
The New Economic Policy (NEP) which aims at eradication of poverty irrespective of race and to rebalance ethnically-based inequality was introduced in 1970 immediately after the racial riots in 1969. A 20-year plan was launched as an affirmative action policy to achieve ultimately national unity among various ethnic groups in Malaysia. However, the target of 30 percent of Bumiputera ownership in the corporate sector was not achieved by year 1990 and the Malaysian government felt that the affirmative policy be continued in a broad-based programme, albeit with criticisms from various sectors. After 1990, another ten-year plan, the National Development Policy (1991-2000) (NDP), was promulgated to continue the tenet of the original NEP. Again the NEP was embedded in the National Vision Policy (2001-2010) (NVP) after the NDP expired at end of 2000. In 2010, the new Prime Minister introduced the New Economic Model (NEM) to address the impact of the global financial crisis on the Malaysian economy since 2008. The spirit of NEP continues to feature prominently in the new 10-year plan. The names of the past four ten-year plans have been changed since 1970, but the NEP spirit remains intact. For convenience purpose, we call them collectively as the NEP.

In the past 35 years or so, there were debates on the efficacy of the affirmative action under the NEP. This is especially so after 2009 when communal tensions have become increasingly uncontrollable. At the same time, intra-ethnically-based inequities, especially among the Bumiputera community also became more prevalent than ever before. The emergence of these two critical issues called into question the efficacy of NEP implementation. It has been argued that the NEP seriously undermined
interethnic social cohesion, inhibited genuine entrepreneurial capacity and contributed to increasingly intra-Bumiputera inequalities.

This book, published in 2013, aims at providing a cursory survey of the various issues relating to the NEP. At this point of time, a critical assessment is badly needed to examine thoroughly the efficacy of the NEP so that the government can re-focus the direction of the implementation of the policy to ensure its effectiveness. The book was edited by two political economists, i.e. Edmund Terence Gomez from University of Malaya and Johan Saravanamuttu from Institute of Southeast Asian Studies, Singapore (previously from Universiti Sains Malaysia). The contributors of the book came mainly from the academic community in Malaysia (8 out of 12) and the other four from Singapore. The book is divided into five parts. Part 1 is on affirmative action and poverty eradication while Part 2 relates affirmative action to enterprise development. Part 3 emphasizes the role of public sector in implementing affirmative action. Part 4 poses the issue of identity of indigenous people such as Orang Asli, Dayak and Kadazan in formulating the New Economic Policy. Part 5 points to a new form of reform politics with the emergence of the new Malay middle class.

The book starts with an introductory chapter on the theoretical underpinning of the NEP. According to Terence Gomez, Saravanamuttu and Maznah, the NEP was promulgated based on the concept of horizontal inequality. Horizontal inequalities are defined as inequalities between culturally defined groups, such as ethnic, religious, racial or caste-based group. Such concept differs from the more common concept of vertical inequalities which focus specifically on individuals or households, irrespective of their ethnic background. The advantage of the concept of horizontal inequalities is that it is multidimensional, covering social, economic, cultural and political attributes. Specifically, the dimensions include ownership of assets and income distribution and employment opportunities. They also cover access to a range of services such as education, public health and housing. The authors noted that public policies such as the NEP, based on horizontal inequalities, tend to reinforce racial identities, consolidate and perpetuate racial differences. In this chapter, the authors also cover a brief literature survey on the NEP and also new political developments with the emergence of the new Malay middleclass.
Part 1 covers the NEP as the affirmative action and its relation to poverty eradication. Ragayah Haji Mat Zin (National University of Malaysia) gave a thorough overview on poverty eradication under the NEP in terms of poverty incidence by strata, by state and by ethnicity. She also covers the outcomes of selected government policies and programmes under the NEP such as rural development, rubber and rice sector as well as education and employment. On the other hand, Maznah Mohamad in her chapter, “The New Economic Policy and Poverty at the Margin” used Kelantan as a case to showcase the failure of the NEP in poverty eradication. He concludes: “For the poor in Kelantan the outcome of the NEP could be summed up as one that has sustained continuing poverty, made worse by social crises and moral disjuncture…”

The NEP has serious implications on enterprise development in Malaysia. Part 2 addresses this important issue. The chapter by Terence Gomez attempts to relate SMEs and entrepreneurship in general to the NEP. He noted that the Malaysian government has introduced a number of programmes such as Vendor Development Programme and Global Supplier Programme to help promote Bumputera SMEs. However, the promotion of Bumputera involvement in the industrial sector has not been successful. In 2009, no Bumputera-owned firm in the industrial sector was listed among the top public quoted enterprises. On the other hand, the non-Bumputera SMEs were left alone, reluctant to expand domestically for fear of the requirement to comply with the NEP quota. As a result, they remain small and family-owned and are reluctant to investment in research and development. In a more specific case, Andrew Aeria’s paper on “Skewed Economic Development and Inequality” drew experience in Sarawak the impact of the NEP on regional development. His paper covers widely including poverty eradication, industrialization, employment, forestry and agricultural sector, as well as infrastructural development in the state. He noted that while NEP has brought economic development, the benefits tend to go to those politically connected. His assessment on NEP in Sarawak was mixed.

Part 3 comprising four chapters intends to cover the impact of NEP on healthcare sector, the public service, employment and education. The chapter on healthcare by Chan Chee Khoon did not mention much about the NEP but rather discussed the issue of centralization and decentralization of healthcare administration in Malaysia. The chapter on public service sector on the other
hand went in depth into the issue of Malay dominance in the public sector and its negative effects of such selectivity and excess. Effort has been made by the government to recruit more non-Malay civil servants, and by reducing ethnic preference in favour of merit criteria in recruitment and promotion. The NEP was also used to address occupational representation among ethnic groups. However, the policy has been over-emphasized to the extent that there are serious redundancies in the public service sector as well as in higher education institutes. In the face of the adverse outcome of race-based affirmative action, the author argues that needs-based or class-based affirmative action should be considered instead as most of the poor are Bumiputeras. Chapter 8 by Lee Hock Guan discusses the issues of racialization of the public education sector. Most Malay students enter public universities where better education facilities are provided by the government. The non-Malay students have no choice but to join local expensive private universities or go overseas to study. The author noted that while the intended outcome of the race-based education policies led to increase in enrolment of Malay students in higher education, these policies also created ethnic segmentation in the education sector. This outcome defeats the purpose of promoting national unity in the NEP.

The next part addresses an issue which has often been neglected by the government and the academia alike. Even though Orang Asli and indigenous people in Sabah and Sarawak are considered as Bumiputeras, and therefore the supposed beneficiaries of the NEP, this minority Bumiputera group has been largely neglected by the policy makers. As noted by Rusaslina Idrus, by 2009, only 5.4% of the Bumiputeras was below poverty line. As for Orang Asli the percentage share was as high as 50%. In addition, they do not have much access to healthcare facilities, education opportunities and occupational restructuring. The paper highlights the Malay Bumiputeras as the legitimized and empowered group who have been able to accumulate wealth vis-à-vis the real indigenous community who has been largely marginalized.

The last part of the book concentrates on new politics and how it relates to the NEP. Chapter 11, “The New Economic Policy and the Centralization of Power” by Ooi Kee Beng, gave a historical background as well as political development relating to the NEP. The chapter argues that the current implementation and the perpetuation of the NEP were not in line with the original intention of the NEP. According to former Deputy Prime Minister,
Tun Ismail Abdul Rahman, the NEP is just a handicap in a golf game which should not be a permanent feature in the political economic landscape in Malaysia. The perpetual implementation of NEP has led to Malay ethnocentrism that is divisive. It also failed to promote Malay entrepreneurship by allowing rent seeking.

Johan Saravanamuttu in the last chapter, “The New Economic Policy, New Malay Middle Class and the Politics of Reform,” attributes the emergence of the new Malay middleclass to the rapid economic development in the last four decades and the implementation of the NEP. He noted that after 1990s, the development of Malay reform-oriented politics has its origin in the Malay middleclass. Such movement has opted for more universalistic values and political change instead of racial identity. The chapter also analyses the recent election results that show evidence of a new trend in political development. The author argues that democratic values have emerged from the new Malay middleclass. There is a tendency among this class towards the emphasis on human rights, political equality, governance as well as gender sensitive politics. However, the older Malay middleclass as the main beneficiaries of the NEP has developed a dependency syndrome which has led to the resistance towards new political change. The author concludes that the NEP has lost its validity as an economic policy as it has increasingly exhibited a diminishing return in political values to the ruling coalition. In particular, the NEP and its purported benefits have been perceived to be increasingly politically unhelpful in electoral gains.

All in all, this book is an important contribution to the study of the NEP in Malaysia. It covers not only a wide range of issues but also provides different perspectives. Policy makers both at home and abroad may learn lessons from the Malaysian experience in implementing the affirmative actions which have serious repercussions on the social, economic and political fabrics.

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