits that sections of the Chinese community have accrued from the implementation of the NEP have rarely been highlighted. For an interesting view on this, see the important contribution of Heng Pek Koon in this volume.

8 For all their recent concern on the rise of Malay middle class, the new rich, and the Melayu Baru, and in spite of their extensive fieldwork amongst the Malays in Malaysia for the last decade or so, Kahn (1991, 1992, 1994, 1995) and Stivens (1995) seem to have neglected or failed to notice for a long time that in popular culture, the term Orang Kaya Baru has existed to capture the rise of Malay new rich, in its various forms and guises, past and present. Perhaps their focus has been more on the Malay elite, indeed a legitimate research concern, and less on the ordinary folks. This may explain their failure to note the existence of popular terms such as Orang Kaya Baru.
unwritten guiding ethos for many young Malays who were keen to become entrepreneurs, or simply to be rich. The link between politics and money was firmly established in Malay politics in the 1960s (Shamsul 1988).

The 1960s saw the rise of a nascent Malay entrepreneur class from rural Malays. They were predominantly peasants, petty traders, and owners of small and medium cottage industries. Many of them benefited greatly from the endless development projects made available to them by Tun Razak’s massive rural development programs. They consisted of: (i) infrastructure projects, such as the construction of roads, bridges, community halls, playing fields, piped water, and electricity, and (ii) capacity-building projects, both agricultural and nonagricultural in nature. Agricultural ones involved projects such as the farming of cows, buffaloes, and poultry and creating grazing areas. Nonagricultural ones took the form of providing new equipment and training for fishermen, building ice factories and more efficient marketing outlets, forming rural cooperatives, and providing leadership and managerial training as well as a modest amount of seed capital.

The rural Malays were quick to seize these opportunities and received a lot of help from the government, either directly or through the UMNO. For instance, the government managed to streamline the activities of rural cooperatives to turn them into a viable launching pad for Malay entrepreneurs in the villages. Cooperatives were then able to provide modest capital to start a business. Borrowers were also encouraged not only to borrow loans from the cooperatives but also from commercial banks and other commercial institutions, often guaranteed by the government, in order to expand his or her already promising business. The cooperatives were critical in providing the aspiring Malay entrepreneurs both the market conduit through which they could sell their products and a supply of reasonably priced hardware materials for construction and the like, often purchased on credit. Sometimes the cooperatives also helped to organize classes to train the up-and-coming rural entrepreneurs in basic skills of management, from bookkeeping to equipment maintenance.

Of course there were also those, despite all the official assistance, who still failed to launch themselves as entrepreneurs. Mostly they failed to make their loan repayments or complete the projects they were contracted to do. Interestingly, however, many of their children, who acquired education, skill, and acumen by watching their father conduct his business activities, in the end themselves became entrepreneurs.9

The traditional Malay capitalists, mainly from the aristocrat families, were generally urban-based though many owned a large acreage of rural agricultural land,

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urban real estate properties, and large timber concessions. Other urban-based Malay entrepreneurs were involved in transportation, mining, and contracting. Many began to make their way into the “business of development.” But the real explosion and expansion of Malay influence in business and commerce was in the rural sphere, especially with the rise of the new Malay entrepreneurs with the rural development plans. The rural and urban Malay entrepreneurs were able to put their act together, for the first time, in the mid-1960s, give a political voice to their economic interest, and pitch it to a level loud enough to attract the government’s attention.

The first Kongres Ekonomi Bumiputera (Bumiputera Economic Congress) was held in June 1965, a meeting which, for the first time ever since the advent of Malay nationalism, successfully planned in detail strategies and programs to implement the nationalists’ economic agenda. Before this, there were numerous kongres bahasa Melayu (Malay language congresses), perhimpunan parti politik (political party conferences), and muktamar ulamak (conference of religious leaders), not to mention the regular persidangan raja-raja (conference of rulers), but never a kongres ekonomi (economic congress). This finally happened about half-century after the Malay nationalist movement appealed and only after it had scored many political successes. Three years later in September 1968, another Kongres Ekonomi Bumiputera was held to evaluate the success of programs implemented since 1965 and to make additional future plans. Both of the congresses were significant in creating the socioeconomic landscape which eventually contributed to the rise of Malay Orang Kaya Baru in the 1970s, 1980s, and 1990s.

First, the above-mentioned economic congresses successfully outlined in some detail the perceived trajectory and strategy of the plan to uplift the Malay economic position. Second, they established the institutional structures needed for the advancement of Malay capitalist enterprise, such as banks and other financial institutions, commercial organizations (distributors, wholesalers, and agency houses for imported and local consumer goods), educational and vocational training institutes, and economic and urban development bodies, all of which were government funded. Third, for the first time Malay bureaucrats, technocrats, professionals, petty traders, academics, and others met one another, exchanged ideas, and tabled their visions of the future of the Malay economy, setting the targets to be achieved and planning how this could be realized (Jesudason 1989).

Ironically, the 1969 ethnic riot was for Malay entrepreneurs and Malay politicians a blessing in disguise. It provided them a reason and an occasion to push forward the implementation of the nationalist economic agenda. Previously it was done under the political umbrella of “Malay dominance” but after 1969 it was carried out within a redefined and constrictive political ideology of “Malay hegemony.” The nationalists tightened up various legislations or introduced new ones, such as the Sedition Act 1970, which prohibited any discussion on matters relating
to what constitutes “Malayness” and “Malay special rights” (Malay language, Islam, or the royalty). With the new political rules clearly spelt out, the march toward the full realization of the Malay nationalist ideal, in the economic sphere, began in earnest (Shamsul 1977, 1986).

III. THE NEP AND ITS IMPACT ON CONTEMPORARY MALAY CLASS STRUCTURE, POLITICS, AND CULTURE

The NEP, launched in 1971, can be said to be the product of the effort of Tun Razak, who was Prime Minister at the time, and his “back room boys,” comprised of Malay bureaucrats, academics, and technocrats, most of whom were also responsible for the successful organization of the Kongres Ekonomi Bumiputera in 1965 and 1968. In fact, a group of them produced a book called Revolusi Mental (1970), edited by Senu A. Rahman, in an attempt to provide a kind of a conceptual framework for a plan of action for the future of the Malay cause. The 1969 ethnic riot also encouraged many Malaysians to search for explanations, and many books were published with that intention.

The most famous and the most widely read was one by Mahathir Mohamad, the present Prime Minister, entitled The Malay Dilemma (1970), which was banned as soon as it appeared for its supposedly ultra-Malay views. In the book, Mahathir tried to explain a number of things: his ideas on problematic interethnic relations, especially between the Malays and the Chinese before 1969; the need to recognize the “primordiality and indigenousness” of the Malays in Malaysia; sociobiological factors in the making of the Malay race; the relationship between Malay cultural traits and economic backwardness; the need for state intervention to protect the Malays in their development; and methods by which Malays can improve themselves.

If seen from the Malay nationalist perspective, the two central objectives of the NEP, to eradicate poverty and to restructure society, are essentially parts of the overall nationalist economic agenda. The NEP is indeed a form of Malay economic nationalism, at least from the social actors’ perception.

In the NEP, it was specifically mentioned that within two decades (1971–90) the successful implementation of the policy should create a community of Malay entrepreneurs. This was to be done not only through direct government intervention and economic support but also through an aggressive training and educational strategy to create much needed professionally trained Malay manpower. Malays were to participate in various fields that they had not ventured before, positions involving “mental production” processes such as bureaucrats, company executives, technocrats, academics, accountants, electronics engineer, information technology specialists, and a host of other professions demanding high or specialist education and training. Within two decades, the implementation of the NEP has
successfully created and expanded the Malay middle class and new rich. In fact, many of its members have become extremely rich and are now active corporate players in the country and globally.

However, my own study (Shamsul 1986) indicates that the NEP, through the implementation of its first objective of “poverty eradication,” has also created many new rural-based Malay entrepreneurs. Most of them are not involved in “mental production” process, like their educated urban counterparts. They are usually involved in the traditional, manually oriented small and medium businesses, such as construction, manufacturing of food products and handicrafts goods, in wholesaling of primary commodity items, or in retail activities. Most of these emerging Malay new rich have been politically active or connected to the local UMNO, and some of them are top district-level UMNO politicians. They have managed to turn rural development projects, initially aimed at eradicating poverty, into rich financial resources for themselves, by establishing their own companies and then awarding them lucrative government contracts. However, without the support, both capital and skill of local Chinese tycoons, the rural Malay new entrepreneurs could never have achieved their present level of success, and certainly not within such a short time. Of course, the Chinese towkays, like their Malay partners, benefited tremendously, in financial terms, from this fulfilling and harmonious interethnic relationship (Gomez 1990, 1991, 1994).

It is useful to note that contemporary Malay new rich, especially its middle class component, is not homogeneous internally and could be divided into two broad analytical categories, the “old,” manually oriented middle class (e.g., small business people and the self-employed) and the “new,” mentally oriented middle class (e.g., professionals and bureaucrats). The latter is mainly based in big cities, such as Kuala Lumpur, Penang, Johor Bahru, Kuching, and Kota Kinabalu. But the former is based both in big cities and in rural towns and villages. There is a noticeable difference between these two categories of middle classes, at least in the Malay case.

Those in the “old,” manually oriented middle class, most of whom are rural based, seemed to be dominated by the rentier kind, comprised of individuals who have little or no previous background in the world of business. Most of them are children of Malay peasants. They or their family members are not seriously involved in business except as “sleeping partners” to Chinese towkays, earning large sums of money as commissions for getting government contracts using their political positions or contacts. They are between forty-five and fifty years of age, with a secondary school education but an enormous political power base, built at the local level over years of working and living in the rural areas. They became rich and joined the middle class through the business of development projects for the rural poor.

I call them “accidental entrepreneurs” because they did not have any family
background or experience in the world of business and commerce nor their children later became entrepreneurs. They struggled and survived to remain in the middle class mainly through political patronage and money politics. In short, their material success was solely dependent on their political success. According to a retired cabinet minister, such politicians will “. . . continue to buy political positions in order to create more money thus creating more opportunities for himself and his clan to continue to remain in power.” They are caught in a vicious circle of money politics, or, in Frederick Bailey’s term, the politics of “stratagems and spoils.”

I call them the Malay rentier middle class politicians. Their position is described as telor dihujung tandok (literally, an egg perched precariously on a sharp horn), and their success or survival is largely dependent on personal resource, initiative, and deception. Their rise and continued existence as a class of economic and political middleman, who are not highly educated but are extremely influential and powerful in rural areas, survived heavily on patronage politics which now takes the form of money politics within the UMNO (Gomez 1990). They seemed to be the UMNO’s main source of support and strength and, at the same time, its greatest weakness (they can literally be bought and sold), as the UMNO, since the advent of the NEP, struggled and staggered from one leadership crises to another and was indeed “brought back from the dead” after being deregistered in 1988 (Shamsul 1988).

Although most of them were kampong kids, most of those in the “new” middle class are based in urban areas. Their existence is directly related to the implementation of the NEP’s objective of “restructuring society,” particularly in the field of education. Since the advent of the NEP, the government has created a number of special education-related programs, which I call “express lane programs,” fully funded by the government, to rapidly increase the number of qualified Malays not only in the fields of science and technology but also in nonscience fields. Within a period of ten years (1976–85), thousands of graduates from these special programs, some from local tertiary institutions and others from those in the United States, Australia, and the United Kingdom, flooded the Malaysian job market. After overcoming early unemployment woes the government has, since 1988, managed to create employment for these “NEP graduates.”

Most of them have been employed as managers of material resources, primarily in private sector concerns such as banks, insurance companies, other financial institutions, real estate, and consultant firms. Many of these organizations or institutions were set up and partly funded by the government, through privatization programs and the like, to cater to Malay economic and corporate interests. Others ended up as managers of human resources in both the private and public sector, mainly in management activities relating to education and welfare programs, most of which are initiated and funded by the government as well.
It is also interesting to note that amongst this new middle class the influence of Islamic resurgence, or *dakwah*, is felt most (Shamsul 1994a, 1995, forthcoming). In fact, the *dakwah* movement in Malaysia was initiated, in 1969, by members of this new middle class, some of whom at present cabinet ministers, senior bureaucrats, corporate figures, and academic bureaucrats. It began at the campus of the University of Malaya (then the only university in Malaysia) soon after the 1969 ethnic riot. It then spread to the newer Malaysian universities established in the early 1970s. By the 1980s, many Malaysian students who had been sponsored by the government in the special educational express lane programs had gone to study abroad, joined many different type of overseas *dakwah* groups (e.g., Iranian, Pakistani, and the like), and later returned to Malaysia to enter leadership positions in both the private and public sector.

At least two major *dakwah* factions and one non-*dakwah* one are represented within the new middle class in Malaysia: the “moderate” (modernist) and the “radical” (fundamentalist) *dakwah* factions, and the “ordinary Muslim” faction. Most of the moderates found employment in the private and public sector. They are also firmly placed within the ruling party, the UMNO, and have succeeded in main-streaming Islam into the everyday activities of Malaysia’s multiethnic economy and society (Muslim and non-Muslim now participate in Islamic banks and insurance), unlike previously, when Islam was dominant only amongst the Malays, especially in the symbolic political sphere, and affected non-Muslims only in an indirect manner. The radicals are fragmented and generally peripheralized. Some have joined groups which are openly disfavored by the government. Some are academics but many survived in the private sector (as self-employed). Those who decided to join party politics have ended up with Partai Islam SeMalaysia. Both the moderates and radicals are grouped into well-run organizations and movements, which perhaps explain their ability to recruit large numbers of followers and disciples.

The members of the non-*dakwah* faction within the Malay new middle class, who are neither homogenous nor united, are simply called “secular Malays” by the *dakwah* members, a label which carries no special meaning. In fact, many of them preferred to be referred to as simply “ordinary Muslims.” They view the “*dakwah* Muslims,” especially the moderates, whom they perceive as their main competitors, as a self-righteous lot peddling religiosity and spiritualism for political and materialist gain. Nonetheless, numerically, the so-called secular Malays, though fragmented and disorganized, still form a large and influential group within the new middle class whose political clout is often felt during UMNO party elections. One could argue that the secular Malay group has been gradually won over by the radical and moderate *dakwah* factions, who have been competing politically for their support.

The “*dakwah*-ization” of the new middle class has, in my opinion, come into conflict with the neo-liberalist traditions associated with a university education. On
one hand, the new middle class is highly in favor of the continued expansion of the market and the promotion of aggressive individualism, thus making it hostile to tradition. However, on the other hand, its political survival depends upon the manipulation and persistence of tradition for its legitimacy, hence its attachment to conservatism about the nation, religion, gender, and the family. Having no proper theoretical rationale, its defense of tradition in these areas normally takes the form of a fundamentalism of sorts. It is not difficult to understand why many observers would quickly label the Malay new middle class a confused or schizophrenic lot.

The Islamic influence in the Malay new middle class has repercussions not only within the Malay community but also within the non-Muslim and non-Malay communities in Malaysia. A major internal division within the Malays seems to have developed along religious versus secular lines. Relationship between these two divisions could be quite complicated because it is deeply informed by the internal debates within each (e.g., moderates versus radicals) and made more complex by the fact that Islamic or general religious matters in Malaysia, in the politico-administrative sense, is the prerogative of each negeri (state or province) in the federation, which, in turn, could allow, for instance, radicals to find political refuge in a particular negeri. This partly explains the persistence of dakwah in Malaysia in general and, in particular, amongst the Malay new middle class (Shamsul 1995).

To the non-Muslim non-Malays, the increased Malay religiosity, as expressed by the dakwah-ized Malay new middle class, resulted in suspicion and uneasiness amongst the former who strongly felt that this could threaten or even erode their collective identity, which, in turn, has heightened their religious consciousness as a form of identity defense. Islam, historically, has always been central in the construction and maintenance of “Malayness,” and thus functions as an important social marker of ethnic difference in Malaysia. However, in the business and commercial sphere this tension seems not to have affected the professional bond between the Malay new middle class and its non-Malay counterpart. In fact this relationship has been quite healthy and has developed rapidly to the material benefit of both.

The rise of the Malay new middle class has also created, since the mid-1970s, a series of leadership crises within UMNO, the main member of the ruling party coalition in Malaysia (Shamsul 1988). Initially, they emerged as the result of conflict between the “old” leadership, surviving on support from rural Malay peasants and petty local officials, and the “new” leadership, consisting of bureaucrats and technocrats who were actively involved in the Kongres Ekonomi Bumiputera of 1965 and 1968 as architects of the NEP, and who had plenty of development projects to buy political support. In the early 1980s, they were characterized by the conflict between the rentier entrepreneurs and the corporate entrepreneurs within the Malay old and new middle class. In the late 1980s and early 1990s, the UMNO was dominated by the contest between rich corporate Malay entrepreneurs, namely, the “royalty” and the “non-royalty” (Khoo 1995).
These leadership crises have had a tremendous impact on the political stance of non-Malays in Malaysia, for they have always been caught in the middle, not knowing really which side they should take. As a result, many Chinese and Indian businessmen, like their Malay counterparts, have lost millions of ringgit for betting on the wrong political horse. Within the National Front party coalition, leadership within each of its component parties have often been reshuffled as a result of changes within the UMNO.

In conclusion, one could advance the argument that the NEP, as the outgrowth of the economic agenda of the Malay nationalist movement of the 1920s, has not only achieved its aim of repossessing the country’s wealth from foreigners through the creation of a community of Orang Kaya Baru almost seventy years later, but also brought about a complex host of economic, political, and cultural problems and the resulting internal divisions within the Orang Kaya Baru community. This has, in turn, unleashed a variety of consequences, both short-term and long-term, which created a dilemma for the Malay new rich.

The major predicament facing the contemporary Malay community, to my mind, is the result of the reconstitution of the concept Malayness itself—one which is quite different to that which informed the Malay nationalist political agenda and its notion of a Malay nation. However, the reconstituted concept of Malayness has been perceived to be more suited for the creation of a “united Malaysian nation,” or Bangsa Malaysia, in the next century. As a conclusion, we shall now briefly examine the Malay cultural predicament and its implications for the future.

IV. FROM MALAY TO MALAYSIAN NATION: SOME CONCLUDING REMARKS ON THE NEP AND THE MALAY CULTURAL PREDICAMENT

When the Malay nationalist movement set its political and economic agenda seventy years ago, it was during the great depression and in the colonial era. The priority then was quite clear: politics first, and economics second. The nationalists first strove to create a “Malay nation” first, and only afterwards create an economy with Malays playing an active role along with other ethnic groups, particularly the Chinese. The political agenda became a reality when Malaysia became independent in 1957, but the economic agenda was not fulfilled until thirty-five years later, with the conclusion of the NEP. The NEP did not result in the control of the economy by Malays, as its planners had hoped, but by its completion the Malay economic presence was strongly felt and recognized in the country. The expansion of the Malay middle class was definitely rapid but the expansion of the Malay new rich was even faster and more extensive, and not without its cultural cost.

The recent success of the Malay nationalist economic agenda has in turn rendered its original political agenda, especially the three pillars of Malayness, open to
public discourse and interrogation, particularly by the Orang Kaya Baru. This has been taken, by some observers, as a sign of the growth of Malay social reflexivity, that is, the increase of individual filtering process of information relevant to daily life, or the heightening of “experienced, everyday social reality” amongst the highly educated Malay middle class. This, in turn, has eventually resulted in the dislocation of knowledge (about nationalist discourse, ideals, and history) and control (via implementation, governance, state intervention, planning, and social engineering). Both knowledge and control, when combined previously, formed the authoritatively defined social reality such as Malayness or a Malay nation, which could only be observed and interpreted. Now that the authoritatively defined social reality is being questioned and doubts raised against it, particularly at the individual level by the Malay new middle class and other groups within the Malay new rich, what was an accepted “constructed certainty” (e.g., Malayness) has now been transformed into a kind of “manufactured uncertainty.” This uncertainty is exactly the cultural predicament of the Malay new rich—Who is the “new Malay”? Are we Malay first or bumiputera second, or the other way around? When do we become Malaysians?

This tension characterized the post-traditional social order in Malaysia, in which the collaboration between modernity and tradition that was crucial to the earlier phases of postwar and postcolonial Malaysia’s modern social development has been redefined and moved to another phase, a post-traditional phase. As a result, tradition, as a medium of the reality of the past, did not disappear but only became open to discourse and interrogation and not accepted blindly anymore (Giddens 1994a, 1994b). This is partly the consequence of the process of globalization (transformation of space and time) and partly the transformation of the individual actor’s personal context of social experience. The latter often stands in opposition to the former because it encourages “false autonomy” thus accentuating, for instance, local ethnic identities (Malayism, Ibanism, and Kadazanism within bumiputeraism), while the former promotes the creation of unified systems leading to universalization and homogeneity, such as the satellite communication system.

The introduction of the term Melayu Baru (literally, new Malay), by the Malaysian Prime Minister Mahathir Mohamad in 1991, and its adoption into popular use has demonstrated that globalization is not a single process but a complex mixture of processes, which often acts in contradictory ways, producing conflicts and new forms of stratification, such as the new rich.

The “new Malay” declared by Mahathir is a community of a completely rehabilitated Malays, who have gone through a mental revolution and cultural transformation, leaving behind feudalistic and fatalistic values to build a culture suitable to the modern period, who are capable of meeting all challenges, who are able to compete without assistance, and who are learned and knowledgeable, sophisticated, honest, disciplined, trustworthy, and competent. Mahathir further argued
that although the “new Malay” originated from families of peasants and fishermen, they have now become heads of departments, scientists, actuaries, nuclear physicists, surgeons, experts in the fields of medicine and aviation, bankers, and corporate leaders. According to him, some of these Malays have become managers of major conglomerates with assets worth billions of ringgit and are influential and competitive not only in Malaysia and Southeast Asia but also globally.

This is the “new Malay” proclaimed by Mahathir. The Malay entrepreneurs and the nongovernment Malay professionals who make up the Malay commercial and industrial community were largely constructed or engineered by the state with the goal of securing interethnic parity. This is the group that Mahathir feels which will carry the “Malay flag,” as it were, into the next century, competent and skilled enough to compete with the best in the world.

Their cultural predicament has been materially motivated, such as when they questioned the “excesses of the Malay royalty,” an argument initiated by Mahathir himself in the so-called constitutional crisis of 1983 and 1993. He was essentially voicing the interests of the “new Malay,” thus interrogating one of the pillars of Malayness which informed the Malay nationalist vision of the Malay nation.

When Mahathir suggested that English should be reintroduced as a medium of instruction at the tertiary level he was also articulating the global interests of the Malay new rich and new middle class who are vigorously expanding their interests outside Malaysia and perceive that this could only be done through the use of English. Such a suggestion, as some Malay nationalists saw it, puts in doubt the future of the Malay language as the sole medium of instruction in national and government funded institutions. This suggestion, therefore, directly questions one of the pillars of Malayness. Similarly, when Mahathir and his cabinet endorsed the amendment of the Education Act recently, which allowed foreign tertiary institutions to set up their branches in Malaysia and conduct their courses in English, some Malays perceived the position of the Malay language as an important central pillar of Malayness was compromised.

But a bigger cultural predicament, to my mind a really new Malay dilemma, faces the Melayu Baru, the “new Malay” proletariat. Though not included in Mahathir’s description of the “new Malay,” the Malay working class is part and parcel of the members of the new Malay industrial society, if we use lifestyle as the main indicator. They might not earn a middle class income but through various means they do try to live a middle class lifestyle, often making sacrifices on basic elements that they need to survive.

The Malay working class, without doubt, has expanded and transformed itself internally since the advent of the NEP. The new entrants to this class, mostly young Malay women, were plucked out of the patterns of rural life and incorporated into the urban-based factories of multinational corporations producing for world market without the protection, subsidies, and state sponsorship that the Orang Kaya
Baru generously received. They live in poor housing conditions at the margin of the cities and have to fight hard amongst themselves for the privilege of buying a two-room government low-cost house. But the government spend billions to build houses and other facilities for the new professional class of Malays in the better areas of local towns and cities. In fact, the government is more interested in protecting the multinationals than the Malay working class.

One could argue that the successful shift of the Malaysian economy from agriculture to manufacturing was done on the backs of the Malaysian working class. Mahathir rarely recognizes this for he clearly favors the rich Malay corporate players and the new Malay middle class. If we include some sections of the Malay working class, the new Malay industrial society is definitely a larger group than the one described and analyzed by some Malaysian and foreign scholars (Saravanamuthu 1989; Kahn 1991; Rustam 1993), who seemed to be critical of whatever Mahathir does but unwittingly agreeing with his choice of who are to be called the Malay new rich.

We have discussed the past, present, and future of the Malays, especially the “new Malay.” Perhaps one should then ask about the “new Chinese,” “new Indian,” “new Kadan,” and “new Iban,” or, for that matter, the “new Malaysians” which the NEP, directly or indirectly, has created.

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