Malaysian Journal of Chinese Studies, 2017, 6 (1&2): 1-30

The State and Malaysian Chinese Business: Past, Present and Future

CHIN Yee Whah *

Abstract

The paper adopts the notions of embeddedness and the evolutional approach to the study of Chinese business in Malaysia. It provides an overview and assessment of the development of Chinese business from the colonial period to the present. It explains how Chinese business adapts and develops in the context of a protracted affirmative action policy to engage with the rise of a Bumiputera entrepreneurial class; competes with large government-linked companies (GLCs); the expansion of powerful state-backed investment institutions; and the increased liberalization of the Malaysian economy which are shaping Malaysian Chinese business and entrepreneurship.

Key words: Chinese business, affirmative action policy, Bumiputera enterprises, government-linked companies

Introduction

The modern economic development of Malaya began when the Chinese engaged in tin mining and the cultivation of pepper and gambier during the eighteenth century. These economic activities were made possible by the expansion of European capitalism into Southeast Asia. The role of the Chinese in Malaysian economic development may be examined by adopting the notions of cultural, structural, institutional and political embeddedness in the political and socio-economic contexts of Western capitalism (Tai, 2013). These notions are also relevant to an understanding of the growth of Chinese business between independence in 1957 and the introduction of the New Economic Policy (NEP) in 1970. In addition, the evolutional approach is built into the analytical framework to examine the Chinese business community's response strategies to the government's economic policies during the NEP and post-NEP periods.

* Dr. CHIN Yee Whah (甄义华) is a Professor of Economic Sociology at the School of Social Sciences, Universiti Sains Malaysia. E-mail: ywchin@usm.my

The focus of this paper is to examine the development of Chinese entrepreneurship under different economic circumstances caused by official policies. The “state” refers to the political regime that implements its socio-economic policies to attain intended goals. It will analyse changes in economic policies during different phases in the development of the Malaysian economy and the impact of the NEP’s stated goal to restructure Malaysian society on equity ownership, capital flight, and the genesis of entrepreneurship, business groups and the Bumiputera business community.

This study examines Chinese business development from colonial period to the New Economic Model (NEM) era of present-day Malaysia. It will present an overview and assessment of the development of Chinese business and how it adapted to the political and socio-economic milieu of colonial rule. It will demonstrate how Chinese entrepreneurship has remained vibrant in the face of a protracted affirmative action policy and the need to engage with the emerging Bumiputera entrepreneurial class, compete with government-linked companies (GLCs) and face the challenges of an increasing number of powerful state-backed investment institutions, and to adapt to the liberalization of the Malaysian economy. Malaysian Chinese business is currently engaged in a new form of capitalism in a digital age and globalized economy where innovation and the possession of knowledge and technology as well as capital will be the deciding factors in the future success of Chinese entrepreneurship. This study of the adaptation and development of Chinese business and its resilience and success spanning over a century and more will cast light on its future prospects.

Chinese Business before Independence

This section examines Chinese enterprise in Malaya from 1874 to 1957 and how the Chinese engaged in the colonial economy and adapted to the socio-economic policies of British rule and the emerging multi-ethnic society.

Tin Mining

Early Chinese tin mining in Malaya started in partnership with the Malay rulers who hoped to develop their states and to receive a royalty from tin production (Blythe, 1953: 2). The relative peace and stability that prevailed under British administration between 1874 and 1941 and its “laissez faire” policy stimulated the inflow of Chinese capital looking for fresh investment opportunities and gave rise to a “golden age” in tin mining (Tai, 2013: 74-75). The Straits merchants advanced the capital and controlled the supply of Chinese labour in tin mining. Capital was made available through a functional and cohesive network of trust between Chinese financiers and tin miners (Yip, 1969: 89-94).

Initial favourable factors and increased awareness of world price of tin, mining leases, opium, currency and secret society allowed the Chinese to dominate the early phase of development of the Malayan tin industry (Wong, 1965). By the early 1910s, the European tin sector with the assistance of technical innovations, especially the introduction of dredging, began to blunt the competitive edge of the small-capital, labour-intensive Chinese mines. Additionally, various regulations enacted by the colonial government tended to benefit European miners at the expense of the Chinese (Jomo, 1986: 171-173; Tan, 1982: 267; Wong, 1965). The Chinese owned an estimated 64 per cent of tin mines in the1920s. By 1930, superior capital resources and technology had enabled the European sector to overtake the Chinese as the chief tin producers of Malaya (Callis, 1942: 57-58). The Chinese presence was further eroded by the discriminatory policies introduced by the international tin restriction schemes between 1931 and 1940 (Tai, 2013: 106-108). In 1947, tin output from Chinese-owned mines fell to 32.3 per cent of total tin production in Malaya (Loh, 1988: 67). Nonetheless, the Chinese tin miners were sufficiently resilient in adapting to the changing circumstances and managed to regain some lost ground. In 1954, Chinese mines accounted for 40 per cent of Malaya's tin output (Puthucheary, 1979: 84). Although competition with the British was intense, Chinese miners continued to have access to capital supply through institutional transformation of their enterprises into public limited companies (Tai, 2013: 125). Chinese miners also had some control of the sources of supply, marketing outlets, and labour to play an important complementary role of the middleman. This role continued until independence after which Chinese enterprise contributed to the recovery of the Malayan economy in the forms of small businesses and became self-employed producers, traders, subcontractors and shopkeepers in urban areas (Tan, 1982).

Rubber Planting Industry

Late nineteenth century British colonial policies in different parts of the west coast of Malaya had encouraged the commercial cultivation of gambier, pepper, sugar cane and tapioca by the Chinese. The Chinese proved to be efficient investors in agricultural production thanks largely to their prior experience in commercial agriculture, knowledge of the world market for agricultural commodities, their relationship with local aristocrats, and their efficient system of financing and supplying labour (Tan, 1982: 267).

The Chinese adopted rubber production from the 1910s when the new crop proved to be a lucrative form of investment. Many of the earliest Chinese rubber planters had accumulated capital in tin mining and other economic pursuits including coffee or sugar planting. A few owned substantial tracts of land for coffee or other cash crops that were granted by a colonial administration anxious to attract capital and labour. Some Chinese rubber planters learned to plant short-term catch crops to reduce the planting cost by three times per acre (Tai, 2013: 130-131).

In 1911, Chinese contributed 25.5 per cent of the total 228,075 estate labour force in Malaya. The first census of rubber planting in 1921 revealed that besides holding a substantial share of the smallholdings, Chinese also owned about a fifth to a quarter of Malayan estates in area (Drabble, 2000: 57, 60). Many estates were left unattended during and just after World War II. However, the high prices of rubber during the Korean War revived the fortune of the rubber industry and many invested actively in rubber cultivation (Tan, 1982: 149). In 1956, Chinese-owned rubber enterprises contributed 45.8 per cent or US$551.2 million to the total rubber gross export earnings of US$1,204 million (Fong, 1989: 26).

The rapid growth of the rubber industry had substantially boosted Chinese capital accumulation and income in Malaya. The larger plantation groups were also engaged in rubber remilling and manufacturing of rubber-based simple consumer items. However, it was Chinese participation in trading and retail and to a certain extent in banking that created the agglomeration of economic opportunities and motivation for the development of Chinese entrepreneurship.

Trading and Retail

The British's free trade policy for the Straits Settlements contributed to the rapid growth of Chinese business in the colony. Imported goods from various countries were re-exported without tariff and barriers. This trade led to the emergence of extensive business networks of the Chinese to generate wealth and influence (Tai, 2013: 53). As British interests were focused on gaining control of the lucrative East-West trade rather than the regional or local trade in the latter half of the nineteenth century, Chinese businessmen in the Straits seized the business opportunities in the domestic market (Jomo, 1986: 151).

The Chinese also served as the go-between for European importers and the rural and urban consumers and expedited the distribution of essential goods through a vast network of retailers in the small towns and villages. In 1954, of the 85,120 registered small enterprises in Malaya, 63,634 or 75 per cent were Chinese-owned, mostly as retail shops; this situation remained unchanged in 1957, when the shares of the Malays and Indians were 15.5 per cent and 10.2 per cent respectively (Ling, 1989: 59; Fong, 1989: 48).

Secondary Industries

The scale and types of Chinese enterprises were very much determined by the policy of the colonial government. British capital saw limited prospects in manufacturing in the Malay States. It was the Straits Chinese, despite their limited capital, who were able to acquire the know-how and experience to diversify their economic stakes to engage in production (Jomo, 1986: 150).

The colonial economy was dominated by British capital which spearheaded the exploitation of natural resources and preservation of the domestic market for British exports. The British did not promote manufacturing and neither fostered nor protected local industries (Tai, 2013: 175-177). Nonetheless, the provision of law and order and the *laissez-faire* economic system created economic opportunities for increased trade and immigration. The development of Chinese secondary industries was haphazard. In the 1930s, with the accumulation of capital from commerce and tin mining industry (include tin smelting), the Chinese started simple processing and fabrication in rubber, rubber goods manufacturing, the production of simple consumer items especially foodstuffs (bread, biscuits, sweets, and beverages), building materials (bricks, tiles and cement products), metal goods (iron pans and pipes), the pineapple canning industry, printing industry, sawmilling, rice and oil milling, food manufacturing, shipbuilding, craft-based industries, Chinese medicines, and building and construction materials (Huff, 1994: 212-214; Khoo, 1988: 216; Puthucheary, 1979: 129; Tai, 2013: 179-227; Wu, 2003: 125-132, 146-150).

Despite the lack of favourable policies for the development of secondary industries in Malaya, Chinese entrepreneurs, through their capital and business networks, were able to seize market opportunities to established small and medium enterprises which eventually formed the backbone of the industrialization in colonial Malaya.

Banking

Early local banks in Malaya were established to meet the needs of small Chinese traders in rubber, tin production and trade in general. Under the laissez-faire economic system, eight out of ten early local banks incorporated in Malaya were Chinese-owned banks and generally clan-based (see Table 1). All these banks were traditional in their style of management and conservative in operation, being concerned with meeting the needs of local business groups rather than getting involved in international trading, particularly with the West (Tan, 1982).

The earliest bank incorporated in Malaya was Kwong Yik (Selangor) Bank (1913) founded by prominent Cantonese businessmen to help mainly the Cantonese community (Tan, 1961: 455). In 1920, Batu Pahat Bank Ltd was established in Batu Pahat, Johor by the Hokkien. In 1935, Ban Hin Lee Bank Ltd (BHL) was established by Yeap Chor Ee, a prominent Hokkien in Penang (Tan, 1953) to serve the local business community. The Bank of Malaya that emerged out of mining activities in Ipoh closed down in 1930 due to capital inefficiency and the collapse of tin prices brought by the Great Depression (Tan, 1961; Yen, 2008). Banking was one of the manifestations of Chinese dialect identity and competition in economic life. The solitary Indian-owned bank, Oriental Bank of Malaya, was established in 1936. Its main function was limited to handling remittances from the members of the Ceylonese community in Malaya. A Malay-owned bank, Malay National Banking Corporation, was established in 1947 but closed down in 1952 for lack of banking experience and capital (Lim, 1967).

A few Chinese banks were established in Sarawak, the earliest being Bian Chiang Bank established in Kuching by a Hokkien prominent businessman, Wee Kheng Chiang in 1924. Its early dealings were mainly related to business financing and the issuance of bills of exchange to the Chinese business community in Sarawak. Kwong Lee Bank Ltd incorporated in 1934, began as Kwong Lee Mortgage and Remittance Company, a Cantonese-owned financial service company set up in 1905 in Kuching to grant loans against the security of export commodities such as pepper, rubber and other indigenous products. It also handled the remittance of money of local Chinese to their families in China. Wah Tat Bank was established in 1955 owned by two most prominent Hokkien families. Several Foochow entrepreneurs and a group small investors established Hock Hua Bank to serve the interest of the Foochow people by providing loans to Foochow farmers and traders whom the Kwong Lee Bank and Wah Tat Bank had refused to serve (Ngu, 2012). These largely dialect-based banks were small and accounted for only a third of the total deposits in Malaya and Borneo in 1955; the rest was held by the British-owned Chartered Bank, Hong Kong and Shanghai Bank, and the Mercantile Bank (Supriyah, 1984: 31). These family-owned, Sarawak-based banks are conservative in their management and reluctant to expand beyond the state for fear of dilution of their interests (Chen, 2013). These management styles stagnated their growth and expansion and eventually turned them into targets of acquisitions by their larger rivals.

Table 1. Locally Incorporated Banks in Malaya and Sarawak, 1913-1956

Name of Bank	Place and year of incorporation	Ethnic/Dialect Affiliation
Kwong Yik (Selangor) Bank	Kuala Lumpur, 1913	Chinese-Cantonese
Bank of Malaya [1]	Ipoh, 1920	Chinese-Cantonese
Batu Pahat Bank	Batu Pahat, 1920	Chinese-Hokkien
Kwong Lee Bank [2]	Kuching, Sarawak, 1934 (1905)	Chinese-Cantonese
Bian Chiang Bank [3]	Kuching, Sarawak, 1956 (1924)	Chinese-Hokkien
Ban Hin Lee Bank	Penang, 1935	Chinese-Hokkien
Oriental Bank of Malaya	Kuala Lumpur, 1936	Indian
Malay National Banking Corporation Ltd [4]	Kuala Lumpur, 1947	Malay
Hock Hua Bank	Sibu, Sarawak, 1951	Chinese-Foochow
Wah Tat Bank	Sibu, Sarawak, 1955	Chinese-Hokkien

Source: Compiled from Tan (1953), Lim (1967), Lee (1990) and Cheah (2011)

[1] Bank of Malaya operated from 1920-1930.

[2] Started as Kwong Lee Mortgage and Remittance Company in 1905.

[3] On 24 December 1956 Bian Chiang Bank was incorporated under the name of Bian Chiang Bank Ltd.

[4] Malay National Bank operated from 1947-1952.

Chinese Business after Independence to 1970

The early independence period was marked by a reliance on laissez-faire policy in development aimed at encouraging foreign direct investment (FDI). Import substitution industrialization (ISI) was a strategy to create domestic business opportunities in the early 1960s. In late 1960s the government backed up the plan of export-oriented industrialization (EOI) with incentives to promote employment and investment. As a result of these policies, subsidiaries of multinational companies in Malaysia created employment opportunities for skilled workers as well as openings for knowledge transfer in modern manufacturing enterprises such as electronics, thus creating a transitional stage for the emergence and proliferation of future Chinese entrepreneurs, and "providing a means for the accumulation of financial and human capital" (Lim, 1983: 248). During the 1957-1970 period, the economy grew substantially with an average annual growth rate of 5.8 per cent. During this period, the Malays had limited participation in all sectors of the economy. Conversely, Chinese capital flourished which had far-reaching impacts for the new establishment of several Chinese-owned banks, the expansion of Chinese manufacturing, the proliferation of small and medium-scale enterprises (SMEs), which were mostly owned and operated by the Chinese in addition to the healthy development of Chinese planting enterprises. This section examines Chinese participation in the context of the post-immediate independence economy and before the implementation of the NEP.

Planting Enterprises

In the immediate post-independence period, the plantation sector underwent a major change in ethnic ownership. From the late 1950s to the early 1970s, approximately 146,000 hectares of foreign-owned rubber estates liquidated their interests and withdrew from the country. Nevertheless, several enterprising syndicates seized the opportunity to acquire foreign-owned estates for subdivision and resale to smallholders and made a fortune from such transactions (Loy, 1997). Chinese capitalists with accumulated capital from the tin mining industry such as Lee Loy Seng (who founded Kuala Lumpur Kepong Berhad, a large-scale plantation company listed on the Kuala Lumpur Stock Exchange-KLSE) acquired 25,000 hectares of rubber plantations and 22,000 hectares of oil palm estates from British-owned companies. It was also during this period that Bumiputera interests represented mainly by state-owned companies were taking over Western and Chinese enterprises in the plantation sector (Drabble, 2000: 216-217).

Expansion of Manufacturing

Chinese manufacturing enterprises had moved beyond the cottage industries of the colonial Malaya era into manufacturing activities, primarily in food, plastic, rubber and wood-based industries (Tan, 1982: 169). Most of the Chinese entrepreneurs lacked capital and technical and managerial skills to undertake large-scale operations. Moreover, inadequate government incentives and support prevented local companies from expanding their production or reducing their reliance on foreign technology (Khor, 1983: 25). Despite the creation of business opportunities, the government's initial ISI policy in the early 1960s provided little incentive to the local companies.

Malaysia's industrialization drive began to receive good response from local Chinese and foreign investors from the late 1960s when the government boosted up the plan of EOI with incentives to promote employment and investment. But from the mid-1970s, they would invest strongly in the electronics industry which eventually becomes one of the leading manufacturing industries in Malaysia (Tan, 1982: 170-171). This period marked the beginning of foreign-local partnership (mainly with Japanese investors) in a range of industries such as iron and steel, shipbuilding, car assembly, electronics and textiles. Few Chinese entrepreneurs committed themselves to manufacturing, except for some leading families such as the Robert Kuok and Loy Hean Heong families which launched their manufacturing enterprises after having acquired entrepreneurial expertise and capital in rubber, sugar, rice, tin, and trading. This period also marked the beginning of state-private capital joint ventures. In 1959, Robert Kuok partnered with a government agency and Japan's Nissan Sugar Manufacturing to establish Malayan Sugar which became Malaysia's first and largest sugar refinery that met 80 per cent of the country's domestic need (Ling, 1989: 63). Kuok subsequently diversified into manufacturing by setting up Federal Flour Mills (FFM) in Penang, Johor Flour Mills, and Perlis Plantations with the Perlis state government (Gomez, 1999).

There were several other Chinese capitalists who participated in the manufacturing sector but on a smaller scale compared with that of the Kuok family. Loy Hean Heong took over a fledging carbide company that made adhesive tapes, rubber bands, and aluminium foil lamination (Jesudason, 1989: 62). Chang Ming Thean through his flagship company, United Malayan Banking Corporation, controlled a number of simple manufacturing activities ranging from food, lumbering, to plywood manufacture that required only simple technologies. The Singapore-based Hong Leong Group, starting from the hardware trade and moving into manufacturing, had a strong presence in the manufacture of construction raw materials such as steel pipes and tiles (Yoshihara, 1988: 201; Tan, 1982: 174). William Cheng, who controlled the Lion Group, invested in the steel industry in the 1960s. Cheng incorporated Lion Metal Manufacturing Sdn. Bhd. in 1968 to manufacture steel slotted angles, panels and shelves (Gomez, 1999: 93). Loh Boon Siew of Kah Motor was prominent in the assembly of motorcycles and motor vehicles. Loh acquired the sole distributorship for Honda motorbikes in 1957 and subsequently set up the first-ever Malaysian motorcycle manufacturing company in 1968, well before the country started its push into industrial development. Kah Motor was also the distributor for Honda, Mercedes Benz and Peugeot models (Flower and Lim, 2006: 72-74), a connection that led Loh to established the Kah Motor Assembly Plant in 1969. The Tan Chong Group assembles and distributes the Nissan models and holds the sole Nissan distributorship until today. The Chua family established Cycle and Carriage in 1899 and acquired motor vehicle agencies. In 1951, Cycle and Carriage was awarded the Mercedes-Benz franchise which and became one of the first Mercedes-Benz businesses in Asia. In 2003, Cycle and Carriage lost its Mercedes-Benz exclusive distributorship in Malaysia (Troii, 1991: 391-392; www.cyclecarriage.com.my).

Many small Chinese family businesses were engaged in a wide range of activities such as fire clay bricks, roofing tiles, steel tubes, joss sticks and paper, fabricating plastic products, clothing, wood products, and paper and printing. It was these activities too that helped Chinese enterprises to shift gradually from their traditional involvement in primary production to the manufacturing sector (Jesudason, 1989: 62).

Construction and Property Development

The Chinese had accumulated capital from tin mining industry and trading and developed a modernized employment structure, know-how and access to a skilled labour force (Snodgrass, 1980: 88, 92). Their experience in building and construction may be traced back to the mid-nineteenth century (Lim, 2002: 55-75). These advantages had allowed them to take benefit from the boom in construction and property market with its high return prior to the advent of the NEP. In the absence of a Malay business class, Chinese contractors and developers played a major role in meeting the rising demand for modern housing, shopping complexes, and other amenities by the professional and bureaucratic middle class in the large urban areas.

Several major property developers played a key role in the development of townships and housing estates. The planning of Petaling Jaya as a satellite town of Kuala Lumpur from the 1950s created opportunities for the Teo family of See Hoi Chan Group and Lee Yan Lian to develop new housing schemes of Paramount Garden, Bandar Utama and SEA Park. Ipoh Garden Berhad (now IGB Corporation) controlled by Tan Chin Nam built several major housing estates such as Petaling Garden in 1959 and Ipoh Garden in 1964 (Jesudason, 1989: 63; Tan, 2006). In the 1960s and 1970s Chinese contractors also took up extensive government projects in land development, public buildings and schools, irrigation works, and general infrastructure. Lim Goh Tong through his company, Kien Huat, was involved in putting up a number of projects in public infrastructures and buildings with a level of skills and efficiency that overshadowed the performance of Western consultants (see Lim, 2004).

Banking and Finance

In the 1960s Chinese businessmen who had made their fortunes in the rubber and tin mining industries began to diversify their business into the financial sector for security as well as to embark on industrial and property developments (Tan, 1982: 159). The 1960s too saw a proliferation of family or Chinese-owned banks and the emergence of two state-owned banks (Table 2). A possible reason for the establishment of Chinese-own banks was that the Ministry of Finance was headed by a Chinese cabinet minister. Chinese banks incorporated during this period were the United Malayan Banking Corporation (1959), Malayan Banking (1960), Hock Hua Bank (1961) in Sabah, Southern Bank (1962), Development and Commercial Banking (1965), Kong Ming Bank (1965) and Public Bank (1966) (Hara, 1991; Tan, 1982). There were also Chinese-controlled finance companies such as Central Malaysian Finance established in 1969 and Malaysia Borneo Finance which was acquired by a Chinese family and renamed MBF Bhd. (Loy, 1997: 164-171).

Table 2. Locally Incorporated Commercial Banks, 1959-1966

Name of Bank	Year of Incorporation	Ownership
United Malayan Banking Corporation	1959	Chinese
Malayan Banking	1960	Chinese
Hock Hua Bank	1961	Chinese
Southern Bank	1962	Chinese
Pacific Bank (Formerly Batu Pahat Bank, 1919)	1963	Chinese
Perwira Habib Bank Malaysia	1964	State-owned
Bank Bumiputera	1965	State-owned
Development and Commercial Banking	1965	Chinese
Kong Ming Bank	1965	Chinese
Public Bank	1966	Chinese

Source: Adapted from Hara, 1991: 354, 356

The Era of Affirmative Action Policy and the Restructuring of Society

One of the primary aims of the NEP was to restructure society by improving the equity distribution of capital ownership and participation in the economy. Its ultimate goal was to facilitate "the emergence of a full-fledged Malay entrepreneurial community within one generation", and to achieve a 30 per cent Bumiputera ownership of the corporate sector by 1990.

This affirmative action policy was to be achieved by means of an ethnic quota system. That heavily favoured the Bumiputeras in the awarding of government contracts, tender, loans, credit and other incentives. The policy would maintain the ratio of corporate capital ownership of non-Bumiputera at 40 per cent and that of foreign corporate capital at 30 per cent, compared with 63.4 per cent in 1970. The state acted aggressively to acquire foreign-owned companies and transfer them into state and Bumiputera ownership. This "nationalization of equity ownership" started in the plantation and mining sectors where the technology was relatively less advanced. By the mid-1970s, new controls and regulations had been introduced to shift state action from the macro-level to the micro-level sectors of individual firms. One of the regulations which aroused much controversy was the Industrial Coordination Act (ICA) of 1975. The ICA imposed a licensing system on manufacturing firms to impose conditions to serve "national interest" (Jesudason, 1989: 131) which posed many challenges to Chinese entrepreneurship and restrained the expansion of Chinese business activities, especially the family-owned SMEs.

Under the ICA, well-connected Bumiputera were given privileged access to the manufacturing and other "traditional sectors" in Chinese business such as construction, trade, and transportation. In the late 1980s when the Malaysian economy went into a recession that badly affected state-own enterprises, an economic liberalization policy was adopted. This led to the privatization and Malaysia Incorporation policy under which various state assets were transferred to Bumiputera individuals and interests (Gomez and Jomo, 1999; Searle, 1999). During the NEP period, all state-led modernization and economic development projects began to produce a new Bumiputera entrepreneurial and middle class (Abdul Rahman, 2002; Searle, 1999). As Bumiputera interests, mostly linked to "rentier activities", occupied an increasingly important role in the economy, Chinese businesses of all sizes were challenged and driven to reposition themselves in response to the NEP and the changing economic climate. The NEP officially ended in 1990 and was replaced by the National Development Plan (NDP, 1991-2000) and followed by the National Vision Policy (NVP, 2001-2010) which continued to implement the affirmative action policy of the NEP. There is no stated deadline to the affirmative action policy as the present New Economic Model continues to embrace the NEP spirit (see Chin, 2012: 23-27).

Nonetheless, despite the many policy constraints experienced by Chinese business under the NEP era, Chinese ownership of share capital in public listed companies remains fairly substantial and significant up to 1990, almost doubling from 27.2 per cent in 1970 to 45.5 per cent. This increase of corporate wealth during the twenty-year period was achieved largely at the expense of declining foreign ownership which declined rather sharply from 63.4 to 25.4 per cent, and the development of the private sector following the adoption of strategies to accommodate new state policies. During the same period, Bumiputera capital ownership of public listed companies jumped almost tenfold from 2.4 to 19.3 per cent. Expansion of Bumiputera capital ownership was due to public sector asset accumulation on behalf of the Malays, improved access to business opportunities to Bumiputera, and the preferential policies in favour of Bumiputera business (Jomo, 1994: 2). Government trust agencies played a significant role in holding shares for Bumiputera interests during this period by increasing capital ownership from 0.8 to 5.1 per cent (Table 3). In the mid-1980s, it was estimated that total equity stock held by Bumiputera enterprises grew by 32 per cent per annum and exceeded that held by trust agencies. This growth was made possible largely by the contributions of private Bumiputera enterprises as well as the National Trust Scheme (ASN) of the National Equity Corporation (PNB) (Malaysia, 1986: 106).

The relative absence of Malay share capital ownership in almost all economic sectors in 1970 painted a stark picture of the distribution of wealth of Malaysia then. It was this dismal picture that motivated official attempts to "restructure" society through institutional mechanisms provided under a radical ethnic-based reengineering exercise via the NEP. The mandate of this affirmative action was to elevate the economic status of the Malays and to close the gap of economic disparity among the ethnic groups. The Chinese fared better as their presence in several economic sectors was considerable, especially in construction and in transportation and communications. These were, however, minor sectors with total share capital at par value of RM58 and RM82 million respectively. Their presence in commerce, banking

Table 3. Ownership of Share Capital (at Par Value) of Limited Companies by Ethnic Group, Malaysia, 1970-2008 (RM million)

Ownership Group	1970		1980		1990		2004		2008	
	RM	%	RM	%	RM	%	RM	%	RM	%
Bumiputera	122.0	2.4	4,050.5	12.5	20,877.5	19.3	100,037.2	18.9	127,407.6	21.9
Individual and Institutions	81.3	1.6	1,880.1	5.8	15,322.0	14.2	-	-	-	-
Individual	-	-	-	-	-	-	79,449.9	15.0	109,982.6	18.9
Institution	-	-	-	-	-	-	11,890.7	2.2	10,811.0	1.9
Trust Agencies	40.7	0.8	2,170.4	6.7	5,555.5	5.1	8,696.6	1.7	6,614.1	1.1
Non-Bumiputera	1,438.9	28.3	14,442.9	44.6	50,754.0	46.8	214,972.8	40.6	213,355.5	36.7
Chinese	1,382.9	27.2	w.i.	w.i.	49,296.5	45.5	206,682.9	39.0	203,092.1	34.9
Indians	55.9	1.1	w.i.	w.i.	1,068.0	1.0	6,392.6	1.2	9,564.6	1.6
Others	0.0	0.0	w.i.	w.i.	389.5	0.3	1,897.3	0.4	698.8	0.1
Foreigners	3,218.4	63.4	13,927.0	42.9	27,525.5	25.4	172,279.6	32.5	220,530.8	37.9
Nominee	305.1	6.0	w.i.	w.i.	9,220.4	8.5	42,479.1	8.0	20,547.2	3.5
Total	5,084.4	100.0	2,420.4	100.0	108,377.4	100.0	529,768.7	100.0	581,841.2	100.0

Source: Malaysia 1976: 99; 1984: 112; 1986: 125; 1993: 67; 1996: 86; 2010: 403

and insurance was fairly commendable, accounting for a quarter to less than a third of the total share capital value in each sector. However, in the large agriculture, forestry and fisheries or manufacturing sectors, their presence was much more subdue (Table 4).

During the first two decades of operation of NEP, Chinese business managed to expand in traditionally dominant sectors such as wholesale and retail. Chinese owned 78.5 per cent of the wholesale establishments in 1971 but rose to 85.2 per cent in 1990 before falling to 81.1 per cent in 1995. However, Chinese retail establishments slipped from 74.6 per cent to 55 per cent during the period 1971 to 1995. Bumiputera interests recorded remarkable progress in both sectors, with ownership of wholesale establishments increasing from 2.5 per cent to 11.1 per cent and with that of retail establishments from 13.0 per cent to 37.1 per cent in 1995 (Malaysia, 1986: 114; 1996: 515). In other sectors, Chinese equity ownership of the construction sector was estimated at 50 per cent in 1991, about 40 per cent of the manufacturing sector, and almost 70 per cent of small scale enterprises (*Malaysian Business*, 16 January 1991).

During the *Ninth Malaysia Plan (2006-2010)*, the wholesale and retail sectors underwent a structural change with the emergence of large-scale retailers such as hypermarkets and other modern retailers including convenience stores. During the *Tenth Malaysia Plan (2011-2015)*, initiatives were taken to modernize this sector. Initiatives were taken to liberalize the retail and wholesale sectors through fostering investment; encouraging consolidation among local retailers to improve efficiency and economies of scale; embracing modern retail formats such as hypermarkets, supermarkets, convenience stores, specialty stores; and promoting franchise, direct sales and e-commerce (Malaysia, 2010: 150). In 2012, 18 services subsectors were liberalized to allow up to 100 per cent foreign equity within the wholesale and retail trade,

Table 4. Share Capital Ownership (at Par Value) of Listed Companies by Ethnic Groups and Sectors, Peninsular Malaysia, 1970 and Malaysia, 2004

Sectors	Ethnic Group										Total*	
	Malay (%)		Chinese (%)		Indian (%)		Foreigners (%)		Nominee Companies		RM Million	RM Million
	1970	2004	1970	2004	1970	2004	1970	2004	1970	2004	1970	2004
Agriculture, forestry and fisheries	0.9	16.4	22.4	52.9	0.1	0.8	75.3	23.0	-	6.6	1,432	-
Mining and quarrying	0.7	12.3	1.8	39.5	0.4	0.2	72.4	22.5	-	25.4	544	-
Manufacturing	2.5	8.1	22.0	24.5	0.7	0.6	59.6	64.7	-	1.9	1,348	-
Construction	2.2	35.2	52.8	42.6	0.8	1.1	24.1	14.9	-	5.9	58	-
Transportation and communications	2.5	26.7	43.4	27.7	2.3	2.5	12.0	31.3	-	11.4	82	-
Commerce (Retail and Wholesale)	2.2	20.4	30.4	50.7	0.7	2.0	63.5	25.6	-	0.7	605	-
Banking and insurance	3.3	12.5	24.3	10.2	0.6	0.3	52.2	59.5	-	17.5	637	-
Services	-	18.7	-	39.5	-	1.1	-	29.5	-	10.9	-	-
Utility	-	6.3	-	8.9	-	0.2	-	67.3	-	17.2	-	-
Others	2.3	24.3	37.8	45.7	2.3	1.2	31.4	23.2	-	3.9	583	-
Total	1.9	18.9	22.5	39.0	1.0	1.2	60.7	32.5	-	8.0	5,289	529,769

Note: * The total included share capital ownership by Federal and State Government and Statutory Bodies.
Source: Malaysia, 1973: 83; 2006: 338 and 357

healthcare, professional services, environmental services, telecommunications, courier, and education subsectors. During the *Tenth Malaysia Plan* period, the government allocated more than RM9 billion to boost Bumiputera entrepreneurship among more than 414,000 businesses (Malaysia, 2015: 74).

Changes in Chinese corporate ownership between 1970 and 2004 varied according to sectors. Significant gains were recorded in mining and quarrying, with an increase from 1.8 per cent to 39.5 per cent (Table 4). The Chinese performance in the agriculture, forestry and fisheries sector was also commendable, with ownership surging from 22.4 per cent to 52.9 per cent; so also in commerce (wholesale and retail) with ownership rising from 30.4 per cent to 50.7 per cent. The Chinese business presence in the manufacturing sector remained stable (1970: 22.0% and 2004: 24.5%) but declined by 10 per cent in the construction sector (1970: 52.8% and 2004: 42.6%). In contrast, Bumiputera ownership expanded in every sector from 1970 to 2004, particularly in the construction and agriculture, forestry and fisheries sectors, in which their ownership increased by 16 times. Their ownership stake in the transportation and communication sector, and in commerce increased by tenfold. Bumiputera also owned a significant share capital in the banking and insurance sector, which has always been dominating by foreign capital (1970: 52.2% and 2004: 59.5%). Foreign capital has always been leading in the manufacturing sector (1970: 59.6% and 2004: 64.7%) but lost ground in construction, commerce, mining and quarrying; and agriculture, forestry and fisheries.

The pressure of affirmative action on the Chinese business was most severe in banking and finance. In December 1969, the Central Bank took over the Chinese-owned Malayan Banking Bhd. when it was put under government protection when it faced the possibility of collapse arising from management problems (Ranjit, 1987). By 1982, the Bumiputera takeover of Chinese-owned banks had soared to 77 per cent for the entire banking sector in the country (Hara, 1991: 353). As of June 1985, Bumiputera interests, including trust agencies, collectively owned 69.0 per cent of overall equity shares of domestic banking and finance companies (Malaysia, 1986: 110). By 2004, Chinese presence in the banking and insurance sector had been clipped to a mere 10.2 per cent in 2004 from 24.3 per cent in 1970. In contrast, the correspondent Bumiputera shares were 3.3 and 12.5 per cent respectively (Table 4).

The NEP had caused a sea change in the corporate landscape of Malaysia, characterized by an overall decline of Chinese presence in many sectors of the economy under the pressure of Bumiputera advances on most fronts. Chinese ownership of corporate wealth was on a steady decline from 45.5 per cent in 1990 to 40.6 per cent in 2004 and estimated at 34.9 per cent in 2008. On the other hand, by 2008, Bumiputera capital ownership, despite growing by only 2.6 per cent after 1990 partly because of the adverse impact of the 1997/98 Asian financial crises, was raised to 21.9 per cent. However, doubts have been raised on how this figure was calculated. Firstly, the data may not show the complete picture of the actual pattern of ownership. For example, shares officially held by nominee companies have been attributed to non-Bumiputera Malaysians though Bumiputera politicians are known to rely on nominee companies to accumulate the ownership of shares (Gomez, 1994: 23). Second, a report by an independent think-tank submitted to the government in 2006 as an input for the *Ninth Malaysia Plan (2006-2010)*, arrived at a Bumiputera equity share of 45 per cent (CPPS, 2006). In a broader context, the decline of Chinese and Bumiputera capital were in line with the liberalization and deregulation of the Malaysian economy following the 1997/98 Asian financial crisis to attract more foreign investments. This is evident from the increase of foreign ownership from 25.4 per cent in 1990 to 32.5 per cent in 2004 and 37.9 per cent in 2008.

Development of Malaysian Chinese Enterprises in the Corporate Sector

Chinese entrepreneurs responded to the affirmative action policy by varying the scale of business operations or shifting overseas. Established large Chinese enterprises that ventured abroad in the advent of the NEP had proven successful and continue to break new ground. This section examines the pre-NEP class of Chinese entrepreneurs and their businesses that were established during the 1960s and their developments to the present; a new class of Chinese business groups that work with well-connected Bumiputera business partners to accommodate policy changes, and another group that has yet to forge any political alliance. One of the lasting effects of the new breed with political alliance was the weakening of the old intra-ethnic and family-based Chinese businesses and the formation of inter-ethnic ones involving Bumiputera partners in the context of the emergence of a Bumiputera entrepreneurial class or Bumiputera Economic Community (BEC).

The Pre-NEP Class of Entreprenuers

Kuok served the young Malaysian Government in the 1960s in setting up Bank Bumiputera, Malayawata (steel mill) and Malaysian International Shipping Corporation. Kuok was very connected to the Malaysian Government (Kuok and Tanzer, 2018: Chapter 13). In the NEP era, the Kuok Group maintained two flagship companies in Malaysia, Perlis Plantations (PPB) and Federal Flour Mills, but expanded the Shangri-La Hotel chain abroad, mostly in China. In 2005, the Group owned 51 Shangri-La hotels worldwide of which 21 were in China (Chin, 2007a: 12). It has developed into a huge conglomerate which includes bottling franchise from Coca-Cola for northern and interior China and controls more than 40 per cent of China's cooking oil market share via its Singapore-listed plantation giant, Wilmar International Ltd (*The Edge Malaysia*, 9 November 2009).

Robert Kuok is listed as the richest man in Malaysia though most of his businesses are outside Malaysia. Kuok retired in 1999 but the sudden death of his former chief aide and the damage brought by the dreadful Severe Acute Respiratory Syndrome (SARS) that hit Hong Kong in February 2003 persuaded Kuok to come out of retirement (Kuok and Tanzer, 2018: Chapter 23). As the Malaysian state continues its expansion in business through powerful government-linked companies and state sovereign fund to shore up Malay interests in the economy, the richest Malaysian businessman and the acknowledged pioneer and "Sugar King" of the country, had to relinquish his control of Malayan Sugar Manufacturing Co. Sdn. Bhd. (MSM) to state and Malay elite interests in 2009.

Six months after selling its local sugar operations to Felda, the Kuok Group, via Singapore-based Wilmar International Ltd., acquired the sugar business and renewable energy unit of the Sydney-based CSR Ltd. and also Sucrogen Ltd. for A$1.75 billion (RM4.73 billion, exchange rate at acquisition date). This gave Wilmar control over half of Australia's raw sugar output from where Malaysia sources its import. Sucrogen is the largest raw sugar producer in Australia and, through Queensland Sugar Ltd. (QSL), the second largest exporter of raw sugar in the world. Wilmar is well on its way to becoming a dominant global sugar player after this acquisition (*The Star*, 6 July 2010). The Kuok Group is still welding considerable influence in the regional sugar trade, but only through efforts to consolidate its global presence (see Chin, 2015: 15-16). Kuok attributes success in life to the strength of culture which he emphasises the essence of Confusianism (Kuok and Tanzer, 2018: Chapter 22).

The Genting Group has grown from a single company in gaming and leisure to several enterprises ranging over a diversity of businesses. Its earliest venture was into plantations (Asia Development Sdn. Bhd.) in 1980. Since then, it has a significant presence in paper milling (Genting Sanyen Industrial Paper Sdn. Bhd.) in 1990, power supply (Genting Sanyen Power Sdn.Bhd.) in 1996, newsprint (Genting Sanyen Newsprint Sdn. Bhd.) in 1997 and the tour cruise industry (Singapore Star Cruise Pte Ltd) in 1993 (Gomez 1999: 52-56). The Genting Group now comprises the holding company Genting Berhad and its listed subsidiaries Genting Malaysia Berhad, Genting Plantations Berhad and Genting Singapore PLC, as well as its wholly owned subsidiary Genting Energy Limited. The Group is involved in leisure and hospitality, oil palm plantations, power generation, oil and gas, property development, life sciences and biotechnology activities, with operations spanning the globe from Malaysia to Singapore, Indonesia, India, China, Australia, United Kingdom, the United States of America, and the Bahamas (www.genting.com). Its cruise company is now the world's third largest cruise operator.

Lim Kok Thay, the founder's son who succeeded the patriarch, has transformed the Group from a Malaysia-based casino into an international gaming group. Genting Berhad's subsidiary, Genting International Ltd (GIL), has taken over Stanley Leisure Ltd. for £640 million (RM4.3 billion). With this acquisition in 2007, Genting became the biggest casino operator in Britain with 46 casinos. The competitiveness of the Genting Group is demonstrated by GIL's success in securing Singapore's Sentosa Integrated Resorts (IR) project in late 2006 (*The Edge*, 27 December 2009). Genting also ventured into biopharmaceutical business with a 20.7 per cent stake in TauRx Pharmaceuticals Ltd. (*The Edge Malaysia*, 11 July 2016). Under the current NEM, the GLCs and sovereign wealth fund are aggressively playing a bigger role in the economy. State-owned large strategic development companies such as 1Malaysia Development Bhd. (1MDB) have access considerable financial resources and invested with political clout. Their power of acquisition has not spared Malaysia's third richest man, Lim Kok Thay. 1MDB acquired Genting Berhad's domestic energy operation, Genting Sanyen for RM2.3 billion. This is a first-generation independent power producer with a production capacity of 720MW from its combined-cycle gas turbine plant (*The Edge Malaysia*, 14 August 2012).

The KL-Kepong Group (KLK) has its origin as a plantation company more than 100 years ago and retains oil palm and rubber plantations as its core business. Its holding of 70,000 hectares of rubber and palm oil in 1989 has increased fourfold to about 270,000 hectares in 2017 and spreading across Malaysia, Indonesia and Liberia. Now helmed by the son of the late Lee Loy Seng as CEO of KLK and Chairman of Batu Kawan Berhad, the Group is now a multinational company involved in plantation, manufacturing, retailing and property development. While plantation remains KLK's core business, the Group has expanded downstream into resource-based manufacturing, in particular oleochemicals, cocoa processing and rubber processing. The Group is also involved in the manufacture and retail of personal care products, toiletries, home fragrances and fine foods. It is in partnership with China and Europe interests to expand its oleochemical division (www.klk.com.my).

Oriental Holdings Berhad (OHB) which was prominent in the assembly of motor vehicles in the 1960s has expanded into other sectors such as include hotels and resorts both locally and overseas, plastic products (such as plastic injection moulding for automobiles and motorcycles, electrical and electronic products), plantations, investment and financial services, properties and trading of building material products and healthcare (http://ohb.com.my). For the past 15 years, OHB has been involved in the production of food and feed additive products through Oriental Biotech (Wuxi) Co. Ltd. in Jiangsu, China for export to markets including Russia, Europe and South America (http://orientalbiotech.en.made-in-china.com). OHB's businesses are present in the Asia Pacific region in countries such as Malaysia, Singapore, Indonesia, Brunei, Australia, New Zealand, United Kingdom, Mauritius, Thailand, China and Vietnam. Management has also passed on to the next generation, in this case to the son-in-law and daughter of the founder Loh Boon Siew. His legacy continues onto the third generation when his grandson assumed the position of chairman on 1 January 2015 (*Oriental Holding Berhad Annual Report 2016*). OHB had stopped investing in the automotive business since Kah Motor Sdn.Bhd. lost the sole distributorship of the Honda brand in 2001 and became its dealer instead. Healthcare and plantations are two new business ventures for the Group and under a management style that remains conservative to ensure sustainability and stability (*The Star*, 14 January 2017).

In the construction and property sector, Tan Chin Nam's Perak-based housing development company, IGB Corp., that was established in the 1960s expanded operations to other major cities in the peninsula in the 1970s. In the 1980s, IGB moved into the manufacture and supply of building materials. The Group has expanded to the United States, Australia, United Kingdom, Italy, Chile, Argentina, Pakistan, Bangladesh, Hong Kong, China, Singapore, Thailand and Vietnam (Gomez, 1999: 118). IGB had completed several high-profile restoration and development projects in Malaysia, Australia, Singapore, Vietnam, and China. It survived the 1997/98 Asian financial crisis that coincided with its construction a major shopping complex, Mid-Valley City, just outside Kuala Lumpur, from April 1996 to November 1999. The founder attributed IGB's success in completing the mega project during the Asian financial crisis to two main factor, thrift (*jian*/俭) and cash (*jinqian*/金钱). Thrift refers to "frugality as source of abundance" and cash or capital in hand implies that one should not over stretch one's resources. Both cases call for the need to watch cash flow vigilantly and not to borrow short on a long-term project (Tan, 2006: 8-9). Today, the IGB Group comprises six listed entities in the KLSE, namely, IGB Corporation Berhad, Goldis Berhad, Ipmuda Berhad, Kris Asset Holdings Berhad, Wah Seong Corporation Berhad and IGB REIT. In 1994, through Wah Seong Corporation Berhad, the Group ventured into the provision of highly specialized pipe-coating services, and it is a major Asian oil and gas service provider today. Although IGB is controlled by the Tan family it engages foreign expertise for its oil and gas ventures. In year 2000, through Goldis Berhad, the Group ventured into life sciences, healthcare, water/wastewater treatment, information communication technology and organic aquaculture (Tan, 2006: 121).

The pre-NEP class of Chinese entrepreneurs has thus adjusted well to the NEP, and also to the increasingly challenging global market. A number of these companies are now managed by the second and third generations and diversified out of their core business in the 1960s. Nonetheless, only a select group of old Chinese entrepreneurs succeeded in sustaining their businesses while many have slid into decline. Once thriving business groups that were handed down to second or third generation successors who lacked entrepreneurial drive have failed to adjust to NEP-induced changes, resulting in stagnation or eventual collapse (Heng and Sieh, 2000: 143). This group includes some of the oldest family firms associated with the mining and rubber industries founded by Loke Yew, Cheong Yeok Choy, Tun H.S. Lee, Lau Pak Khuan, MBF Holdings (the late Loy Hean Heong) and others.

Entrepreneurs with Political Alliance

Implementation of the NEP coincides with and inspires the emergence of new Chinese business groups that build business empires in "rent-seeking" activities by forging alliances with Bumiputera capitalists and politicians. This new generation of Chinese entrepreneurs comes into prominence in the 1990s by working within the NEP and NDP environments. Prominent among this generation are mega-enterprises such as Public Bank Berhad (Teh Hong Piow), the Hong Leong Group (Quek Leng Chan), YTL Corporation (Yeoh Tiong Lay and son Francis), Sunway (Jefferey Cheah), BGroup (Vincent Tan Chee Yioun), Country Heights Holdings (Lee Kim Yew), Leisure Management, Multipurpose Holdings and Magnum Corporation (Lim Thian Kiat), Lion Corporation (William Cheng), Ekran (Ting Pek Khiing). They are different from their earlier counterparts in the management of relationships with influential Bumiputera at the corporate level. More closely integrated with Bumiputera capital, they work on the basis of being more interdependent upon and complementing the interests of Bumiputera business (Searle, 1999). The appointment of influential Bumiputera into Chinese companies and co-operation at the corporate level are two rational and NEP-compatible choices that offer them a means to clear policy hurdles (Heng, 1992). In short, influential Bumiputera have become the means for Chinese entrepreneurs to achieve their end and to remain competitive and profitable in the new economic setting. These Chinese-controlled enterprises have not only been successful in Malaysia but also expanded abroad. Since these companies have complied with the 30 per cent Bumiputera share equity, it means that "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" (Hara, 1991: 369).

Teh Hong Piow founded Public Bank Berhad (PBB) in 1966 and moved aggressively to open three branches within the first five months (August 1966-January 1967) and had it listed in in April 1967 with a paid-up capital of RM16 million, a record then for a commercial bank (Bowie, 2006: 34-35). Today, PBB is the largest non-governmental linked company, and the second largest (after Malayan Banking) listed company in terms of market capitalization. The PBB Group has two other listed entities on the KLSE, namely Public Bank Berhad and Loanpac Insurance Bhd.

Teh conformed to the affirmative action policy by implementing the NEP staffing requirements. PBB was the first local bank to have a Malay chairman, Tan Sri Nik Ahmed Kamil, an influential member of the United Malay National Organization (UMNO) ruling party.

PBB also fulfilled its social responsibility and its contribution to the socio-economic development of the country (Bowie, 2006: 78; Tan, 1982: 282). In return, PBB was accordingly granted "Approved Status" by the Finance Minister which enabled it to accept government deposits. An important component of its five year plan was to align with the NEP and the official affirmative action. As early as 1980, it attained the prescribed goal of reaching a 31.2 per cent Bumiputera equity stake in compliance with the national agenda. Abiding with the affirmative policy facilitated the award of licences for operating a network of branches and finance outlets. By 1990, the bank had 90 bank and 78 finance company branches. By 1990, the bank has 90 bank branches and 78 finance (Bowie, 2006: 211-215). Teh has managed to retain control of PBB to escape the fate of many other Chinese-owned banks. No new banking licences were issued to the Chinese during the NEP period. Instead there were mergers and acquisitions of these banks primarily by Bumiputera interests.

Despite its origin as a "family" business, PBB is not run as one (Bowie, 2006: 77). Under the leadership of Teh, PBB survived the 1986-1987 recession and the consolidation of the domestic banking system following the 1997-1998 Asian financial crisis. Its management quality of being prudent and conservative had insulated the bank from the Asian financial crisis. Instead, PBB added 17 bank branches and 18 finance company branches during the midst of the crisis in 1997-1998 (Bowie, 2006: 219). The 1997/98 Asian financial crisis led to the banking consolidation in 2000 and 2001. Malaysia's statist-nationalist banking policy has resulted in the increased size of state-owned banks through merge and acquisition, and decreased in ethnic and family-owned small and medium-sized banks (Cook, 2008: 67). Smaller Chinese banks such as Ban Hin Lee Bank, Wah Tat Bank, and Hock Hua Bank were forced to merge with larger banks (Cook, 2008: 93). The result of the consolidation was the formation of ten anchor banks.

Teh's prudent management had helped PBB to cushion the damage from the 2008-2012 global financial crises. The bank not only avoided being forced to merge with larger banks but also fought off a hostile take-over which had brought down smaller Chinese-owned banks. Since the 1990s, PBB has been operating as a regional bank with a strong presence in Hong Kong, Sri Lanka, Cambodia, Vietnam, Myanmar, Laos and China (Shenzhen, Shanghai and Shenyang) (Bowie, 2006: 186, 215). Today, PBB and Hong Leong Bank are the only Chinese-controlled banks left in Malaysia.

The Hong Leong Group led by Quek Leng Chan works closely with UMNO-controlled companies such as United Engineering (M) Bhd, the Felda Group and Renong. The Group rapidly also diversified its business abroad from the late 1980s. It manufactures the OYL brand of air conditioner in China, its semiconductor industry through Malaysian Pacific Industries Bhd has a plant in Suzhou, and manufactures floor and wall tiles through Hong Leong Industries Bhd. The Group ventured into banking industry through the acquisition of Dao Heng Bank in 1987 and merged with Hang Lung Bank in 1989. In 1992, the Group bought another Hong Kong bank, the Overseas Trust Bank (*FEER*, 22 February 1990; *Malaysian Business*, 1

March 1994). In 1993, Quek acquired the entire stake in MUI Bank Berhad. Quek's close link with Anwar Ibrahim, the then Finance Ministry, was reflected in the exemption of the takeover "from complying with Malaysia's banking rules which limit the shareholdings of any individual corporate shareholder of a bank to no more than 20 per cent" (Gomez 1999: 155-156). MUI Bank was renamed Hong Leong Bank Berhad (HLBB) in October 1994. In the 1990s, the Hong Leong Group was the largest manufacturer of construction materials in Malaysia and also the assembler of Yamaha motorcycles and air-conditioners. In 2001, after the ten anchor bank consolidation, Wah Tat Bank's operation became part of HLBB. HLBB further strengthened its position in the banking industry after the Group acquired EON Bank in 2011 (*The Edge Malaysia*, 11 January 2010). The acquisition of EON Bank transforms HLBB into a banking group of more than RM170 billion in assets as of December 2013. The regional expansion of HLBB continues into China, Vietnam and Cambodia. The Group is a major player in the British gaming industry, and holds a stake in the property market of Malaysia, China and Vietnam. In 2016, Quek through his controlled entity, GuocoLand Ltd, took up a 27 per cent stake in Malaysia's reputable developer, Eco World International Berhad's initial public offering to raise more than RM2 billion. This strategic partnership marked a milestone for GuocoLand Ltd to expand into the British and Australia property markets.

YTL Corp. works with influential Bumiputera in compliance with NEP requirements. The founder, Yeoh Tiong Lay, was a personal acquaintance of Malaysia's first Prime Minister, Tunku Abdul Rahman. The close relationship with the Bumiputera continues to this day (Yeoh, 2003). In 1992 YTL rose to prominence when it was awarded the first independent power plant (IPP) license worth RM2.5 billion. Subsequently YTL launched joint ventures with the government and public agencies in different sectors of the economy. Today, YTL is an integrated infrastructure developer with extensive operations in countries including Malaysia, the United Kingdom, Singapore, Indonesia, Australia, Japan and China.

The core businesses of the YTL Group comprise utilities, construction contracting, cement manufacturing, property development and investment, hotel development and management, e-commerce initiatives and internet-based education solutions and services. Through its subsidiary, YTL Power International Berhad (YTLPI), it owns a 33.5 per cent stake in ElectraNet Pty Ltd, which owns and operates the power transmission grid for the State of South Australia. YTLPI is the sole owner of Wessex Water, one of the most efficient water and sewerage operators in the United Kingdom. In Indonesia, YTLPI has a 35 per cent stake in PT Jawa Power which owns a 1,220MW coal-fired power plant located at the Paiton Power Generation Complex in East Java. In China, YTL's power-generation business involves a 51 per cent stake in YTL-CPI Power Ltd. YTL-CPI controls 60 per cent of a joint venture with China's state-owned company, Nanchang Zhongli Power Co Ltd. Its other joint ventures with Chinese state-owned enterprises include Jiangxi Provincial Power Electric Corp. and Jiangxi Provincial Investment Corp. In 2014, YTL Power International Ltd was ousted by a consortium that comprised of 1MDB and Mitsui Co. Ltd in a RM11 billion 2,000MW new coal-fired power plant (Project 3B) tenders awarded by the Energy Commission (*The Edge Malaysia*, 22 February 2014). In May 2015, the Energy Commission awarded a RM3 billion 1,000MW to 1,400MW (Project 4A) combined cycle power plant project in Johor to a consortium that includes YTL Power International Bhd., IPP Energy, and Tenaga National Berhad (TNB). IPP Energy is associated with the Sultan of Johor (*The Malaysian Insider*, 17 June 2014). After learning that TNB was not committed to the project, on 18 June 2014 YTL announced its withdrawal from the consortium, citing "misconception" over the project (*The Edge Malaysia*, 18 June 2014). This indicates that GLC and sovereign wealth fund has the muscle to edge out a giant company like YTL.

In compliance to the NEP, William Cheng, owner of Amsteel, restructured the company to ensure Bumiputera equity participation. In return, he obtained a license and pioneer status to manufacture steel in 1978. Cheng's Parkson retail business in Malaysia has expanded into China where his Lion Diversified Holdings Bhd. (LDHB) operates 39 Parkson stores in 26 cities. In late 2005, Parkson Retail Group Ltd was listed in the Hong Kong Stock Exchange at a value of HK$5.4 billion (RM2.5 billion). The Group's total investment in China from 1993 to 2004 was estimated at US$1.5 (RM5.7 billion). One interesting aspect of the Lion Group is that it brings in the Malaysian government's investment arm, Khazanah National Berhad, as a strategic investor for its Hong Kong initial public offering. Khazanah bought one-third of the offering, or 9.9 per cent of Parkson's enlarged share capital. The Lion Group has invested in beer breweries in China since 1993. In 2003, its brewery business in China yielded lucrative profits after the entire business was sold for RM1 billion (*The Edge*, 15 May 2006). The Group also has a plant in Wuhan which manufactures tyres and owns three motorcycle plants and one car plant. In 2004 Cheng's motorcycle plant in Zhejiang produced 860,000 units of motorcycles, 400,000 in Nanjing and 80,000 in Changchun. The Group has allocated US$1.5 billion (RM5.7 billion) for further investments in China "over the next ten years" (*The Star*, 26 May 2004). In June 2008, the company's new Direct Reduced Iron (DRI) plant in Banting commenced production of DRI for making high grade steel. The company also ventured into original equipment manufacturing (OEM) services for the production of personal computer casings and enclosures, and assembly of computer peripherals and electronic components. LDHB is also involved in property development. Its retail business faces stiff competition and has not been doing well lately.

Vincent Tan acquired the Malaysian franchise for McDonald's, the fast-food chain, and complied with the requirements of the NEP. In 1985, as part of the government's privatization policy, Tan was awarded the right to acquire 70 per cent of the government's gaming entity Sports Toto Bhd. In 1993, Tan was again awarded a major RM6 billion privatized sewerage contract. The Group has expanded its gaming operations abroad to South America, and has a 40 per cent stake in International Totalizator System in the United States. The Group is also involved in the management of casino projects in Hong Kong, Mauritius, Seychelles and Argentina. Tan's Berjaya Group also ventured into the China market in leisure projects, including developing golf courses and amusement parks (Gomez, 1999: 114-115, 124).

In the past several years, Tan seems to continuously disposing his businesses for unknown reasons. In 2016, Tan sold the McDonald's franchise, consisting of 390 outlets in Malaysia and Singapore, to Saudi Arabia's Lionhorn Pte Ltd for US$400mil. In the same year, Tan also sold a 4.5 per cent stake in 7-Eleven Malaysia Holdings Bhd. In August this year, Tan continues to dispose of his stakes in 7-Eleven which saw a significant shareholding change, with the emergence of the Sultan of Johor as the second largest shareholder with a 8.4 per cent stake (*The Edge Malaysia*, 12 August 2017). Tan has a substantial stake in a mobile phone operator, U-Mobile, and the Group holds major property investments in South Korea and Vietnam.

Lee Kim Yew who impressed former Malaysian Prime Minister, Dr. Mahathir, with his "can do" spirit and seized the opportunity to transform abandoned mining land into an integrated "Mines Resort City" outside Kuala Lumpur. Lee who has a controlling stake in Country Heights Holdings Bhd (CHHB) was severely affected by the 1997/98 Asian financial crisis and was almost bankrupt. However, in 2014, he managed to pay off RM1.1 billion in personal loans and most of CHHB's RM1.1 billion debt (*The Edge Malaysia*, 9 December 2014). Lee was known for his close links with Dr. Mahathir. Dr. Mahathir's recent assumption of the leadership of the opposition coalition probably made Lee a "political target" when his fixed deposit of RM126 million placed with a foreign-owned bank was seized by the Inland Revenue Board in relation to a tax liability of CHHB's wholly owned subsidiary, Country Heights Sdn. Bhd. (*The Star*, 9 May 2017).

A few Chinese business groups such as the Ekran Berhad had vanished from the corporate sector after the 1997/98 Asian financial crisis. Several others such as Leisure Management, Multipurpose Holdings and Magnum Corporation lost their ascendency in business due to changing socioeconomic and political factors.

Entrepreneurs without Political Alliance

Without forging alliances with Bumiputera capitalists and politicians, several Chinese business groups incorporated during the NEP era managed to develop their business successfully and even to spread their wings abroad. Among these companies, the largest are the IOI Group and Hap Seng Consolidated Bhd.

Lee Shin Cheng of the IOI Group is an outstanding example of the new breed of Chinese entrepreneurs who advance their business interests without obvious linkages with Bumiputera partners. His ownership of a major share in IOI nets him and estimated worth of RM19 billion (*The Star*, 4 February 2017). The IOI Group was first incorporated as Industrial Oxygen Incorporated Sdn.Bhd. in 1969 and was renamed IOI Corporation Berhad in 1995 after having diversified into industrial gas manufacturing, plantations, property development and oleochemicals. In 2006, IOI Corp. emerged as the world's largest oleochemical producer. In

2014, Lee sons took over control of two of the Group's listed entities, the IOI Corporation Berhad and IOI Properties Group Berhad, while Lee retains the Executive Chairmanship of both these companies. The Group has resource-based manufacturing in Malaysia, Canada, United States, The Netherlands, Germany and China. It has major property investments in Malaysia, China (Xiamen) and Singapore, and plantations in Malaysia and Indonesia.

The Hap Seng Consolidated Bhd. (HSCB) controlled by the Sabah-based tycoon, Lau Cho Kun, is estimated to have a net worth of RM16 billion through his ownership of 73.5 per cent stake in Hap Seng via the family's control of the Gek Poh Group and Lei Shing Hong Investments. Lau is ranked as Malaysia's sixth richest man in February 2017 (*The Star*, 4 February 2017). Incorporated in 1976, the Group started out in timber. HSCB is a conglomerate with six core businesses in plantations, property investment and development, credit financing, automotive, fertilizers trading and building materials.

Other Chinese-controlled large-scale companies are Hartalega Holdings Bhd. (manufacturer and distributor of nitrile gloves), Top Glove (manufacturer of disposable rubber gloves), Press Metal Bhd. (aluminium producer), QL Resources Bhd. (consumer business), Tan Chong Consolidated (sole distributors of Nissan vehicles) and others. These are, among others, technological competent, product innovative and well-managed companies.

Development of Malaysian Chinese Entrepreneurship in SME

Almost half a century of affirmative action has exerted its impact on Chinese business in Malaysia. Most Chinese enterprises remain small as the ICA regulations continue to affect the manufacturers many of whom operate on short-term plans for lack of certainty over the future. In the early 1970s, the Chinese accounted for some 80 per cent of all small industries (Chee, 1986: 31-32). Up until the 1980s, small-scale manufacturing was the norm when family-run factories took care of agricultural processing, the manufacture of a variety of simple consumer goods and the fabrication of industrial items (Chee, 1987: 80, 97). The 1990 Census of Small Scale Enterprises (SSE) showed that 64 per cent of the 12,000 SSEs in the sample were non-Bumiputera (mainly Chinese). They also accounted for 60 per cent of the enterprises with funds below RM50,000 and 80 per cent of firms with funds between RM51,000 and RM100,000. Chinese enterprises were active in many types of industries, notably paper and paper products (80 per cent), chemical, petroleum, rubber and plastic products (83 per cent), basic metal (92 per cent), and machinery (82 per cent) (Phang, 2000: 119).

Chinese SMEs face increased challenges when the development of the SME component of the BEC took centre stage after Abdullah Ahmad Badawi became Prime Minister in late 2003. Abdullah established the National SME Development Council in 2004 to support SME growth. The BEC agenda under Abdullah was to expedite the development of self-reliant, sustainable and competitive Bumiputera entrepreneurs and the creation of strong Bumiputera SMEs through linkages and clusters among Bumiputera enterprises, between Bumiputeras and non-Bumiputeras, and between GLCs and Bumiputera enterprises (Malaysia, 2006: 349).

Under the *Tenth Malaysia Plan (2011-2015)*, the government provided more than RM9 billion in financial aid to more than 414,000 Bumiputera enterprises. Of this total, RM8.6 billion took the form of loans to 413,278 micro-enterprises and small businesses (Malaysia, 2015: 3-11). In other words, only 0.17 per cent of the companies receiving such aid were medium-sized enterprises. As of 2010, Bumiputera SMEs contributed 13 per cent out of the 30 per cent that all SMEs contributed to Malaysia's GDP. Under the Narrowing Disparity Strategic Reform Initiative of the Economic Transformation Programme (ETP), the Bumiputera transformation programme aims to increase Bumiputera SMEs' contribution to GDP to 20 per cent by 2020. This goal is integral to the 2012-2020 SME Masterplan to increase the contribution of SMEs to GDP to 41 per cent by 2020. This shows that the general perception that SMEs are mainly dominated by the Chinese is no longer true.

However, an understanding on how Chinese entrepreneurs enhance the development and competitiveness of their enterprises is important to cast some light on the future of Chinese SMEs in Malaysia. In the past, small industries were primarily founded and run by Chinese families as a means of employment and livelihood. Relying largely on limited capital and low technical know-how, and in the absence of substantial state incentives, few have advanced beyond the "backyard" stage. However, Chinese-owned medium size enterprises are more dynamic. Many family-based business organizations have been transformed into modern enterprises by incorporating rational and pragmatic management practices, staff training, engaging professionals and avoiding nepotism to enhance efficiency, and financing company growth through bank loans. Medium-sized Chinese enterprises which are contract manufacturers for multinational companies (MNCs) are innovative and able to use technology to improve product quality with the training provided by the MNCs (Chin, 2003). As knowledge and skills are being transferred to local Chinese SMEs, a new group of Chinese "technopreneurs" began to emerge in the late 1980s. In fact, several Chinese-controlled technology firms such as Engtek Group, Unisem, Pentamaster, and Globtronics were able to gain listing in the Kuala Lumpur Stock Exchange (see Chin, 2015: 12). The success of these technology firms indicates that, given the opportunities, Chinese enterprises will thrive on their entrepreneurship both locally and abroad as they strive to compete and occupy a niche in the global supply chains to as original equipment manufacturers (OEM). To do this they move into design and development in the constant movement up the value chain. Several of these Chinese-owned companies have initiated offshore operation in Southeast Asia and even farther afield. Part of their capital is invested as foreign direct investment in foreign countries.

Other than enterprise qualities such as innovation capability, knowledge, management competence, and capability to move up the value chains, Chinese medium-sized enterprises have also been transformed from being exclusively family-owned into inter-family and inter-ethnic (mainly Chinese and Bumiputera) units, especially in the manufacturing sector (Chin, 2004 and 2007b). The incorporation of Bumiputera in Chinese medium-sized enterprises as shareholders and directors in joint-venture companies can result in a "smart" partnership.

Many Chinese businesses in the technology-based industries have sought tie-ups with capable and well-connected Bumiputera to create more value for their companies such as access to new opportunities to raise capital investment via their Bumiputera partners and government-linked companies (GLCs).

Conclusion: The Future of Chinese Business in Malaysia

From the colonial period until today, Chinese entrepreneurs in Malaysia have been adapting to political and socio-economic changes and external forces such as world wars, economic recessions and financial crises. During each of these periods, Chinese entrepreneurs were pragmatic in seizing economic opportunities by drawing resources such as capital, labour, knowledge, network and technology to achieve their goals. Chinese entrepreneurs had to contend with open competitions during the laissez-faire economic setting that was prevalent between the colonial period and the immediate post-independence years.

The Chinese were putting their capital to use at the early stage of the colonial period; through working with Malay rulers and advancement of capital from Straits Chinese investors, and access to labour supply gave the Chinese an initial advantage in opening up tin mines. Superior European capital and technology were later to erode the Chinese dominance of the mining industry. It was the institutional transformation of their tin mining organizations that the Chinese were able to regain some lost ground. At the same time, Chinese involvement in agricultural production and knowledge of the world market enabled them to switch to rubber planting in the 1910s. From their accumulation of knowledge, skill, capital and networking, the Chinese were able to seize opportunities at the time of independence when the British left Malaya. In the context of a free economic system and coupled with strong political influence, Chinese business expanded extensively in the 1960s.

When the socio-economic policies changed again since 1971, Chinese entrepreneurs responded quickly to state intervention that brought with it drastic changes in the socio-economic environment by drawing on their strategies and resourcefulness. Strategically, large business groups diverted their capital abroad and also responded by partnering Bumiputera, usually in an “Ali-Baba” partnership. In manufacturing, Chinese enterprise was resourceful in acquiring new technology and expertise, instilling entrepreneurial values in the young, and widening their business networks. With state intervention since 1971 the Bumiputera are empowered and hence the emergence of a new Malay entrepreneurial class since the 1990s. This new Malay entrepreneurial class continues to benefit from the affirmative action policy that encroaches into traditional sectors that were once dominated by the Chinese. The Malay entrepreneurs have little resources of their own and remain dependent on state resources to a great extent.

Five decades of pro-Bumiputera affirmative action policy in many spheres of economic life such as in the award of government contracts, licensing, regulations, acquisitions, loans and credit had weakened the old intra-ethnic or family-based Chinese enterprises and led to the formation of new Chinese enterprises involving Bumiputera partners. These enterprises flourished during the NEP era with some expanding abroad in the late 1990s and evolved into business conglomerates.

With the original spirit of the affirmative action policy remaining intact, Chinese and other non-Bumiputera enterprises will continue to be challenged in their ability to adapt to the evolving political economy of Malaysia. As the state increases its intervention through state-owned enterprises and backed by financial resources to dominate the economic landscape. In the context of the globalized economy, competition will intensify as Malaysia participates in more free trade agreements. In an increasingly digital age, competition is determined by innovations and productivity on which affirmative action policy is almost irrelevant. An obvious example is that of ride-hailers Uber and Grab that have effectively broken the network of rent seekers in the taxi business.

Well-managed Chinese business groups will build up their financial muscle through wealth accumulation. Constraints and disincentives created at the domestic market will spur the cross-border migration of capital for better returns of investment. Several large Chinese business groups have thus ventured abroad. SMEs run by "technopreneurs" and high-technology-based manufacturing industries competing based on innovation and competitiveness in the open global market have a bright future as businesses are relying more and more on knowledge, innovations and technologies. Other factors that affect the future of Chinese business in Malaysia include political stability. Equally important is the Confucian virtue of learning that drives many Chinese entrepreneurs to constantly equip themselves with knowledge to equip themselves to meet not only changing economic demands but also those of modern living itself.

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