

## MALAYSIA'S NEW ECONOMIC POLICY AND THE INDUSTRIAL CO-ORDINATION ACT

NOBUYUKI YASUDA

### INTRODUCTION

**D**URING the past few years we have seen "state" systems of the Eastern European bloc begin to lose their centrifugal character and start to break up amidst movements within their borders by various groups demanding ethnic self-determination. Malaysia as well, which has been an ethnically diversified nation brought about by British colonial rule when immigrants from China and the Indian subcontinent came to live and work, was faced with a similar crisis in state government due to ethnic group rioting in 1969, ten years after nation-state formation under political independence realized in 1957. However, immediately after the rioting broke out massive state intervention in both the economic, social, and political spheres, in combination with comparatively steady economic growth, during the years that followed were sufficient in avoiding a national crisis.<sup>1</sup> The policy-oriented intervention carried out by the government was made up partially of the so-called New Economic Policy or the Bumiputera (sons of the soil) policy.

On the occasion of the ethnic rioting in 1969 various plans were introduced through NEP for the purpose of improving the position of the indigenous Malay people, who are the majority ethnic group whose elite been the traditional holders of political power, but nevertheless Malay majority had become economically "backward" when compared to the country's naturalized or Malaysian-born Chinese community. The goals of the policies enacted concentrated on the two points of eliminating poverty and correcting economic differences between ethnic groups. However, as the use of the term "Bumiputera" indicates, the emphasis was on the latter point, which was supported by an ideology of quasi-nationalism that distinguished between the "indigenous" populations of Malays and the country's "foreign" immigrant Chinese (and Indian) populations.

This quasi-nationalist bent is important in two ways. First, the ideology was given legitimacy in its ability to overlap with the wave of Third World nationalism that characterized the New International Economic Order of the 1970s. Secondly, over the past twenty years or so, the share held by foreign citizens in Malaysia's

<sup>1</sup> Compared to the recent chaotic problems occurring between the Sinhalese and Tamil groups in Sri Lanka, a country which has faced serious ethnic problems caused by the same British colonial rule, and which has numerically a total population and ethnic mix very similar to Malaysia (but no oil resources to underwrite economic promotion policies), we can see in comparative terms how successful Malaysia has actually been in solving its ethnic problems.

corporate stock has shifted from 63 per cent in 1970 (when shareholding was dominated by British plantation interests) to only 25 per cent as of 1990, meaning that the nationalist economic goal of eliminating control by foreign capital has for the most part been accomplished. Moreover, Malaysia's economic development has been progressing steadily during this period, indicating the success of flexible policy decisions in overcoming the recession of 1983-86 and freeing Malaysia from the worry of economic stagnation that still plagues countries like India who are groping for development through state central planning systems.

The purpose of the present article is first to focus on the Industrial Co-ordination Act (ICA), which played an important role in providing the institutional framework by which the Bumiputera policy was implemented. Then the effectiveness of this law in the policy as a whole will be examined. The discussion that follows will emphasize the way in which the policy approached the problem of relative shares in limited company stock ownership, although the Bumiputera policy was also concerned with such issues as corporate managerial control and hiring practices. The decision to concentrate on stock ownership has been made here, because this issue will show most clearly how the policy has evolved over the years.

## I. THE CONTENT AND PURPOSE OF THE INDUSTRIAL CO-ORDINATION ACT

### A. *The Purpose*

Malaysia's Industrial Co-ordination Act (ICA) was passed in April 1975 along with an amendment to the Petroleum Development Act aiming at state control over petroleum resources through the national oil corporation, Petroliam Nasional Berhad (PETRONAS). The ICA itself, whose stated purpose is "to provide for the coordination and orderly development of manufacturing activities in Malaysia," is a law stipulating for the most part procedures to be followed in the issuance of manufacturing licenses. In Subsection (3), Section 4 of the act we see a general, abstract statement of the basic principle: "...whether the issue of a license is consistent with national economic and social objectives and would promote the orderly development of manufacturing activities."

It was at that time that the Bumiputera policy for raising the economic status of the country's indigenous Malay population had begun taking concrete form around a 1990 target ratio for corporate stock ownership of 3:4:3 among the Bumiputera group, non-Bumiputera Malaysians, and foreign investors respectively. The year 1975 also marked the active purchase of foreign-owned plantations and tin mining concerns, including the takeover of the British trading company, Sime Darby, by Perbadanan Nasional Bhd. (PERNAS). It goes without saying that all of these events were outward expressions of the Bumiputera policy's national economic and social goals.

It is because of these express purposes also that Chinese- and foreign-owned corporations organized movements to combat the provisions set out in the ICA.<sup>2</sup>

<sup>2</sup> For a detailed account of the legislative process, see [4, pp. 135-42].

However, the intentions of the two opposing forces differed somewhat. That is to say, in contrast to the pressure applied by the Associated Chinese Chambers of Commerce and Industry of Malaysia (ACCCIM) to rescind the act altogether, Western interests, represented by the Malaysian International Chamber of Commerce and Industry (MICCI), demanded merely that the act be amended. This variance in response reflects the differences that existed between the country's minority ethnic Chinese community which acted as a force in the successful formation of an independent Malaysian state, and foreign capitalist interests of businesses which had become mere foreign entities by the fact of independence. From the standpoint of the policymakers, the problem of foreign capital could be easily met with the privileges bestowed under the Investment Incentives Act of 1968 and provisions of the Exchange Control Act of 1969, in addition to other measures taken, such as immigration regulations. As a matter of fact, this type of policy began to be implemented in 1972.<sup>3</sup> In contrast, with respect to domestically held capital, which at that time was mostly in the hands of ethnic Chinese capitalists, there were at the outset no limitations or restrictions set on how those assets could be used inside Malaysia. Therefore, no doubt remains in anyone's mind that the major aim of the ICA was to fill in the gaps existing with respect to stock ownership among Malaysian nationals. This is why the Chinese-run businesses, believing that they and they alone had become the targets of this legislation, mounted a fierce campaign to oppose the bill through the ACCCIM.<sup>4</sup>

#### B. *The Content*

In order to realize the purposes outlined by the ICA, Section 3 of the act stipulated that "no person shall engage in any manufacturing activity unless issued a license." Anyone violating this provision would be subject "to a fine not exceeding two thousand ringgit or to a term of imprisonment not exceeding six months and to a further fine not exceeding one thousand ringgit for every day during which such default continues." Despite being an important piece of legislation giving broad ranging discretionary powers to the government, the ICA at first contained only twelve sections, and in spite of amendments of 1977 and 1979, the act ended up as a rather simple document containing twenty-eight sections (officially numbered from one to twenty-two) and one schedule. Although the ICA gave to the government a range of discretionary powers, the aim of the Bumiputera

<sup>3</sup> For example, already in February 1974 "Guidelines for the Regulation of Asset Acquisition, Mergers and Takeovers of Companies and Businesses" were drawn up, and the Foreign Investment Committee (FIC) was set up to regulate foreign capital under those guidelines.

<sup>4</sup> The whole Bumiputera policy was rife with anti-Chinese sentiment. The government was not only intent on directly regulating already existing Chinese-run businesses, but also announced over and over again that it would continue to carry out the redistribution of the fruits of national economic growth in the future. However, we should remember that both newly established and existing businesses were subject to this way of dividing up the pie, in the sense that everyone was required to go through the government's licensing application process.

policy or NEP is declared nowhere in this enactment. The content of the act may be summed up as follows.<sup>5</sup>

First, there are the stipulations we have already mentioned concerning the need for all manufacturing concerns to apply for licenses from the government. According to the amendment act of 1977, the power to issue a license (i.e., the licensing authority) was transferred from the minister (i.e., the Minister of Trade and Industry) to a fairly independent "licensing officer" to be appointed by the prime minister, and the authority of the minister thus being reduced to reviewing any refusal to issue a license (Section 13). This revision was carried out in response to complaints by both foreign- and Chinese-owned businesses that there was a definite danger of power being concentrated in the personage of the Minister of Trade and Industry.

Upon receiving an application, the licensing officer would make his decision based on its consistency with national economic and social objectives and its contribution to the orderly development of manufacturing activities. Conditions could also be attached to the license in cases where the standard was only partially met (Section 4). Since both the matter of filling out the application and the contents of the licensing conditions are very important for deciding how to apply the law, any false statement made in the application or any condition in the license not complied with would constitute cause for revocation (Section 6).

Any transfer or sale of the license certificate had to be approved by the licensing officer (Section 7). Licensing was carried out on a product by product basis, thus manufacturing any product(s) other than specified in the license would have to be approved by the licensing officer [Section 7A (1)]. The 1977 amendment specified that any intent to "suspend or discontinue the manufacture of a product that is specified in a license" would have to be approved by the licensing officer [Section 7A (2)]. Manufacturing carried out without a license would constitute an offence and lead to criminal proceedings (Section 3). Pursuant to such action the licensing officer had the authority to request "returns or other information pertaining to any manufacturing activity of the manufacturer," and any manufacturer who fails to comply with a request is guilty of an offence (Section 10).

Section 11 states that the "Minister may by order exempt any manufacturing activity from all or any of the provisions of this Act." According to this provision, originally "manufacturing activities" with "shareholders' funds (including paid-in capital and reserve funds) of less than 250,000 ringgit and less than twenty-five full-time paid employees" were exempted from the license application process.

Due to mounting criticism that the ICA bestowed upon the government too broad a range of discretionary powers, the act was amended in 1979 to provide for the establishment of the Industrial Advisory Council with the purpose of opening lines of communication to the opinions of the private sector (Section 11A). This amendment also simplified the procedures involved in dealing with non-compliance (Sections 17 and 18).

<sup>5</sup> The ICA was amended once in 1977 and again in 1979 due to mounting criticism from both foreign- and Chinese-owned businesses. The quotations that follow have been taken from "Laws of Malaysia Act 156, Reprint No. 2 of 1983."

Despite the provisions made for exemptions, the ICA in its legally binding requirement that all manufacturers active in Malaysia be licensed by the government can truly be called a law aimed at the all-encompassing control and regulation of industry. Considering the fact that the regulations outlined are far too simple for anyone to get a clear idea what the law requires at the practical level, it seems curious that there has not been any reported legal dispute in connection with this act.<sup>6</sup>

## II. THE REGULATORY MECHANISM

In the ICA's regulatory mechanism we can observe both what kind of information was required upon application for a manufacturing license and the type of conditions that were attached by the government at the time of issuance.

### A. *The Application Forms*

There are a total of five different kinds of application form. Here, let us look at the most frequently used form for starting a new manufacturing activity.<sup>7</sup> The form contains seventeen items, the first of which requires certain information about the particulars of applicant company, asking to indicate the firm's name and its registered address. The second item concerns the company's directorship: names, dates of birth, nationality, home addresses, etc. Ethnic background is not implicitly asked for here, but in the space marked "name" there is a request to provide "Chinese characters where applicable." Item 3 is headed "project cost," while item 4 asks for information about capitalization and provides space to enter ethnic information about paid-in capital investors: whether they are Bumiputera, Chinese, Indian, Malaysian of other descent, or foreign citizen. Item 5 is headed "manufacturing process and production schedule," and item 6 asks for approximate periods required for the beginning and completion of plant construction. Item 7 concerns the type of raw materials and components required and local content in terms of domestically procured and domestically manufactured items. Item 8 asks about where and how the product(s) will be marketed and item 9 about pricing policy, while item 10 goes into plant locationing information. Item 11 asks about employment and detailed information is sought concerning the job content of the company's work force from top management on down itemized according

<sup>6</sup> *Malayan Law Journal*, a semi-official law report in Malaysia, seems not to have reported any case related to the ICA. The simplicity may be the key feature of the law, in comparison with similar Indian legislation, that is, the Industries (Development and Regulation) Act, 1956, under which an industrial licensing policy is being implemented. There, the legal stipulations are far more detailed than in the ICA and have become the subject of extensive litigation.

<sup>7</sup> The form in question was obtained from the Malaysian Industrial Development Authority (MIDA) in 1984 and is entitled "Application for Manufacturing License under the Industrial Co-ordination Act, 1975 and for Incentives under the Investment Incentive Act, 1968: Firms or Persons who intend to establish manufacturing industries after the date of enforcement of the Act." From the title, therefore, we can see that the form was used not only in the case of licensing, but also when applying for certain privileges provided under the Investment Incentive Act.

to Malaysian and non-Malaysian employees. It should be noted, however, that no categorization of Bumiputera and non-Bumiputera employees is required here. Item 12 asks about the profite estimates, while item 13 concerns such environmental protection issues as production waste and its disposal. Item 14 asks if the product will require tariff protection measures or import duty exemptions. Item 15 is concerned with technological assistance royalties, patents, and management agreements. Copies of all related contractual documents must be attached to the application. Item 16 seeks information about the requirement of professional assistance in the project: asking the name of lawyers, accountants, insurance experts, transport specialists, advertising agencies, etc. Item 17 leaves space for additional information that may be required.

From the type of information required in the application, we can see that the ICA is concerned not exclusively with promoting the Bumiputera policy, but also exists to implement a complete industrial policy including the regulation of technological transfer. In this sense the ICA aims at literally "coordinating" through state regulation the various manufacturing industries in Malaysia, in order to avoid excessive competition.<sup>8</sup> Nevertheless, the next section on the actual conditions that have been attached to licenses will show without a doubt that the ICA's main (but not exclusive) goal was none other than to push forward the Bumiputera stock ownership cause.

#### B. *Licensing Conditions*

The ICA provides for the issuing officer to add certain conditions to any license that is granted. While these conditions were decided upon according to the content of each individual application, the government did issue a list of guidelines for the examiners to refer to in their deliberations. Unfortunately, we have not been given direct access to any listing of these guidelines, but upon perusal of other indirect documentation, they can be described as follows.<sup>9</sup>

First, there is the set of guidelines that pertains to corporate stock ownership by Malaysian citizens or Bumiputera. On October 28, 1975 the document entitled "Guidelines for Equity Participation under the Industrial Co-ordination Act, 1975" was issued and stated under the item "New Import-Substitution Industrial Projects" that "for those projects where local technology is not sufficiently developed or available, up to 30 per cent foreign equity participation will be allowed" [14, October 29, 1975]. In no other cases would foreign investment be recognized.

The item on new export industries allows "100 per cent foreign equity ownership for projects which are 100 per cent export oriented" [14, October 29, 1975]. In all other cases, between 30 and 75 per cent foreign participation would be recog-

<sup>8</sup> There is also the statement made by Datuk Hamzah Samah, minister in charge of enacting the ICA, in [2, August 3, 1979, pp. 36-38] emphasizing the aspects of avoiding "unhealthy" competition and promoting "orderly" growth.

<sup>9</sup> The discussion that follows relies on [11, pp. 414-16], which contains items on the ICA itself, licensing conditions, and equity participation guidelines under the act, and [12, pp. 396-97], an item on licensing conditions attached to the ICA itself. And it also relies on [15, p. 185].

nized, the actual rate depending on whether domestically produced raw materials were used and the portion of units exported. No mention is made here of Bumiputera; however, there is no doubt that priority would be given to the Bumiputera capital in financing the Malaysian side of any such joint ventures that would be set up. This is because of the demand for detailed ethnic background information in related items on the license application, and the licensing conditions reported in January 1976, which specified that the Ministry of Trade and Industry would assume authority over the issuance of stock to finance such joint ventures.

Already existing manufacturing industries, as well, were basically put under the same conditions as the above export-substitution industries, and the government ordered the submission of a written plan that would insure 70 per cent stock ownership by Malaysian citizens (30 per cent by Bumiputera) come 1990.

According to the conditions attached to the ICA in 1977, these stock ownership requirements were adopted for projects with "fixed investment" amounting to 500,000 ringgit or more. The intention here was to exempt small businesses owned by citizens of Chinese-descent. While the condition stated that in both new and expansion projects, a fixed percentage of the stock had to be turned over to and held by Malaysian citizens, the actual percentages were decided on a case-by-case basis.

Concerning company directorships, the license application form required that the persons involved be listed according to citizen/non-citizen status, and in addition the Ministry of Trade and Industry was to be notified of any changes in personnel, while all joint ventures were to reflect existing stock ownership composition.

With respect to hiring practices, the complete job structure of any project was to reflect the ethnic mix, and both employment and training of Malaysian citizens was urged.

Finally, the 1977 ICA conditions changed the Ministry of Trade and Industry's say in the employment of professionals and specialized services from a consulting role to a permit issuing agency.

Besides licensing conditions related directly to the Bumiputera policy, we see several regulations for dealing with such problems of technological transfer assistance agreements including related export restrictions. These items became part of a comprehensive set of provisions called "Policy and Guidelines on Transfer of Industrial Technology" issued by the Ministry of Trade and Industry on January 21, 1984.

In this way the regulating mechanism was put mainly in the hands of the officer who was in charge of licensing. This officer went about issuing his decisions in conjunction with the Ministry of Trade and Industry, which had jurisdiction over industrially related policy in general, including of course actions taken under the Investment Incentives Act of 1968. While both the content of the license application form and the conditions attached to the license itself show that the regulating mechanism was far reaching and comprehensive in terms of industrial policy, it is also very clear that the promotion of and increase in Bumiputera capital participation in the manufacturing sector was the most important item on its agenda. In

addition, concerning the actual exercise of authority, the administrative office in charge was given broad ranged discretionary powers and was thus able to orchestrate a very flexible policy implementation plan adapted to contemporary political, economic, and social conditions.

### III. THE EFFECTS OF THE INDUSTRIAL CO-ORDINATION ACT

Our next question is how in fact did the Industrial Co-ordination Act contribute to the increase in corporate stock ownership by the Bumiputera group. The following is an investigation of the effects of the ICA on the Bumiputera policy between 1975 and 1985, the period when the policy was most vigorously pursued.

During this eleven-year period the Malaysian economy grew steadily at annual rates frequently surpassing 7 per cent. Economic activity itself was also expanding, meaning that the policy-makers were acting in a situation where the pie to be distributed was growing larger and larger.

The figures show that Bumiputera ownership of corporate stock grew from 2.4 per cent in 1970 to 7.5 per cent in 1975, to 12.5 per cent in 1980, and to 19.1 per cent in 1985. The non-Bumiputera Malaysian groups, led by the Chinese business community, also experienced increases, holding 34.5 per cent of the country's corporate stock in 1970, then 37.3 per cent in 1975, 44.6 per cent in 1980, and 54.9 per cent in 1985. The losers during this period were of course the foreign investors in Malaysia, starting out with 63.3 per cent of the country's corporate stock in 1970, then falling off to 54.9 per cent in 1975, 42.9 per cent in 1980, and 26.0 per cent in 1985 (see Table I). How are we to understand these fluctuations?

We can look at the question from three different aspects. The first is the aspect of the development of Malaysian state-owned capital, where aggressive business activities began in the early 1970s. From the middle of that decade the state-owned concerns of PERNAS (established in 1969) and Permodalan Nasional Berhad (PNB, incorporated in 1978), the National Equity Corporation, used prospering, oil-rich public coffers to began buying up British commercial interests in such industries as tin mining, rubber, and palm-oil plantations. The best known moves of this kind were PERNAS's take over of controlling interest in one of Southeast Asia's largest trading companies, Sime Darby of Great Britain, and PNB's buy-up of the stock in Guthrie Corporation, one of the Malaysia's largest plantation enterprises.<sup>10</sup> Then during the 1980s Heavy Industries Corporation of Malaysia Berhad (HICOM), the most representative Bumiputera-owned state enterprise, started its automobile manufacturing operations. While private sector Bumiputera capital accumulation also grew during that time,<sup>11</sup> it was this sudden growth of Bumiputera state-owned capital, such as PERNAS and PNB, that contributed most

<sup>10</sup> For a detailed account of the activities of such state corporations as PERNAS and PNB, see [4, pp. 84-98].

<sup>11</sup> An outline of these activities is provided in Sally Cheong [8]. According to [8, p. 71], "Bumiputera interests had more than 50 per cent equity" in 45 of the 155 "public companies" listed on the Kuala Lumpur Stock Exchange.



TABLE I  
OWNERSHIP OF LIMITED COMPANY SHARE CAPITAL (AT PER VALUE) OF  
LIMITED COMPANIES ACCORDING TO ETHNIC GROUP

	(Million ringgit)						
	1970	1975	1980	1982	1985	1988	1990
Malaysia residents	— (36.7)	— (45.1)	18,493.41 (57.1)	31,903.5 (65.3)	57,666.6 (74.0)	73,889.2 (75.4)	84,920.7 (76.3)
1. Bumiputera group	— (2.4)	— (7.8)	4,050.5 (12.5)	7,597.3 (15.3)	14,883.4 (19.1)	19,057.6 (19.4)	21,796.2 (19.6)
(1) Individuals	— (1.6)	— (2.3)	1,880.1 (5.8)	3,636.1 (7.5)	9,103.4 (11.7)	12,751.6 (13.0)	15,084.2 (13.6)
(2) Trust agencies	— (0.8)	— (5.5)	2,170.4 (6.7)	3,961.2 (8.1)	5,780.0 (7.4)	6,306.0 (6.4)	6,712.0 (6.0)
2. Other Malaysian citizens	— (34.3)	— (37.3)	14,442.9 (44.6)	24,306.2 (49.7)	42,783.2 (54.9)	54,831.6 (56.0)	63,124.5 (56.7)
(1) Chinese	— (27.2)	— (27.9)	—	16,345.5 (33.4)	26,033.3 (33.4)	31,925.1 (32.6)	36,116.0 (32.5)
(2) Indian	— (1.1)	— (1.2)	—	423.7 (0.9)	927.9 (1.2)	1,153.0 (1.2)	1,297.1 (1.2)
(3) Others	— (6.0)	— (8.2)	—	772.9 (1.6)	987.2 (1.3)	1,022.6 (1.0)	1,044.8 (0.9)
(4) Security trust companies	—	—	—	2,443.2 (5.0)	5,585.1 (7.2)	7,943.6 (8.1)	9,517.9 (8.5)
(5) Local controlled companies	—	—	—	4,320.9 (8.8)	9,249.7 (11.8)	12,787.3 (13.1)	15,148.7 (13.6)
Foreign residents	— (63.3)	— (54.9)	13,927.0 (42.9)	16,970.3 (34.7)	20,297.8 (26.0)	24,081.8 (24.6)	26,352.8 (23.7)
(1) Shares in Malaysian companies	—	—	7,791.2 (24.0)	10,319.1 (21.1)	12,672.8 (16.2)	15,516.8 (15.8)	17,284.8 (15.5)
(2) Net assets of local branches	—	—	6,135.8 (18.9)	6,651.2 (13.6)	7,625.0 (9.8)	8,565.0 (8.8)	9,068.0 (8.2)
Total	— (100.0)	— (100.0)	32,420.4 (100.0)	48,873.8 (100.0)	77,964.4 (100.0)	97,971.0 (100.0)	111,273.5 (100.0)

Sources: For the 1970 and 1975 figures, Malaysia, *Third Malaysia Plan, 1976-1980* (Kuala Lumpur, 1976), p. 184; for the 1980 and 1982 figures, [7, pp. 107, 109, 122]; for the 1985, 1988, and 1990 figures, [8, p. 70].

Note: Figures in parentheses show percentage.

TABLE II  
TOP TEN FOREIGN INVESTORS (FIXED ASSETS) IN MALAYSIA  
AS OF DECEMBER 31, 1983

Country	Fixed Assets (M\$ Million)	Percentage of Total Foreign Investments
1. Singapore	1,069.8	25.0
2. Japan	766.6	17.8
3. U.K.	755.2	17.6
4. U.S.A.	473.0	11.0
5. Hong Kong	305.0	7.1
6. Australia	131.5	3.1
7. West Germany	114.9	2.7
8. Holland	88.1	2.1
9. India	57.9	1.3
10. Switzerland	50.9	1.2
11. Others	483.5	11.2
Total	4,296.4	100.0

Source: [4, p. 185].

to the increase in the group's shareholding percentage. It also follows that such an increase in Bumiputera ownership meant a significant decrease in foreign-held shares due mainly to the buy-up of British plantation capital.

Another aspect from which to view the question is the advance of the industrial multinationals, particularly from Japan and the United States, into Malaysia's manufacturing sector during this period.<sup>12</sup> The Japanese have also advanced into the textile industry, and in 1983 ranked second in terms of foreign investment at 17.8 per cent next to Singapore. The United States, on the other hand, was ranked fourth with 11 per cent of the total foreign investment (see Table II). In either case, the inflow of foreign capital during 1975-85 was carried out under the guidelines for equity participation issued in 1975: i.e., no more than 30 per cent shareholding in enterprises not involved in manufacturing for export. It shall be noted that these manufacturing multinationals are an entirely different type from the old British colonial investment. However, given the existence of these regulations and the buying-up of foreign capital held in the raw materials industries, it is no wonder that the ownership of share capital by foreign residents dropped during this period, in spite of the advance of the multinationals into Malaysia's manufacturing sector.

A third way of explaining shareholding fluctuations is to look at Chinese-held capital. Table I shows that the non-Bumiputera Malaysian equity share also rose steadily, but at a slightly lower rate than the Bumiputera group. Despite statistical

<sup>12</sup> Concepts about shareholding differ considerably between U.S. corporations which prefer 100 per cent stock ownership and Japanese firms who are satisfied with joint venture forms. A discussion of this general business difference between the two countries for the Malaysian case can be found in [4, pp. 181-82]. As to one reason for this difference in equity concepts, the Japanese industry has been traditionally consumer-oriented and has thus given priority to insuring product market shares over corporate ownership control.

TABLE  
APPROVED MANUFACTURING PROJECTS

	1975	1976	1977	1978	1979	1980
All projects:						
(1) Number	461	425	400	428	484	460
(2) Proposed called up capital	564.5 (100)	458.5 (100)	357.9 (100)	480.2 (100)	1,254.7 (100)	752.9 (100)
Average per approval	[1.23]	[1.08]	[0.90]	[1.12]	[2.60]	[1.64]
To Malaysian	409.2 (72.5)	344.4 (75.1)	250.0 (69.9)	302.4 (63.0)	759.1 (60.5)	504.7 (67.1)
To Bumiputera	236.2 (41.8)	184.8 (40.3)	150.7 (42.2)	160.0 (33.3)	578.8 (46.1)	304.1 (40.4)
To public corporations						
To non-Bumiputera	173.0 (30.7)	159.6 (34.8)	99.3 (27.7)	142.4 (29.7)	180.3 (14.4)	200.6 (26.7)
To foreign equity	155.3 (27.5)	114.1 (24.9)	107.9 (30.1)	177.8 (37.0)	495.6 (39.5)	248.2 (32.9)
Bumiputera projects:						
(3) Number	81	99	87	82	69	83
(4) Proposed called up capital	164.1 (100)	143.1 (100)	107.1 (100)	85.6 (100)	691.8 (100)	202.7 (100)
Average per approval	[2.03]	[1.45]	[1.23]	[1.04]	[6.52]	[2.44]
To Bumiputera	110.0 (67.0)	92.5 (64.6)	78.2 (73.0)	62.8 (73.2)	450.3 (65.1)	160.9 (79.4)
To non-Bumiputera	19.0 (11.6)	24.3 (17.0)	8.2 (7.7)	10.0 (11.8)	7.0 (1.0)	8.1 (4.0)
To foreign equity	35.1 (21.4)	26.3 (18.4)	20.7 (19.3)	12.8 (15.0)	234.5 (33.9)	33.7 (16.6)
(5) (4)/(2) × 100	29.1	31.2	29.9	17.9	35.9	26.9

Sources: MIDA, *Annual Report* (Kuala Lumpur), various issues; idem, "Press Release"

Note: Figures in parentheses show percentage.

problems with the status of "locally controlled companies" and "nominee companies," which occupied 16 per cent of the total enterprises surveyed in 1985,<sup>13</sup> the percentage of stock equity held by Chinese citizens increased from 22.5 per cent in 1970 to 33.4 per cent in 1982 (see Table I). Such an increase does not seem to jibe with the rather pessimistic attitude taken by Chinese business towards the ICA, but while the statistics reflect limited company stock ownership in sectors

<sup>13</sup> Since the ownership of locally controlled and nominee companies cannot be disaggregated in order to be assigned to specific ethnic groups, their classification under non-Bumiputera Malaysian residents by the Department of Statistics poses problems of accuracy. This practice has been pointed out by Jesudason [4, p. 159] among others.

III  
AND BUMIPUTERA PROJECTS, 1975-90

(Million ringgit)

1981	1982	1983	1984	1985	1986	1987	1988	1989	1990
613	481	498	749	625	447	332	732	792	906
1,709.1	1,921.5	1,280.3	1,213.4	1,823.7	1,878.8	1,529.3	3,469.7	4,603.4	9,679.1
(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)
[2.79]	[4.00]	[2.61]	[1.62]	[2.92]	[4.20]	[4.61]	[4.74]	[5.81]	[10.68]
1,213.8	1,393.9	951.2	938.0	1,498.8	1,354.3	778.6	1,459.2	1,202.2	3,451.1
(71.0)	(72.5)	(74.3)	(77.3)	(82.2)	(72.0)	(50.9)	(42.1)	(26.1)	(35.7)
761.2	1,081.9	607.5	515.4	992.8	707.0	450.3	418.7	451.1	1,593.3
(44.5)	(56.3)	(47.4)	(42.5)	(54.4)	(37.6)	(29.4)	(12.1)	(9.8)	(16.4)
							403.9	186.7	335.4
							(11.6)	(2.8)	(3.5)
452.6	312.0	343.7	422.6	506.0	647.3	328.3	636.6	624.4	1,522.4
(26.5)	(16.2)	(26.9)	(34.8)	(27.8)	(34.5)	(21.5)	(18.4)	(13.5)	(15.7)
495.3	527.6	329.1	275.4	324.9	524.5	750.7	2,010.5	3,401.2	6,228.0
(29.0)	(27.5)	(25.7)	(22.7)	(17.8)	(28.0)	(49.1)	(57.9)	(73.9)	(64.3)
143	133	132	237	181	123	42	75	32	57
559.0	1,067.0	555.6	401.8	856.4	413.2	308.7	588.6	110.7	260.3
(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)
[3.91]	[8.02]	[4.2]	[1.69]	[4.18]	[3.36]	[7.35]	[7.84]	[3.46]	[4.57]
420.2	807.6	374.4	292.2	757.0	300.0	252.7	495.4	63.6	218.4
(75.1)	(75.7)	(67.4)	(72.7)	(88.4)	(72.6)	(81.9)	(84.2)	(57.5)	(83.9)
41.8	41.5	65.9	58.2	41.3	37.8	45.3	19.1	17.8	16.6
(7.5)	(3.9)	(11.9)	(14.5)	(4.8)	(9.2)	(14.7)	(3.6)	(16.1)	(6.4)
97.0	217.9	115.2	51.4	58.1	75.4	10.7	74.1	29.3	25.3
(17.4)	(20.4)	(20.7)	(12.8)	(6.8)	(18.3)	(3.5)	(12.6)	(26.5)	(9.7)
32.7	55.5	43.4	33.1	47.0	22.0	20.2	17.0		

(Kuala Lumpur), various issues.

other than manufacturing, it is clear that Chinese entrepreneurs made big gains in areas like commerce, services, and real estate. This is also why the policy states a quota of 40 per cent of the total shares of the nation for non-Bumiputera Malaysians, of which the Chinese are dominant.

Next, let us focus in on the main ICA industrial objective, the manufacturing sector, and see what changes took place in the activities of the three ethnic groups affected by the act.

One answer is provided by Table III, which is a summary of the licenses issued for projects under the Malaysian Industrial Development Authority (MIDA). Since the licenses shown in this table were issued under the regulations and

TABLE  
PRINCIPAL STATISTICS OF MANUFACTURING

Fixed Assets Size Group	Number of Establishment	Gross Value of Output (M\$ 1,000)	Cost of Input (M\$ 1,000)
Below M\$50,000	1,227	524,849	372,323
M\$50,000-99,999	569	449,907	305,944
M\$100,000-199,999	631	815,246	600,778
M\$200,000-499,999	874	1,818,873	1,298,918
M\$500,000-999,999	608	2,148,816	1,599,936
M\$1,000,000-4,999,999	1,149	9,589,748	7,206,493
M\$5,000,000-9,999,999	324	5,957,662	4,275,388
M\$10,000,000-49,999,999	306	15,653,210	11,765,553
M\$50,000,000-99,999,999	28	6,127,929	4,722,645
M\$100,000,000-199,999,999	11	3,045,786	2,359,549
M\$200,000,000 and above	14	4,568,347	2,875,569
Total	5,741	50,700,373	37,383,096

Source: Malaysia, Department of Statistics, *Industrial Surveys: Construction, Manufac-*

guidelines of the ICA, they do not necessarily reflect the overall stock ownership rates of each ethnic community throughout all of industry. However, they do enable us to see certain tendencies.

The table as a whole reveals a dominant Bumiputera share of the capital involved in the MIDA projects between 1975 and 1985. With the exception of 1978, overall rates exceeded 40 per cent with shares in over half the capital recorded for 1982 and 1985. The figures shown include both new and expansion projects; and in either case Bumiputera capital participation was dominant in the original data. Moreover, the Bumiputera projects, where the Bumiputera ethnic group occupied over 50 per cent of the capital ownership, accounted for over 25 per cent of the total projects at the capital base throughout the ten-year period (with the exception of 1978). The average proposed called up capital for each of these projects well exceeded the overall average, and thus represent rather large-scale enterprises. Moreover, the Bumiputera share in these enterprises totaled over two-thirds throughout the period. All of these facts support the view that Bumiputera capital ownership grew by leaps and bounds during 1975-85. This point alone attests to the effectiveness of the ICA in bringing about significant increases in the Bumiputera group's corporate stock ownership share.

In contrast, the non-Bumiputera, Malaysian (mainly Chinese) share in the capital raised under these projects is low, failing to reach even 30 per cent during a number of years. Between 1977 and 1982 the rate was even lower than the share enjoyed by foreigners. Therefore, one wonders again how the non-Bumiputera Malaysian stock ownership share could have increased from 37.3 to 54.9 per cent during 1975-85 as indicated by Table I. A number of reasons come to mind. First, from 1977 all projects with fixed capitalization of less than 500,000 ringgit were exempted from the Bumiputera requirements under the ICA. In all probability most of these pro-

## IV

## INDUSTRIES: FIXED ASSETS SIZE GROUP, 1987

Value Added (M\$ 1,000)	Total Number of Persons Engaged during December 1987 or the last pay period, 1987			Salaries and Wages Paid (M\$ 1,000)	Value of Fixed Assets Owned as of December 31, 1987 (M\$ 1,000)
	Total	Malaysian Citizens	Non-Malaysian Citizens		
152,526	19,567	18,830	737	85,090	25,608
143,963	14,645	13,978	667	70,528	41,276
214,468	21,492	21,005	487	111,847	92,114
519,955	41,460	40,321	1,139	231,104	288,660
548,880	38,118	37,537	581	223,263	443,352
2,383,255	135,648	133,316	2,332	832,941	2,664,705
1,682,274	67,093	66,511	582	475,552	2,245,101
3,887,657	124,507	123,430	1,077	1,117,045	5,880,343
1,405,284	34,078	33,978	100	371,211	1,831,379
686,237	12,544	12,496	48	186,398	1,542,711
1,692,778	8,621	8,325	296	167,191	7,976,993
13,317,277	517,773	509,727	8,046	3,872,170	23,032,242

*turing, Mining, and Stone Quarrying, 1987* (Kuala Lumpur, 1989), p. 108.

jects were carried out by Chinese entrepreneurs; although from the figures in Table IV, we see that the total stock equity involved in these projects might be small and their macroeconomic significance low.<sup>14</sup> Secondly, it is a fact that traditionally the Chinese business community has not shown much interest in the manufacturing industries, the target sector of the ICA. According to 1985 figures on the relative contribution rates of various industries to the GDP, the service sector, which is dominated by non-Bumiputera capital, was second to "manufacturing" by only 4.8 percentage points (31.3 per cent versus 36.1 per cent). Incidentally, the "manufacturing" category for GDP purposes here also includes the construction industry, which the ICA does not cover, but is characterized by strong Chinese business concerns.<sup>15</sup> Therefore, the ICA worked to slow down the entrance of Chinese corporations into the part of the manufacturing sector it was concerned with, but only managed to curb the growth of the Chinese business community on this front only.<sup>16</sup>

<sup>14</sup> The manufacturing projects included in the less than 500,000 ringgit categories represent 3,422 companies, or 60 per cent of the total sample; however, their combined fixed assets amount comes to only 2.2 per cent of the total.

<sup>15</sup> [9, p. 285]. Also on [9, p. 287], we see that the share of the GDP occupied by wholesaling, retailing, hotels, finance and insurance, and real estate industries (all Chinese-dominated) comes to M\$12.763 billion, while the manufacturing sector only accounts for M\$11.357 billion.

<sup>16</sup> [4, pp. 147-53]. Further, there may be the possibility of Bumiputera nominees (dummy) holding Chinese stock, although there is no concrete evidence of this. Incidentally, in the transport industry, where operating licenses were issued exclusively to Bumiputera, there were cases in which Chinese entrepreneurs borrowed the names of Bumiputera group members in the application process.

TABLE  
NATIONAL EQUITY CORPORATION (PNB) GROUP

Sector	Quoted Companies				
	Local Companies			Foreign Companies	
	Number of Companies	Investment Cost (M\$ Million)	Market Value (M\$ Million)	Number of Companies	Investment Cost (M\$ Million)
Manufacturing	62	523.0	425.1	1	174.3
Finance	5	1,435.5	1,200.5	—	—
Property	13	458.9	404.3	—	—
Plantation	14	1,122.9	1,179.3	—	—
Mining	8	322.4	198.9	—	—
Total	102	3,862.7	3,408.1	1	174.3

Source: [7, p. 113].

Turning to foreign corporations located in Malaysia, despite losses caused by the recession that began in 1983, the share of foreign stockholding held constant at between 20 and 30 per cent throughout 1975–85. However, given the fact that in 1975 the stock ownership by foreigners was as high as 54.9 per cent, the 1985 figure of 26 per cent represents a drastic decrease for the eleven-year period in question. A major cause of this plummeting figure was that in 1975 British plantation and tin-mining capital still occupied a very important place within Malaysia's joint stock companies. Then, with the localization of many of these British raw material concerns through purchase and takeover via Malaysian state capital, their importance waned and stock ownership percentages dropped. Actually, the foreign ownership rate in the manufacturing sector was kept from dipping even lower by the advance of Japanese and U.S. capital into Malaysia later on during the period in question. Moreover, whenever these enterprises were forced to comply with the ICA guidelines for foreign capital participation, their stock ownership rates could constitute a maximum 30 per cent share in joint ventures generally.

In the case of Bumiputera projects promoted by MIDA, the amount of foreign capital participation was greater than that of the Chinese entrepreneurs. This relatively large-scale foreign involvement attests to the technological advantage held by foreign capital in projects aimed at the manufacturing sector.

In sum, for the eleven-year period between 1975 and 1985, the share of Bumiputera-held stock in the manufacturing sector reached overwhelmingly high figures and contributed to the expansion of the group's shareholding equity overall. On the other side of the coin, given the less than dominant role played by the manufacturing sector in the total Malaysian economy, increases in Bumiputera-held capital alone in this sector are insufficient to explain the expansion and growth that was actually recorded overall. That is to say, we must also include such sectors as the primary industries, finance, and services as significant contributors

## V

## SHAREHOLDINGS BY SECTOR AS OF DECEMBER 1985

Unquoted Companies						
Local Companies			Foreign Companies			
Market Value (M\$ Million)	Number of Companies	Investment Cost (M\$ Million)	Market Value (M\$ Million)	Number of Companies	Investment Cost (M\$ Million)	Market Value (M\$ Million)
113.3	41	291.2	—	2	253.1	—
—	6	249.4	—	—	—	—
—	4	101.5	—	—	—	—
—	3	1,230.9	—	—	—	—
—	—	—	—	—	—	—
113.3	54	1,873.0	—	2	253.1	—

to the expansion of Bumiputera ownership during the late 1970s and early 1980s.<sup>17</sup>

Of course when talking about the expansion of shareholding, one must also mention the source of the capital funds that backed it. In Malaysia the most important money machine was the PNB, which was established in 1978. Between 1981 and 1985 this giant conglomerate accounted for over 83 per cent of development-oriented expenditures to financial institutions (see Table V).<sup>18</sup>

In conclusion, government licensing of enterprises under the Industrial Co-ordination Act without a doubt contributed to the nurturing of Bumiputera-owned corporations in the manufacturing sector. And while tying the ICA closely to the Investment Incentives Act of 1968 that induced foreign capital concerns and put up barriers to (Malaysian) Chinese capital participation in this sector, the government was able to promote more Bumiputera capital investment and thus contribute to increases in that group's overall corporate shareholdings.

<sup>17</sup> "Their (Bumiputera) shareholding in the top 20 largest public companies in the plantation sector through the National Equity Corporation (PNB) and other trust companies increased to 37 per cent in 1987 compared with 32 per cent in 1985. In the commercial banking sector, Bumiputera interests continued to hold more than 50 per cent equity in 10 out of 22 domestic banks" [8, pp. 69, 71]. Also, in the manufacturing sector itself, as of the end of 1982 Bumiputera interests accounted for 23.2 per cent of the total paid-in capital of all the corporations registered with MIDA. Breaking this figure down further, over 20 per cent of it remained in traditional industries like food, leather goods, wood products, and furniture, while 40 per cent was invested in transport equipment and 22.7 per cent in rubber [16, pp. 154-55].

<sup>18</sup> Of the estimated 3.5 billion ringgit earmarked in the Fifth Malaysia Plan for "public development expenditure for finance" during 1981-85, 3 billion ringgit were allocated to PNB [7, p. 391]. As to where this funding came from, investigation to date has accounted for 30 per cent of the expenditures coming from oil revenues between 1980 and 1985, and there is no doubt that oil revenues have heavily financed these programs since then [7, p. 224].



## IV. DEREGULATION AND POLICY CHANGES

With the arrival of a major recession lasting from 1983 to 1986, the government was forced to make significant changes in its Bumiputera promotion activities. The primary reason why these moves had to be taken lay in economic setbacks caused by depressed raw material prices, which brought about in turn a sudden drying up of state funding that had been carried out by the government through such corporations as PNB and PERNAS. It was also a time when moves were being taken to finance a transition to heavy industrial production with the opening of domestic automobile manufacturing by HICOM.

The problem of growing inefficiency in state-managed enterprises is exemplified by the Bumiputera Malaysia Finance (BMF) scandal that surfaced in 1983. BMF, a financial subsidiary of Bank Bumiputera Malaysia Berhad, the country's largest commercial banking institution, lost H.K.\$46 billion when the Hong Kong-based Carrian Group, a bubble conglomerate set up in Hong Kong in 1980, went bankrupt. Bank Bumiputera Malaysia Berhad, BMF's parent company, in order to insure solvency (and of course profits for its holding company, PNB) was forced to sell stock it held to PETRONAS, a transaction that required convenient amendment in the Petroleum Development Act.<sup>19</sup>

Under such trying circumstances, privatization and deregulation measures were taken to achieve greater efficiency in state-run enterprises.<sup>20</sup> What is important here is first the assurance of private investment funds to replace state funding channels, and second the relaxation of restrictions on foreign capital to insure sufficient amounts of high-level technology. We can see moves in these directions beginning in 1984, and in 1985 the 30 per cent ceiling on shareholding by foreigners was raised significantly in mainly the export-oriented industries. That is to say, in corporations producing 80 per cent or more for export markets, up to 80 per cent foreign shareholding was allowed; in companies producing 51–80 per cent for export, the foreign shareholding ceiling was set in accordance with the actual export share; in cases of 20–51 per cent export production, up to 51 per cent of the firm's stock could be owned by foreigners. As a result, the former 30 per cent ceiling remained only for companies exporting less than 20 per cent of its products. In addition, for heavy industries in need of state-of-the-art technology a 51 per cent, the foreign shareholding ceiling was set regardless of export product ratios. Then in 1986, the Investment Incentives Act of 1968 was completely revised into what was passed as the Promotion of Investment Act dealing with incentives along the lines of taxation.

The results of these deregulatory measures can be seen in Table III. Shareholding by foreigners did drop in absolute terms during 1983 and 1984, but then rose to near 50 per cent in 1987 and kept rising to above 60 per cent during the

<sup>19</sup> The incident developed into a political scandal which a commission of inquiry looked into. For details, see [2, March 29, 1986].

<sup>20</sup> For a discussion of privatization, see [5]; and for details on deregulation measures, see the "Investors' Guide" section of [10].

years that followed. In contrast, the Malaysian shareholding rate dropped, even the equity of non-Bumiputera Malaysians including the Chinese. These phenomena should be considered in light of the following domestic aspect concerning deregulation.

It is the aspect of raising the fixed capital ceilings on projects to be exempted under the ICA. In 1985 the ceilings were raised to "shareholders' funds" of 1 million ringgit and a work force of less than fifty full-time paid employees. Then in 1986 the ceiling was revised to 2.5 million ringgit and a work force of seventy-five employees. The 2.5 million ringgit ceiling becomes somewhat more realistic when considered in light of the 1986 ICA stipulation on estimated capital funding of 4.2 million ringgit for corporations applying for licenses. Nevertheless, when we consider the 1,804 manufacturing firms in Table V that exceeded the fixed capital category of 1 million ringgit, a 2.5 million ringgit ceiling is indeed a significant deregulatory move capable of changing the whole character of the ICA. Incidentally, in 1982 a total of 2,904 firms were licensed under the ICA.<sup>21</sup> This data alone does not make clear the number of Chinese manufacturers applying for licenses, but notice that in spite of non-Bumiputera licenses numbering only around 16 per cent of the total (Table III), their shareholding rates for 1985 and 1990 in Table I show an increase from 54.9 to 56.7 per cent. What we can conclude from this data is that non-Bumiputera Malaysian corporations were predominately starting and expanding enterprises with shareholders' funds and work forces that fell within the licensing exemption limitations.

In the end, therefore, the regulations contained in the ICA, which were implemented to restrict Chinese enterprises in favor of promoting Bumiputera corporate shareholding, were on the one hand relaxed with respect to foreign shareholding ceilings (despite the fact that these adjustments were aimed mainly at the export industries), and on the other hand were liberalized in terms of licensing exemption limitations to allow Chinese entrepreneurs to dominate small business enterprises in the manufacturing sector. The appointed task of the original ICA was coming to a turning point, and the legislation itself was being transformed into a means for regulating large-scale industrial enterprises.

## CONCLUSION

Malaysia's Bumiputera policy was more or less a successful piece of government policy, despite the barriers it posed to such ethnic groups as the country's Chinese and Indian communities and despite its failure to raise the Bumiputera group's corporate stockholding to a targeted 30 per cent of the total by 1990. The years in which the policy was most effective were marked by economic growth and expansion, and were marred by no ethnic unrest of the kind that shocked the nation in 1969. In the background to the policy's success lay first and foremost the existence of very plentiful and generous government funding, but the Industrial Co-ordination Act was also effective in pushing forward the policy in the private

<sup>21</sup> This number is based on MIDA sources contained in [16, pp. 134-55].

manufacturing sector. The act may be characterized as a classic case of economic development legislation that hands over to the administrative arm of the government broad ranging discretionary powers. However, the use of this discretion did not bring about heavy-handed policy implementation based on strict regulations; rather, the regulations put into force were ambiguous, flexible and reached by negotiation. It was the nature of the regulating mechanism that contributed greatly to the policy's accomplishments. In this sense the Malaysian government's use of its discretionary powers by not always depending on strict law enforcement techniques contains aspects similar to the concept of "administrative guidance" used by Japan's Ministry of International Trade and Industry (MITI).

As a result of these flexible administrative techniques, the deregulatory actions taken in 1986 marked a turning point for the Bumiputera policy as ethnic policy. Today in June 1991 the Malaysian government has revealed its National Development Plan for economic and social development over the next ten years. The plan has replaced the stock ownership promoting the Bumiputera policy as the center of ethnic policy in favor of a comprehensive anti-poverty program.<sup>22</sup> The issue to be raised here, however, is in what way during the introduction of "the market mechanism" via deregulatory actions the use of ambiguous discretionary powers was forced to change. A healthily functioning market system is in many ways at odds with the use of administrative discretion; however, since Malaysia is by no means on the beaten path to becoming a NIE, the use of such administrative discretion is probably indispensable to putting the country on such a development path. In this respect it would probably be correct to say that "the exercise of ambiguous discretionary powers" characteristic of many Southeast Asian countries will still be effective in Malaysia in the years to come. We can predict that the need will arise at some time to transform the "regulatory system" into "market-oriented system" that promotes competition and restricts monopoly. Such a direction in economic policy is probably inevitable given such circumstances as the actions involving Southeast Asia taken at the GATT Uruguay Round. It will be interesting to see whether the direction taken will mark a shift in the spirit of the Industrial Co-ordination Act to an emphasis on the regulation of big business, or the adoption of a whole new set of legal institutions.

<sup>22</sup> For details about the National Development Plan, see [14, June 18, 1991].

#### REFERENCES

1. CHEONG, S. *Bumiputera Controlled Companies in the KLSE* (Pataling Jaya: Modern Law Publishers and Distributors, 1990).
2. *Far Eastern Economic Review*.
3. GALE, B. *Politics and Business: A Study of Multi-Purpose Holding Berhad* (Singapore: Eastern University Press, 1985).
4. JESUDASON, J. V. *Ethnicity and the Economy, the State, Chinese Business and Multinationals in Malaysia* (Singapore: Oxford University Press, 1989).
5. LEE, E. "The Path to Private Enterprise," *Malaysian Business*, January 15, 1990.
6. Malaysia. *Third Malaysia Plan, 1976-1980* (Kuala Lumpur, 1976).
7. ————. *Fifth Malaysia Plan, 1986-1990* (Kuala Lumpur, 1986).

8. ————. *Mid-Term Review of Fifth Malaysia Plan, 1986–1990* (Kuala Lumpur, 1989).
9. Malaysia, Department of Statistics. *Yearbook of Statistics, 1985* (Kuala Lumpur).
10. Malaysia, Ministry of Finance. *Economic Report, 1990/91* (Kuala Lumpur, 1990).
11. “Marēshia” [Malaysia], in *Ajia dōkō nempō, 1976* [Yearbook of Asian affairs, 1976] (Tokyo: Institute of Developing Economies, 1976).
12. “Marēshia” [Malaysia], in *Ajia dōkō nempō, 1978* [Yearbook of Asian affairs, 1978] (Tokyo: Institute of Developing Economies, 1978).
13. MILNER, R. S. “The Politics of Malaysia’s New Economic Policies,” *Pacific Affairs*, Vol. 49, No. 2 (1976).
14. *New Strait Times*.
15. WU YUAN-LI and WU CHUN-HSI. *Economic Development in Southeast Asia: The Chinese Dimension* (Stanford, Calif.: Hoover Institution Press, 1980).
16. YASUDA, N. “Bumiputera seisaku to kōgyō chōsei-hō” [The Industrial Co-ordination Act and Malaysia’s Bumiputera policy], in *Gendai Marēshia no shakai to keizai no henyō* [Socioeconomic transformation in modern Malaysia], ed. K. Horii and Y. Hagiwara (Tokyo: Institute of Developing Economies, 1988).