Introduction

While Malaysia had experienced massive integration with the world economy during British colonialism, it was also during this phase that ethnic divides became marked as capitalist relations evolved largely in tin mines, rubber plantations and smallholdings and urban locations (Abraham 1970; Amin & Caldwell 1977). The bulk of the indigenous Bumiputeras remained engaged in sedentary agriculture (Jomo 1986). The detached evolution of the indigenous, and immigrant population evolved dangerously into a potential reservoir for explosion. All it needed was a spark to ignite it. Social imbalances - ethnic differentiation occupationally, rising unemployment and poverty particularly among the rural poor - were rising sharply and swiftly throughout the 1960s. Consequently, the Malaysian government launched the New Economic Policy (NEP) through the Second Malaysia Plan in 1971 (Malaysia 1971). As with most restructuring policies worldwide, the first objective of the NEP was to alleviate poverty – both absolute and relative.

It was the first broad-based attempt to address ethnic imbalances that had increased social tensions in the country culminating in the bloody ethnic riots in 1969. Such was the ethnic divide that the political environment made ethnic restructuring an unavoidable instrument of the NEP. Rasiah and Ishak (2001) had argued that political stability