

## MALAYSIA'S NEW ECONOMIC POLICY AND THE CHINESE BUSINESS COMMUNITY

FUJIO HARA

### INTRODUCTION

**D**URING the twenty years since its New Economic Policy (NEP) was first put into effect, Malaysia has seen tremendous changes occur in its economy. To begin with, the influence of Great Britain, Malaysia's former colonial ruler, was removed from the country's traditional trunk industries of natural rubber, oil palm, and tin mining in accordance with one of NEP's main agendas, corporate restructuring or the Bumiputera (lit. "sons of the soil," or native Malays) program. In the place of British capital, government-sponsored enterprises aggressively advanced into each industry and ended up gaining a monopolistic position in some. Meanwhile, during this period marked by economic growth overall, businesses run by Malaysians of Chinese-descent expanded steadily in terms of the larger picture drawn by official government statistics; however, if we look more closely at this expansion in terms of specific enterprise categories, we can observe the influence of corporate restructuring causing marked setbacks for Chinese business in key places. Banking is a classic example of such negative influence. In the 1960s and 1970s all of Malaysia's local banks (with two or three exceptions) were synonymous with Chinese business. Today, however, Chinese-controlled banks are now diminishing. This is because the banking business has become dominated by government-sponsored or privately-held Bumiputera capital.

Of course such is not the case for Chinese business in some other industries. There are many examples of spectacular gains being made by Chinese capital during the growth years of the 1970s among established big business enterprise groups, as well as cases of Chinese forming large corporate complexes in completely new areas of endeavor. But we must keep in mind the limits imposed on the expansion of Chinese business by restrictions on entry into various industries and laws requiring the participation of Bumiputera capital in certain types of projects undertaken. Chinese capital is not a force in Malaysia's manufacturing sector, but rather tends to concentrate in real estate, hotels, finance, and commerce. Furthermore, although the business category that Chinese capital dominates, i.e., small business, is not covered by the regulations set down by the Industrial Co-ordination Act, there are still a number of other restrictions that pose difficulties to Chinese entrepreneurs in the course of doing business in Malaysia.

In the present paper, I will be concerned with trying to extract the characteristic features of the country's largest Chinese business groups by investigating their

TABLE I  
OWNERSHIP OF SHARE CAPITAL OF LIMITED COMPANIES

	1970		1990 Target (1)	1990 Achieved (2)	
	(1)	(2)		Million Ringgit	%
Bumiputera	1.9	2.4	30.1	22,298.5	20.3
Other Malaysians	37.4	32.3	40.1	50,772.0	46.2
Chinese	22.5			49,296.5	44.9
Indians	1.0			1,068.0	1.0
Others	13.9			389.5	0.3
Foreigners	60.7	63.3	29.8	27,525.5	25.1
Nominee Companies		2.0		9,220.4	8.4
Total	100	100	100	109,798.4	100

Sources: For (1), Malaysia, *Mid-Term Review of the Second Malaysia Plan, 1971-1975* (Kuala Lumpur: Government Press, 1973). For (2), Malaysia, *The Second Outline Perspective Plan, 1991-2000* (Kuala Lumpur: National Printing Department, 1991).

response to the New Economic Policy, in order to pinpoint the issues facing these groups today and their outlook for the future.

On June 17, 1991 Malaysia's Prime Minister Datuk Seri<sup>1</sup> Dr. Mahathir presented to Parliament "The Second Outline Perspective Plan" (also known as the National Development Policy [NDP]), in which it was announced that the 1990 targets for ethnic group shareholding in Malaysian businesses had been met for entrepreneurs of Chinese-descent, surpassing 40 per cent equity participation overall, while the 30 per cent target for Malays (Bumiputera) had fallen short at just over 20 per cent (see Table I).<sup>2</sup> This can be compared with equity participation rates for recent "Investment in Approved Projects" published by the Malaysian Industrial Development Authority (MIDA), which are contained in Table II.

In terms of investment geared to the manufacturing sector only, foreign capital has made a rapid comeback, while Malaysian capital, especially Chinese-owned, is clearly losing ground. Chinese capital is far surpassed by Bumiputera capital which mainly consists of government agencies, and foreign investors surpass the 60.7 per cent equity participation rate that they registered over the whole economy in 1970. The figures in Tables I and II are inconsistent for the following reasons.

First, the NDP data represents outstanding (stock) figures for industry as a whole, while the MIDA data consists of single-year flow figures for the manufac-

<sup>1</sup> Datuk Seri is a title of honor in Malaysia. There are various titles: for royal families there are such hereditary titles as Tengku and Tunku; for commoners titles are given according to social positions and include Tun, Toh Puan, Tan Sri, Puan Sri, Datuk Seri, Datuk, Dato', and Datin.

<sup>2</sup> *Utusan Malaysia*, June 18, 1991 and [1, June 19, 1991].

TABLE II  
EQUITY PARTICIPATION IN APPROVED MANUFACTURING PROJECTS

(Million ringgit)

Proposed Capital Investment	1985	1986	1987	1988	1989	1985-89	1990
Malaysians	1,498.8 (82.2)	1,354.3 (72.1)	779.4 (51.0)	1,459.2 (42.1)	1,289.7 (27.4)	6,381.4 (47.6)	3,900 (38)
Bumiputera	992.8 (54.4)	707.0 (37.6)	450.2 (29.4)	822.6 (23.7)			
Non-Bumiputera	506.0 (27.8)	647.3 (34.5)	329.2 (21.5)	636.6 (18.3)			
Foreign	324.9 (17.8)	524.5 (27.9)	750.0 (49.0)	2,010.5 (57.9)	3,420.8 (72.6)	7,030.7 (52.4)	6,400 (62)
Called-up Capital	1,823.7 (100)	1,878.8 (100)	1,529.4 (100)	3,469.7 (100)	4,710.5 (100)	13,412.1 (100)	
Loans	3,863.2	3,284.4	2,404.5	5,624.2	7,798.4	22,974.7	
Total	5,686.9	5,163.2	3,933.9	9,093.9	12,508.9	36,386.8	

Sources: [8, p. 187]; Malaysian Industrial Development Authority, *Annual Report*, various years; and for 1990 [1, July 31, 1991].

Note: Figures in parentheses are percentages.

turing sector alone. Therefore, the MIDA data is able to show us tendencies in manufacturing over the past few years.

Due to the broad ranged loosening of restrictions on foreign capital beginning in 1986, the foreigner equity share in the manufacturing sector increased by leaps and bounds and made Chinese entrepreneurs insecure about their future, resulting in that group's reluctance to invest in the manufacturing sector. This indicates that Chinese investors probably preferred instead the short-term returns offered by such industries as real estate and commerce.

Secondly, up to the Mid-Term Review of the Fifth Malaysia Plan (1986-90), enterprises in which no specific ethnic group held more than 51 per cent of the stock were listed in the "other Malaysians" category. For example, a corporation with Bumiputera 30 per cent, Chinese 30 per cent, foreign capital 40 per cent, would be classified as "other Malaysian," i.e., non-Bumiputera. One result of NEP was a significant increase in enterprises with around 30 per cent odd Bumiputera equity shares. What happened therefore was a Malaysia Plans' statistical understanding of the actual shareholding percentages of native Malay entrepreneurs. However, the NDP did not use the same "other Malaysian" category as former five Malaysia Plans, resulting in NDP figures of 0.3 per cent for "other Malaysians" in 1985 as compared with a Fifth Malaysia Plan figure of 10.7 per cent for the same year [7, p. 107]. It is not clear for what purpose and in what way these changes in classification and calculation came about.

Given the above two points, it becomes difficult to judge right off from government announcements about equity participation to what level the NEP goals were actually realized. There also seems to be a connection here to the absence of any discussion in the NDP about toughening restrictions on the ground that the Chinese per se have surpassed NEP's non-Bumiputera Malaysian stock ownership goal of 40 per cent. Using only these general figures it is impossible to clarify under what conditions and through what changes Chinese enterprises steered the course under the NEP premise. A more concrete case by case study is necessary.

The following section describes the present situation of Malaysian Chinese business in its major areas of endeavor. First, however, it should be mentioned here that the present situation stands out in sharp contrast to the 1950s when Chinese business was the main support of the Malaysian economy, and the Malayan Chinese Association (MCA; later the Malaysian Chinese Association) financially supported the United Malays National Organization (UMNO) and funded the ruling coalition party, the Alliance Party (which comprised UMNO, MCA, Malayan Indian Congress) [5, pp. 164, 169, 259]. Reflecting the structural changes brought about by NEP, the MCA from the 1970s could no longer afford to financially support the UMNO, and, conversely, its membership became politically dependent on the Malay party to the extent that "the wealthiest Chinese businessmen... prefer to contribute directly to the UMNO politicians and are thought to give more financial assistance during elections to the Malay politicians than they do to Chinese ones" [5, p. 169].

## I. THE GROWTH OF BUMIPUTERA INFLUENCE IN MALAYSIA'S MAJOR INDUSTRIES

### A. *Commercial Banking*

The increase of Bumiputera capital participation in the country's commercial banking industry began when the Malayan Banking Bhd. was placed under government protection in December 1969. After this move percentages of Bumiputera capital ownership in Chinese-run banks steadily increased until at the beginning of 1982 its equity share reached 77 per cent for the whole banking industry [10, p. 49]. Table III lists the chairmen and main shareholders of Malaysia's twenty-three commercial banks. Although fourteen of them (Nos. 1, 3, 4, 5, 8-10, 12, 14, 16, 17, 21-23 in Table III) were founded by Chinese, today only eight (Nos. 4, 12, 14, 16, 17, 21-23) remain in Chinese managerial hands. In addition, Malaysian French Bank (No. 11), whose predecessor was Banque de l'Indochina, is a subsidiary of Multi-Purpose Holdings Bhd., a group known as the Chinese version of Permodalan Nasional Bhd. (PNB; the National Equity Corporation). Therefore, a total of nine commercial banks are at the present time under the control of Chinese management. Nevertheless, these nine institutions by no means form the bedrock of the commercial banking industry, and NEP influence is still present at key points in even their operations.

Turning to the growth of Bumiputera influence in the industry, three of the banks listed in Table III are completely government-controlled and 100 per cent

TABLE  
LOCAL COMMERCIAL

Bank Name	Date of Founding	First Board Chairman	Board Chairman (1990)
1. Malayan Banking <sup>a</sup>	1960	Oei Tjong Ie	T.S. Hashim b. Aman
2. Bank Bumiputra	1965	Mohd. Raslan	Dt. Hanafiah Hussain
3. United Malayan Banking Corp.	1959	Dk. Saw Choo Theng	Mohd. Ghaus Zaman
4. Public Bank <sup>a</sup>	1966	T.S. Nik Ahmad Kamil	T.S. Dk. Teh Hong Piow <sup>b</sup>
5. Development & Commercial Bank <sup>a</sup>	1965	Tun Sir Lee Hau Sik	Khoo Eng Choo
6. United Asian Bank <sup>d</sup>	1973		T.S. Radin Soenarno
7. Perwira Habib Bank Malaysia	1964		Jen (B) T.S. Dt. Zain Hashim
8. Kwong Yik Bank	1913	Cheong Yeok Choy	T.S. Hashim b. Aman
9. Bank of Commerce <sup>a</sup>	1924	Dk. Wee Kheng Chiang	Dt. Mohd Desa Pachi
10. Southern Bank <sup>a</sup>	1962	T.S. Saw Seng Kew	Raja T.S. Zainal b. R. Sulaiman
11. Malaysian French Bank	1958		Hooi Kam Sooi
12. MUI Bank	1936	Ong Boon Chwee	Tk. Osman Ahmad

in Bumiputera hands. As indicated by its name, Bank Bumiputra Malaysia Bhd. (BBMB), the country's second largest commercial bank in terms of assets, started out from its founding as a Malay-run bank; but in 1984 ran up 2.5 billion ringgit in uncollectable loans, resulting in the transfer of its controlling shareholdership from PNB to PetroliaM Nasional Bhd. (PETRONAS; the National Oil Corporation). In return, PNB became the major shareholder in the former PETRONAS subsidiary, Malayan Banking Bhd., and was able to solidify its financial base once again.

On the other hand, Malaysia's fourth largest commercial bank, Public Bank, paradoxically changed its chairman from Malay to Chinese, but the first chairman being an influential Malay politician was kept in that position in order to preserve outward appearances, and retained only a minimal share in the bank. After this politician's death the man who was actually most instrumental in the bank's founding, Datuk Teh Hong Piow was made chairman. Teh's share in the bank's equity dropped from 48 per cent to 40 per cent of its corporate stock during 1983-89, while the Bumiputera share also decreased from 31.5 per cent to 25.9 per cent. Foreign investors, on the other hand, rapidly increased their equity participation rate from 18.5 per cent to 29.8 per cent, in the midst of the loosening of government restrictions on overseas capital.

## III

## BANKS IN MALAYSIA

Major Stockholders (1989)	Assets (Million Ringgit)	Deposits (Million Ringgit)	Net Pre-tax Profit (Mil. Ringgit)
PNB (93.2)	33,533	22,745	181.9
Bank Negara Malaysia (90)	30,694	20,458	-1,044.4
PERNAS (85)	10,655	6,428	25.6
T.S. Dk. Teh Hong Piow (40), [Bumiputera (25.9)]	9,503	7,179	86.0
Rashid Hussain Bhd. (20), Temerloh Rubber Industries (20%), Roxy Electric Industries (Malaysia) Bhd. (9), PNB (6.5)	6,974	4,321	15.7
Bank Negara Malaysia (78.5)	3,964	2,175	26.7
	3,115	1,832	15.6
Malayan Banking (82.6), other Malayan Banking group (15.6)	2,744	1,880	-9.5
Bank Negara Malaysia (42.3), Fleet Group Sdn. Bhd. (30)	2,727	1,726	19.8
Killinghall (Malaysia) Bhd. (40.4), Ramuda (9.1)	2,532	1,674	39.0
Multi-Purpose Holdings Bhd. (70)	2,319	1,033	11.8
Malayan United Industries Bhd. (99.9)	2,235	1,732	16.1

The fifth largest Malaysian bank, Development & Commercial Bank, was founded by the well-known entrepreneur, the late Tun Sir H. S. Lee. As of 1983 Datuk Syed Kechik, a Malay businessman closely connected to the then Sabah State government, held 32.8 per cent of the bank's stock, almost matching Tun Lee's 33 per cent share. Bumiputera interest in the bank at that time reached 46.3 per cent of the shares. Then, following Tun Lee's death in 1986, both his family and Datuk Kechik retired from the management end of the business, and United Industrial Corporation, Ltd. (UIC) became the bank's major shareholder with 20 per cent of the shares. In 1990, together with another change in management from Indonesian-born Oei Hong Leong to the Indonesian captain of industry Soedono Salim (Chinese name Liem Sioe Liong), the UIC-held stock was sold to the up and coming Malay businessman, Abdul Rashid Hussain, the owner of the largest stock brokerage in Malaysia, Rashid Hussain Bhd., that he founded in 1982.<sup>3</sup>

<sup>3</sup> [9, November 1-15, 1990, p. 14]. It was reported that a subsidiary owned by another "newly emerging" Malay businessman and head of the Arab-Malaysian Merchant Bank, Tan Sri Datuk Azman Hashim, had acquired 20 per cent of Development & Commercial Bank's stock [9, February 1-15, 1990, p. 11]. For clarification, it should be mentioned here that under the Banking and Financial Institutions Act implemented in October 1989,

TABLE III

Bank Name	Date of Founding	First Board Chairman	Board Chairman (1990)
13. Bank Islam Malaysia	1983	Raja T.S. Mohar	Raja T.S. Mohar
14. Hock Hua Bank <sup>a</sup>	1952	Ting Lik Hung	T.S.A. Ling Beng Siew
15. Oriental Bank	1937	E.T. Nicholas	T.S. Dt. Jaafar b. Abdul
16. Pacific Bank <sup>a</sup>	1919	Chew Joo Chiat	Choi Siew Hong
17. Ban Hin Lee Bank <sup>a</sup>	1935	Yap Chor Yee	Dk. Goh Eng Toon
18. Bank Utama (Malaysia)	1977	Hj. B.T.S. Dk. Mohd.	
19. Bank Buruh (Malaysia)	1975		T.S. Dk. Hj. Rozhan b. Kuntom
20. Sabah Bank	1979		Dk. Nicholas Fung
21. Kong Ming Bank	1965	Ling Beng Sung	Dk. Ling Beng Sung
22. Hock Hua Bank (Sabah)	1961	Gwee Ah Kwee	T.S.A. Ling Beng Siew
23. Wah Tat Bank	1929	Zhang Zong Luo	Dr. Chew Peng Hong

Sources: Arab-Malaysian Merchant Bank Bhd., *Kuala Lumpur Bankers Directory, 1990/* banks registered in Singapore and Malaysia] (Singapore: World Book Co., 1975); [9, Notes: 1. Figures in parentheses indicate percentage of financial contribution.

2. T.S.=Tan Sri, Dt.=Dato', Dk.=Datuk, A.=Amar, Hj.=Haji.

<sup>a</sup> Listed banks.

<sup>b</sup> President.

<sup>c</sup> Unsubstantiated figure reported in [8, February 1-15, 1990].

<sup>d</sup> Merged with Bank of Commerce in 1991 [1, September 20, 21, 1991].

After the complete separation of the Kuala Lumpur and Singapore Stock Exchanges in 1990, trading volumes on the Kuala Lumpur Stock Exchange (KLSE) increased appreciatively, and Rashid Hussain Bhd., which handles 15 per cent of its transactions [9, November 1-15, 1990, p. 18], was able to expand its business volume, thereby creating a large financial base for further enterprise group formation.

The eighth largest commercial bank in Malaysia, Kwong Yik Bank, may be considered for all practical purposes a solely owned subsidiary of PNB.

The Bank of Commerce, the country's ninth largest, was founded by the late Datuk Wee Kheng Chiang of Sarawak and father of United Overseas Bank Ltd. (Singapore) board chairman Wee Cho Yaw. However, the Fleet Group Sdn. Bhd. (economic wing of Malaysia's ruling party, UMNO) and Bank Negara Malaysia

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one institution could not hold more than 20 per cent of any bank's stock without the Finance Minister's approval.

(Continued)

Major Stockholders (1989)	Assets (Million Ringgit)	Deposits (Million Ringgit)	Net Pre-tax Profit (Mil. Ringgit)
Government (37.5), State Religious Committees (25) [Bumiputera (100)]	1,714	1,229	11.6
[Bumiputera (32.2)]	1,524	1,171	23.3
	1,515	922	5.1
	1,491	971	13.6
Yap Family (56) [Bumiputera (30), of which Pemancar Gelugor (20) and other Bumiputera 10]	1,435	1,078	5.8
	1,230	970	-4.2
	655	429	2.6
	629	513	8.8
	454	388	3.0
	310	226	4.7
	301	250	3.7

91 (Kuala Lumpur, 1990); Tan Ee Leong ed., *Xin Ma zhuce shanye yinhang* [Commercial various issues]; [4, various issues]; [6].

(Central Bank of Malaysia) have become the bank's major shareholders [9, October 1-15, 1990, p. 72]. Its stock was listed on the KLSE in November of 1987.

Southern Bank is the country's tenth largest commercial bank. Founded by the late Tan Sri Saw Seng Kew from Penang, Southern Bank has lately come under the control of the Raja Muda Selanger or Ramuda (Selangor State Sultan's family business concerns). Its stock began to be traded on the KLSE in September of 1989. At the present time its major shareholder is Killinghall (Malaysia) Bhd., a subsidiary of Ramuda.

The country's eleventh largest bank is Malaysia French Bank, which was transferred into Chinese hands from Banque de l'Indochina. With the internal change of its major shareholder, Multi-Purpose Holdings Bhd., the Bank has ceased to be a "purely" Chinese-owned and operated enterprise.

Malaysia's twelfth largest bank, MUI Bank, is an institution created by the purchase in 1982 of Kwong Lee Bank in Kuching by the Chinese firm of Malayan United Industries Bhd. (MUIB). As of late the MUIB group has shown a tendency



towards conservatism, and in the midst of rumors concerning the retirement of group head Tan Sri Khoo Kay Peng [9, June 16–30, 1990, pp. 27–28], MUIB seems to have entered a period of soul-searching about which path to take in the future.

The Hock Hua Bank is Sarawak's regional bank, while Ban Hin Lee Bank mainly serves the financial needs of the Penang region. Both institutions were listed on the KLSE at the beginning of 1991. The families of the founders have continued on as the major shareholders, but the Malay firm of Pemancar Gelugor controls 20 per cent of Ban Hin Lee Bank's equity [9, November 16–30, 1990, p. 34].

Malaysia's sixteenth largest bank is Pacific Bank, which was listed on the KLSE in August 1990. Incidentally, five of the originally Chinese-owned and controlled banks have become listed on the KLSE during the four short years since 1987. At the time of their listing, all of these banks had complied with the 30 per cent Bumiputera equity participation requirement, while two were listed only after becoming Bumiputera-controlled banks.

From the above information we can summarize the movements of banks originally established by Chinese as follows.

First, almost all of the larger, more important institutions have been taken over by Bumiputera interests, while most of those remaining in Chinese hands are very small businesses.

Secondly, the control exercised by the families of the bank founders has weakened, even for those remaining in Chinese hands. This has occurred concomitantly with a steadily decreasing percentage in Chinese equity participation on the whole.

Thirdly, the main force of Bumiputera capital in the banking industry is represented by public trust agencies, such as PNB and PERNAS; however, we have also witnessed the emergence of private sector financial entrepreneurs like Rashid Hussain.

Finally, whether or not it reflects the relaxation of restrictions on foreign capital is yet uncertain, but there has been a significant increase of foreign investment from Singapore in the banking industry. This, however, does not necessarily constitute an established trend.

#### B. *Estate Agencies*

Table IV shows Malaysia's ten largest estate agencies as of 1989. Bumiputera interest accounted for over 60 per cent of total estate capital in 1982 [10, p. 49]. Foreign investors have shown little interest in plantation capital since that time, no doubt resulting in an ever increasing takeover by Malay estates. This leads us to believe that the Bumiputera presence in this industry has increased appreciatively since 1982. According to Table IV, public trust agencies like PNB and its subsidiary Amanah Saham Nasional Bhd. (ASNB) have acquired by purchase almost all of the larger estates which are today under their control. We can also observe that these estates are constantly being expanded as to their land areas.

Of the Bumiputera-controlled agencies, only Kumpulan Guthrie Bhd. seems to have suffered reductions in its landholdings. This statistical irregularity is probably

TABLE IV  
TEN LARGEST ESTATES AGENCIES

Agency Group	Total Landholdings		Major Shareholders (1989) (%)
	Early 1980s (1,000 Ha)	1989 (1,000 Ha)	
1. Harrison's Malaysian Plantations Bhd.	72	116.3	ASNB (42.8), PNB (22.7)
2. Sime Darby Bhd. <sup>a</sup>	72	70.6	ASNB (16.6), MMC (11.8), Kuwait Investment Office (6.3)
3. Kuala Lumpur Kepong Bhd.	64	69.9	Batu Kawan Bhd. (Lee Loy Seng) (34.2), ASNB (18.1) [Bumiputera (28.6) <sup>b</sup> ]
4. Industrial Oxygen Incorporated Bhd.	3	55.5	Lam Soon Huat Development Bhd. (16.7), Annhow Holdings Sdn. Bhd. (6.9) [Bumiputera (30.9) <sup>b</sup> ]
5. Boustead Holdings Bhd. <sup>c</sup>	28	39.1	LTAT (32.7), FELDA (26.4)
6. Kumpulan Guthrie Bhd.	75	37.6	PNB (90.0)
7. Highlands & Lowlands Bhd.	29	34.5	Kumpulan Guthrie Bhd. (51), ASNB (14.3), FELDA (6.3)
8. Austral Enterprises Bhd.	9	33.9	I & P (60.3), LKPP (18.9)
9. Asiatic Development Bhd.	23	22.2	Genting Bhd. (70.9), LTAT (22.2)
10. United Plantations Bhd.	20	27.2	Mayban (Nominees) Bhd. (26.8), Kumpulan FIMA (19.1), LTAT (8.0)

Source: [6], *Quarterly Economic Bulletin* (Associated Chinese Chambers of Commerce and Industry of Malaysia), No. 28 (July 1982).

Notes: 1. ASNB=Amanah Saham Nasional Bhd. FELDA=Federal Land Development Authority. FIMA=Food Industries of Malaysia. I & P=Island & Peninsular Bhd. LKPP=Lembaga Kemajuan Perusahaan Pertanian Negeri Pahang (Pahang State Agro-Industrial Development Corporation). LTAT=Lembaga Tabung Angkatan Tentera (Armed Forces Provident Fund). MMC=Malaysia Mining Corporation Bhd. PNB=Permodalan Nasional Bhd. (National Equity Corporation).

2. Figures in parentheses indicate percentage of financial contribution.

<sup>a</sup> Sime Darby Bhd. includes Consolidated Plantations Bhd. (67,786 ha).

<sup>b</sup> Bumiputera equity participation.

<sup>c</sup> Boustead Holdings Bhd. includes The Kuala Sidim Rubber Company Bhd. (33,200 ha).

due to the fact that its 1989 figures do not include data on holdings other than direct subsidiaries. Indeed, it is difficult to believe that Kumpulan Guthrie could have suffered an actual loss totaling half of its holdings throughout its whole enterprise group, if indirect subsidiaries were included. Such an assumption is backed up by KLSE's *Annual Companies Handbook* (1989) [6, p. 804], which states that the group's total landholdings including Highlands & Lowlands Bhd.

amounted to 120,000 ha. The largest shareholder in Austral Enterprises Bhd. (No. 8 in Table IV) is listed as Island & Peninsular Bhd., but the latter's major shareholder is PNB with 55.3 per cent equity participation.

The figures for the three Chinese-run agencies listed—Kuala Lumpur Kepong Bhd., Industrial Oxygen Incorporated Bhd., and Asiatic Development Bhd.—have not changed appreciatively since the early 1980s, although they have been in and out of a few enterprises since then; that is, the purchase by Industrial Oxygen of the whole 29,000 ha of Dunlop Estates Bhd., a subsidiary of Multi-Purpose Holdings Bhd.

All three agencies have complied with the 30 per cent Bumiputera stock ownership requirement, and there are many Malays acting as company directors: directors of Malay-descent account for half of Kuala Lumpur Kepong's eight member board; two of the seven Industrial Oxygen directors are Malays; and four of the eight-member Asiatic Development board, including the chairman and one joint managing director, are Malays. The Malay directors mainly consist of powerful politicians, members of the royal family, retired generals, or former bureaucrats. These facts show without a doubt that Bumiputera participation is growing on both the ownership and management ends of the larger Chinese-controlled estate agencies also.

## II. THE RESPONSE OF CHINESE ENTERPRISES

### A. *The Ten Top Chinese Entrepreneurs in Malaysia*

The April 1989 issue of the monthly Chinese language economic magazine *Shang Hai* listed Malaysia's "Ten Largest Chinese Businessmen" as follows:<sup>4</sup>

- (1) Robert Kuok Hock Nien (b. 1923 or 1924)
- (2) Tan Sri Datuk Wong Tok Chai (b. 1918, Amoy)
- (3) Datuk Loh Boon Siew (b. 1916, Hokkien)
- (4) Tan Sri Lim Goh Tong (b. 1918, Hokkien)
- (5) Lim Geok Chan (b. ?)
- (6) William Cheng Hen Jem (b. ?)
- (7) Tan Sri Datuk Lee Loy Seng (b. 1921)
- (8) Datuk Yeoh Tiong Lay (b. 1929)
- (9) Tan Sri Datuk Teh Hong Piow (b. 1930, Singapore)
- (10) Datuk Loy Hean Heong (b. 1937)

Whether or not the above ten persons actually make up Malaysia's ten most economically successful Chinese entrepreneurs is a matter of debate. But first, let us look at the enterprises that these businessmen are involved in, and then take up a number of entrepreneurs who maybe should have been included instead.<sup>5</sup> Hopefully, such an investigation will lend some insight into the present situation of the Chinese business community and the pressing issues that now face it.

<sup>4</sup> Birth dates and birthplaces have been added by the author; no birthplace entry indicates Malaysian-born.

<sup>5</sup> Unless otherwise indicated the numerical data presented in this section has been taken from [4, various issues] [9, various issues] [6].

The corporate group led by Robert Kuok spans not only Malaysia, Singapore, Hong Kong, and the Chinese Mainland, but also extends to Liberia, Panama, Australia, the Philippines, and Canada. *Shang Hai* refers to this as Kuok's "commercial kingdom." The center of this "kingdom" is Kuok Brothers Sdn. Bhd., which was established in 1949 and began sugar trading (and refining) in the 1950s. The business was so successful that Kuok became known as the "sugar king" during the 1960s. Today the Kuok group controls 10 per cent of the world sugar market and 80 per cent of the Malaysian market [2, p. 250]. The Kuok family, who has run the business from the beginning, is now going through a generational transition from Robert's brothers and cousins to his sons.

The Kuok kingdom inside Malaysia includes not only sugar companies, but also rubber estates, oil palm estates, tin mines, flour mills (controlling 40 per cent of the Malaysian industry), real estate, hotels (the Shangri-la and Rasa Sayang), a supermarket (Chujitsuya), and trading companies. The Shangri-la Hotel has locations in Kuala Lumpur, Penang, Singapore, Bangkok, Hong Kong, Fiji, Manila, Hangzhou (China), and Beijing.

While the Kuok group seems to be facing no apparent problems, even the "sugar kingdom" has not been exempt from the influence of NEP. Kuok himself, who dislikes political intervention of any kind, moved his base of operations to Hong Kong in 1978. Nevertheless, the center of his enterprises remains in Malaysia, forcing Kuok to adopt more flexible measures sensitive to the changing situation. That is to say, Bumiputera directors and capital have been allowed to participate in the group's business enterprises.

Those participating in the equity of the group's parent company, Kuok Brothers Sdn. Bhd., are limited to the Kuok family itself and its subsidiaries, but already at least one of the firm's ten directors is a Malay [3, p. 123].

There are four Kuok group firms listed on the KLSE. As of 1989 the respective percentages of Kuok family and Bumiputera shareholding in these enterprises were 29.8 per cent and 23.9 per cent in the sugar company, 55 per cent and 29.6 per cent in the flour mill, 41.9 per cent and 21.4 per cent for the tin mine, and 29.6 per cent and 32.9 per cent for real estate firm. Of Bumiputera capital, public trust agencies take up a much greater percentage than the private Malay interests. Such agencies as ASNB, Lembaga Urusan dan Tabung Haji (LUTH) or the Pilgrims Management and Fund Board, and Perak State Economic Development Corporation occupy the major shareholding positions in Kuok's few firms mentioned above. Top management in these KLSE-listed Kuok concerns also funds such persons of Malay descent as high level bureaucrats occupying eighteen positions out of a total of 38 (15 out of 28 when concurrently held directorships are expected). For example, the former board chairman of LUTH, Datuk Hj. Mohd. Shamsuddin is now chairman of the flour milling firm and holds directorships in the sugar company and tin mine. Other Malay directors in these enterprises include the former chairman of the Federal Land Development Authority cum former chairman of the Malayan Banking Bhd., a member of the Pahang State Sultan's family, the former secretary general of the Ministry of Trade and Industry, and a retired general. Representative of Kuok's growing connections to influential

Malays is the marriage of his daughter, Sue, to the newly emerged entrepreneur and stockholder, Rashid Hussain, in 1989.

Wong Tok Chai immigrated south from mainland China to Malaysia with his elder brother in 1952 to set up an iron and can manufacturing concern. He also became managing director of the *Shin Min Daily News*. However, the actual size of Wong's enterprises probably does not alone warrant his being included among the top ten businessmen in the Chinese community. The reason for his inclusion no doubt stems from the fact that he served as president of the Kuala Lumpur and Selangor Chinese Chamber of Commerce and Industry for ten years up to 1987 and has fought not only for Chinese business interests, but also for the rights of Malaysian Chinese in general throughout his career.<sup>6</sup>

Loh Boon Siew came to Malaysia as a penniless child who fought adversity to establish a bus company. His business took off in 1958 when he obtained exclusive rights to market Honda motor cycles in Malaysia. Today the fifty companies under his control include motor cycle and automobile parts manufacture, assembly and sales (a joint venture involving Honda and Heavy Industries Corporation of Malaysia), a heavy equipment sales firm (a joint venture with Hitachi), 3,900 ha of rubber and oil palm estates, hotels, and real estate enterprises. His exclusive rights to market Honda products in Brunei has recently been transferred by that sultanate to a Malay-run firm under its "ethnic preference policy."

The Loh group has been formed around a holding company in which Datuk Loh's family company is the controlling shareholder, but other powerful shareholders include such public trust agencies as ASNB (second largest), Lembaga Tabung Angkatan Tentera (LTAT) or the Armed Forces Provident Fund (sixth), and LUTH (seventh).

Lim Goh Tong is the entrepreneur who developed Genting Highlands, Malaysia's only officially recognized gambling spot, on the outskirts of Kuala Lumpur. The Lim group led by Genting Bhd. controls over seventy enterprises located as far away as Singapore, Hong Kong, and Australia, and is involved in such industries as hotel management, real estate, and rubber plantations.

One factor in Lim's success is his close connection to Tan Sri Datuk Haji Mohd. Noah, the first president of Malaysia's lower house and father-in-law to two former prime ministers, Tun Razak and Tun Hussein Onn. Tan Sri Noah has served for many years as the board chairman of Genting Bhd.

Lim Geok Chan is the head of a group of about ninety enterprises led by a holding company, Innovest Bhd., which includes restaurants (the Malaysia and Singapore Kentucky Fried Chicken franchises, etc.) and electrical appliance manufacturing. The second largest shareholder in Innovest is LTAT and its board chairman is the well-known young Malay businessman Datuk Dr. Mokhzani, formerly on the faculty of the University of Malaya. Mokhzani himself owns 14.7 per cent of the business, a larger percentage than the 3.1 per cent share held directly by Lim Geok Chan, the deputy chairman cum managing director of the company.

<sup>6</sup> In 1978 Wong organized the Malaysian Chinese Economic Conference, which passed "ten important resolutions" including a demand for equal treatment among all of Malaysia's ethnic groups.

Mokhzani is also the board chairman of the group's subsidiary, KFC Holdings (M) Bhd., and 25 per cent of its stock is presently held by ASNB.

Lim succeeded Wong Tok Chai as the president of the Kuala Lumpur and Selangor Chinese Chamber of Commerce and Industry and has also inherited Wong's role in protecting the rights of the Chinese community. Since all of the companies in Lim's group are small businesses, his inclusion in the *Shang Hai* "top ten" no doubt constitutes, like Wong, more recognition for his activities in the Chinese community than the size of his enterprise group.

William Cheng is called Malaysia's steel and department store baron. His group, headed by the Lion Corporation Bhd. (LCB) has business interests in rubber processing, aquaculture, furniture, banking, and motor cycle dealerships. His department stores include Parkson, the country's largest Malaysian-capitalized chain. Cheng holds 52.7 per cent of LCB's stock, while Bumiputera interests account for 37.3 per cent, with PNB holding 28.3 per cent. The second largest shareholder in the group's steel company that is listed on the Kuala Lumpur Stock Exchange is LTAT with 22.7 per cent ownership. Bumiputera interests come to 33.8 per cent overall. There are several influential Malays on the board of this company including a retired army general and the former secretary general of the Ministry of Trade and Industry, who is also a director in the Kuok group.

Lee Loy Seng was born into a family of small tin mine owners, but later switched over to estate management. Expansion of his family enterprises started in the 1950s with the purchase of rubber estates from business-wide British planters who, under the emergency conditions at that time, had no illusions about Malaya's future course.

Lee's group includes four KLSE-listed companies (two plantations and two technology firms). The total estate (oil palm, rubber, and cocoa) land area under the group's control has grown by leaps and bounds in recent years (see Table IV). There are also rubber and palm oil processing, as well as housing development projects on the outskirts of Kuala Lumpur, which has been an important key to the group's expansion.

The Lee group's parent firm is a non-listed, family controlled affair; however, the largest group enterprise is the plantation, Kuala Lumpur Kepong Bhd., whose second largest shareholder is ASNB with 18.1 per cent ownership (19.2 per cent if we include its parent company PNB's share). The group's second largest firm is another plantation, Batu Kawan Bhd., whose second top shareholder is PNB at 16.2 per cent and fourth and fifth largest owners are a couple of public trust agencies. The total Bumiputera share in the equity of these two companies is 28.6 per cent and 33.6 per cent respectively. Influential Malay board directors include a sultan's family member (seats on both board), a retired general, and a cadre position holder within the ruling party, UMNO.

In an interview given by Lee to the Chinese language economic journal *Gongshang shijie* [Business world], the seventy-year old captain of industry stated that he has retired from the front lines and entrusted the group's management to his three sons, Oi Hean, Hau Hean, and Soon Hean [4, March 1991, pp. 4-14]. In what way this second generation of Chinese business people will further strengthen

Malay-Chinese cooperation in the management and ownership of their group is an important question that will determine the future direction of all these enterprise groups.

After turning his father's small construction firm into one of the country's major builders, Yeoh Tiong Lay became chairman of the Master Builders Association and poured his energy and talent into gaining sub-contracts for domestic companies in government construction projects. As a result of his efforts, domestic companies have been assured of the sub-contracts on all projects totaling 50 million ringgit or less.

Yeoh's business concerns center around YTL Corporation Bhd. (YTLCB) and include not only construction but also architectural services, building materials, real estate, lumber, rubber processing, shrimp beds, and travel services. The group also embarked on a joint venture on the Chinese mainland in 1989. The high rises projects that YTLCB has been involved in include the thirty-nine-story Malaysian Airline System Building, twenty-nine-story UMBC Building, and the headquarters of Sime Darby.

All of Yeoh's sons, including the elder brother Sock Ping, are directors on the board of YTLCB, but because priority is increasingly being given to Malay companies in the competition for construction contracts, Bumiputera equity participation (LTAT 15 per cent; second largest share) has been implemented, and influential Malay business people have been appointed to the board of directors.

We have already mentioned Tan Sri Datuk Teh and his Public Bank in Section I.

The entrepreneurial success of Datuk Loy was also accomplished by the purchase of rubber estates from British planters, who left the country during the 1960s. Then he built Malaysia Borneo Finance Corp. (present-day MBf Finance), which he purchased in 1974, into a major banking institution. Today, led by MBf Holdings Bhd., the Loy group is involved in not only finance, but also real estate, construction, travel, trading, printing, insurance, fast food, and even education. In terms of scope the group has business interests in Singapore, Australia, Thailand, Indonesia, Papua New Guinea, and Hong Kong. It is now in the planning stages for advancing into mainland China, Taiwan, and the Republic of Korea. Loy's entry into school management is related to the difficulties faced by young people of Chinese descent in entering college and university under the NEP premise. The educational enterprise is an attempt to attract students of Chinese-descent, many of whom now attend private schools that allow students to transfer to universities in the English-speaking countries.

Datuk Loy's major enterprises being real estate, construction, home loans, etc., the group has had little interest in the manufacturing sector. It was partly for this reason that the depressed real estate market of the 1980s caused the group to amass a large debt.

The 33.3 per cent Bumiputera participation in the equity of MBf Holdings is dominated by the public trust agencies. The Sultan of Negeri Sembilan's uncle, a businessman in his own right, is its board chairman and his son is a company director.

### B. *Other Representative Chinese Entrepreneurs and Enterprise Groups*

Here is an accounting of Chinese business concerns that are at least as important as the so-called *Shang Hai* top ten.

#### 1. *Multi-Purpose Holdings Bhd.*

Multi-Purpose Holdings Bhd. (MPHB) was established in 1975 by MCA, the Chinese ruling party, as a counterpart to Malaysia's state-sponsored equity corporation, PNB, to raise investment funds from the Chinese community at large in order to modernize and enlarge the scale of its corporations. Under the aggressive managerial program of its top executive Datuk Tan Koon Swan, MPHB throughout the 1970s either purchased or newly established many enterprises in the areas of real estate, plantations, marine transport, trading, finance, manufacturing, and lotteries. During the early 1980s, it became Malaysia's largest Chinese-owned and run enterprise group. However, in the midst of the recession that struck Malaysia soon after, Tan himself was charged with a breach of trust in the bankruptcy of the group's Singapore enterprises, and the business suffered overall in the confusion. In 1987 Robert Kuok and Lee Loy Seng were asked to come to MPHB and help rebuild the group. They responded by liquidating the unprofitable sectors and rebuilding the group in little over a year, and then returned to their own groups. When MPHB's major shareholder Koperatif Serbaguna Malaysia, Bhd., a Chinese cooperative union, went bankrupt in 1989, Kamunting Corporation Bhd. (KCB) stepped in to purchase the stock. The directors of KCB now control the management of MPHB, which had up till then never known a Malay board director. However, with the change in directorship to KCB, three of the five new board members are of Malay-descent. It is also rumored that Bank Bumiputra helped bail out Koperatif Serbaguna Malaysia by assisting in KCB's purchase [9, March 16–31, 1990, p. 4]. Reorganization is proceeding under the new management, with MPHB-owned estates, formerly a part of the backbone of the group, having been sold in order to expand the real estate sector.

Kamunting Corp. was founded in 1976 as a tin mining company, and began its accelerated growth after taking over the highway toll concession in 1987. Since the country's highways themselves are directly managed by the government, the nature of Kamunting's close political connections are surely evident here.<sup>7</sup> Actual managerial control of KCB is held by Datuk Lim Ah Tam and his son Lim Thian Kiat, who was appointed to chair the MPHB board of directors in 1989. As of mid-1990 a "nominee" company owned by Rashid Hussain is the group's second largest shareholder with a 14.4 per cent share. One of its board directors is a Japanese national who probably belongs to the Mitsui concern.

Today MPHB has all but lost its image as a people's institution stimulating Chinese business activity with funds raised from the community at large. It has

<sup>7</sup> [9, March 16–31, 1990, p. 8]. The article says: "The Lim family... owns Kamunting via family business Seri Angkasa. According to the Asian Wall Street Journal, the Lim's partner in Seri Angkasa included a brother and nephew of [then] Finance Minister Datuk Paduka Daim Zainuddin" [9, March 16–31, 1990, p. 8].



rather been gobbled up by a very typical private Chinese-run corporation (KCB) that is in one sense being rocked internally by the Bumiputera tidal way, as a result of the changes that have taken place.

## 2. *The Hong Leong group*

The Hong Leong group's central headquarters is located in Singapore, where Kwek Hong Png, the uncle of the group's Malaysian head Quek Leng Chan (b. 1941), runs the show. The Malaysian sector centers around the firm of Hong Leong Company (Malaysia) Bhd. and includes a total of six firms listed on the KLSE. It is a highly diversified group spanning such industries as banking, building materials, electronic components (including semiconductors), electrical appliance manufacture, packaging, motor cycle assembly, retailing, shipbuilding, trading, and insurance. It has also been successful in the takeover of financial institutions located in England and Hong Kong.

The Hong Leong group has continued to promote cooperation and compliance with government guidelines and policies. For example, the largest KLSE-listed group affiliate, Hume Industries Bhd., has six directors of Malay-descent on its eleven-member board: the chairman is former head of Malayan Banking Bhd.; and one director is former president of LUTH. Furthermore, in 1989 Hong Leong Company (Malaysia) Bhd., in exchange for the discounted sale of 26.1 per cent of Hume Industries stock to UMNO-affiliated Jaguh Mutiara Sdn. Bhd., was granted a materials supply contract for the North-West Highway construction project worth 5 million ringgit over five years [4, No. 61 (July 1990), p. 62]. It is this type of attitude that seems to have incurred the wrath of the Chinese community at large. For example, when the news that Hume had commenced buying up MPH stock, an account withdrawal campaign directed at Hong Leong group financial institutions and a boycott of Hong Leong group-marketed Yamaha motor cycles were organized. The reason why Quek Leng Chan has not been included in the Chinese "top ten" may very well be due to his dealings with organizations like the UMNO. Here we can observe one of the difficulties arising from Sino-Malay business cooperation.

## 3. *Malayan United Industries Bhd.*

Malayan United Industries Bhd. (MUIB) started out in 1960 as a mini-business, then when Tan Sri Datuk Khoo Kay Peng (b. 1938) took over in 1976, it began to grow into a group that now includes cement, banking, hotel (Ming Court) management, and trading enterprises. MUIB also has hotel management, real estate, and investment companies in the United States, Canada, and Australia, as well as a school.<sup>8</sup>

When the long time board chairman of MUIB, Tan Sri Datuk Noah, retired in 1987, Khoo succeeded him and former minister of Trade and Industry Khir Johari was made a director. Recently there are rumors that Khoo himself is ready to retire.

<sup>8</sup> For the background as to why MUIB entered the education field see the discussion in the previous section on Datuk Loy Hean Heong.

Malayan United Industries Bhd.'s equity participation structure as of 1988 consisted of 7.6 per cent Malay, 64.4 per cent non-Bumiputera Malaysian, and 28.0 per cent foreign. In 1989 the percentages changed drastically in favor of foreign capital (mainly from Singapore) to 3.4 per cent, 42.1 per cent, and 54.5 per cent respectively. This shows that the effects of loosening restrictions on foreign capital were also felt by Chinese-run enterprise groups.

One recent noteworthy move made by MUIB is its mutual shareholding arrangement with Ipoh Garden Bhd. (IGB) chaired by Tan Kim Yeow. The IGB group owns the largest land bank in Kuala Lumpur, owns real estate in Australia, the United States, Hong Kong, and the United Kingdom, and has recently gone into the building materials business. IGB's major shareholders include Tan Kim Yeow (39.1 per cent), Tan Chin Nam (39.2 per cent),<sup>9</sup> and PNB (10.8 per cent). Since 1989 IGB has held 4.5 per cent of MUIB stock, while MUIB has held 12.7 per cent of IGB stock. That same year IGB acquired 20 per cent of Inter-Pacific Industrial Group Bhd. and 11.9 per cent of Berjaya Corporation (Malaysia) Bhd., both of the Vincent Tan group. However, to interpret these moves as measures taken by Chinese big business to cover their flanks against NEP would be to underestimate any connections between each one of the three groups and state-owned capital or influential Malays.

#### 4. *Inter-Pacific Industrial Group Bhd.*

In an attempt to expand his business enterprises Tan Sri Vincent Tan Chee Yioun (b. 1952) purchased the stock of the Berjaya Corp. (Malaysia) Bhd., a metal wire maker and real estate holder among others, at the beginning of the 1980s and then in 1985 bought the state-managed gambling concession, Sports Toto, after it was privatized. Tan's younger brother, Tan Chee Sing, is also involved in the management of Inter-Pacific. South Pacific Textile Industries Bhd. (SPTIB), the textile and garment firm which Tan purchased in 1987, has factories not only in Malaysia but also in Puerto Rico, Mauritius, Fiji, and Jamaica, making it the country's largest textile group. SPTIB is now planning to build a jeans factory in Vietnam. A British bicycle company was purchased in 1988 and restructured into what is today the Tan group's holding company, Inter-Pacific Industrial Group Bhd. (IPIGB), which manages the above three firms. In 1989 Vincent Tan lost out to Semi-Tech Microelectronics (Far East) Ltd. of Hong Kong in his bid to purchase the Singer Sewing Machine Co. of the United States, but that same year succeeded in acquiring 20 per cent of Semi-Tech's stock. He then established a tie-up with Semi-Tech to form an electronics-manufacturing group located in the Pacific Rim including China.

<sup>9</sup> Almost nothing is known about the Tan family including Kim Yeow and Chin Nam. In Yap Soon See, ed., *Who's Who in the Malaysian Chinese Community: 1984-1985* (Kuala Lumpur: Budayamas, 1984), Tan Chin Nam's name appears in the Table of Contents for page 288, but for some reason all related information has been removed from the main text.

Concerning a joint venture between Tan Kim Yeow, PNB and a Japanese corporation, see Hara, F., "Shin keizai seisaku-ka ni okeru Marēshia nikkei kigyō" [Japanese joint-ventures under the New Economic Policy], *Ajia keizai*, Vol. 28, No. 2 (February 1987), p. 55.

Bumiputera equity participation in IPIGB as a whole has not been made public, but for Berjaya Corp. (Malaysia) Bhd. alone the share is inordinately large at 56.9 per cent.

Behind Tan's sudden rise in Malaysia's business world is his alleged connections with former Finance Minister Datuk Paduka Daim Zainuddin. Many influential Malay figures are on his group's boards of directors (twenty Malays out of thirty-eight directors for four listed companies). In addition to a board chairman being a Johor UMNO cadre position and a deputy board chairman who is a UMNO member of parliament, SPTIB numbers among its directors on a member of parliament who is the son of Deputy Prime Minister, Ghafar Baba, a former managing director of the state-owned Food Industries of Malaysia (FIMA), and a former director of PNB. Finally, the chairman of both IPIGB and Berjaya Corp. (Malaysia) Bhd. is former secretary general of the Ministry of Culture, Youth and Sports.

It is clear then that Tan's cooperation with the Malays, which is closer than even Hong Leong's ties, has made possible his group's accelerated growth in recent years. However, the central part of that growth has been characterized by the somewhat high-handed purchase of already existing companies and not much expansion in productive activities, meaning that IPIGB finds itself in a rather precarious situation. That is to say, at the present time, as a result of its aggressive stock purchasing program, Tan's group is in debt to the tune of, depending on the source, either 459 million ringgit [9, June 16-30, 1990, p. 8] or 700 million ringgit [9, June 16-30, 1990, p. 15]. Comparing these figures with the group's 1986-88 turnover figures of 18.6 million ringgit (1986; twelve months), 18.8 million ringgit (1987; twelve months), and 328.7 million ringgit (1988; fifteen months) and its before tax profits of -1.1 million ringgit, -0.5 million ringgit, and 41.1 million ringgit, the large differences can none other than spell uncertainty.

##### 5. *Tan Chong Motor Holdings Bhd.*

Dato' Tan Kim Hor (b. 1922) and his younger brother, the late Tan Sri Dato Tan Yuet Foh established Tan Chong Motor Holdings in 1948 and began to grow in 1957 after an exclusive marketing contract was signed with the Nissan Motor Co. of Japan. In addition to car dealerships, today Tan Chong also manufactures Nissan parts (engines beginning in 1987) and assembles them. The group has forty-six 100 per cent owned subsidiaries in Malaysia, eleven in Singapore and one each in Hong Kong, Papua New Guinea, and Brunei.<sup>10</sup> With the appearance of the domestically manufactured automobile, the Proton Saga, Tan Chong faced hard times in 1986 and 1987, losing money both years; but on the strength of a parts supply contract with its competitor, Proton Sdn. Bhd., exports to Japan, and the patented design of a mid-size model, the group has been able to survive.

Equity participation by Bumiputera interests is not known, but on the management side a former top level bureaucrat holds a deputy chairmanship and there

<sup>10</sup> Recently the Brunei Nissan dealership was transferred into Malay hands.

is one director who is a member of parliament and in a cadre position within the UMNO. While two Tan family members, Eng Soon and Heng Chew, hold the positions of managing director and director respectively, the family's stockholdings have been decreasing in recent years (45.3 per cent as of October 1989), accompanied by a weakening of their say in how the business should be run. Taking up the slack are foreign investors from Singapore.

Based on the above information the following five points become clear.

First, large Chinese corporations have been growing at amazing speed, to the extent that they are beginning to expand abroad. However, this growth has not been accomplished by Chinese capital alone, but through cooperation and tie-ups with Malay capital, especially the government-generated capital funds.

Secondly, an increasing number of influential Malays are making inroads into top management positions within Chinese businesses.

Thirdly, despite the fact that there is still a movement involving Chinese big businesses drawing up their ranks in order to protect their interests against Bumiputera capitalists, the movement's strength and importance are clearly waning in the midst of the realization that further growth and expansion is impossible without Malay participation in their enterprise groups.

Fourthly, family control over management decisions has significantly weakened after the retirement or death of family heads. In such enterprises the participation by foreign capital (especially Singapore money) is growing proportionately, helped considerably by the government's loosening of restrictions on foreign investors.

Finally, the advance of Chinese enterprise groups overseas is not necessarily a sign of economic growth and expansion, for there is also the aspect of capital going abroad to avoid the government's ethnic preference policies. This fact is evidenced by overseas investment enterprises tending to concentrate in such areas as real estate and hotels rather than production facility construction.

To sum up the situation in one phrase, the purely Chinese-owned and managed enterprise has become a thing of the past in Malaysia.

In conclusion, I would like to investigate the role of foreign investment in Malaysia's Chinese business community. Since 1986, the government has been loosening its economic restrictions in order to stimulate the economy. In the manufacturing sector alone foreign capital now accounts for 60 per cent to 70 per cent of this sector's assets. This is indeed a situation that runs completely contrary to the goal of economic independence outlined in NEP, preventing us from ruling out another era of tough restrictions on foreign investors.

The deregulation that has been carried out came partly as a result of demands from foreign investors, who during the 1980s were dominated by Japanese, Singaporeans, and Americans. From 1987 Taiwanese investment has increased sharply to the extent that Taiwan is now the top foreign capitalist in Malaysia. The tie-ups achieved by both Taiwanese and Singaporean capital in Malaysia have been carried out almost exclusively in conjunction with Chinese-controlled enterprises.

During the 1980s the Associated Chinese Chambers of Commerce and Industry of Malaysia continued to complain time and again that if foreign investors have been exempted from obligatory Bumiputera equity participation in their Malaysian

enterprises, why have the Chinese been forced to bear that same obligation. At the time such complaints fell on deaf ears, but recently with the increase and expansion of joint ventures between Malaysia's Chinese businesses and foreign capital from Taiwan and Singapore, these restrictions and requirements placed on the Chinese may lose most of their effect.

On the domestic front, the changing face of Chinese-controlled businesses that we have seen in the previous discussion and their tie-ups with Bumiputera capital will strengthen further hopes for Malaysia's economic resilience, if these ventures continue to be pursued vigorously. However, cases of tie-ups between Chinese and Malay entrepreneurs on the basis of mutual equality are still few, though show some signs of increasing. The Malay side in most of these deals are represented by influential politicians or former top level bureaucrats (including the military). In terms of the long run, such a set of conditions does not portend well for the creation of a healthy business environment in the years to come.

Furthermore, until a long-range policy towards Chinese business is both clarified and put into action, we will probably continue to see Chinese investors staying away from the manufacturing sector and continuing to concentrate in the short-term turnover sectors like commerce and real estate at home, while taking part of their capital abroad whenever possible. It is with respect to these problems that Malaysia's National Development Plan should be an innovating, testing out process throughout its duration.

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