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Asia Pacific: Perspectives is a peer-reviewed journal published at least once a year, usually in April/May. It welcomes submissions from all fields of the social sciences and the humanities with relevance to the Asia Pacific region.* In keeping with the Jesuit traditions of the University of San Francisco, *Asia Pacific: Perspectives* commits itself to the highest standards of learning and scholarship.

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* 'Asia Pacific region' as used here includes East Asia, Southeast Asia, South Asia, Oceania, and the Russian Far East.

Syed Hussein Alatas: His Life and Critiques of the Malaysian New Economic Policy

By Choon-Yin Sam, Ph.D.

Abstract

This paper pays tribute to Syed Hussein Alatas. Alatas was well known for his writings on the sociology of corruption. This paper focuses on the less well known aspect of his work - his critiques of the New Economic Policy (NEP) of Malaysia. Alatas was critical of the Malay political leaders on their perceived underachievement of the Malay population, which had led the former to adopt the preferential policy. This article draws some implications of this discourse in the assessment of the NEP.

Introduction

Born in 1929 in Bogor, Indonesia, Syed Hussein Alatas obtained his early education in Johor, Malaysia. His studies were interrupted by World War II during which he was in Sukabumi, West Java. Alatas spent most of the time during the war in houses of Eurasians to read. He witnessed Indonesia's independence on 17 August 1945 and soon after returned to Malaya to complete his studies. He chose to do his undergraduate and postgraduate studies at the University of Amsterdam because of the opportunity to learn another language (besides English) and expose to the literature other than those from the Anglo Saxon countries. He spent more than 10 years in Holland. After completing his PhD at the Faculty of Political and Social Sciences in 1964, Alatas returned to Malaysia as a lecturer to teach at the Department of Malay Studies at the University of Malaya.

The primary objective of the paper is to assess the consequences of the New Economic Policy (NEP) with particular reference to Syed Hussein Alatas's criticism on the preferential policy. Alatas was often credited for his path breaking study on the sociology of corruption. This paper focuses on the relatively less well known aspect of Alatas's works—his critique of the Malay political leaders and their justification behind the NEP. Alatas was supportive of the intent to eradicate rural Malay poverty. However, the plan to hand over successful businesses from the state to a selected few was criticized on the basis that this would create a new Malay capitalist class, creating discontentment among the Malays and non-Malays alike.

Alatas has been described as a "towering thinker" by Malaysia's opposition leader Lim Kit Siang,¹ and an "intellectual giant" who "defies any classification or specialization" and was "arguably the most influential intellectual of our time in Southeast Asia".² Dzulkifli Abdul Razak, from the Universiti Sains Malaysia, called Alatas "a Malaysian icon" to be remembered "as the foremost scholar to deconstruct Western ideologies...that continue to impact the policies of postcolonial administration".³ To those who knew him in person such

as Lim Teck Ghee and Chandra Muzaffar, Alatas was a progressive Muslim who insisted on the principles of excellence, justice and fair play. Alatas was an unusual academic in the sense that he was also active in politics. Alatas was a member of the National Consultative Council (NCC) of Malaysia from 1969 to 1971. In 1971, he became a member of the Malaysian Parliament as a Senator for the Penang state. He was also a founding member and President of the then Malaysian opposition party, Parti Gerakan Rakyat (Gerakan), which was set up in 1968. The choice of Alatas to head the non-sectarian political party was based on the premise that he was "committed to a broad cultural interpretation of Malaysia" (Khor and Khoo, 2008: 44). He left the party in 1972 after disagreeing with the party's decision to join the ruling coalition Alliance.

In 1967, Alatas was Professor and Head of the Malay Studies Department at the National University of Singapore (NUS), a position he held until 1988 when he left to become the Vice Chancellor of the University of Malaya in Kuala Lumpur. He retired from this post in 1991, and joined the National University of Malaya in the Department of Anthropology and Sociology. In 1999, Alatas was conferred the title 'Datuk' for his academic achievement and public service contributions. Alatas died of a heart attack after a fall in his home in Damansara Heights on 23 January 2007. Following his death, a memorial to acknowledge his intellectual contributions was organized and attended by social science scholars from Malaysia and beyond, NGO activists and leading political dissenters and long haul opposition dissenters. Their diversity, as Kessler (2008: 128-29) pointed out, suggested "the breadth and depth of Syed Hussein Alatas's impact in Malaysia and beyond, not just within the 'Malay world' and Southeast Asia generally, but throughout what used to be called the Third World, and further afield, wherever 'postcolonialist' critiques of the 'postcolonial political and cultural status quo' are taken seriously".

Alatas wrote 14 books, 25 journal articles and more than 20 book chapters and conference papers in both Malay and English. Despite wearing many hats, Alatas was a humble man who described himself as a 'superfluous man'⁴ and a 'useless sociologist'.⁵ Countering the Eurocentric approach to the study of Southeast Asia was the lifelong passion for Alatas. *The Myth of the Lazy Native* was one of his most well known works, and it remained an important critical local scholarship on the discourse of western orientation.⁶ The book's contents merit comments here as they lay out the foundation to the proposal put forward by Alatas in countering the arguments for NEP.

Alatas's Critique

In *The Myth of the Lazy Native*, Alatas dispelled the image of the lazy native in Malaya, the Philippines and Indonesia as a perception propagated by the western orientalist to justify their continued exploitation of the national wealth and control of the local population. The colonial power promoted what he called the 'ideology of colonial capitalism'. It entailed the image of indolent native during the 19th century when the domination of the colonies reached a high peak to justify "the western rule in its alleged aim of modernizing and civilizing

the societies which had succumbed to western powers" (Alatas, 1977a: 7) and as a measure to acquire "extensive control of the area" (Alatas, 1977a: 70). Such judgments on the Asian natives imposed by the colonial scholars led to the thinking that "Europeans were the most civilized, followed by the foreign Asians, and then the natives" (Alatas, 1977a: 19). Alatas argued that the Malays were not idlers. They were active in farming, industry, trade, commerce, war and government and "only after the arrival of the Portuguese did the Malay merchant class declines" (Alatas, 1977a: 80). The Malays did not avoid permanent routine work *per se* but the "exploitative type in other people's mines and plantations" (Alatas, 1977a: 79). Alatas did not deny the existence of indolence Malays who were mostly from the upper class, including the passive or docile type of native rulers and chiefs waiting for land and benefits from the colonial rulers (Alatas, 1977a: 204-205). Alatas was against picking on the natives and generalizing them as lazy when there were also idlers in the other races.

The Myth of the Lazy Native reveals a contrasting impression of the Malay community between Alatas and the ruling government. United Malays National Organization (UMNO)—the major Malay political organization—had earlier released *Revolusi Mental* to provide its views on the attitude and way of thought of the Malay society, and suggested the way forward towards greater progress (Senu Abdul Rahman, 2004/1971).⁷ Alatas accused the book of degrading the Malays and pushing the blame to the Malays should the government's plans to help the Malay community failed to meet their objectives. To him, the condition for a state to demonstrate self-sacrifice and cooperation is to create new institutions that promote genuine growth across the Malay community in particular and the Malaysian community in general. *Revolusi Mental* lent support to the colonial capitalism ideology that Alatas had debunked. As he wrote in *The Myth*:

"The Malay society, according to the book (*Revolusi Mental*), is generally characterized by the following attitudes: the Malays are not honest to themselves, and they do not see their own faults. Hence, the causes of their backwardness are suggested to be colonialism, exploitation by other communities, the capitalist system, religion and a number of other causes" (Alatas, 1977a: 147).

"The *Revolusi Mental* is a confirmation of the ideology of colonial capitalism as far as the Malays are concerned" (Alatas, 1977a: 150).

Alatas was also critical of Mahathir Mohamad's stand on the Malay issue. Before becoming the Prime Minister, Mahathir wrote *The Malay Dilemma*, which cited two reasons for the relatively weak social economic status of the Malays. First, there was the hereditary factor where the habit of family in breeding was prevalent among the Malays in the rural areas. He argued that the practice hindered the reproduction of better strains and characteristics of the future generation of Malays to compete more effectively with the immigrants. The second element was geographical where the lives in the rural areas being less taxing and demanding had led to the development of "weak racial characteristics", incapable of competing with the industrious and determined immigrants (read Chinese). Mahathir (1970: 75) declared that the motive

of preferential treatment was "not to put Malays in a superior position, but to bring them up to the level of the non-Malays".

Alatas and Mahathir shared a common goal—to eradicate Malay poverty. But Alatas was critical of Mahathir's argument that the Malays were genetically incompetent. Consistent with the earlier exposition, Alatas saw Malays as dynamic persons who were able to cope with modernity and succeed in trade as demonstrated in their peaceful economic relations with India and China from as early as the 11th century. Alatas also warned of the danger of over generalizing. Referring to Mahathir's use of the survival of the fittest hypothesis to argue for protectionism for the Malays, Alatas questioned whether the Malays were really not fit to compete at the level playing field. Many Malays, noted Alatas, had undergone serious struggle. "Malay fishing and rice farming were not as easy as Mahathir suggested. The Malay village community had to struggle much harder against diseases in the pre independence days", such as the need to "fight continuously against weeds, insects and pests" as well as indebtedness (Alatas, 1977a: 178-79). Zawawi Ibrahim (2005), who conducted field studies in the state of Trengganu, argued that the 'lazy natives' argument was a myth. His studies suggested that the Malays' decision not to work as labors in the plantation society was a 'rational exercise of choice' to take on other opportunities such as jobs in the industrial sector.

That being said, *The Myth* had not escaped critical reviews. Cruikshank (1978) accused Alatas of intellectual speculation that the Malays would have the ability to establish a trading empire without colonialism. Cruikshank also questioned the comparison of Malaysia, Indonesia and the Philippines for they were hardly similar with each other culturally and politically. To Carey (1982), Alatas's arguments were seriously undermined by insufficient attention to details as Alatas had a strong tendency of over generalizing his arguments. *The Myth*, as Carey (1982) argued, was also peppered with historical inaccuracies (Alatas was accused of inflating the power held by the Dutch).⁸

Alatas was convinced that the developing societies like Malaysia had to create their own pool of intellectuals and not rely on western ideologies to fill the intellectual vacuum. Alatas (1969, 1977b) raised the concern about the demonstration effect where ideas and social science traditions of the Europe and Americans were blindly adopted without the adopters in the region fully understanding their relevance to the local context. In a workshop organized by the National University of Singapore, Alatas spoke enthusiastically about 'combative scholarship' whereby he called for every scholar to be combative, to disagree with ideas, and not accept ideas from elsewhere blindly or in a wholesale manner. Relating this to the fight and struggle for independent, Alatas saw it as important to be also independent in thinking. In Alatas's words, "There is no point in shouting for independence if you are not also independent in your thinking. So this independent thinking is a continuation of why you need independence".⁹ *Revolusi mental* and *The Malay Dilemma* were seen as biased analyses of Malays backwardness, without a thorough understanding of the mechanisms of capitalism.

Alatas was critical of the NEP as evidenced in an occasional paper published in 1972 by the Institute of Southeast Asian Studies. Alatas (1972) criticized the NEP because the planners at that time did not take into consideration the type of businesses the Malays were involved. The government's initiative to venture into businesses, expand the Malay business sector and hand over the business to a selected few Malay private entrepreneurs automatically hindered the growth of the Malay business because the state could potentially crowd out the Malays attempt to venture on their own. Alatas referred to the agriculture sector which the Malays had a comparative advantage, and one that had attracted the interest of the state as well, particularly in Razak's administration. Handling a successful business previously managed by the government to a group of private Malay entrepreneurs was akin to the Orientalist view, considering the natives as lazy and incapable of growing businesses on their own. In a later publication, Alatas reiterated his position and wrote the following:

"Transferring it to a group of Malay capitalists, a business which is thriving, and which they did not create, it is the height of absurdity which has never entered the imagination of even the most fanatical capitalists in the entire history of mankind. Why should a small handful of greedy and unenterprising Malays get the benefit of the transfer as opposed to the Malay community represented by the workers of the enterprise and governments interest in its. For the Malay community it is better for government to reap the profit rather than a handful of Malays who shall not use the profit for public welfare as the government would but rather to stuff themselves with beer, to let each child have a car, to parade the golf-course, to frequent night-clubs, to grow fat at the expense of the majority" (Alatas, 1974: 9).

As Vice Chancellor of the University of Malaya, Alatas preferred the merit based system where academicians were appointed based on their credentials and not the ethnic group they were associated with. Similarly, as a member of the Gerakan Party, he had laid the foundation for multi-racial Malaysia, suggesting, for example, the use of Malay as the National Language (*Bahasa Malaysia*) rather than *Bahasa Melayu*. He supported the party's call towards overcoming communalism and towards making the national identity a set of values acceptable to all communities.

Alatas encouraged the local Malays in Malaysia to gain success in their own right. Alatas urged the government to provide the Malays with credit facilities to take off, noting that the more enterprising Malays would do well with the loans (Alatas, 1972: 9). "If the group of Malays to whom the government shall hand over the business is enterprising and seasoned in the trade, they should have no difficulty to start their own enterprise, partially with credit facilities made available and unfair obstacles broken down by the government legislation" (Alatas, 1972: 9). It can be argued that Alatas's recommendation resembled that of the ruling party in the sense that it creates ethnic division and stereotypes the Malaysians based on race. In trying to favor the economic interest of one group against another, the measure could easily arouse rather than defuse racial antagonisms and generate ethnic consciousness and animosity. But Alatas's sugges-

tion differed from the NEP in an important aspect. UMNO planned to develop successful businesses and handed them over to a selected few Malays. Alatas proposed a genuine attempt to develop the entrepreneur spirit of the Malay population and for the state to provide opportunities for all Malays to escape poverty.

An Assessment of the New Economic Policy of Malaysia

The NEP was unveiled in the Second Malaysia Plan 1971-1975 (published in 1971) as a means to improve the socio-economic status of the Malay community through strong and deliberate government assistance. Income discrepancy between the Chinese and Malays, according to the some Malay political leaders, had created discontentment among the Malays, leading to the bloody May 13, 1969 riots.¹⁰ The riot was a significant event as it laid the justification for strong government interference to correct ethnic-based economic imbalances. The event led to the suspension of the parliament with the executive power handed over to the National Operations Council (NOC). NOC was led by Tun Abdul Razak, the Malaysian second Prime Minister. Alatas was a member of the National Consultative Council (NCC), which the NOC had established to draw up economic and social proposals to promote lasting peace in Malaysia. Khor and Khoo (2008: 63) wrote the following on Alatas's contribution at the NCC.

"In the NOC, Syed Hussein was his element. He contributed many good ideas. First, he suggested that Malay be known as the National language (*Bahasa Malaysia*) rather than as *Bahasa Melayu*. Gerakan's liberal interpretation of national culture was also very influential. Instead of making any one ethnic group the basis of national identity, a set of values acceptable to all communities should be the basis of future development. This was the Rukun Negara literally National Tenets. They included belief in God, Loyalty to King and Country; The Supremacy of the Constitution and Rule of Law, together with Good Manners and Behavior".

The above quotation clearly suggests Alatas's preference for a merit-based Malaysian society where any assistance afforded by the government has to be independent of race and religion. This was, however, not realized as the 'New Economic Policy' (NEP) was put in place to improve the economic status of the Malays through massive economic redistributive programs.¹¹ The NEP was institutionalized with the promulgation of the Petroleum Development Act in 1974 and the Industrial Coordination Act (ICA) in April 1975. The former was formalized the federal government control over Malaysia's oil resource instead of the states. The funds were subsequently crucial for the federal government to finance the various development projects that had benefited the Malay community. The ICA, on the other hand, required non-Malay businesses with capital and reserve funds of more than MYR250,000 and more than 25 employees to comply with the NEP requirements before their business licenses could be approved or renewed. These initiatives were later supported by the establishment of unit trusts schemes namely the Bumiputra Investment Fund (Yayasan Peraburan Bumiputra founded in 1979), the Amanah Saham Nasional Berhad (ASNAB,

founded in 1979) and the Permodalan Nasional Berhad (PNB, founded in 1979) to increase the share of equity ownership held by the Malay community.

The NEP was formally over in 1990 but it was extended with the introduction of the National Development Policy (NDP) in 1991. Non-Malays continue to find it difficult, if not constitutionally impossible, to challenge the preferential treatment offered to the Bumiputras. While political leaders, including Mahathir Mohamad, Abdullah Badawi, Musa Hitam and Najib Razak, have occasionally called upon the Bumiputras to get rid of their crutches, attempts to relax the ruling have often met with resistance from the Malay community. It is interesting that even the oppositions have found it difficult to remove the Malay special rights in the bid not to lose the support of the Malays. Following the 8 March 2008 general election in which the oppositions won five Malaysian states, the opposition leader Anwar Ibrahim quickly assured Malays that their racial and religious rights would be protected in the five Malaysian states. This came after questions were raised by Malays on whether the Anwar-led Alliance was allowing the weakening of the Malay position after winning handsomely in the March election.¹²

The entry of Mahathir in 1981 as Malaysia's fourth Prime Minister hastened the development of Malay capital. Mahathir was concerned that after 10 years of the NEP, little progress was made. Mahathir has long regarded protectionism measures in favor of the Malays as the necessary form of government intervention. Mahathir faulted the liberal policies advocated by Tunjku Abdul Rahman for allowing non Malays to hold key cabinet positions and do business without restrictions (Heng, 1997). Mahathir (1970: 15) blamed the Tunjku-led government for the May 1969 riots. The government's "ridiculous assumption" that the "Chinese were only interested in business and acquisition of wealth and that the Malays wished only to become government servants" led to policies that "undermined whatever superficial understanding there was between Malays and non-Malays". He defended constitutional provision of Malay land reserve, government scholarships for Malay students and quotes for employment of Malays in the civil service. Mahathir reasoned that because of the hereditary and the government's misperception about the Malays it would take years for them to compete on a level playing field (Mahathir, 1970: 31). The NEP gave Mahathir the legitimacy to put his ideas into practice (Gomez, 2009).

The recession in 1985-86 recast the NEP with the government's greater acceptance of policies shaped by market forces. The weakening of the government's budget compelled the Mahathir-led UMNO to reduce subsidizing losses incurred by the NEP mandated state owned enterprises, prompting the government to announce the liberalization of the Industrial Co-ordination Act, and the establishment of the National Development Policy in June 1991 (to uphold the NEP's objectives.) To address the economic downturn, the Malaysian government introduced policies to attract foreign investment. In June 1985, the government allowed foreigners to retain up to 80% of equity ownership in firms exporting 80% of more of production. Mahathir later allowed 100% foreign equity

ownership for firms exporting 50% or more of their production or sold at least 50% of their product in the country's free trade zones.

The interest of the Malays was, however, never neglected. The government facilitated the creation of Malays-foreigners joint ventures with the intention of securing foreign funds, managerial expertise and know-how and foreign markets for the Malays controlled firms. The cooperation between the Malays led Antah Biwater and British Biwater Limited in the water supply projects was a case in point where government support for the deal was evident even though the former had no experience in the field of engineering (Gomez and Jomo, 1997). The Look East Policy further expanded the Malays entry into the corporate sector, leading to the development of Japan-Malay joint ventures such as the Mitsubishi-Proton, Daihatsu-Perodua and Nippon Steel-Perwaja collaborations. In addition, Malaysia undertook massive privatization exercise. Besides the usual economic arguments for privatization, the Malaysian case was preoccupied with the desire to restructure the Malaysian society in favor of the Malays.¹³ The notion of raising the proportion of Malays as shareholders of listed companies was cited as one of the objectives of privatization, and this gave the planners the legitimacy to do what they thought was necessary to fulfill the NEP objectives through the privatization exercise. To achieve this, UMNO owned holding companies and the government held the controlling share of many privatized SOEs. For example, the Ministry of Finance continues to hold majority ownership of key privatized companies including Telekom Malaysia and Tenaga Berhad even after more than two decades of divestment (privatization plans were first announced in 1983) (see Jomo, 2003 and Tan, 2008).¹⁴

The 2008 election results showed that the Barisan Nasional (BN), led by Malaysia's fifth Prime Minister and UMNO President Abdullah Ahmad Badawi, could no longer ride on Malay votes on the understanding that the Malays would continue to support BN by maintaining the special positions of Malays. Besides losing five states to the oppositions, the ruling alliance failed to secure a two-third majority in parliament, a first since the General Election in 1969.¹⁵ Many factors could have explained the elections results. For example, the government's continued failure to combat corruption and cronyism that benefited some factions of the Malay community but not the majority might have created discontentment among the Malay population. The sacking of Anwar Ibrahim had also considerably weakened Malay support for UMNO. Anwar's charismatic leadership appealed to the moderate Malays who switched support to the multiethnic KeAdilan party.

In the context of this paper, the preferential policy of the ruling party adversely affected the non-Malays and some factions of the Malays who perceived that they were neglected. For example, while the Malays have acquired a greater proportion of the corporate sector wealth due to the preservation of Malay special rights, the lion's share of the economic cake has been in the hands of the Malay elites who in the guise of the special rights had obtained contracts and privatization deals through their connection with those in power.¹⁶ The re-

moval of state erected cushions that had grown in the seventies did offer some healthy competition for the majority of the Malays. But initiatives such as privatization enhanced the opportunities enjoyed by the few Malay business elite. To realize Mahathir's vision of turning Malaysia into a developed nation, the former Prime Minister even expanded the business elite group to non-Malays, pampering them with protection and business deals from the government. The latter was in tandem with the perception of the political leaders concerning the underachievement of the Malay majority to lead the country's development agenda, requiring the state and the few business elites to take on the responsibility instead. That politicians do not necessarily behave as benevolent despots is not a revolutionary idea. The NEP has set the roles of the game and offered the politicians the legitimacy and tool to pursue their own interest and react to incentives.

Racial tensions remain a real concern on the ground and it reflects a serious consequence of the preferential policy. What Alatas and perhaps some Malay political leaders failed to realize was that as the size of the Malay middle class rises, members of the different ethnic groups competed more ferociously to capture a large slice of the economic pie. With the NEP, the state's scarce resources began to move towards the Malay ethnic group, and the development of the 'Malayness', 'Indianness' and 'Chineseness' also began to occur among the ethnic groups.¹⁷ The Chinese and Indian communities' discontents built up over the years because of the socio-economic neglect and discrimination in various aspects of their public life. The Kampung Medan violence in March 2001 and Hindraf march on 25 November 2007, triggered by the demolition of a 70-year old Hindu temple in Kampung Jawa, Shah Alam reminded the Malaysians of the fragility of racial relations in their country. The march reflected the discontentment of Malaysian Indians who have been largely neglected by the government in its course of addressing Malay grievances through the NEP. The role of stories told from one generation to another of *us* versus *them*, and the concern of unfairness in their lives continued to jeopardize the social relations within the Malaysian society. More violence took place between the Indians and Malays in August 2009 after Pakatan-Rakyat led Selangor state proposed to move a 15-year old Indian temple to Section 23 in Shah Alam. Malay residents in Section 23 protested the move, claiming that the site was too close to the homes of Muslims. The Malay protestors, numbering about 50, brought along the severed head of a cow—regarded as a sacred animal by Hindus—and stomped on it. A candlelight vigil held over the incident led to the arrest of Hindraf members, including its leader P. Uthayakumar. The Selangor state government decided to shelve plans to relocate the temple after a public dialogue organized on 5 September 2009 to settle the issues turned ugly. The NEP objective to eliminate poverty in Malaysia did not appear to cut across ethnicity for the Indians.

Similarly, the rural Chinese working class, which made up of one-third of the rural population in Malaysia faced acute problems of overcrowding, poor sanitation and infrastructure. Land resettlement programs administered by FELDA and FELCRA were targeted "primarily at Malay rice

farmers and rubber and oil palm smallholders" (Heng, 1997: 277). Yazmin Azman (2008) told the story of her Chinese friend who, despite having represented Malaysia in various sporting events and brought glory to her country, was unable to secure a government scholarship. An excellent student, the fact that she was not a Bumiputra had deprived her from studying in an elite university abroad. "So she stood by and watched while those who slept through their government-funded education and scraped through the examinations secured scholarships because they happened to be of the right race. Where is the fairness in that?" (Yazmin Azman, 2008: 195). As evidenced in the non-bloody but numerous ethnic tensions in the country, such stories of unfairness drove behavior of the people, influenced how they think and caused massive swings in mood and social conditions.

Any initiative to change has to come from the ruling BN. A gradual, and not abrupt, change is necessary in the Malaysian context because treatments based on ethnic differences have been embedded in the hearts and minds of the various groups. Analyses of the 8 March 2008 election suggested that up to 2008, UMNO had failed to keep pace with some of the fundamental socio-economic transformations within the Malay community and the tensions between the Malays and non-Malays, which saw UMNO facing a deep 'crisis of authority' (O'Shannassy, 2009). A long time observer of Malaysian politics, Clive Kessler (2009) argued that it is absolutely necessary for BN to "return to the more inclusive spirit and foundational attitudes of the Merdeka Generation and its leaders". However, he warned that changes have to be made "gradually but with incremental momentum" towards becoming a "unitary post communal party of Malaysian citizens, regardless of ethnicity". Tellingly, the vision is similar to that of the Gerakan Party, a party which Syed Hussein Alatas helped to found.

Seen in this light, PM Najib Razak's recent initiative is an important step towards a more communitarian society in Malaysia. PM Najib had openly acknowledged the problem associated with the pro-Malays policies. This represents an important gesture from the newly appointed Prime Minister. For one thing, he has called for the government to help poor Malaysians based on merit; "In our fight for the poor, we must look at all the races. And when we help the Malays, let it be the worthy ones".¹⁸ A Malay himself, Najib acknowledged that while the economic pie must expand, "there is no point in having a larger share of a shrinking pie".¹⁹ Among the bold moves announced in June/July 2009 were (1) introduction of a new category of scholarships which would be based solely on merits and not on racial background, and (2) scrapping of the requirement for listed companies to allocate 30% of their equity to Malays and other Bumiputras. The latter was an extension of Mahathir's decision in the mid 1980s to suspend the 30% bumiputra share ownership requirement on certain foreign investment that was never reinstated. Najib's decision was partly in response to the global financial crisis of 2008/2010 - to increase the attractiveness of Malaysia to foreign investors. It is also possible to link the decision to the dismal performance of the Barisan Nasional in the 8 March 2008 election. The perception was that the pro-Malay poli-

cies that appeared to have benefited politically connected Malays had driven both Malays and non-Malays to vote for the opposition in the election. Immediate analyses of Najib's announcement ranged from those who welcomed the move as one that "will put Malaysia on a better footing for sustained growth" to those who would like to see how the details would work out, warning that the move risked a backlash from Najib's Malay supporters.²⁰

However, Najib did not really scrap the objectives stated in the NEP in the entirety. For instance, the government remains committed to reach the target of 30% Malay share of corporate wealth by 2020 although the means to do so might have altered. As part of the effort to liberalize the Malaysian corporate sector, PM Najib has announced the setting up of a private equity fund to buy private companies and hand them over to the Malay managers. Two issues are worth considering.

Firstly, it represented a continuation in the belief that there were not enough capable Bumiputras both in terms of skill and capital to venture by themselves, and hence the necessity for the government to move into business. Historically, as Alatas and others have painstakingly demonstrated, the 'natives' were economically active and capable to succeeding in business ventures and acquire wealth and economic status for themselves without supporting them with an all encompassing crutch. To Alatas, a positive way forward is to create a level playing field for all Malaysians either in terms of access to higher education in public universities, acquisition of government contracts, and for Muslims in Malaysia and elsewhere to renew their interest in science and technology to compete in the global arena.²¹ These would lead to the increasing representation of able Bumiputras who have the 'thinking capacity' to succeed not only in the private sector but the public sector as well.

Secondly, the NEP-linked policies have been criticized for promoting improper practices, resulting in large losses to the less politically-connected Malays in particular and Malaysians in general. For example, when the Asian crisis hit in 1997/98, some of these firms were nationalized at a huge cost to the Malaysian society in general. This being the case for the Malaysian Airlines System where the government bought back shares of the company from Tajuddin Ramli at RM8/unit at the time when the market rate was only RM3/unit. The re-nationalization of Bakun Dam and national sewerage projects, and the government's decision to regain control of the North-South Highway toll operator and telecommunications firm, Celcom, were other examples of mistakes that have proven to be costly.²² Essentially, the provision of Bumiputra business privilege created an opaque environment and opened the door for corruption.²³ The Malays desperately want UMNO to clean up its act, to curb corrupt and rowdy acts among its party members. As Alatas has argued, the government could play a more constructive role by identifying the type of business in which the Malays have a comparative advantage, and support their participation in the private sector. Lessons should be learned to avoid creating opportunities for politically connected corporate leaders to make huge profits but often create discontent for the ordinary people.

Conclusion

The paper begins by profiling the academic contributions of Syed Hussein Alatas who was widely known as one of the intellectual giants in Southeast Asian Studies. This is followed with the discussion on his concerns about the NEP of Malaysia. It is indicative that there were some supports for Alatas's thesis—that efforts to breed Malay capitalists would generate negative externalities and inequality within the Malaysian society. For one thing, the NEP had led to discontentment among the Malays and non-Malays, leading to emigration and capital flight, which could have been retained domestically. Recognizing that an open declaration of the pro-Malay policies is political suicidal, Malay political leaders moved back and forth in terms of their support for the non-Malays. Because it is also not easy to reverse the preferential treatment for the Malays, ethnic tension in the Malaysian society has remained to this day. Alatas did not live long enough to witness recent events that provide some indications of a transition towards a more merit based system, which is increasingly recognized as necessary to maintain Malaysia's global competitiveness in the years to come. For this, Malaysians are indebted to S.H. Alatas for his practical and intellectual contributions in laying out the foundation for multi-racial politics in Malaysia.

ENDNOTES

1. "Alatas the towering thinker", *The Star*, 28 January 2007.
2. Azhar Ibrahim Alwee (2007: 26).
3. "Revisiting 'lazy native' myth", *New Straits Times*, 29 July 2007.
4. Illeto (2007). The description served to remind Alatas of the need to better use his 'superfluous time' to start 'developing research on many new things' (ibid: 44).
5. While Alatas has received international acclaim, he lamented the fact that he had not been asked to participate in "educational planning, planning against corruption or anything connected with planning and development" for the Malaysian government. See "Peer recognition..Zo:A-AI", *New Straits Times*, 18 September 2005 and "In memoriam: Syed Hussein Alatas, myth breaker", downloadable in <http://www.bakrimusa.com/archives/in-memoriam-prof-syed-hussein-alatas-myth-breaker> (accessed: 15 March 2010).
6. Published before Edward Said's *Orientalism* (1978), Alatas's book was widely praised. In Said's later book, *Culture and Imperialism*, Said wrote the following:
"Alatas's book, as startlingly original in its way as Guhas's, also details how European colonialism created an object, in this case the lazy native, who performed a crucial function in the calculations and advocacies of what Alatas called colonial capitalism" (Said, 1993: 296).
7. The book consisted of essays written by UMNO Youth Leaders, including the former Prime Minister Abdullah Badawi. In the book's Forward, then Prime Minister Tun Abdul Razak wrote:
"We are aware that one of the reasons the Malays are unable to participate fully in economic and social development efforts in their backward way of thinking, caused by a lack of knowledge and the shackles of an outmoded way of life. In consequence where progress is concerned, the Malays lag several steps behind the other communities." (Senu Abdul Rahman, 2004/1971: vii).
8. See Garf (2010). Garf did a thorough reading of the reviews of *The Myth*, and concluded that from 1983 onwards, almost all of the reviews from Western based scholars as well as those from other parts of the world had referred to the book as an 'authoritative work'.

9. In November 2004, Professors Rey Illeto and Goh Beng Lan from the Southeast Asian Studies Program at the National University of Singapore organized a workshop to bring together eight senior scholars from the Southeast Asian region. At the age of over 80 years, Alatas was the oldest among the group. The statement was quoted from Alatas's speech made at the gathering. See Illeto (2007).
10. Others such as Cheah (2002: 106) attributed the most important cause of the riots to "Malay dissatisfaction over non-Malays threats and challenges to Malay rights and Malay political supremacy". For example, problems concerning the use of Chinese language in notices, announcements and form aggravated the ethnic tensions after Malay became the sole official language in the country in 1967. A recent study by Kua (2007) argued the riots were a coup d'état by the then emergent Malay state capitalists led by Tun Razak to overthrow Malaysian first Prime Minister Tunku Abdul Rahman. In Tunku's words "You know Harun was one of them—Harun, Mahathir, Ghazali Shafie - who were all working with Razak to oust me, to take over my place...." (quoted in Kua, 2007: 3). Police attempts to stop the fighting were unsuccessful. The riots led to about 200 deaths according to official figures although a much higher number of fatalities were recorded by international correspondents.
11. The goals of the NEP were to be achieved through four policies, (1) promoting of large scale regional development programs, (2) generating of job opportunities proportionate to the population of ethnic groups, (3) increasing the share of Bumiputra in stockholding to 30.1% by 1990 from 1.9% in 1970 and (4) raising the Bumiputra community's involvement in Malaysia's industrial and commercial activities to 30%. To empower the Malays, the Constitution was amended to make it a seditious criminal offence to challenge the terms of the NEP, the special status of the Malays and the standing of the Sultans who represented the epitome of Malay culture and community. The government declared that the NEP would bring benefits to all ethnic groups as restructuring would be achieved primarily through economic growth. For a good discussion of the politics of the NEP, see Milne (1976).
12. "Malay rights would not be eroded: Anwar", *The Straits Times*, 19 November 2008.
13. Mahathir (1984: 5) emphasized that the privatization initiative would "not negate the objectives of the NEP" in the sense that the Bumiputras would "get their share, both in terms of equity and in employment".
14. On this basis, some factions of the society have claimed that the Bumiputra equity target of 30% for the Bumiputra has been reached. The Gerakan Party leader Lim Keng Yaik had urged the replacement of the NEP on this very basis. 'Our own rough estimate shows corporate share ownership by Bumiputras far exceeds the 30% target in plantation agriculture (45%) and mining (50%, while it is more than double the target in the banking and finance sector' (*Malaysian Business*, October 16, 1986; quoted in Heng, 1997: 285).
15. The number of seats won by UMNO dwindled from 109 in the 2004 Election to 79 while the MCA and MIC saw their seats falling from 15 to 15 and 9 to 3, respectively. On the contrary, the opposition alliance, comprising KeAdilan, PAS and DAP, won a resounding victory with the number of seats acquired increasing from a mere 20 to 82. UMNO subsequently loss confidence in Badawi's leadership and paved the way for Najib Razak to take over. Najib became Malaysia's sixth Prime Minister on 2 April 2009. For analyzes of the elections, see Maznah Mohamad (2008), Singh (2009) and Woo (2009).
16. Ong (2000: 60) coined the term 'graduated sovereignty' to depict the differential treatment of the population based on ethno-racial differences. Her ethnographic work in Malaysia led her to conclude that the true gainers of the NEP were the privileged Malays—"the lucky but not always talented, few who had been favored by the affirmative action policies and by the patronage of powerful politicians" whereas the younger female Malays who worked in factories and aboriginal population have been deprived of similar treatment from the state. Gomez (2009) analyses of the top 100

- companies quoted on the Kuala Lumpur Stock Exchange in 2000 concluded that the wealth had largely concentrated in the hands of the government, rather than the Malays per se. No Bumiputra individual emerged with a controlling interest in the top 10 companies measured in terms of market capitalization.
17. It can be argued that ethnic relations during the colonial period were relatively harmonious with each racial group keeping to itself and maintaining a separate, parallel existence. Most members of the different ethnic groups were not competing for the economical roles and therefore there was less direct conflict with each other.
 18. "Policy to aid poor must be merit-based: Najib", *The Straits Times*, 23 March 2009.
 19. "Najib's Affirmative Action II", *The Wall Street Journal Asia*, 2 July 2009.
 20. "Najib's bold political gamble", *The Straits Times*, 1 July 2009; "Will UMNO buy Najib's vision?" *The Straits Times*, 3 July 2009.
 21. The latter proposition was made at the International Islamic Political Economy Conference in Malaysia in 1996, "Renew interest in science and technology, says Syed Hussein", *New Straits Times*, 11 December 1996.
 22. See Wain (2009), especially Part II. Woo (2009) argued that Malaysia is caught in the middle income trap because of the continuation of NEP-linked policies in its economic growth strategy.
 23. As an indicator, corruption in Malaysia has not improved as it draws nearer to 2020. Malaysia slipped from 39th place in 2005 to 43rd position in 2007 and 44th position in 2008 based on the Transparency International's Corruption Perception Index.

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