UNEQUAL CITIZENS REVISITED: POLITICAL ECONOMY, ETHNIC STRATIFICATION, AND THE STRUCTURAL MARGINALIZATION OF MALAYSIAN INDIANS

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ABSTRACT

This paper offers a structural-historical analysis of the marginalization of the Malaysian Indian community, examining how three successive political-economic phases-British colonial labour exploitation, the post-independence ethnic bargain, and the neoliberal displacement of the 1980s and 1990s-have produced a stratified Indian working class that remained structurally excluded from Malaysia's development project as of 2013. Drawing on Jomo's framework of the "ethnic differentiation of labour," the paper argues that Indian marginalization is not primarily a product of ethnic prejudice but of the intersection of class formation and state-directed resource allocation within Malaysia's consociational political order. It further argues that post-GE13 Indian political behavior reveals a community undergoing a critical fracture along class lines, with significant implications for the stability of both Barisan Nasional and Pakatan Rakyat. The paper concludes by evaluating the structural prerequisites for a needs-based policy framework that could address the community's most acute vulnerabilities: statelessness, religious displacement, and criminal justice inequality.

Keywords: *Malaysian Indians, NEP, ethnic stratification, plantation economy, Hindraf, political economy, GE13*

INTRODUCTION: THE PARADOX OF THE "FORGOTTEN MINORITY"

Malaysia's 13th General Election (GE13) took place on 5 May 2013. After the election, the Indian community in Malaysia was identified as both a significant voting bloc and a marginalized community. Prior to GE13, the Najib administration established a memorandum of understanding with Hindraf-one of two wings of the Hindu Rights Action Force (Hindraf)-with promises of inclusivity using slogans such as "Nambikkai" (trust) and "1Malaysia." By October 2013, however, the anti-crime Ops Cantas Khas crackdown, which began in August 2013, had been criticized by civil society groups for being aimed at young Indian males. This indicates a problem structurally more severe than any electoral coalition could solve.

In 2013, the position of the Malaysian Indian community presented a paradox that conventional communal politics cannot sufficiently explain. Indians represented about 7% of Malaysia's total population and were therefore Malaysia's third-largest racial group. However, Indians did not constitute a single economic unit. While there existed a visible Indian professional and business elite that contributed significantly to the upper echelons of the Malaysian economy, a large section

of the Indian working-class majority comprised descendants of South Indian indentured and semi-indentured labourers who were brought to Malaya during British colonial rule. These descendants were predominantly located in the lower deciles of household income. These economic differences, and the way political structures in Malaysia addressed both extremes, form the subject matter of this paper.

This paper argues that the marginalization of Indians in Malaysia should be viewed not simply as ethnic discrimination but as the result of a particular combination of class development and the state's allocation of resources within a consensual political order. Present-day problems faced by Indians in Malaysia-statelessness, temple demolition, and related forms of exclusion-are neither random nor culturally based failures. Rather, they are the result of decisions taken by those who controlled Malaysia during various phases of its developmental history. The remainder of the paper consists of five sections. The first section provides a theoretical framework; the second section analyses developments throughout colonial and postcolonial history; the third section examines the differing impacts of the New Economic Policy (NEP); the fourth section examines the displacement resulting from neoliberalism and urban poverty; and the fifth section offers a detailed study of Indian political behaviour before and after GE13.

THEORETICAL FRAMEWORK: ETHNIC DIFFERENTIATION OF LABOUR AND CONSOCIATIONAL EXCLUSION

To fully understand Malaysian Indian marginalization, one must steer clear of two possible conceptual pitfalls. First, reducing the issue to "discrimination based on ethnicity" does not capture internal class inequalities within the same ethnic group. Second, reducing it to a purely "class-based explanation" ignores how ethnicity continues to be used both as a means of political mobilization and as a basis of social allocation in Malaysia. This article uses two complementary theories to avoid these pitfalls.

First, Jomo (1986), in his seminal work A Question of Class, outlined the idea of the "ethnic differentiation of labour" in Malaya. According to Jomo's framework, British colonial administrators intentionally organized the Malayan economy into distinct economic niches for each ethnic group, with Malays involved in subsistence farming, Chinese communities engaged in trade and mining, and Indians involved in plantation labour. This organization of labour did not occur solely because of prior cultural differences; rather than a natural occurrence of culture, it represented an artificially created system of labour management devised to ensure maximum profit for Britain while limiting the likelihood of cross-ethnic alliances among the working class. Therefore, when Malaysia gained independence, the country inherited not only diverse ethnicities but also a racially stratified occupational structure that was built upon colonial practices. Subsequent governments then had to choose whether to maintain this racial stratification or dismantle it.

Second, Arend Lijphart's theory of consociationalism has been used to describe Malaysia (Lijphart, 1969; Milne & Mauzy, 1978). Consociationalism is a form of governance in which elite-level cooperation among leaders representing various ethnic groups creates political stability in societies characterized by deep divisions. In Malaysia, the Alliance coalition, later known as Barisan Nasional (BN), operated using this principle of cooperation. Each leader-UMNO for Malays, MCA for Chinese, and MIC for Indians-delivered the loyalty of the respective community to the state in exchange for a portion of state patronage. From the standpoint of the Indian working class, a major structural flaw of this arrangement was that the interests of MIC elites as middlemen were better served by providing moderate benefits to their constituents than by pursuing significant redistributive programs that challenged the overall class structure. This dynamic, referred to as the "politics of accommodation" by Muzaffar (1993),

provides insight into why the NEP, although formally stated to address poverty regardless of ethnicity, was ultimately implemented in a manner that excluded the Indian poor from many redistributive allocations provided under the policy.

By combining these two theoretical frameworks, we can formulate the primary research question as follows: Is the marginalization of the Indian working class in Malaysia due to three interdependent factors: (1) its placement within a structurally segregated position in a colonial-era labour market based on ethnicity; (2) the nature of postcolonial politics in Malaysia, which rewarded elite accommodation rather than addressing inequality; and (3) the structure of resource allocation during Malaysia's developmental years, which was based upon ethnicity and thus made the Indian poor doubly invisible-neither classified as Malay and therefore not eligible for Bumiputera support, nor classified as Chinese and therefore possessing no capital needed to compete successfully against other social classes?

COLONIAL FOUNDATIONS: CONSTRUCTING THE PLANTATION UNDERCLASS (1860-1957)

There was little free will involve when large numbers of South Indians migrated to Malaya. From 1860 until 1957, the British colonial administration systematically used the recruitment of Tamil labourers from the Madras Presidency to work on rubber plantations (Sandhu, 1969). Although the transition from indentured labour to the kangany recruitment system at the beginning of the 20th century changed the way Indian workers were recruited into the estates, their overall position in society remained unchanged. Under the earlier system, Indian workers were recruited through legal bondage. Under the new system, they became economically dependent on their employers.

Stenson (1980) has shown that the estate was an example of what Goffman (1961) called a "total institution." A total institution is a social system in which most aspects of the lives of the people within that institution are under the control of the authority running it. On rubber plantations, there were many examples of management's extensive control over workers' lives. Workers lived on the estate and received housing from their employer. They attended estate schools, which provided very little education. These schools provided only about three to five years of schooling and were conducted entirely in Tamil. If workers needed medical attention, they went to the doctor working on the estate. There were also many forms of recreation available to workers, including the estate toddy shop. Many of these forms of recreation required money, so workers had to have cash in order to use them.

This form of organization proved highly effective for capitalism during the colonial era because it helped reduce labour turnover, reduced the likelihood of independent worker organizations forming, and created a labour force that could be easily managed and reproduced across multiple generations. However, after Malaysia gained independence in 1957, this system of organization began to collapse. At the time the estate system collapsed in the 1980s, members of the Indian labour force it had supported lacked many transferable skills. They also had limited literacy in either Malay or English, the two languages necessary for success in post-independence economic opportunities. Perhaps most importantly, they had no accumulated capital.

However, it is essential to recognize that "the Indian community" should not be treated as a monolithic colonial subject. By 1957, the Indian community in Malaya was extremely stratified. There was a small but prominent professional elite, consisting mainly of Ceylonese Tamils, Malayalees, and North Indians who had entered Malaya through separate channels as civil servants, lawyers, doctors, and other professionals recruited directly by the colonial administration. This group held relatively privileged positions. The Malaysian Indian Congress (MIC), formed in 1946, had leadership that came primarily from this stratum. Because of this class

fracture within the MIC, documented by Arasaratnam (1970), the party structure established by the MIC was formally representative of "the Indian community"; however, the leadership interests of the party were structurally misaligned with those of the working class of the estates.

POST-INDEPENDENCE POLITICAL ECONOMY AND THE NEP: INCLUSION, EXCLUSION, AND THE LIMITS OF CONSOCIATIONALISM (1957-1990)

The independence agreement of 1957 provided citizenship to the non-Malay populations in exchange for their political recognition of Malay "rights" to special status in education, the civil service, and the granting of licences for economic activity. Although the Indian working class received the right of citizenship, this was not always meaningful citizenship in practical terms; many were still denied access to key mechanisms of the state, such as education, health care, and documentation. The majority of the Indian population lived on estates that continued to operate under colonial land laws, creating an environment isolated from the national developmental efforts of the new Malaysian state operating out of Kuala Lumpur.

In addition, the violent confrontations between ethnic groups that occurred in Malaysia in May 1969, and the initiation of the NEP in 1971, constituted a major turning point in Malaysia's post-independence political economy. On the one hand, the dual objectives of eliminating poverty and restructuring society so that race would no longer be directly associated with economic function represented a valid redistributive promise. However, the implementation of the policy ultimately became skewed toward the benefit of Malay Bumiputera for several reasons. Jomo (1986) identifies these factors as resulting from both the structural advantages inherent in the UMNO-controlled state apparatus and the process of formation of the Malay capitalist class.

For the Indian community in Malaysia, the effects of the NEP were threefold. First, the introduction of racial quotas into public university admissions and the establishment of the Matrikulasi system prevented the Indian middle class from utilizing the single most effective method available for social mobility: access to higher education and, subsequently, the professional economy. As documented by Netto (2011), although the Indian population percentage remained relatively stable during this period, Indian representation in public universities dropped significantly between 1980 and 1990. Second, with regard to representation in the civil service, the "Malayanization" of the bureaucracy further decreased Indian participation from approximately 35% at the time of British departure to fewer than 4% by 2010-a decline that cannot be attributed entirely to demographics. Third, and most importantly for the working class, the equity-restructuring measures included in the NEP were designed to assist in forming Malay capital and excluded Indians from participating in the government-linked investment companies (GLICs) that served as the principal mechanism by which state-led economic growth was implemented. In essence, the Indian community was positioned between two types of accumulation strategies-Malay state capitalism and Chinese private capital-and was excluded from both.

However, it is necessary to recognize that it is analytically incorrect to view the NEP as exclusively an anti-Indian initiative. The NEP certainly resulted in significant declines in poverty among Malays and contributed to a Malay middle class that previously did not exist. It is not argued here that the NEP was illegitimate in its goals, but rather that its implementation revealed that consociational politics is structurally weak as a means of protecting minority populations: when patronage is distributed based on ethnicity, minorities lacking political influence will experience systematic disadvantages, regardless of stated intentions regarding universal poverty reduction. The MIC's inability to use its position within BN to protect working-class Indian

interests represents an organizational manifestation of this structural dynamic.

NEOLIBERAL DISPLACEMENT AND THE MAKING OF THE INDIAN URBAN POOR (1980S-2000S)

If the NEP had marginalized the Indian professional and middle classes, then the post-1980s liberalization of the Malaysian economy under Prime Minister Mahathir Mohamad was even worse for the Indian working class. During the 1980s and 1990s, the pace of industrialization and the expansion of manufacturing beyond primary products made large-scale rubber plantations an increasingly unsustainable proposition. To make way for new forms of development, including the conversion of estate land to palm oil production, which required much less labour, and subsequent sale to property developers for residential and commercial purposes, the government established major industrial corridors and a series of satellite towns throughout the Klang Valley and Penang. These included some of Malaysia's most prominent "developmental" projects, such as Cyberjaya, Putrajaya, and Shah Alam.

A key failing of Malaysian policymaking since 1970 has been its reluctance to provide former Indian estate workers with land-resettlement entitlements similar to those made available to rural Malay smallholders since at least the early 1960s through the Federal Land Development Authority (FELDA) scheme. FELDA provided Malay smallholders with land, housing, and technical assistance as agriculture was being reorganized in Malaysia; no equivalent provision was ever made available to Indian estate workers. As a consequence of this decision-making failure, tens of thousands of Indian families were forced to migrate from the estate system to urban-fringe settlements without state mediation. In particular, many hundreds of thousands moved to squatter settlements and low-income housing estates around Kuala Lumpur, where they typically arrived with very little capital, relatively little formal education, and severed from the social support networks of the estate community.

Jayasooria (2001) characterizes these displaced people as a "lumpen proletariat," a class denied entry into a stable form of wage labour in the formally organized economy. It needs to be recognized that Jayasooria's use of the term involves a degree of determinism: he suggests that there are certain class positions that deny all potential for upward mobility. While his characterization is empirically accurate insofar as it highlights the great difficulty experienced by many members of the displaced Indian urban poor in navigating the transition to both the informal and formal economies in the post-industrial Malaysian economy, it does need to be modified in one important respect. There are certainly varied levels of economic insecurity within the Indian urban poor, and individual and family experiences of moving from estate-based employment into work in the urban informal and formal economies have varied widely. However, it can be argued that a common experience among all members of this group has been the structural inability of the state to assist them during their displacement and the long-term educational disadvantage that members of this community have faced because of inadequate schooling opportunities in estate schools over previous generations.

There were three aspects of disadvantage that characterized this community in 2013. The first was lack of state recognition. A high proportion of Indians born on Malaysian estates during British rule were never registered at birth and therefore did not possess the birth certificates or other identification documents needed to apply for Malaysian citizenship. Estimates vary greatly-ranging from 150,000, according to Hindraf as cited in Human Rights Watch (2012), to 300,000-but suggest that up to 30% of Malaysia's Indian population may have remained undocumented. Without a National Registration Identity Card (MyKad), stateless Indians are prohibited from accessing Malaysian public health services, registering their children in national

schools, opening bank accounts, or voting. This means that they live in a form of civic non-personhood within their own country.

The second dimension was religious displacement. Working-class Indian communities experienced deep psychological damage due to repeated temple demolitions by local councils. Administratively justified as part of the removal of "unlawful structures," these demolitions signified loss of place and identity for communities for whom temples are central sites of social solidarity and cultural reproduction (Willford, 2006). The 2007 demolition of the Maha Mariamman Temple in Padang Jawa served as a catalytic event, bringing together 10 years of temple demolitions and triggering widespread anger when it contributed to the Hindraf uprising on 25 November 2007 (Nagarajan, 2008).

The final dimension concerned criminal justice. SUARAM (2013) reported a disproportionate number of deaths in custody among Indians in the decade leading up to 2013.

THE POLITICAL FRACTURE: FROM HINDRAF TO GE13 AND ITS AFTERMATH

A major consequence of the 2008 general election was the dramatic collapse of Barisan Nasional's support from the Indian community. The community abandoned BN almost entirely, resulting in a historic gain for Pakatan Rakyat. Nevertheless, the voting pattern of the Indian community in 2008 cannot be interpreted uniformly as representing Indian political awareness or ideology. Similar to the Chinese electorate, Indian voting behavior in 2008 demonstrated a complex combination of protest voting, constituency-specific considerations, and a genuine shift toward ideologically based choices among urban-educated Indians.

By GE13 in May 2013, the Indian political landscape had become even more fragmented. The Najib administration signed an MOU with a faction of Hindraf, committing itself to a "Blueprint for the Upliftment of the Indian Community." In this manner, the administration attempted to disaggregate the protest vote of the Indian community by making concrete policy commitments to a mobilized community leadership. While there is evidence that BN achieved some degree of success in recovering Indian support in rural and semi-urban constituencies, most urban Indian voters-especially those residing in states with multiethnic opposition coalitions-continued their allegiance to Pakatan Rakyat. An urban-rural divide in Indian voting behavior demonstrates with great accuracy the class differences present within the Indian community. Urban professionals and educated working-class Indians possess economic aspirations constrained by the structural limits of the NEP, and they also have greater exposure to independent media and civil-society networks; therefore, they continued to support Pakatan Rakyat. Rural poor Indians, who are more vulnerable to the limitations placed upon their economic mobility due to their economic conditions, may respond positively to direct forms of patronage, such as cash grants, funding for temple restorations, and Rela community-policing positions; therefore, many rural Indians returned to BN.

These fractures may have serious implications for both parties. For BN, it is uncertain whether it can sustainably maintain the level of support it regained from the rural poor, given the decreasing returns on patronage investments associated with increased education levels among urban poor Indians. Additionally, for Pakatan Rakyat, translating urban Indian support into specific policy solutions designed to correct structural inequalities-such as affirmative action policies addressing educational attainment, employment discrimination, and housing inequality-poses challenges related to the internal conflict within the opposition coalition between DAP's secular social democratic platform and PAS's Islamist agenda, each having different implications for the rights of Indian Muslims regarding religion and culture.

TOWARD A STRUCTURAL POLICY FRAMEWORK: BEYOND RACE-BASED AFFIRMATIVE ACTION

The data and analysis in this report indicate that the existing framework of communal bargaining under BN cannot effectively address the vulnerability of the Indian community in 2013. The MIC will continue to be constrained by a structural disincentive to question or challenge the distributive implications of the NEP, given that its continued existence within the BN coalition directly correlates with its ability to survive politically. Therefore, a structurally effective response to Indian marginalization would need to include at least the following:

1. Resolution of the crisis of statelessness of Indians living in Malaysia through the establishment of a dedicated registration programme with legislatively guaranteed timelines for completion of such registration, and de facto amnesty for all undocumented Indians while awaiting a resolution to their status;
2. An immediate halt to the demolition of temples located on former estate lands, and the development of heritage-protection policies for places of worship with documented historical significance on former estate lands;
3. Reform of affirmative action programmes to base allocations on identified needs rather than racial categories, thereby providing some relief to both the poorest Indians and other marginalized communities, such as poor Malays and Orang Asli who have been negatively impacted by elite capture of NEP benefits;
4. Establishment of an urban poverty-reduction programme targeting members of the displaced estate community who are currently excluded from most forms of social welfare assistance, providing such individuals with access to job-training opportunities, vocational education, microcredit for small-business start-ups and entrepreneurship ventures, and publicly funded affordable housing in low-income neighborhoods.

These four recommendations are not without implementation costs. The transition from race-based affirmative action programmes to needs-based programmes may be especially difficult to implement due to potential negative impacts on the Bumiputera ideology that serves as one of the foundational tenets of UMNO's legitimacy.

CONCLUSION: STRUCTURE, AGENCY, AND THE LONG ARC OF EXCLUSION

The marginalization of Malaysian Indians in 2013 is the product of a long structural process, not a contingent failure. It begins with the colonial construction of a racially differentiated labour market in which Indians were assigned the role of a controlled agricultural proletariat. It deepens through the post-independence consociational settlement, in which the MIC's elite leadership traded structural reform for elite accommodation. It was accelerated by the NEP's ethnically stratified resource allocation and by the neoliberal displacement of the estate economy without compensatory resettlement support. It is reproduced, in the present moment, through the criminalization of Indian youth, the erasure of Indian civic identity through statelessness, and the systematic demolition of the cultural infrastructure that sustains community cohesion.

What the Hindraf mobilization of 2007 demonstrated, and what the GE13 results of 2013 confirmed, is that the Indian working class is not a passive object of these structural forces. The community has demonstrated a remarkable capacity for political mobilization when the conditions for it exist. The question facing Malaysia's political leadership-in both BN and Pakatan-is whether that mobilization will be channeled into the consociational politics of communal accommodation that has historically served the Indian working class so poorly, or whether it will find expression in a restructured political economy in which

developmental rights are allocated by need rather than by ethnicity.

The historical record examined in this paper does not permit optimism on this point. The structural interests arrayed against reform are powerful, and the Indian community's political leverage, at 7% of the electorate and divided between two coalitions, is limited. Nevertheless, the demographic and economic pressures driving urbanization, educational expansion, and the growth of civil society suggest that the political cost of continued inaction will rise. For Malaysia to realize its "Vision 2020" developmental ambitions, it will need to resolve the contradictions at the heart of its political economy-of which the Indian community's predicament is, in the analysis offered here, the most acute and the most morally urgent expression.

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