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Original Research

Explaining the Singapore-Malaysia Divergence: The New Economic Policy And Ethnic Chinese Occupational Attainment In Malaysia

Loy Xing Hao

Victoria Junior College, 20 Marine Vista, Singapore, S449035, Singapore
Corresponding author email: loy.xing.hao.2022@vjc.edu.sg

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Abstract

Despite a shared British common-law system, geography, culture and colonial background, Singapore's and Malaysia's economies diverged from the 1970s onwards. As they shared largely similar contracting institutions, this paper investigates whether property rights institutions can help explain this split. While existing literature examines the New Economic Policy (NEP) and Industrial Co-ordination Act (ICA) mainly as ethnic redistribution policies, this paper analyses them as a property rights institution shock under the institutions framework. The ICA enforced the NEP's 30 per cent Bumiputera (Malays and other indigenous groups) equity target and ethnic restructuring of managerial and professional employment through manufacturing licence conditions. Current studies also examine the NEP within Malaysia in isolation. This paper uses a difference-in-differences design with Singapore serving as a counterfactual to compare the share of the ethnic Chinese workforce in professional, managerial, administrative and technical (PMAT) occupations. From 1970 to 1990, Malaysian Chinese PMAT share grew 11.1 percentage points less than in Singapore. This gap is consistent with the NEP/ICA slowing Chinese occupational growth, assuming the parallel trends assumption holds. A robustness check on Malay workers gives the opposite sign (+1.8), consistent with an ethnically targeted policy. A triple difference using economy-wide occupational data tests for the presence of "Ali Baba" arrangements, which are associated with extractive institutions. Its evidence on such arrangements is mixed, but the Chinese share grew more slowly than in Singapore in both occupational tiers, suggesting the slower growth was not only due to nominal title transfers from Ali Baba arrangements.

Keywords: New Economic Policy; Property Rights Institutions; Difference-in-Differences; Ethnic Redistribution; Malaysia; Singapore

I. Introduction

a. Setting the Context

In 1965, Singapore separated from Malaysia. The two economies began with uncanny similarities: a shared history of British colonial administration, a common-law legal system inherited from the same source, shared geography and a large ethnic Chinese business community concentrated in trade and

manufacturing. Legal origins theory proposes that the legal origins of nations are a vital determinant of the legal and regulatory framework of the society, and consequently for economic outcomes (La Porta et al. 2008). Given these similarities of Singapore and Malaysia alongside the common law origins adopted from British colonial administrations, the theory should predict similar economic institutions and hence economic outcomes. However, this did not pan out in practice. In the Unbundling Institutions framework of Acemoglu and Johnson (2005), legal origin affects contracting institutions specifically, so shared common-law origins predict comparable contracting institutions but fail to account for property rights institutions.

In the long run, Singapore and Malaysia's economies diverged. On top of macroeconomic indicators, this divergence was also seen in institutional quality. While Singapore ranked second globally in the Index of Economic Freedom in 2009, Malaysia was ranked 59th (Hill et al. 2012, 1693). Malaysia was later embroiled in the 1MDB scandal, which was made public in 2015 (Jones 2020). These highlight the divergence in the institutions of both countries. To properly understand the reason behind this divergence, it must be traced to something that shocked one nation's institutions and not the other. Since the two shared contracting institutions, this paper argues that the shock was administered to property rights institutions, a distinction drawn from Acemoglu and Johnson's (2005) Unbundling Institutions framework and set out in the literature review.

b. Research Question and Contributions

Primary: What effect did the NEP/ICA regime have on ethnic Chinese occupational attainment in Malaysia relative to the Singaporean counterfactual?

Secondary: Was that effect concentrated in the occupational tier where nominal substitution was possible, and what does the tier pattern suggest about whether control was genuinely transferred?

Drawing inspiration from Acemoglu, Johnson and Robinson's (2005) North Korean-South Korean experiment, this paper applies a difference-in-differences design in which Malaysia is the treated unit and Singapore, having left the federation before the NEP was enacted, serves as the untreated counterfactual. The outcome is the share of the ethnic Chinese workforce in professional, technical, administrative, and managerial occupations, measured in 1970 and 1990. In 1970 Singapore's share already led Malaysia's, at 10.8 per cent against 7.1 per cent. By 1990 they stood at 27.3 and 12.5 per cent respectively, leaving Malaysian outcomes 11.1 percentage points below the supposed counterfactual. In order to make the difference-in-differences design more credible, this paper also administers a robustness check by comparing the PMAT shares of the Malay workforce in Malaysia and Singapore. In addition, since one of the primary responses of the Chinese minorities to the NEP was capital flight as well as emigration (Jomo 2004), this also brought on the possibility of an influx of Chinese Malaysian immigrants to Singapore. To assess the possibility of a violation of the Stable Unit Treatment Value Assumption (SUTVA), the growth of the population of foreign-born Chinese in Singapore is also studied.

A triple difference is also performed to test whether occupational data is consistent with Ali Baba arrangements, in which a Bumiputera partner ("Ali") lends his status, for instance as a nominal shareholder and director, so that a non-Bumiputera, typically Chinese, partner ("Baba") can secure licences, contracts or permits while retaining control of the business.

This paper argues that Malaysia's NEP (1971) and ICA (1975) constitute a property rights institution shock that occurred in Malaysia but not Singapore. Existing studies of the NEP and the ICA, such as Heng (1997), Jomo (2004) and Lee Hwok-Aun (2022), examine their effects within Malaysia in isolation. Without a control group, they cannot ascertain how Chinese occupational standing would have changed in the absence of the NEP and the ICA. Consequently, the policy's effect is not isolated from other concurrent changes in Malaysia.

The paper makes two contributions. First, it estimates the effect of the NEP/ICA against an untreated counterfactual. Through comparison with Singapore, which shared Malaysia's colonial history, legal system and largely similar company law until their separation, this paper quantifies the divergence in Chinese occupational composition following the disruption to Malaysia's property rights institutions. This progresses the analysis beyond describing what happened after the NEP and towards estimating its

causal effect, conditional on the parallel trends assumption. Second, it interprets this divergence through the institutions framework used by Acemoglu and Johnson (2005) and Acemoglu, Johnson and Robinson (2005). Existing literature examines the NEP and ICA mainly as policies of ethnic redistribution. This framework explains why two economies with shared legal origins and contracting institutions could still diverge, and gives the current literature a theoretical basis. This paper also tests whether the occupational data are consistent with qualitative accounts of Ali Baba arrangements.

c. Historical Background

Given the shared border, population and British common-law heritage discussed above, legal origins theory predicts that Singapore and Malaysia should have had similar institutions, particularly contracting institutions (Acemoglu and Johnson 2005).

Malaysia and Singapore shared largely similar company law from the colonial period through their 1965 separation, with each country only enacting its own Companies Act in 1965 and 1967 respectively (Mahy and Ramsay 2014). However, the announcement of the New Economic Policy (NEP) in Malaysia sparked a clear divergence in their property rights institutions.

In the 1969 Malaysian election, despite securing less than half the popular vote, the ruling Alliance coalition retained a reduced parliamentary majority through gerrymandering (Jomo 2004). The May 13th riots then took place following the election. After the riots, then-Deputy Prime Minister Tun Abdul Razak sidelined the incumbent Prime Minister Tunku Abdul Rahman. The incumbent prime minister's administration was seen by the new Razak administration as having been too conciliatory towards the Chinese business community. The Razak administration sought to increase ethnic affirmative action through the NEP in 1971 (Jomo 2004).

The NEP was formally two-pronged: the eradication of poverty irrespective of race, and the restructuring of society to eliminate the identification of race with economic function. The second prong carried the operational targets relevant here: employment in the various sectors of the economy and employment at all occupational levels should reflect the racial composition of the country by 1990; the ownership of productive wealth should be restructured so that by 1990 the Bumiputera own and operate at least 30 per cent of the total. Yet Lee Hwok-Aun (2022, 308) notes that during the early years of the NEP, the policy was more controlled in terms of targeting ethnic groups, primarily because some parties felt that "the policy was too aggressive". In particular, Heng (1997, 268) details how Finance Minister Tan Siew Sin resisted mandatory equity measures until his resignation in 1974. Then, policy from 1975 onwards shifted towards clearer mandates and targets, most notably the Industrial Co-ordination Act (ICA) (Lee Hwok-Aun 2022, 308).

While the NEP and the Outline Perspective Plan only had broad goals for the ethnic distribution of economic resources, the ICA was the first sector-wide, licensing-based mandate. While the ICA did not explicitly mandate that 30 per cent of a company's equity was to be allocated to Bumiputera, this target was imposed through the conditions attached to manufacturing licences. The ICA required manufacturing firms above a certain size to hold a licence to operate, and this licence was given based on the discretion of an approving authority, which came in the form of a minister and subsequently an appointed licensing officer from 1977 onwards (Yasuda 1991).

II. Literature Review

Based on a decade of research across countries, La Porta et al. (2008) argue that legal origins shape a country's legal and regulatory institutions, and through them its economic outcomes, such as financial development and the extent of government regulation. Legal origins can be divided into two groups: common law and civil law. Common-law countries, many of which inherited their legal system from Britain, tend to leave more to the market, while civil-law countries, many of which inherited theirs from France, tend to rely more on the state to direct outcomes. Since Singapore and Malaysia share common-law origins, this view predicts that they should have developed similar institutions and, as mentioned in

Section I, similar economic growth. Yet, there is a stark divergence in their economies, as Malaysia is shown to be a laggard in terms of economic growth compared to Singapore (Hill et al. 2012).

Table I. Average Annual GDP Growth per Capita, Malaysia and Singapore, 1970–1989

	Decade	Malaysia	Singapore	Difference (% points)
GDP Growth per capita (%)	1970–79	5.2	7.6	−2.4
	1980–89	3.1	5.3	−2.2

Notes: Average annual growth rate of GDP per capita over each decade, in per cent. Difference = Malaysia − Singapore, in terms of percentage points.

Source: Hill et al. (2012), Table 1, p. 1690.

Table I above shows the divergence in gross domestic product (GDP) per capita growth after the two countries separated in 1965. Decade on decade, the difference is negative and of a substantial magnitude (−2.4 percentage points in 1970–79 and −2.2 in 1980–89). The persistent difference shows that Singapore's economic growth is consistently stronger than Malaysia's, despite their shared common-law starting point.

"Institutions", as defined by North, "are the rules of the game in a society or, more formally, are the humanly devised constraints that shape human interaction". As a result, institutions "structure incentives in human exchange, whether political, social, or economic" (North 1990, 3). With the existence of institutions that protect property rights, individuals are incentivised to invest in physical or human capital or adopt more efficient technologies, fundamentally driving economic growth in the country (Acemoglu, Johnson and Robinson 2005). Conversely, Acemoglu, Johnson and Robinson (2005, 397) describe extractive institutions as those under which "the rule of law and property rights are absent for large majorities of the population". In these extractive institutions, a vicious cycle is created. As power (both economic and political) is concentrated amongst the elite, that power is used to construct extractive economic institutions and any resulting rents flow back to the same elite. They then use that wealth to further entrench their political power, thereby perpetuating the vicious cycle (Acemoglu, Johnson and Robinson 2005, 392). Hence, Acemoglu, Johnson and Robinson argue that institutions are vital in determining the economic growth and outcomes of a nation.

In Unbundling Institutions, Acemoglu and Johnson argue that property rights institutions, which protect private citizens and investors against the risk of expropriation by the government, the state, or powerful elites, have a first order effect on long-run economic growth in contrast to contracting institutions which enable private, voluntary contracts and transactions between individual citizens or private businesses (Acemoglu and Johnson 2005). This suggests that the split in economic growth and outcomes between Singapore and Malaysia is more plausibly due to a shift in property rights institutions between the two nations.

Lee Hwok-Aun (2022) documents how the NEP and the ICA worked, which this paper argues constitutes a property rights institution shock. The ICA and NEP count as a property rights institution shock as the government intervenes directly in who is allowed to own and control productive assets. In the context of the ICA, only manufacturing firms that meet the Bumiputera ownership and employment criteria are allowed the licence to operate. The NEP centred on redistribution of corporate stock ownership, pursued through extensive use of the public sector and state intervention as evidenced by the ICA. This was intended to aid the pursuit of the goal of raising the Bumiputera share of corporate stock to 30 per cent by 1990. This led to non-Bumiputera businesses feeling threatened. Jomo (2004) also attributes capital flight in part to the ICA and notes official discouragement of Chinese investment.

Under this new regime, capital accumulation has increasingly been determined by "know who" (political connections or influence), rather than "know how" (entrepreneurial ability or capabilities) (Jomo 2004, 13). Heng (1997) describes how Ali Baba arrangements were formed. A politically connected Bumiputera partner ("Ali") would use his Bumiputera status to gain access to government-determined business opportunities in exchange for rents from the ethnic Chinese ("Baba") partner who supplied the

capital and business acumen as Bumiputeras were favoured when it came to the awarding of licences, permits, contracts and other business opportunities (Heng 1997). As a result, business opportunities that were dependent on state approval favoured the well-connected, rent-seeking Bumiputera "Ali" partners and the Chinese elites ("Baba") who had the means to pay rents to "Ali". In Lee Hwok-Aun's paper, he wrote that "rent distribution and accelerated promotion of inexperienced Malays into corporate management, whether in the form of equity, contracts, or licenses, tended to breed patronage and rent-seeking, most starkly the 'Ali Baba' liaisons" (Lee Hwok-Aun 2022, 309). Such Ali Baba arrangements are consistent with Acemoglu, Johnson and Robinson's framework of extractive institutions.

III. Methodology

a. Data

The Malaysian estimates are based on official statistics reported in Lee Hock Guan (2000), drawn from Malaysian government planning documents. The Singaporean numbers are derived from Saw (2012), which compiles data from official Singapore labour force statistics for 1970 and 1990.

For the primary difference-in-differences design, the outcome is the number of ethnic Chinese workers in PMAT occupations as a percentage of the total ethnic Chinese workforce in each country. The Malay equivalent used in the robustness check is constructed in the same way.

"PMAT" is the grouping of two occupational categories: "Professional and Technical" and "Administrative and Managerial". In Lee Hock Guan's (2000) paper, this is recorded as "Professional and Technical (including teachers and nurses)" and "Administrative and Managerial" for 1970 and "Professional and Technical" and "Administrative and Managerial" for 1990. For the 1990 data, Lee Hock Guan also reported teachers and nurses as a sub-row of "Professional and Technical". The 1990 figures used here include them, consistent with the 1970 category. In the official Singapore labour force statistics for 1970 and 1990 from which Saw derived his data, the corresponding occupations are recorded as "Professional and Technical" and "Administrative and Managerial" in both 1970 and 1990. Although the occupational classifications used in Malaysia and Singapore are broadly comparable, they are not identical. Accordingly, this paper assigns the relevant occupational categories to two broad PMAT groups "Professional/Technical workers" and "Administrative/Managerial workers", according to their stated definitions. These two groups are then combined to form the PMAT data in Table III and Table IV.

In the triple differences design, these two components also form the Professional/Technical and Administrative/Managerial tiers used in Table V and Table VI.

The data on the number of foreign-born Chinese residents in Singapore shown in Figure 1 are from Millan and Fetzer (2016, Table 4). Since the analysis relies on published statistics from secondary sources, standard errors are not reported.

b. Theoretical Framework

As discussed above in the literature review, La Porta et al. (2008) predict that Singapore and Malaysia, given their shared common-law system, should have developed similar institutions. Acemoglu and Johnson (2005) develop this further: shared legal origin mainly keeps contracting institutions similar, while property rights institutions drive long-run growth. This means that their divergence is most plausibly due to a disruption in property rights institutions that only affected one country.

This paper argues that Malaysia's NEP and ICA constitute this disruption. The ICA allowed the licensing authority to make reserving 30 per cent of equity for Bumiputera a condition for obtaining the licence to operate. This altered who could legally own assets. Licensing conditions compelled firms to restructure managerial and professional employment to favour Bumiputeras and reflect Malaysia's ethnic makeup. Since managerial roles in a firm often wield substantial decision-making authority, this changed who could formally exercise control. In turn, firm owners would have less control over who ran their firms. Through controlling which professionals were hired, the state also restricted the way owners used their assets. Hence, the ICA's effect operates specifically on property rights institutions, consistent with the Acemoglu and Johnson framework.

Under Acemoglu, Johnson and Robinson's framework of extractive institutions, those in power opt for institutions which benefit themselves at the expense of others, and they are incentivised to prolong the conditions for expropriation when rents can be extracted. This includes practices of lobbying for favours. The ICA made ownership and control of qualifying firms conditional on ethnicity, alongside the NEP's wider preferences in licences and contracts. Thus, in doing so, the NEP and ICA gave rise to the conditions for Ali Baba arrangements to emerge, in conjunction with rent-seeking behaviour and patronage (Heng 1997). This aligns with the rent extraction that Acemoglu, Johnson and Robinson associate with extractive institutions.

c. Analysis Framework

The first difference-in-differences design will compare the Malaysian Chinese share of Professional, Managerial, Administrative, Technical (PMAT) occupations as a percentage of the local Chinese workforce against that of Singapore. This enables a quantitative investigation into whether the occupations of the Chinese minority in Malaysia bore any measurable change specifically due to the NEP. PMAT share serves as a proxy to measure the de jure reallocation of senior positions produced by the property rights institution shock. By extension, this shows the extent to which the property rights institution shock affected control and staffing within firms. This is because administrative and managerial positions conventionally wield substantive decision-making authority over hiring, capital and strategic direction in a firm. Connecting this to Acemoglu, Johnson and Robinson's (2005, 451) distinction between de jure and de facto political power, a shift in who occupies these administrative and managerial roles can be interpreted as a shift in the formal allocation of control rights within firms. In contrast, professional and technical positions supply the skilled expertise on which a firm's operations depend. While such occupations typically do not confer control, these occupations were also affected by the NEP/ICA, as the policy's overarching goal was to reshape the occupational structure of any project to reflect Malaysia's ethnic makeup (Yasuda 1991). By controlling owners' hiring decisions, the state restricted the way company owners used their assets. Thus, changes observed in these occupational categories may nonetheless reflect the property-rights institution shock.

The difference-in-differences estimate is calculated via the equation below. Corresponding notations and terms used are defined in Table II:

$$\delta_{DiD} = (CPS_{MY,Post} - CPS_{MY,Pre}) - (CPS_{SG,Post} - CPS_{SG,Pre})$$

Table II. Notation for the Difference-in-Differences Estimate

Term	Description
δ_{DiD}	Difference-in-differences estimate: The difference between the change in Malaysia's Chinese PMAT share and the change in Singapore's. Assuming the parallel trends assumption stands, it estimates the effect of the NEP/ICA relative to Singapore.
$CPS_{MY,Pre}$	Malaysian Chinese PMAT share before the NEP/ICA, the treated country's starting level.
$CPS_{MY,Post}$	Malaysian Chinese PMAT share after the NEP/ICA, the treated country's end level.
$CPS_{SG,Pre}$	Singaporean Chinese PMAT share before the NEP/ICA, the control country's starting level.
$CPS_{SG,Post}$	Singaporean Chinese PMAT share after the NEP/ICA, the control country's end level.
$(CPS_{MY,Post} - CPS_{MY,Pre})$	Malaysia's observed change
$(CPS_{SG,Post} - CPS_{SG,Pre})$	Singapore's observed change, serving as the counterfactual for Malaysia's change under the parallel-trends assumption.

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The second design extends this into a triple-differences framework, splitting the Administrative/Managerial share from the Professional/Technical share within the same Malaysia–Singapore comparison. Administrative/Managerial positions are more susceptible to fronting, since a nominee director employed by the firm may be recorded as a manager without any true transfer of authority, whereas Professional/Technical roles require credentialed expertise that cannot easily be substituted nominally. Professional/Technical roles therefore serve as a basis of comparison. A difference-in-differences on Administrative/Managerial roles alone cannot detect Ali Baba arrangements as an observed gap could imply the general displacement of Chinese workers across all skilled occupations. Both tiers were subject to the NEP's employment restructuring, but Professional/Technical roles were harder to substitute nominally. Thus, subtracting the Professional/Technical estimate helps to remove this common displacement. A negative triple difference is consistent with Ali Baba arrangements, which the NEP and ICA created the conditions for. The presence of such arrangements is consistent with Acemoglu, Johnson and Robinson's (2005) description of extractive institutions.

d. Hypotheses

These two Difference-in-differences designs yield two corresponding hypotheses H1, H2, which are then compared against a shared null hypothesis H0.

H0: NEP/ICA had no measurable effect on Chinese occupational standing in Malaysia compared to the Singaporean control. This would mean that the NEP/ICA had inconsequential effects on the Chinese Malaysian PMAT share against the local Chinese workforce and Malaysia's change in Chinese PMAT share would then be of comparable magnitude to Singapore's.

H1: NEP/ICA saw a substantial slowing of growth in Chinese PMAT share in Malaysia relative to the Singaporean control. This is consistent with the view that the NEP/ICA was a substantial property rights institution shock which constrained Chinese access to a firm's decision-making and skilled positions.

H2: within Malaysia's PMAT category, the Administrative/Managerial tier exhibits a disproportionate shortfall relative to the Professional/Technical tier when compared against the Singaporean control. This would be consistent with the view that Ali Baba arrangements were present in the Malaysian economy.

The first difference-in-differences design weighs H1 against H0, and the triple difference tests H2. As the estimates are computed from published aggregate statistics in secondary sources, there are no standard errors. Thus, a formal statistical test cannot be carried out.

The hypotheses are assessed by the sign and size of the estimates. If the estimates favour H1 over H0, this suggests a reallocation of positions of authority and skilled positions away from the Chinese. If the estimates favour H1 and the triple difference reveals that the Administrative/Managerial shortfall is larger than that of Professional/Technical both in absolute terms and in growth factors (each share's 1990 level divided by its 1970 level), this result is consistent with H2 and with the presence of Ali Baba arrangements. However, if the two measures disagree, the evidence on H2 is treated as inconclusive.

IV. Identification Strategy

a. Counterfactual

The counterfactual cannot be observed directly. Hence, the credibility of Singapore as a counterfactual to the Malaysian economy is imperative. In the absence of a reliable counterfactual, any result derived from the experiment will be less credible. If the paper performed a comparison on Malaysia alone and analysed the results, it would confound the NEP with external factors, such as the commodity boom and demographic shifts following 1969. An identification strategy is what allows the paper to plausibly eliminate these confounding variables. Ideally, a Randomised Controlled Trial would have been conducted. Randomisation would guarantee that treated and untreated groups differed solely due to the treatment effect. However, given that the treatment of NEP/ICA is a sovereign legislative act, no researcher can act on behalf of the state and oversee the state's restructuring programme. Furthermore, the intervention is

expropriative in nature, based on ethnicity. It cannot be randomly imposed on a population. Alternatively, this paper seeks to find a comparison that approximates the results derived from randomisation.

The logic of using Singapore as a control group for Malaysia has a direct precedent in Acemoglu, Johnson and Robinson's (2005) depiction of the Korean natural experiment in Institutions as a Fundamental Cause of Long-Run Growth. Korea is persuasive as a natural experiment because it had a single population, sharing language, culture, geography, and similar starting conditions, which split in 1945 into two halves that were then organised under starkly different institutions. Hence, the divergence in outcomes could be plausibly due to institutions rather than geography or culture. Singapore and Malaysia offer a structurally similar design: the two territories were administered as a single federation from 1963 until separation in 1965, and prior to that both were under the same British colonial rule. Additionally, Mahy and Ramsay's (2014) comparison of the two jurisdictions' Companies Ordinances shows that these two countries shared common company law, a core component of contracting institutions, from the period in which they were colonised until each enacted its own Companies Act in 1965 and 1967 respectively. Given that contracting institutions are held roughly fixed, the NEP and ICA constitute one of the key institutional differences between the two nations. Hence, drawing on Acemoglu, Johnson and Robinson's Korean natural experiment, the divergence in Chinese occupational share may partly reflect the NEP and ICA, provided that the assumptions set out below stand.

b. Assumptions (Parallel Trends and No Anticipation)

The parallel trends assumption requires that, in the absence of the NEP/ICA, Chinese occupational standing in Malaysia would have followed the same trajectory as in Singapore. This dictates whether Singapore can act as a valid counterfactual. In support of the parallel trends assumption, on top of Malaysia and Singapore's shared geography and culture, manufacturing sectors emerged from a shared colonial starting point. Following independence from the British, the industries of both nations were at comparably early stages of development. Chua (2005) notes that, at independence, both territories lacked an industrial base, with Malaya dependent on rubber and tin and Singapore reliant on entrepôt trade. He also depicts how industrialisation became an overarching goal of the two governments. Both economies, barely industrialised, shared similar starting points and goals, making the case that the two would have moved in the same direction in the absence of the NEP/ICA more plausible. Under ideal conditions, this paper would also compare pre-treatment trends in Singapore and Malaysia, but comparable pre-treatment occupational data are not available for Malaysia. In the absence of this dataset, the parallel trends assumption is therefore plausible due to the qualitative accounts but unconfirmed. The validity of the parallel trends assumption, including concurrent policy changes in Singapore, is further discussed in the Limitations section.

Another assumption necessary to ensure the reliability of the difference-in-differences design is the "No Anticipation" Assumption. "No Anticipation" requires that the treatment group's pre-treatment outcomes reflect its untreated potential outcome. This holds when economic agents do not change their behaviour in advance of a policy's implementation, in expectation of its future effects. This paper dates treatment with the enactment of the NEP regime in 1971, with the ICA understood as the manufacturing-sector licensing instrument through which the NEP's equity and employment mandates were enforced on manufacturing firms from 1975. Hence, the design treats the NEP/ICA regime as a single shock and compares 1970 with 1990. Under this framework, this paper argues that the "No Anticipation" assumption is not substantially violated.

The pre-treatment observation is therefore from 1970, before the NEP entered public circulation. The NEP was only created following the 1969 riots and election (Jomo 2004). The NEP was first issued as a directive to government departments in March 1970, around 10 months after the riots (Lee Hwok-Aun 2022, 303). Although the 1970 baseline may have been collected after March, the directive was addressed to government departments and agencies for drafting the Second Malaysia Plan, and the NEP's framework was eventually articulated in the Second Malaysia Plan in 1971 (Lee Hwok-Aun 2022, 303). Hence, it is plausible that firms did not anticipate the NEP or restructure in advance of its enactment.

c. Stable Unit Treatment Value Assumption

For a reliable difference-in-differences design, the Stable Unit Treatment Value Assumption (SUTVA) must also hold. For SUTVA to hold, there are two criteria: No Interference between units and No Hidden Variation in Treatment.

No interference between units requires that a unit's potential outcome depend only on whether it is treated or untreated and is completely independent of the treatment assigned to another unit. Jomo (2004) reported that non-Bumiputera minorities resorted to capital and entrepreneurial migration in response to the NEP. Given that Singapore was a mere border away and shared a similar culture, Singapore was a likely destination for some of this capital and labour. This indicates that Singapore's outcomes were not independent of Malaysian policy as the Malaysian minorities could have flowed into Singapore. In this case, Chinese Malaysian capital and skilled personnel displaced by the NEP's equity and employment mandates did not exit the sample but instead relocated into the paper's control group, Singapore. Singapore's growth in Chinese professional and managerial representation may therefore be partly an effect of the treatment rather than an estimate of what Malaysia would have experienced in its absence. The consequence is that the estimate of the difference-in-differences is inflated. Thus, the estimated divergence is overstated.

To assess the severity of the violation of the No Interference Condition, this paper investigates the number of foreign-born Chinese in Singapore. If the SUTVA violation was sizeable, a spike in the foreign-born Chinese population in Singapore after 1970 would be expected as more Chinese Malaysian PMATs migrated into Singapore, assuming ceteris paribus.

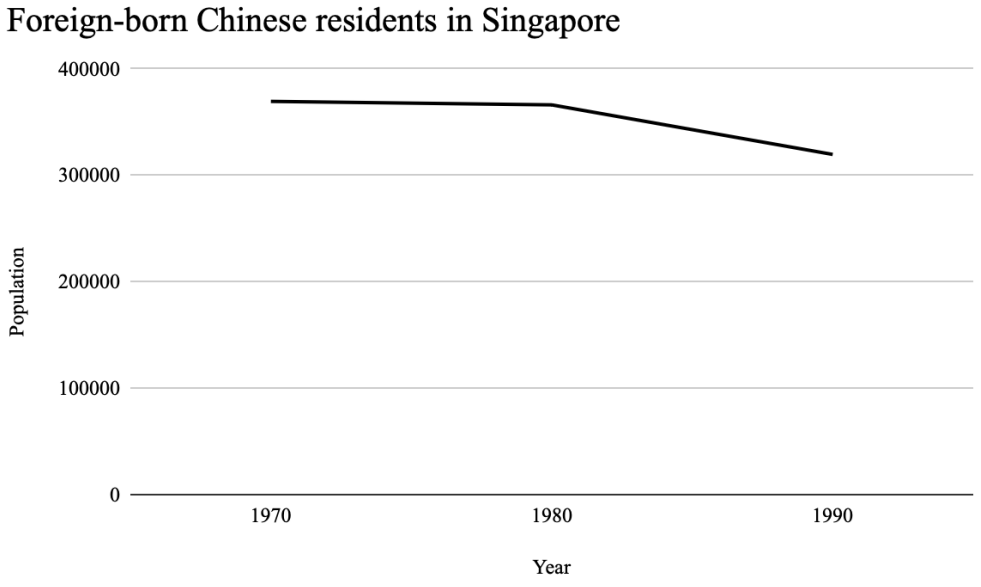


Figure 1. Foreign-Born Chinese Residents in Singapore, 1970–1990

Notes: Foreign-born Chinese residents of Singapore account for all countries of birth and all occupations. The data does not separate Malaysian-born migrants or PMAT workers.

Source: Millan and Fetzer (2016), Table 4, p. 20.

However, as seen in Figure 1, the population of foreign-born Chinese residents in Singapore did not rise after 1970. The number was relatively constant from 1970–1980 and declined from 1980–1990. It did not spike as a substantial SUTVA violation would suggest. Hence, a plausible conclusion is that the SUTVA violation was likely inconsequential and the findings of the paper are unlikely to be affected substantially by migration. The limits of this evidence are discussed in the Limitations section.

The second condition is the absence of hidden variations of treatment. All treated units should receive the same version of the intervention rather than varying versions of a loosely defined treatment. This paper addresses this condition by treating the NEP regime from 1971 as the single treatment and the

ICA as the medium in which its mandates were enforced, in the manufacturing sector in particular. The condition then holds by construction. Accordingly, the estimate and divergence observed between the two nations is interpreted as reflecting the NEP/ICA regime as a whole.

V. Results

a. Primary Difference-in-differences

Table III. Chinese PMAT Share as a Percentage of the Local Chinese Workforce

Group	Time	Chinese PMAT share as percentage of local Chinese workforce	D1	D2
Malaysia (treated)	Pre-treatment: 1970	7.1	+5.4	−11.1
	Post-treatment: 1990	12.5		
Singapore (control)	Pre-treatment: 1970	10.8	+16.5	
	Post-treatment: 1990	27.3		

Notes: PMAT share is the number of ethnic Chinese workers in professional, technical, administrative and managerial occupations as a percentage of the total ethnic Chinese workforce in each country. Professional and technical occupations include teachers and nurses in both years. D1 = 1990 share − 1970 share; D2 = D1 (Malaysia) − D1 (Singapore). D1 and D2 are in percentage points. Estimates are computed from published statistics, so no standard errors are reported.

Sources: Malaysia: Lee Hock Guan (2000), Table 4, p. 36, compiled from the Malaysia Plans and Mid-term Reviews. Singapore: Saw (2012), Table 12.9, p. 294.

Table III compares Malaysia, the treated group, with Singapore, whose change serves as the counterfactual for Malaysia's. Between 1970 and 1990, the Chinese PMAT share rose from 7.1 to 12.5 per cent in Malaysia (D1 = +5.4) and from 10.8 to 27.3 per cent in Singapore (D1 = +16.5). This yields a difference-in-differences of D2 = −11.1.

b. Robustness Check

Table IV. Malay PMAT Share as a Percentage of the Local Malay Workforce

Group	Time	Malay PMAT share as percentage of local Malay workforce	D1	D2
Malaysia (treated)	Pre-treatment: 1970	4.8	+6.5	+1.8
	Post-treatment: 1990	11.3		
Singapore (control)	Pre-treatment: 1970	6.1	+4.7	
	Post-treatment: 1990	10.8		

Notes: Defined as in Table III, for ethnic Malay workers as a percentage of the total Malay workforce.

Sources: As for Table III.

Table IV repeats the design for Malay workers. Since the NEP and ICA were designed to advance the Bumiputera population, this robustness check is a directional prediction test: if the Malaysia–Singapore divergence reflects a shift in ethnic distribution in the workplace, the Malay D2 should have an opposite sign to that of the Chinese. The Malay PMAT share increased from 4.8 to 11.3 per cent in Malaysia (D1 = +6.5) and from 6.1 to 10.8 per cent in Singapore (D1 = +4.7). This yields a D2 of +1.8. The positive sign shows that Malay PMAT growth in Malaysia exceeded that in Singapore.

c. Triple Difference

Table V. Chinese Administrative/Managerial Share

Administrative/Managerial	Pre-treatment: 1970	Post-treatment: 1990	Change D1
Malaysia (treated)	1.9	4.7	+2.8
Singapore (control)	2.3	10.0	+7.7
Difference-in-differences D2			−4.9

Notes: Administrative/Managerial share is the number of ethnic Chinese workers in administrative and managerial occupations as a percentage of the total ethnic Chinese workforce. D1 and D2 are defined as in Table III. Occupational categories are mapped to the two tiers as described in the Data section; Malaysian and Singaporean classifications are broadly comparable but not identical.

Sources: As for Table III.

Table VI. Chinese Professional/Technical Share and Triple Difference

Professional/Technical	Pre-treatment: 1970	Post-treatment: 1990	Change D1′
Malaysia (treated)	5.2	7.8	+2.6
Singapore (control)	8.5	17.3	+8.8
Difference-in-differences D2′			−6.2
Triple difference D3			+1.3

Notes: Professional/Technical share is defined analogously to Table V. Together, the two tiers sum to the PMAT shares in Table III. D3 = D2 (Table V) − D2′ (Table VI), in percentage points. A negative D3 is the pattern predicted by Ali Baba arrangements.

Sources: As for Table III.

Tables V and VI split Chinese PMAT into its two tiers. As before, Malaysia and Singapore are the treated and control groups respectively. Through comparing the relative changes in the Professional/Technical occupations and those of the Administrative/Managerial occupations, this design assesses whether the data is consistent with Ali Baba arrangements.

In Table V, the Chinese Administrative/Managerial share rose from 1.9 to 4.7 per cent in Malaysia (D1 = +2.8) and from 2.3 to 10.0 per cent in Singapore (D1 = +7.7). This yields a difference-in-differences of D2 = −4.9.

In Table VI, the Chinese Professional/Technical share rose from 5.2 to 7.8 per cent in Malaysia (D1′ = +2.6) and from 8.5 to 17.3 per cent in Singapore (D1′ = +8.8), giving D2′ = −6.2.

The triple difference D3 is then calculated as D2 − D2′. This gives a value of +1.3. The positive sign means that the Malaysia–Singapore gap was slightly less substantial for Administrative/Managerial roles than for Professional/Technical roles. Considering its magnitude, the size of D3 is small as compared to D2 and D2′ (−4.9 and −6.2). However, when comparing in terms of proportion, the results show otherwise. Proportional change is measured here by the growth factor, the ratio of a share's 1990 level to its 1970 level. Between 1970 and 1990, Malaysia's Chinese Administrative/Managerial share had a growth factor of 2.47 (from 1.9 to 4.7 per cent), while that of Singapore had a growth factor of 4.35 (from 2.3 to 10.0 per cent). On the other hand, Malaysia's Professional/Technical share had a growth factor of 1.50 (from 5.2 to 7.8 per cent), while that of Singapore had a growth factor of 2.04 (from 8.5 to 17.3 per cent). Malaysia's growth factor was therefore about 57 per cent of Singapore's in the Administrative/Managerial tier, compared with about 74 per cent in the Professional/Technical tier.

VI. Discussion

a. Discussion of Results

The divergence recorded in D2 from Table III reflects changes in who formally occupied skilled positions and control positions in the Malaysian workforce. The negative sign on D2 shows that Chinese PMAT

growth in Malaysia fell behind Singapore. The magnitude of D2 is substantial. As PMAT occupations often include posts with decision-making authority, the results support the view that there was a reallocation of control rights away from the ethnic Chinese, and by extension, a disruption of property rights institutions. The magnitude of D2 (-11.1) is about double D1, which is Malaysia's entire Chinese PMAT gain over the period ($+5.4$). Hence, a plausible conclusion is that Malaysian Chinese attained roughly a third of the PMAT growth that they would have in the absence of the NEP/ICA, assuming that Singapore is able to act as a valid counterfactual.

By contrast, Singapore's Chinese PMAT growth over the same period was roughly three times Malaysia's ($+16.5$ against $+5.4$). Given that both these countries had a common colonial legal origin, a divergence of this scale is unlikely to be due to inherited institutions. This may partly reflect the restructuring mandates. Manufacturing licences were offered on the condition that the NEP's restructuring targets were met, including the reorganisation of managerial and professional employment to favour the Bumiputeras. This directly affects the PMAT positions held by the Chinese. The ICA's licensing conditions only affected manufacturing firms but the PMAT series covers all sectors. The NEP's goal to restructure Malaysian employment applied to the whole Malaysian economy. Thus, D2 should be interpreted as reflecting the effect of the NEP and ICA regime rather than of the ICA alone. The gap in PMAT growth in Malaysia from 1970–1990, against a control country with no similar policy, is consistent with the conclusion that Chinese occupational attainment has slowed in Malaysia, assuming the parallel trends assumption holds.

Studies such as Heng (1997) and Jomo (2004) detail how the Chinese community fared under the NEP. However, as they examine Malaysia alone, they cannot differentiate the policy's effect from changes that would have happened nonetheless. Assuming the parallel trends assumption holds, using Singapore as a control group allows the remaining gap of 11.1 percentage points to be attributed to the NEP/ICA rather than to other changes in Malaysia. Nevertheless, it does not rule out other concurrent changes that may have been present in Singapore. This is discussed further in the Limitations section.

This gap also matters for Malaysian institutions. As administrative and managerial positions formally hold the firm's decision-making authority, a shift in Chinese PMAT share, specifically the administrative and managerial component, reflects a change in the formal allocation of control rights. Additionally, the professional and technical component of PMAT may reflect the state's restriction on owners' hiring decisions and hence the way they used their assets. The Unbundling Institutions framework allows this change to be interpreted as a shock to property rights institutions. Rather than merely showing that Chinese occupational attainment grew more slowly in Malaysia than in Singapore, the institutional interpretation explains why two economies whose shared legal origins predict similar contracting institutions could still diverge. The direction and size of D2 in Table III are therefore consistent with the conclusion that the NEP and ICA were a substantive property rights institution shock which slowed the occupational advancement of Chinese Malaysians. Nonetheless, D2 may also be affected by other NEP mandates, such as public-sector hiring and university admission quotas (Lee Hwok-Aun 2022, 305). This paper cannot isolate these effects and separate them from the result. Despite that, Table V shows that the Administrative/Managerial tier, where the formal decision-making authority within firms is concentrated, has a difference of -4.9 percentage points relative to Singapore. This negative difference shows up in the component of D2 most directly tied to the formal allocation of control rights.

The Malay PMAT result is consistent with the paper's argument and is a useful robustness check on the Chinese estimate. Given that the NEP and ICA redistributed resources and opportunities according to ethnicity and favoured the Malays/Bumiputeras, they should theoretically also restructure occupational advancement across ethnic groups. The intended beneficiary group (Malay/Bumiputera) should therefore show a D2 of the opposite sign to the Chinese D2, as Table IV confirms.

This strengthens the paper's interpretation of the Chinese estimate. Should there be a Malaysia-wide shock unrelated to ethnicity such as slower structural transformation or weaker demand for skilled labour, lower PMAT growth for every group in Malaysia relative to Singapore would be expected. While the robustness check does not rigorously prove that no such shock existed, the positive Malay D2 suggests that any possible shock was smaller in magnitude than the NEP's effect on Malay PMAT growth. The

difference between the two estimates, -12.9 percentage points, removes any shock common to both groups within Malaysia. This approximates how far the Chinese–Malay gap in PMAT growth widened in Malaysia relative to Singapore, rather than the effect on either group in isolation. The magnitude of the Malay D2 is small, at approximately a sixth of the Chinese D2. Together, Table III and Table IV suggest that the divergence from Singapore is group-specific and moves in the direction the policy design predicts.

To investigate the presence of Ali Baba arrangements, an understanding of their inner workings is necessary. Under the ICA, manufacturing firms above a prescribed size threshold required a licence to operate, which could be conditioned on 30 per cent corporate equity belonging to Bumiputeras. Under the NEP/ICA, the occupational structure of any project was to reflect the country's ethnic mix (Yasuda 1991).

In a typical arrangement, a Chinese-owned firm brings in a politically connected Bumiputera partner as a shareholder and company director. This meets both the equity and the managerial-employment conditions attached to a manufacturing licence on paper. Heng (1997, 274) records this: Chinese capitalists surmounted the bureaucratic obstacles of the NEP, with well-connected Malay patrons serving as company directors opening doors to licences, permits and contracts regulated by the state. The "Ali" Malay shareholders received fees for securing access to business deals, while the Chinese partner retained control over the enterprise, made policy decisions and ran day-to-day operations (Heng 1997). As directorships are conventionally recorded within the managerial category, a nominee director employed by the firm would be recorded in formal occupational statistics as a "manager" rather than as an owner. This would cause the Bumiputera share of the administrative and managerial tier to rise. Assuming that firms restructured accordingly to reflect Malaysia's ethnic makeup, the posts given to Bumiputera nominees would otherwise have gone to new Chinese managers. Chinese Administrative/Managerial growth would then slow, even though control of the firm had not changed hands. Meanwhile, professional and technical roles require credentialed expertise and these are more difficult to substitute nominally. Therefore, the presence of Ali Baba arrangements and nominal directors is unlikely to affect the occupational share of professional and technical roles. The prediction is therefore a larger divergence for Chinese administrative and managerial employment than for Chinese professional and technical employment, yielding a negative triple difference.

In absolute terms, this paper's triple difference does not support H2. D3's magnitude is small ($+1.3$, against D2 $= -4.9$ and D2$' = -6.2$). Its sign is also the opposite of what Ali Baba arrangements predict. However, when taking into account the scale of the change, the Administrative/Managerial tier started from a smaller base relative to the Professional/Technical tier. Thus, the same proportional effect produces a smaller absolute gap in percentage points. Malaysia's growth factor was about 74 per cent of Singapore's in the Professional/Technical tier but only 57 per cent in the Administrative/Managerial tier. The slower relative growth of the Administrative/Managerial occupations in Malaysia is consistent with H2. The absolute and proportional comparisons bear opposing directions. Consequently, the triple difference result should be interpreted as inconclusive regarding H2 rather than strictly negative. Nonetheless, under both measures, the Chinese workforce had slower growth compared to Singapore in both categories, suggesting that the displacement in skilled and managerial occupations is not likely to be due solely to Ali Baba arrangements.

The triple difference also adds to current literature by assessing what the qualitative accounts can explain. Heng (1997), Jomo (2004) and Lee Hwok-Aun (2022) documented Ali Baba arrangements in which Bumiputera partners met NEP requirements on paper while Chinese partners kept control. This suggests that, in these cases, restructuring was nominal. The triple difference assesses how far this explains the overall result. When comparing percentage points, even if the entire Administrative/Managerial shortfall (-4.9) reflected Ali Baba arrangements, it accounts for less than half of the total shortfall in Chinese PMAT share (-11.1 percentage points). The remaining -6.2 percentage points lie in professional and technical roles, where credentials make nominal substitution difficult. The gap in Chinese occupational attainment therefore is unlikely to be mainly due to fronting, as at least part of it suggests a genuine reallocation.

The triple difference cannot confirm or rule out Ali Baba arrangements, and economy-wide occupational data may be too broad to detect these clearly. Ali Baba arrangements were found in many types of business, like government contracts, licences and permits (Heng 1997). However, only some of these would be observed via occupational data. Only when a Bumiputera was placed in some managerial role to meet an employment condition would occupational data be affected. The clearest legal source of such conditions was the ICA, which allowed licences to be conferred to manufacturing firms based on Bumiputera equity and employment (Yasuda 1991). Yet the PMAT series covers the whole workforce, not only manufacturing. The presence of nominee managers in the manufacturing industry would therefore be diluted by administrative and managerial workers in other sectors. The primary difference-in-differences is less affected by this dilution. This is because the NEP's employment restructuring targets applied to Malaysia as a whole, not only through ICA licences. Besides, an "Ali" partner who served as a shareholder or non-executive director, rather than as an employee, may not appear in occupational employment statistics at all. Nonetheless, this paper turns a mechanism documented only qualitatively into a testable prediction, and shows that testing it rigorously needs manufacturing-sector employment data by ethnicity and occupation, which this paper leaves to future research. On the theoretical front, the qualitative evidence also suggests that the licensing regime created rents from political access, which flowed to a narrow set of politically connected Bumiputera and the Chinese elites able to pay for that access. This is consistent with Acemoglu, Johnson and Robinson's accounts of extractive institutions.

b. Implications

The Chinese and Malay estimates move in opposite directions. This suggests the NEP/ICA raised Bumiputera/Malay representation in skilled jobs. Whether this redistribution was achieved partially at the expense of another ethnic group is a question for future research. Accounts of Ali Baba arrangements also suggest that targets enforced through licences can be met on paper only, thereby undermining the goal of ethnic redistribution as the benefits flow to the politically connected rather than to Bumiputera more broadly.

VII. Limitations

a. SUTVA Violation

As discussed in Section IV, an outflow of Chinese capital and entrepreneurs from Malaysia to Singapore would depress Malaysia's D1 and inflate Singapore's. This would overstate D2. Figure 1 suggests that this violation was likely not substantial, but the evidence has three limitations. Due to limitations in existing records, the data collected reflects foreign-born Chinese from all origins rather than Malaysian inflow. On top of this, it captures all occupations and not PMAT occupations only. In order to ensure that the findings are robust, more research has to be done. Specifically, data on the population growth of the Malaysian-born Chinese PMATs into Singapore has to be collected. Only then can the extent of the SUTVA violation be rigorously assessed.

Finally, since Figure 1 does not account for deaths or the outflow of foreign-born Chinese, the inflow of new immigrants as a result of the NEP/ICA could be hidden by the relatively flat trend in the total number of foreign-born Chinese.

b. Validation of Parallel Trends Assumption

The parallel trends assumption between the Singaporean and Malaysian economies is argued for on qualitative grounds. However, this paper cannot test the parallel trends assumption directly and rigorously since testing it requires a consistent set of pre-treatment data to compare the two nations' growth over several periods. Such data exist only for Singapore, which reports Chinese occupational shares for both 1957 and 1970 (Saw 2012). For Malaysia, the corresponding data for 1957 is available in the 1957 Population Census of the Federation of Malaya. However, this is not comparable with the 1970 and 1990 figures used as the census only covers the Federation of Malaya and excludes Sabah and Sarawak. In contrast, Lee Hock Guan's (2000) Table 4 is labelled as covering Malaysia as a whole in both 1970 and

1990. Without a comparable second pre-treatment observation for Malaysia, no pre-treatment growth rate can be compared between the two countries.

Even if comparable 1957 data were available for Malaysia, the two data points of 1957 and 1970 give a single growth rate, which cannot credibly form a pre-treatment trend. This is because it does not reliably show if the change between 1957 and 1970 was steady or caused by other shocks, such as Singapore's separation from Malaysia in 1965.

Lastly, the SUTVA violation problem discussed above is also present in this analysis. If Chinese capital and entrepreneurs were already moving to Singapore prior to the NEP and over the period 1957–1970, this migration could also contribute to divergence in the pre-treatment phase.

Should there be a substantial violation of the parallel trends assumption, Singapore cannot be seen as a valid control group for the Malaysian economy. The difference-in-differences estimate can no longer credibly find the causal effect as the paper's results would be biased.

The assumption is plausible on qualitative grounds but cannot be confirmed with the data currently available. As such, there needs to be more research into the migration data between Singapore and Malaysia, as well as comparable pre-treatment occupational data for Malaysia, so as to validate the parallel trends assumption.

c. Concurrent Changes in Singapore

From 1970 to 1990, Singapore also experienced significant change. Following its split from Malaysia, it pursued its own state-led, export-oriented industrialisation, where the Economic Development Board attracted foreign multinational corporations (Chua 2005). Coupled with other Singapore-specific changes like those in education, these could explain much of Singapore's faster growth in Chinese PMAT share, independently of the NEP/ICA. This constitutes a possible violation of the parallel trends assumption. In this case, D2 would overstate the effect of the NEP/ICA. As there are only two time points and one control country, this paper's design cannot rule out these changes.

d. Absence of Standard Error

The estimates computed use data from published occupational statistics. Hence, the sampling variance of results cannot be computed and this paper reports no standard errors or confidence intervals. However, accounting for standard error would nonetheless not remove the bias from the problems set out above, and it would not capture differences in how occupations were classified across sources and years. As a result, the results should be interpreted as consistent with the argument, rather than as statistically significant. To substitute formal significance tests, this paper relies on falsification through the Malay robustness check in Table IV. As Cunningham (2021) argues, a credible difference-in-differences design should use testable predictions to rule out alternative explanations.

VIII. Conclusion

Most of the pre-existing literature on the NEP and the ICA analyses Malaysia in isolation. It therefore lacks a counterfactual. It also lacks theoretical scaffolding like the institutions framework. This paper addresses the first issue by estimating the effect of the NEP/ICA against a Singapore-based counterfactual. As for the second issue, this paper addresses it by using Acemoglu, Johnson and Robinson's Institutions as a Fundamental Cause of Long-Run Growth and Acemoglu and Johnson's Unbundling Institutions to classify the NEP/ICA as a property rights institution shock.

The paper has two key takeaways. Firstly, the results appear consistent with an ethnically targeted policy. Chinese PMAT share grew 11.1 percentage points less than in Singapore while Malay share grew by 1.8 percentage points more than in Singapore. This suggests that the gap was not driven only by a Malaysia-wide shock. If the parallel trends assumption stands, this result is thus consistent with the view that the NEP/ICA saw a slowing in Chinese occupational advancement. Secondly, the triple difference is inconclusive on Ali Baba arrangements, as absolute and proportional measures point in opposite directions. It nonetheless suggests that reallocation was not entirely nominal. In terms of percentage points

and assuming that the whole Administrative/Managerial shortfall reflected Ali Baba fronting, it accounts for less than half of the gap in Chinese PMAT growth between Malaysia and Singapore (4.9 of 11.1 percentage points). This suggests that at least part of the gap reflects a genuine displacement of the ethnic Chinese from skilled positions.

The current design compares only two years, 1970 and 1990. Furthermore, these data are derived from published statistics, and hence do not have standard errors. A credible difference-in-differences design also relies on the parallel trends assumption: in the absence of the NEP/ICA, the Chinese PMAT share in Malaysia would have grown in step with Singapore's. This assumption cannot be tested as comparable occupational data for Malaysia before 1970 are not available. Additionally, the design cannot rule out concurrent changes in Singapore over the same period. Hence, the results of this paper should not be interpreted as rigorous proof that the NEP/ICA was the cause of the PMAT gap between Malaysia and Singapore. Instead, they should be interpreted as suggestive evidence that supports the view that the NEP/ICA may have slowed Chinese occupational advancement in Malaysia.

In broader implications, while the NEP officially ended in 1990, the ethnic redistribution prong of the NEP was succeeded by the National Development Policy (NDP) from 1991 to 2000 and subsequently the National Vision Policy (NVP) in 2001. The ethnic restructuring this paper examines therefore did not end in 1990. The NEP/ICA allocated economic opportunity by "know who" rather than "know how" (Jomo 2004). A similar pattern of political access can be seen in the 1MDB saga. Jones (2020) credits the saga partly to weak internal governance and to the failure of watchdog and enforcement bodies to take the necessary action partly due to political control over them. It is thus plausible that the rent-seeking behaviour and patronage that the NEP/ICA made possible persisted and grew across the Malaysian economy, possibly contributing to the 1MDB saga. This paper does not test that link, and there is space for more research to establish the causal relationship between the NEP, the Ali Baba arrangements it enabled, and the presence of cronyism and patronage in the Malaysian socio-political space. Additionally, manufacturing-sector occupational data by ethnicity would allow the Ali Baba prediction to be tested directly and a further robustness check can be performed by extending the comparison to Indian workers. This would test whether the effect follows Bumiputera status rather than being specific to the Chinese community.

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