

The formation of national economy and ethnic problems in Malaysia:

The path to Bumiputera policy

マレーシアの国民経済形成とエスニック問題:

ブミプトラ政策への道

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Abstract

The conditions that underlie the drafting of the Bumiputera policy in Malaysia were the turmoil in class relationships and the economic development that followed independence. Among the Chinese, there were confrontations with regard to language and education which had been a smoldering issue since independence and which had forced the Chinese masses to form another party. It can be said that class diversification destroyed the solidarity of this ethnic group. In contrast to this, even with the widening of the income gap in Malay society, ethnic unity was stronger than among the Chinese due to their adherence to Islamic tenets.

抄録

マレーシアは典型的な多民族国家で、大きく分類すると、マレー人、華人、インド人、先住民という4つのエスニック・グループから構成されている。その中で最も大きなグループであるマレー人でさえも全人口の約半数を占めるにすぎず、圧倒的な多数派グループは存在していない。

マレーシアの経済開発および経済政策は、エスニック問題によってどのような影響を受けてきたのだろうか。また逆に、マレーシアで経済開発が進むことによって、エスニック問題およびエスニック関係はどのように変容してきたのだろうか。本稿では、マレーシアの国民経済形成期に焦点を当て、経済開発過程とエスニック問題の相互作用を考察している。

1. Introduction

The New Economic Policy (NEP), which was implemented in Malaysia during the 20-year period from 1971 to 1990, was designed to give special privileges to the Bumiputera in the shareholding and employment. “Bumiputera” literally means “sons of the soil” in

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Malay language. It refers to Malays and other indigenous people as distinct from Chinese and Indians. As may be surmised, Chinese and Indians were placed at an extreme disadvantage by NEP. Aside from the aforementioned discrimination in economic treatment, discriminatory policies were implemented with regard to education and language. This is evidenced by the government's announcement, whereby all classes in primary school, except for the classes of immigrants' mother languages, were to be taught in the Malay language after 1970. To further reinforce this policy, plans to instate Malay as the official language were implemented as well. These policies which favor Malay and other indigenous people are known as "Bumiputera policy"¹⁾.

The beginnings of Bumiputera policy may be traced to the "May 13th incident" which occurred in 1969. At the night of May 13th of that year, some Malays and Chinese, excited by the outcome of the general election, rioted. Officially, 196 people died and 439 were injured, but the numbers were certainly higher, with most of the victims being Chinese²⁾. The situation in Malaysia at that time was social consciousness veered towards the Malays' social campaign for the improvement of the economic status of themselves, yet at the same time the Chinese movement towards instituting Chinese as an official language. When both of these groups embarked on a victory march after the general election, it turned into the biggest ethnic-confrontation incident in the history of Malaysia.

It can be posited that the May 13th incident was the result of the actions of both the Malays and the Chinese. As such, the quandary as to why the prejudicial Bumiputera policy was initiated, taking into account only one of the two factors (the Malays and the Chinese) comes to the fore. Although the Malays constitute the largest ethnic group, they account for only about 50% of the total Malaysian population. Although Malays and other indigenous people don't exactly share cultural and religious identities, Malay political leaders made up the new ethnic category of "Bumiputera" in order to be the comfortable majority. Bumiputera, however, still constitutes only 62% of the total³⁾. From these figures, it can be said that in order to maintain Malaysia as a multiethnic country, the voices and concerns of the Chinese (27% of the total Malaysian population) and Indian (8%) could not be ignored.

The Bumiputera policy, which regards each ethnic group as distinct and an entity unto itself, promulgates the idea that the groups were antagonists in the fact that its drafting began with the May 13th incident. Following this line of thought, it would be quite easy to equate it as antagonism between Malays vs. Chinese and Bumiputera vs. non-Bumiputera. In actuality, differences between rich and poor exist within each ethnic group and class diversification can be seen in the course of economic development. Thus, this paper will focus on the process of class diversification, in examining the background of the drafting of the Bumiputera policy.

2. The evolution of a multiethnic society under British colonial rule

In the 1870s, Britain began to intervene in the domestic rule of the Malay states in order to secure supplies of tin. During that period, the demand for tin had increased rapidly in accordance with the rapid growth of the tin plate industry in Britain. Britain had successively taken over the tin mining states of the Malay Peninsula, and had delegated British Agent to administer the colonial government. The Malay states, however, did not accept British domination without resistance. In the face of the resistance of the Malay states, Britain was forced to rethink her mode of colonial administration.

Britain took note that Malay society had a system of strict class discipline under a ruling sultan, and, as such, adopted “indirect rule” administrative measures in colonizing the Malay states as British Malaya. Under “indirect rule” the colony was governed by maintaining existing commonwealth and administration structures as far as possible. Britain recognized the sultanate, and provided its members with pensions in order to soften the resistance of Malays against domination as a colony. By following this pattern of action, Britain acquired the trust of the Malay ruling class and concatenated the Malay peasant’s loyalty to the Malay ruling class to Britain.

Britain had gone into the Malay Peninsula to acquire tin, but could not monopolize tin production from the outset. The Chinese capital and the Chinese labor force became the leading factors in the development of tin mines on the Malay Peninsula. In the early period of the mining industry, members of the Malay nobility in the areas employed the Malay work force and managed the mines.

At the beginning of the 19th century, Chinese merchants from three Straits Settlements (Penang, Malacca and Singapore), in particular, Malacca, came and provided capital to the Malay nobility, and the primary work force became the Chinese. After that, the entire system of tin mine development came to be administered via the flow of Chinese capital from the Straits Settlements, and the Malay ruler was reduced to levying duties on various items. As a new tin mine developed, immigrant workers from the southern part of China flooded in to work there. Consequently, it came to pass that of the 196,000 tin miners in the Federated Malay States, 189,000 were Chinese⁴⁾. In this way, the Chinese came to have overwhelming superiority in both capital and work force in the tin industry of Malaya.

Even after the British put Malaya under their administration, they depended on the Chinese to manage the tin mines, while they maintained the rights to custom duties. It was only after 1912, when a mechanical method of mining using a dredge was introduced, that British capital began to go into tin mining⁵⁾. The high price of dredges put them beyond the reach of Chinese capital, and necessitated the influx of British capital. The outpouring of British capital exceeded that of the Chinese. This, however, does not mean that Chinese capital and the role of Chinese work force became unimportant in the tin industry. To the contrary, the development of the tin industry in Malaya was spurred on by the competition

between Chinese and British capital.

The importance of the rubber industry must not be forgotten in the economy of British Malaya. In conjunction with the rapid development of the auto industry, the rubber industry in Malaya experienced rapid growth at the beginning of 20th century. When a rubber industry came to be anticipated in Malaya, British investment in rubber farm companies increased, and plantation agriculture was begun. The growth of the rubber industry also created a need for plantation workers capable of undertaking the monotonous, disciplined work involved in rubber production. The Tamil Indians were looked upon as being the most suitable group for such work, having already developed a reputation as being hard workers on coffee and sugar cane plantations. Since their wages were lower than other workers were, the number of immigrants from India increased rapidly as the number of rubber farms increased in Malaya⁶⁾.

As tin and rubber, the two major industries of Malaya, were developed, the multiethnic society in the Malay Peninsula came to consist of several ethnic groups: the Malays, Chinese and Indians. To avoid conflicts between ethnic groups, the British colonial government introduced an ethnic segmentation (divide and rule) policy.

The colonial government provided English education for the children of the Malay nobility that constituted the upper class of Malay society, and appointed them as aides in their colonial administration. This course was restricted to the Malay segment, and was never available to the Chinese or Indians. In this manner, Britain clearly provided the predominance of Malays in the administration. On the other hand, the majority of Malays were peasants who engaged in rice growing. In the Malay agricultural society, there had been a hierarchical structure, which included such classes as landlord, landed farmer and tenant farmer (peasant). In spite of this, there had been little consciousness of class inequality among the Malays, and confrontations almost never occurred between landlord and peasants. The reason for this was that the hierarchical structure, with the sultan at its apex, was considered to be a natural system, and based on the tenets of Islam. For example, the case-study by Horii showed that even if class diversification had occurred in Malay society in rural village, the ties of the Malays were strongly supported by Islam, the sharing of territorial bonding, and kin relations in rural village⁷⁾.

Most of the Malay peasants grew rice as a staple for their own consumption. At the beginning of the 20th century, as the rubber industry of Malaya grew, some Malay peasants took to the cultivation of rubber. However, the British colonial government implemented a policy to encourage rice cultivation among the Malay peasants, in order to maintain the separation between the rice-growing Malay peasants and the Chinese and Indians who were engaged in then extant rubber industry. As Hua pointed out, the colonial government feared that the very foundations of the colony would be compromised if the Malay peasants entered the rubber industry, thereby disturbing the distinctions among the traditional Malay community⁸⁾.

In 1913, the British colonial government established the Malay Land Reservation Enactment in order to make it clear that rice growing in rural communities was reserved for the Malays. The enactment established that uncultivated land in rural districts was solely for the use of the Malays, and allowed for ownership only by Malays. An underlying goal of this enactment was to prevent Malay community from suffering turmoil should the Chinese, who were becoming a big power, enter the field of rice growing.

In spite of efforts to establish a system whereby Malay peasants could devote themselves to rice growing, the economic bottom line was that rice growing brought in less profit as compared with rubber cultivation, which produced a highly marketable farm product. In addition, the work involved in rubber cultivation was easier than rice growing, and the income per acre was greater than that which could be had by rice production. This situation whereby conversion to rubber cultivation was restricted by British colonial policy, and in which the Malay peasant was limited to the growing of rice, came to result in large gaps in income as compared to the other ethnic groups as time went on.

As outlined earlier, class discipline had traditionally existed in Malay society and Britain utilized the hierarchical structure in implementing colonial rule. Children of the Malay nobility in the upper strata of hierarchical structure were trained in English, and became aides in the colonial administration. On the other hand, the Malay peasants who accounted for the majority of Malay society who were educated in Malay schools and most of them were destined to be perpetually engaged in rice growing. In this way, the nobility, who formed the upper ranks of Malay society, and the peasant class, were treated differently under British colonial rule.

It was not only in Malay society that class diversification occurred. Class diversification surfaced in the Chinese society as well, and a dual division was in place at the time when they immigrated to Malaya⁹⁾. The tin-mining development boom that had started in the first half of the 19th century served to demarcate the two groups. The Chinese and their descendants who had arrived in Malaya before development of the tin mining industry formed the elite class and the Chinese who later immigrated to work the tin-mines formed the lower, laboring class.

Most of the people who belonged to the former class were merchants. Their children were given English education promoted via British intervention, and established wealth as trading merchants and investors under the colonial economic regime. A characteristic of this group was mixed marriages. There were few women among the early Chinese immigrants; so many Chinese men married Malay women¹⁰⁾. They were called Baba Chinese, and enjoyed a close nexus with the elite of the other ethnic group which had been given the same English education. The polar opposite to this group was the immigrant group that had arrived during the tin-mining boom to labor in the mines. These immigrants kept to themselves, and had little exchange with the other ethnic groups, preferring to maintain their Chinese culture and lifestyles. In keeping with this, most of the children of the Chinese laborer class

went to Chinese school.

It is of note that the Indian immigrants can be classified as having come from either southern or northern India. The southern Indians account for the majority of Indians in Malaya, comprising more than 90% of the total Indian population¹¹⁾. Among the southern Indians, the Tamil constitute the greatest part of the population. In terms of occupational distribution, the Indians from northern India generally took jobs such as: merchants, traders, bureaucrats, and other specialized work, while the southern Indians were engaged mainly in farm labor¹²⁾. Thus, in the Indian sector of society, class diversification stemmed from the regions the Indians came from.

3. The Post-independence political economic regime and Merdeka Contract

On August 15, 1945, the Japanese military occupation of Malaya ended. However, in September, Britain made clear its intent to return to Malaya to colonize it again. During the Second World War, Britain had already created a plan for ruling Malaya as the “Malayan Union” after the war, and had decided to start implementation of the plan on April 1946. This Malayan Union plan was to have integrated all except Singapore as the Malayan Union:

- 1) The power of a sultan was to be kept within the confines of Islam and range of established practices
- 2) The British governor appointed for each state was to hold administrative power
- 3) Nationality was to be based on the birthplace and equal civic rights were to be given to all ethnic groups.

Of import here is that the Malay preferential policy, which had been accepted up to the time of the Japanese invasion of Malaya in December 1941, wasn't included in the Malayan Union plan. Under the Malayan Union design, non-Malays would gain civic rights and Malay preferential policies would be abolished, thus destroying the predominant position of Malays. The Malays who opposed this Malayan Union plan organized the Pan Malaya Malay Council (PMMC), and decided to boycott the Malayan Union opening ceremonies. The name of the PMMC was later changed to the United Malays National Organization (UMNO).

Faced with the anti-Malayan Union movement, Britain withdrew her Malayan Union plan in December 1947. Britain then wrote the “Federation of Malaya” proposal, which limits the civic rights of the non-Malays, while acknowledging the power of the sultanate and the privileges of Malays. This proposal contained many provisions beneficial to the Malays; however, it also contained articles that made the acquisition of civic rights difficult for non-Malays. Non-Malays, especially those belonging to the Malayan Communist Party, which was largely comprised of Chinese immigrants, rebelled strongly against it. However,

Britain was successful in enlisting the cooperation of the elite group of Chinese immigrants who were afraid that the labor movement might get out of hand if supported by the Malayan Communist Party. Thus, it came to pass that the Federation of Malaya proposal was enacted and, consequently, the Federation of Malaya was born on February 1, 1948.

The reason that Britain was able to implement its Federation of Malaya plan in the face of anti-British sentiment was that the conservative element had gained power in Malaya. The conservative party consisted of the elite class of each ethnic group that had been educated in English under British colonial rule. The Malay party was comprised of the aforementioned UMNO, while the Indian party was known as the Malayan Indian Congress (MIC), and the Chinese party as the Malayan Chinese Association (MCA). Although the conservative parties increased power, the Malayan Communist Party suffered a decline in power due to a crackdown by the British army. Later, three parties: the UMNO; MCA; and MIC; organized the Alliance Party of Malaya, and won an overwhelming victory in the election of 1955. As a result, Britain recognized the Alliance Party of Malaya, and approved independence for the Federation of Malaya. The Federation of Malaya became independent on August 31, 1957.

Considering the politico-economic regime after independence, it should be noted that negotiations since independence have been largely carried out between the UMNO / MCA. The MIC was not able to exert leadership in the Alliance Party of Malaya due to the possession of too few seats and internal, factional rivalries. In the negotiations to determine the system after independence, both the UMNO and MCA gave their approval, compromising on issues on which each ethnic group was opposed. The compromise plan was called the "Merdeka Contract"¹³⁾ and refers to the contract at the time of independence. The measures that were adopted in the course of working out the compromise were not intended to address the interests of ethnic groups regarding each and every problem, but instead, aimed to encompass the total by dealing with all problems inclusively. Therefore, it was decided that Chinese would have the upper hand on the economy, and the Malays would be responsible for culture and politics.

At this point, a consideration of the economic aspects is in order. The post of economic affairs and the real power in the drafting of economic policy were given to Chinese, based on the Merdeka Contract. Consequently, in terms of the economic regime after independence, that which had used under British colonialism was fundamentally inherited, and the liberal policy of minimal government intervention was adopted. However, laissez-faire administration was not maintained through all types of industry. In the agricultural sector and area of rural district development, positive governmental intervention that was intended to improve the economic position of the Malay peasant can be observed. Furthermore, for Malays such privileges as:

- 1) Preference in recruiting as officers of public service

- 2) Preference in receiving grants of official licenses for special lines of business
- 3) Preferential treatment in education, including scholarships
- 4) Land ownership protection

were established within the constitution.

Next, let us examine the decisions in terms of politics and culture. In these areas, the Chinese were to enjoy power on economic matters, and civic rights acquisition on the basis of the principle of birthplace were doled out as tradeoffs for the political power enjoyed by the Malays. Thus, as the rights of making decisions in politics were given to Malays, it could be said that the Malay sense of values was to have priority on the cultural aspect. These cultural aspects included:

- 1) Islam as the national religion
- 2) Malay as the national and official language ten years later
- 3) Unified national education system with the Malay language as the medium.

The compromise between the UMNO and MCA should be examined at this point. To better understand the situation, it is first necessary to take a look at the leaders of the UMNO and MCA who put together the compromise plan.

At first, the UMNO, with Tunku Abdul Rahman Putra, who became the first Prime Minister of the Federation of Malaya (hereinafter referred to as Rahman), did not take the stance of integrating each ethnic group into one party. But he took instead a direction whereby a cooperative relationship between them could be worked out, with each ethnic group maintaining separate parties¹⁴⁾. The UMNO and MCA began to enjoy a cooperative relationship beginning with the election of 1952, and as the alliance won the election, the independence of Federation of Malaya was accomplished. This fact illustrates that there was a basis to accept the cooperative stance of Rahman on the MCA side as well.

As was mentioned earlier, the Chinese immigrant society of Malaya was divided into two classes, the first being a class of laborers that maintained their Chinese culture, and the second, an elite class which had received English education. When the Merdeka Contract was concluded, the elite class that consisted of traders, merchants, and investors took hold of the real political power in Chinese society. Leaders of the MCA neither required nor did they demand that Chinese be made the official language and that education be conducted in it; rather through the Merdeka Contract with the UMNO, they wanted to grasp pragmatic economic power in order to handle economic activities in their own fashion. Because the leaders of MCA were given the right to receive English education, they have been autochthonous in Malaya. The Merdeka Contract was concluded because the elite, governing class of the MCA forewent the cultural aspects of the Chinese masses.

Of course, the Chinese masses did not meekly accept the tenets dealing with culture in

the Merdeka Contract. Soon after it had been decided that Malay and English would become required subjects in primary and junior high schools, based on the consensus of the UMNO and MCA, a resistance movement emerged and expanded throughout the country's Chinese schools. The reason the movement demanding multiculturalism by Chinese immigrants expanded to the point of explosion at the May 13th incident in 1969, was that the cultural aspirations of the Chinese masses weren't reflected in the Merdeka Contract which had been dogmatically decided by the UMNO and MCA.

The Federation of Malaya was combined with neighboring regions in 1963, and Malaysia was formed. However, Singapore separated to become independent from Malaysia in August 1965, leaving Malaysia in the form in which we know it today. The Malaysian Government announced its First Malaysia Plan (1966-1970) in November of the same year. Based on the Merdeka Contract, this plan fundamentally adopted a liberal policy, yet the noteworthy behavior that became a harbinger of subsequent Bumiputera policy can be observed at this point. The government had begun to intervene in order to promote Malay's access to commerce and industry.

The policy to promote commerce and industry for Malays showed scant effect, however, saves for the transportation sector. Among the Malays, people who engaged in the management of variety shops and the rubber trade were backed by government loans, but most failed, and could not repay their loans. One reason for the failure of the commerce and industry promotion policy for Malays was the poor division of capital used in the plan. A far more important reason was that the forces of competition had worked between Malays and non-Malays under the liberal economic regime in the period after independence. The forced entry into the fields of commerce and industry by the Malays competed with the established Chinese and Indian, with the end-result usually being the Malay being pulled out from the sectors.

In the background of this situation also lies the problem of a lack of experience of the Malays in the commercial and industrial sectors as well as a cultural bias whereby the Chinese capitalists considered the Malay workers of a lazy sort, hence they did not employ them. As Hashim pointed out, Stamford Raffles, a British bureaucrat, created a stereotype of Malays whereby they are viewed as sluggish and lazy¹⁵⁾. Thus, the aftereffects of colonial times are deeply reflected in such mutual, derogatory, ethnic feelings. Needless to say, in the light of this situation, Malay employment in the commercial and industrial fields did not go as smoothly as government would have liked. When it became evident that the Malays' entry into the areas of commerce and industry was not proceeding as they'd planned, the UMNO submitted regulations to strengthen the plan to restrict specific businesses to Malays. However, under the Merdeka Contract, it was impossible to promote the entry by Malays into the commercial and industrial fields by reducing the earnings of Chinese elite class. Consequently, it came to be that the majority of commerce and industry was actually carried out by foreign capital and Chinese elite class after independence.

4. Economic growth and class diversification

Towards the end of the 1950's, the Malaysian post-independence economy evinced sudden growth, with stable growth continuing into the 1960's. This spurt of economic growth caused an imbalance in income distribution. According to Kuznets, income inequalities rise in the early stage of development and then fall in the later stage¹⁶⁾. Although there are various measures of income inequality, the Gini coefficient is often used for the discussion on Kuznets' hypothesis. Using his hypothesis and assigning income level to horizon axis of a graph and the Gini coefficient (the degree of income distribution inequality) to the vertical axis, the two coordinates take on an inverted U-shape. Therefore, his hypothesis is called "Reverse-U".

As Ikemoto pointed out, Kuznets' Reverse-U hypothesis is applicable to Malaysia¹⁷⁾. Fig. 1 shows the Gini coefficient calculated by Ikemoto¹⁸⁾. It shows an inverted U-shape, as Kuznets demonstrated. We see from it that Malaysian economic growth in the early stage from 1950s to 1970s caused an imbalance in income distribution. Besides the issue of income inequality is not irrelevant to the issue of class diversification. Or rather, the imbalance in income distribution served to aggravate class diversification within each ethnic group.

We encounter difficulties when we examine the income distribution in Malaysia, due to limitation of data. For example, *Household Budget Survey of the Federation of Malaya 1957/58* covers only 0.2% of total household and does not cover households with income M\$

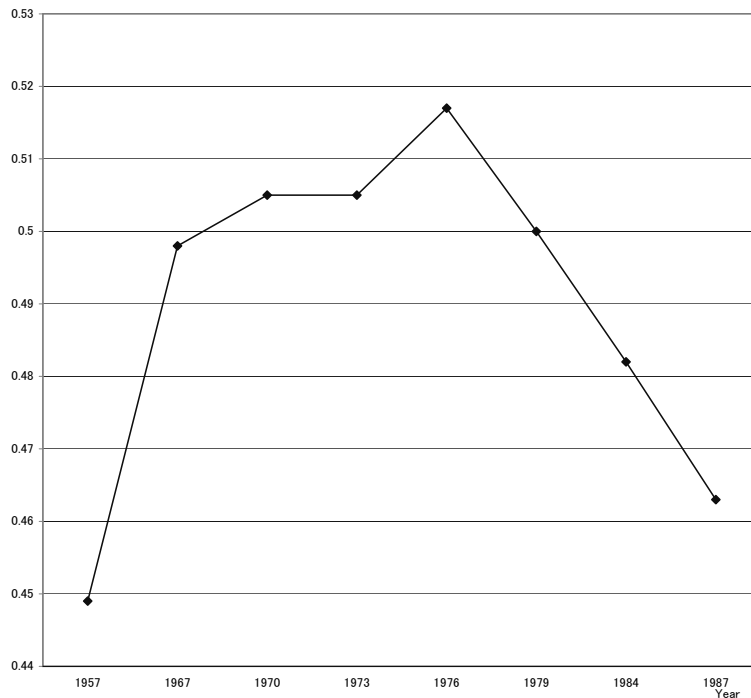


Fig. 1 Gini coefficient (Peninsular Malaysia)

(Malaysia dollar; now it is called 'ringgit') 1,000 and more¹⁹⁾. So we have to make adjustments of data on household budget survey. Taken in the light of appropriate measures of adjustments, the analysis by Ikemoto²⁰⁾ is seen to be of value.

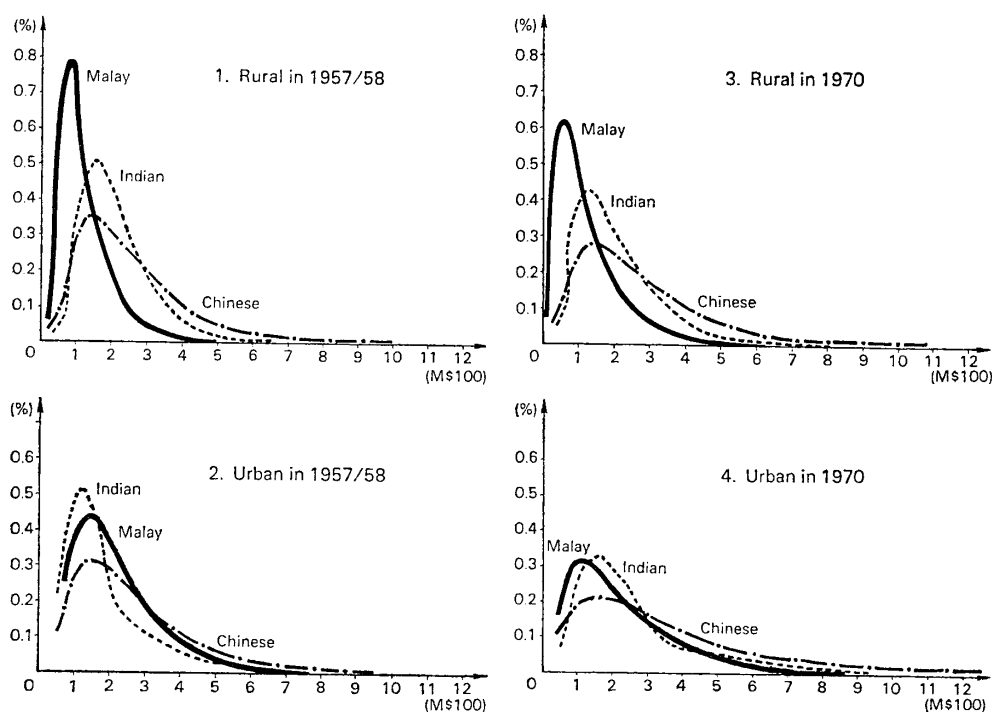
Fig. 2 and Fig. 3 drawn by Ikemoto show the density distribution of households by income level in 1957/58 and 1970 which are drawn on the assumption that they are log-normally distributed. In those graphs the horizontal axis is the income level and the vertical axis is the proportion of households at the income level.

In Malaysian statistics at that time 'Urban' areas were defined as

- 1) cities of more than 7,670 people population in 1957 Census
- 2) cities that don't have more than 7,670 people population, where 60% or more of the population work in the non-agricultural sector

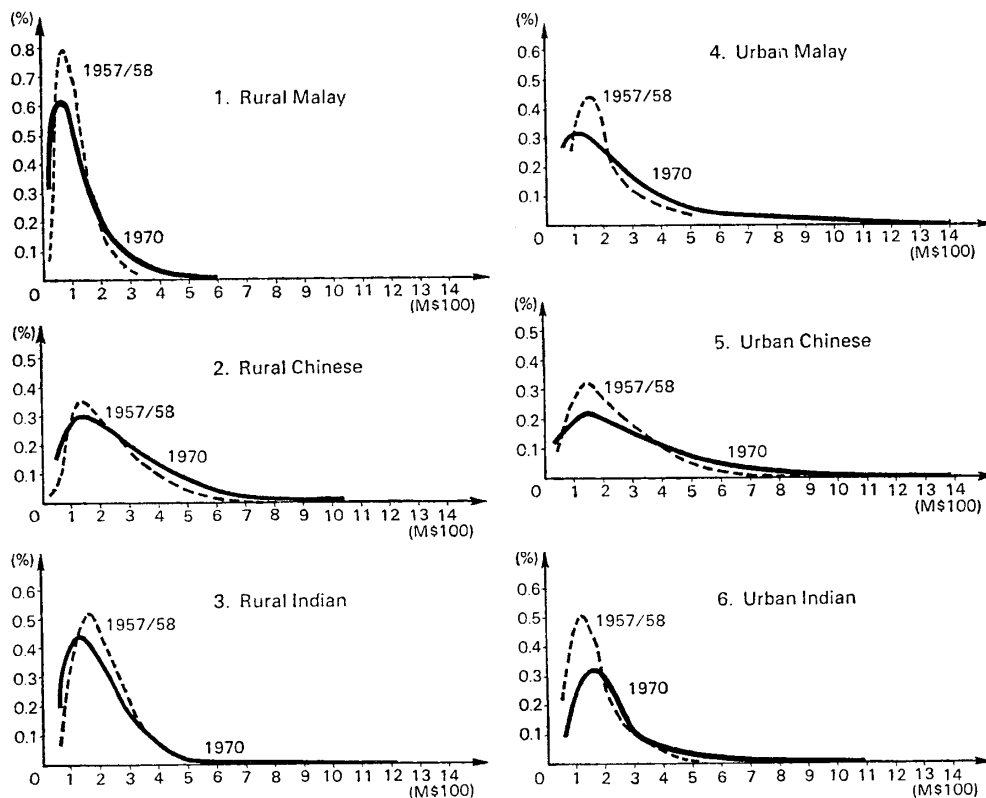
And the rest of areas were regarded as 'Rural'. Based on this definition, the urban population in 1957 was composed of Malay (21.0%), Chinese (62.6%), Indian (12.8), and the others (3.6%)²¹⁾.

Fig.2 shows ethnic structure of income distribution in each year and location. Let us begin our analysis by comparing between ethnic groups. In rural areas, the income distribu-



Source: Ikemoto, Yukio (1985), "Income Distribution in Malaysia: 1957-80", *Developing Economies*, vol.23, no.4, p.352.

Fig. 2 Density distribution of income (1)



Source: Ikemoto (1985), p.354.

Fig. 3 Density distribution of income (2)

tion of Malay concentrated to narrow range of lower level than other groups. On the other hand, in urban areas, Malay income level is not necessarily lower than other groups. In 1957/58 the income distribution of Indian concentrated to narrow range of lower level than that of Malay. But in 1970 Indian became a little better off than Malay. This suggests that Malay employment in the commercial and industrial fields in urban did not go smoothly in spite of government's efforts in the latter half of 1960s, as I have already mentioned. Consequently, in 1970 the mean income of Malay had become the lowest of the three ethnic groups in both districts.

Fig.3 shows the structure of income inequality or class diversification within each ethnic group. First, when it comes to Malay, in rural areas the poor became poorer and the rich became richer between 1957/58 and 1970. In urban areas, the presence of higher income group can be observed. Second, the degree of income inequality among Chinese increased in the same period in both areas. Third, as to Indian, it is important to note that the income level of Indian who lives in rural areas became worse.

Here it becomes necessary to consider the process of class diversification in the ethnic group's societal nexus and ethnic relations. First, let us examine the situation in the Chinese

society. At the beginning of the 1960s decade, the Chinese masses, whose civil rights had been limited in the days before independence, increased their economic strength gradually, and came to participate in the political movement. They voiced their discord with regard to the contents of the Merdeka Contract that the ruling class of MCA had concluded dogmatically. The reason for this was, of course, that the Merdeka Contract centered the cultural aspect on Malay values. Since the establishment of Malay as a national language in 1967, with its resultant widespread usage in government and educational organizations, their dissatisfaction had increased proportionately. Logically, the brunt of their complaints should have been directed at the ruling class of the MCA that sacrificed their cultural aspirations in the Merdeka Contract. However, in actuality, the common Chinese immigrants focused their anger on the Malays and UMNO, which had given Malay values first priority. This formed the basis of the transformation to ethnic confrontation.

Political participation by the Chinese masses weakened the MCA, which had controlled Chinese society in the past, and resulted in a change in the political balance of power in Chinese society. The first change, which was seen, was the defection of the reform group, which was supportive of the cultural demands of the Chinese masses that left the MCA to form a new party. The second change was the appearance and the increase in power of opposition parties that were comprised mainly of Chinese. Those opposition parties advocated the substantial expansion of power held by Chinese or non-Malay while officially promulgating the equality between ethnic groups. Some Indians also participated in these opposition parties.

Next, it would be well to consider the conditions prevailing in Malay society at the time. In the rural districts where the majority of Malays lived, the economic development, which followed independence, created an ever-widening gap between the rich and the poor with resultant hardships for the poor. However, even where a substantial difference in income existed between the landowner and Malay peasant, it would not lead to class confrontation. Malay society is infused with Islam, and the hierarchy of rule that places the sultan at its apex was well established. In addition to that, many landowner-peasant relations were cemented by the presence of blood relations.

In urban Malay society, a new class evolved comprised of those Malays who had received higher education. This class was known as the "Post-Merdeka elites"²²⁾, and consisted of officials and politicians who had expanded their power after independence. This group of Post-Merdeka elites was comprised of the people who had got use of the privileges, which had been provided for the Malays based on the constitution. Until then, Malay officials and politicians had been predominantly drawn from the nobility, but with the appearance of the Post-Merdeka elites, their numbers decreased steadily. They were critical of the ethnic group cooperative policy of the Rahman regime, and demanded more dramatic governmental involvement regarding the entry of Malays into the fields of commerce and industry.

Thus, among the Chinese masses and Malay Post-Merdeka elites criticism against the Merdeka Contract concluded by the UMNO and MCA at independence increased. Of import here is that the criticisms were directed against both the opposing ethnic group who had smothered their aspirations, as well as against the ruling class of each respective ethnic group that was seen to have concluded the contract in dogmatic fashion.

Amidst the rising criticism against the Alliance Party of Malaya, the general election was held on May 10, 1969. Reflecting the increased political participation by Chinese masses, the opposition party managed to achieve great gains. In spite of the fact that the Gerakan Rakyat Malaysia (GRM) had just formed a party, they obtained 8 seats. The party's platform focused on ethnic group harmony, and insisted on the use of the Chinese and Tamil languages while yet accepting the status of Malay as the native and official language. The Democratic Action Party (DAP), which opposed the policy of giving Malays preference and supported a policy of demanding equality between ethnic groups, greatly increased their seats from 1 to 13, as well. In contrast, via the loss of votes to opposition parties, the MCA saw their number of seats decrease from 27 to 13, and the UMNO experienced a reduction from 59 to 51 seats. Although the Alliance Party of Malaya succeeded in securing the seats necessary to maintain the regime as a whole, the decrease from 89 to 66 seats was a clear sign of the deterioration of the party that had ruled in the past.

After the election, the young people of the Chinese faction that had supported the GRM began a victory march in Kuala Lumpur. Almost simultaneously, the Malay youth who had supported the UMNO began a march in the same fashion. The marches turned into a bloody clash between them. This came to be known as the "May 13th incident". After the incident, Prime Minister Rahman stated that the "Chinese communists took up arms to overthrow the Government". On the other hand, the chief secretary of the GRM announced that the incident was caused by elements in Government who had attempted a coup d'état²³⁾. The real truth surrounding the May 13th incident is still unknown to this day due to the suppression of information concerning it. After the riot legal prohibitions concerning the dissemination of information were put in place with the explanation being given that research and discussion about the riot might in themselves lead to the occurrence of a similar incident.

Even though the GRM and DAP won great victories in the election, their wings were clipped, because the government cracked down on them and arrested and imprisoned the leaders for inciting the riot. On the other hand, the MCA, which was thoroughly defeated in the election before the riot, had lost its power as well. Thus, it had come to pass that the parties supported by Chinese were not left with enough power to counterbalance the UMNO due to their dispersion of strength stemming from class diversification.

On the other hand, a fluctuation had occurred in the power balance in Malay society. The leadership of Prime Minister Rahman had been reduced after the incident, and Deputy Prime Minister Tun Abdul Razak bin Hussain (hereinafter, Razak) came to assume the real

leadership in lieu of Rahman. Razak insisted that in order to improve economic position of Malays, active intervention by the Government was necessary. This assertion was received favorably by the urban Malay elite class, and hence the Bumiputera policy was to be drafted.

While Rahman had tried not to dissolve the divisions of ethnic group labor that had been established in British Colonial era, Razak aimed for the dissolution of the old, colonial system via Bumiputera policy. The strategies were designed to allow the entry of Malays into the commerce and industry sectors which had been entrusted to the Chinese and Indian up until then. It goes without saying that the strategy went against the grain of the Merdeka Contract at the time of independence. However, in the eyes of the Malays, it was felt that it was the Chinese who had first broken the Merdeka Contract. This was supported; they felt, by the fact of the participation in politics by the Chinese masses with their accompanying cultural demands, which violated the Malay's hegemony in politics and culture. The Malay ruling class, which included Razak, was trying to make up for Malay's losses by drawing up a Bumiputera policy which would adjudge that Chinese had not been in full compliance with the conditions of the Merdeka Contract²⁴⁾.

5. Conclusion

The conditions that underlay the drafting of the Bumiputera policy were the turmoil in class relationships and the economic development that followed independence. Among the Chinese, there were confrontations with regard to language and education which had been a smoldering issue since independence and which had forced the Chinese masses to form another party. To summarize this situation, it can be said that class diversification weakened the solidarity of this ethnic group. In contrast to this, even with the widening of the income gap in Malay society, ethnic unity was stronger than among the Chinese due to their adherence to Islamic tenets. At the same time, the "improvement of the economic position of Malays", which was insisted upon by the members of the new elite class of UMNO in cities, was applicable to all Malays. As compared to the Chinese demand, the unity of the Malays became stronger and the UMNO came to be trusted again and while decreased their seats.

While the division of the Chinese political party was underway, the UMNO changed their leader from Rahman to Razak, and secured a working majority to promote the Bumiputera policy. Razak took the weakened opposition party into the ruling coalition in the process of his advancement of the Bumiputera policy, and further strengthened his power foundation. The GRM, one of the opposition parties which was forced to be realistic in order to survive as a party, participated in ruling coalition. In March of 1971, a constitutional amendment that forbade the discussion in public of the preferential policy concerning Malays was approved, and maintenance of legislation to execute Bumiputera policy was provided. In this way, the UMNO ruling class fixed its base to sure-footedly promote the Bumiputera policy.

The complicated aspects of the ethnic problems in Malaysia that permeate each ethnic group can be regarded as a monolith when taken together with other ethnic groups, even if class diversification has occurred within the ethnic group. The goal of Bumiputera policy was to improve the Malay's status relative to that of the Chinese and Indian based on the premise that the Malays was living under poverty. It disputed the gap between ethnic groups, and ignored the reality that the income gap had expanded within each ethnic group. Therefore, depending upon the methodology of the application of the Bumiputera policy, there was a danger that new contradictions might occur.

The first contradiction was the likelihood of increasing the income gap in Malay society, especially between those living in urban and rural districts. The second contradiction was the depression of the standard of living for those in the lower economic strata aside from the Malays. It was not only the Malays in lower economic strata who lived in rural districts and who suffered from the economic fluctuations which followed independence, but also the Indians as well. Both groups lived in similar poverty. Nevertheless, the reason that Malay political leaders emphasized "the poverty of the Malays" was that they had kept the Malay Nationalism. These contradictions, and the feeling that Chinese and Indian are still foreigners as compared to the Malays, cast a shadow on the future of the Malaysian national unity.

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