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State Intervention in Business and Malaysian Chinese Entrepreneurship

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Abstract

This study attempts to explain "how power shapes Malaysian Chinese entrepreneurship". It details how large state-owned enterprises and state-backed investment institutions, empowered by an affirmative action policy over a protracted period, are systemically acquiring controlling stakes in Chinese-controlled large and medium-size firms and demonstrates how the capital invested in these institutions as well as government-linked companies has and still shaping Chinese business and entrepreneurship in Malaysia. The study will then explain the resilience of Chinese entrepreneurship in the face of serious challenges mounted by an official policy intended on creating a Bumiputera commercial and industrial class; expanding the role of state-backed investment institutions and companies to integrate the Bumiputera entrepreneurial class into the national and regional supply chains; and further liberalising the Malaysian economy. Adopting an evolutional approach, the paper will examine how Chinese businesses adapt to the changing socio-economic conditions arising from the affirmative action policy.

Key words: Affirmative action, Bumiputera commercial and industrial class, state-backed investment institutions and companies, Chinese entrepreneurship, economic liberalization

Introduction

This paper adopts an evolutional approach in an attempt to explain the resilience of Chinese entrepreneurship in the context of mounting challenges on three new major "fronts". First, the restructuring of the Malaysian society under the New Economic Policy (NEP) introduced in 1971 as an affirmative action policy with a mandate to create a Bumiputera entrepreneurial class in the form of a Bumiputera Commercial and Industrial Community (BCIC)

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(Chin, 2004 and 2010). Second, the empowerment of state-backed investment institutions (SIIs) and dominant government-linked companies (GLCs) in recent years to aggressively acquire Chinese-controlled companies in strategic economic sectors, often in a commercially hostile manner. Moreover, SIIs and GLCs are strategized to help expand and intergrade the BCIC into the national and regional supply chains as exemplified in the New Economic Model (NEM) (Malaysia, 2010a: 12). Third, the increased liberalization of the Malaysian economy has exposed all Malaysian companies to intensified open competition. A Marxist perspective on power is employed in order to describe and explain the power play between emerging new economic players and well-established Chinese-controlled enterprises that have been shaping Malaysia's corporate scene. A series of massive mergers and acquisitions by GLCs and SIIs took place during the *Tenth Malaysia Plan 2011-2015* period which saw the launching of the NEM and the Economic Transformation Programme (ETP) in 2010. These exercises constitute definite intentions and processes to build enormous enterprises in strategic sectors identified officially as high growth areas at the local and regional level. Economically, these are perceived as rational actions to strengthen the position of GLCs in the domestic economy and regional market. At the same time, the strategy is to expand the BCIC beyond the national border.

From an aggregate ownership of share capital of limited companies held by individuals, institutions and trust agencies of 2.4 per cent in 1970, the Bumiputera share has increased to 21.9 per cent in 2008 (Malaysia, 1976: 99 and 2010b: 403). Today, GLCs and SIIs that are synonymous with Bumiputera interests have emerged as major forces that dominate the Malaysian economy. GLCs control more than half of the industry share of operating revenue or income in utilities, transportation and warehousing, agriculture, banking, information communications, and retail trade (Menon and Thiam, 2013), to an extent that suffocates the spirit of free enterprise.

A critical review of relevant literature on power relations that shape economic behaviour is presented to devise an analytical framework for this study. This is followed by an analysis of capital ownership of listed companies by Malaysian Chinese, Bumiputera and foreigners from the implementation of the affirmative action policy until the present. This section includes a focus on the Chinese and Bumiputera ownership patterns of wholesale and retail establishments and shows how Chinese and Bumiputera businesses perform in different sectors of the economy over the almost forty-year period. The next section attempts an assessment of Chinese entrepreneurship during the 1970-1990 period and that from 1991 to the present during which challenges became increasingly severe as the affirmation action policy was tightened. The final section examines the *modus operandi* of four major state-owned entities comprising the long-established Permodalan Nasional Berhad (PNB) and Khazanah Nasional and the more recent entities Ekuinas and 1Malaysia Development Berhad (1MDB) that came into being under the NEM to intensify the expansion of Bumiputera interest. It also describes how GLCs and SIIs aggressively acquired the controlling stakes in the Chinese-controlled large and medium-size firms in a raw display of economic power at the command of these state-owned entities.

Political Power and Economic Dominance

How power relations shape economic behaviour in Malaysia may be examined from the perspective of Marx's study of power. This power is manifested both directly when a dominant state-backed investment institution takes control of Chinese-owned firms, and indirectly when an influential political or business group veers state regulations to its own advantage. Marx's conflict analysis draws attention to how powerful groups succeed in adopting practices and public policies that promote common interests to work for their benefit. Numerous works by economic sociologists on U.S. corporate history show that power shapes economic behaviour. Their explanations lend support to the present study and yield insights into Chinese entrepreneurship with reference to the conflict perspective.

Frank Dobbin (2005) draws our attention to numerous important works on comparative and historical approaches to economic sociology. Several studies on the evolution of business practices show the influence of Marx's idea on power (Fligstein, 1990, 1991 and 2001; Davis *et al*., 1994; Roy, 1997; Perrow, 2002).

Studies on the rise of big corporations point to a link between public policies and private power. In his inquiry on why "the oligopolistic manufacturing firm became the dominant model after the beginning of the 20th century," William Roy (1997) finds that power was the key behind the rise of manufacturing oligopoly at the turn of the century when antitrust law prohibited small firms from acting together to fix prices. However, these firms could overcome this hurdle by setting a single price if they consolidated and became a large firm. Roy contends that the advantage big firms had over small firms was not one of economies of scale and that the mergers of American small manufacturing firms were not aimed at achieving efficiency. It was because the antitrust law put an end to the small firms as they consolidated and grew into huge conglomerates. As a result, the antitrust law lost its legal thrust when it was undermined by the power of private capital.

In a similar study on the emergence of "the huge manufacturing firm" in the early textile industry, Charles Perrow (2002) shows that owners make their firms bigger to accumulate power rather than to enhance efficiency. He traces the early rise of giant textile mills and huge railroads in America that pioneered large-scale factory production and modern management. These enterprises were shaped by power and organizational structure rather than state regulations. In short, the American business elite was able to change property rights to the advantage of big corporations early in the nineteenth century. Wealthy industrialists won court and legislative decisions that gave business corporations a host of new advantages over small ones.

Seeking to know why "the large single-industry companies transform themselves into diversified conglomerates and become the dominant large corporate form between 1950 and 1975," Fligstein (1990) analyses the linkages between economy, society and politics and argues that the rise of the diversified conglomerates in the U.S. in the late 1960s was driven by trained executives acting mainly as chief executive officers (CEO) of large firms. The power play of finance managers of large firms consolidated control of these corporations by exploiting the political and legal system in a modern state whose major concern is to stabilize the market. The antitrust regulation in the 1950s restricted business expansion into related enterprises by taking over their competitors, buyers or suppliers. By shifting managerial conceptions of what constituted best practices, finance executives of the large firms shifted their focus to control their competitors and markets to ensure stable and profitable growth by acting as investors and diversified their portfolios in industries with high growth potential. Finance managers were able to convince the boards and investors that the diversified conglomerate was the way forward to pursue growth. It was this development that drove the conglomerate mergers of the late 1960s and 1970s (Fligstein, 1990 and 1991). In his latest study, Fligstein (2001: 35) conceptualizes control as a form of "local knowledge" that is "historically specific to a certain industry in a certain society." He explores the concept of control by examining the "rise of the shareholder value conception of the firm and the merger movement" (2001: 147) to explain the increasing power and influence of finance executives that shaped the dynamics of ownership and control of America's corporations during the 1970s and 1980s.

By the end of the 1990s, the diversified conglomerates have given way to the single-industry behemoth. Employing the economic history approach, Davis *et al*. (1994) and Fligstein and Markowitz (1993) attempt to explain the rise of mammoth company in America. The period between the 1970s and 1990s witnessed radical changes in the corporate landscape of America. In 1970s, big firms were absorbing small ones in other industries to diversify their assets. However, a wave of "de-conglomeration" during the 1980s restructured American corporations and shifted to corporate specialization. Davis *et al*. (1994: 567) see this as "an underlying institutional shift". By the early 1980s, the antitrust rule that restricted horizontal and vertical mergers during the 1960s and 1970s had fizzled out. Additionally, the influence of institutional investors and securities analysts grew as assigned higher values to single-industry firms because investors found it easier to deal with simple corporate structures. Conversely, the shares of conglomerates with complex structures tended to be undervalued by institutional investors and securities analysts. By 1990, big firms were buying out their competitors to boost their core competence. The power of institutional investors and analysts increased collectively with the rise of institutional share holdings which influenced how firms behaved and determined the value of stock. At the same time, the hostile takeover of a conglomerate and control of its management empowered the breaking up of diversified firms as the new owners struggled to please the analysts and investors (Davis *et al*., 1994; Davis and Thompson, 1994).

The studies cited above share the same perspective which shows that power was the central factor that led to the formation of huge American firms. It is clear that regulations, financiers, finance-trained executives, securities analysts and institutional investors have the power to shape economic behaviour. The dissenting thesis to the above is that of Alfred Chandler's (1977) which attributes the development of huge American firms to the economies of scale and efficiency.

Studies on the historical development of business corporations in Malaysia are mainly from the perspective of political economy rather than from that of power (Gomez, 1994; Gomez 1999; Gomez and Jomo, 1997; Searle, 1999). This study will attempt to explain how the affirmative action policy, huge state-owned enterprises and massive state-owned investment institutions have successfully broken the dominance of Chinese business in Malaysia and, through social engineering, create a Bumiputera entrepreneurial class that is increasingly challenging the existence of Chinese-controlled companies and entrepreneurship.

Assessment of Chinese Business in Malaysia

Chinese business formed the backbone of many sectors of the Malaysian economy in the decades before the introduction of the NEP in 1971. As an aggressive affirmative action policy, the NEP posed many challenges to Chinese entrepreneurship and restrained the expansion of Chinese business activities. 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 sectors 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's interests during this period by increasing capital ownership from 0.8 to 5.1 per cent (Table 1). 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 provided a stark picture of the distribution of wealth of the country. 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 NEP was an affirmative action with clear objectives 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 and

Table 1. Ownership of Share Capital (at Par Value) of Limited Companies by Ethnic Group, Malaysia, 1970-2008 (RM million)

Ownership Group	1970 RM	1970 %	1980 RM	1980 %	1990 RM	1990 %	2004 RM	2004 %	2008 RM	2008 %
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 & 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

Sources: Malaysia, 1976: 99; 1984: 112; 1986: 125; 1993: 67; 1996: 86; 2010b: 403

in banking 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 2).

During the first two decades of operation of NEP, Chinese business managed to expand in sectors such as wholesale and retail where their presence had traditionally been prominent. Chinese owned 78.5 per cent of the wholesale establishments in 1971 compared with 85.2 per cent in 1990 before falling to 81.1 per cent in 1995. However, Chinese-owned retail establishments slipped from 74.6 per cent to 55 per cent. During the same period, Bumiputera interests charted remarkable progress in both these, with total wholesale establishments increasing from 2.5 per cent to 11.1 per cent and retail establishments from 13 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).

Changes in Chinese corporate ownership between 1970 and 2004 varied according to sectors. Table 3 shows that the gain in mining and quarrying was significant, increasing from 1.8 per cent to 39.5 per cent during this period. The Chinese performance in agriculture, forestry and fisheries was rather impressive, with ownership surging from 22.4 per cent to 52.9 per cent. The Chinese also did well in commerce (wholesale and retail) with ownership rising from 30.4 per cent to 50.7 per cent. Chinese business maintained its participation in the

Table 2. Share Capital Ownership (at Par Value) of Listed Companies by Ethnic Groups and Sectors, Peninsular Malaysia, 1970

Sectors	Malay (%) 1970	Chinese (%) 1970	Indian (%) 1970	Foreigners (%) 1970	RM Million 1970
Agriculture, forestry and fisheries	0.9	22.4	0.1	75.3	1,432
Mining and quarrying	0.7	1.8	0.4	72.4	544
Manufacturing	2.5	22.0	0.7	59.6	1,348
Construction	2.2	52.8	0.8	24.1	58
Transportation and communications	2.5	43.4	2.3	12.0	82
Commerce (retail and wholesale)	2.2	30.4	0.7	63.5	605
Banking and insurance	3.3	24.3	0.6	52.2	637
Services	-	-	-	-	-
Utility	-	-	-	-	-
Others	2.3	37.8	2.3	31.4	583
Total	1.9	22.5	1.0	60.7	5,289

Source: *Mid-Term Review of the Second Malaysia Plan 1971-1975*: 83

manufacturing sector (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; they perform superbly in the construction sector, from 1970 to 2004, their ownership in this sector and in agriculture, forestry and fisheries increased by 16 times. Over the same period, their ownership in transportation and communication, and commerce increased by tenfold. Bumiputera also owned a significant share capital in the banking and insurance sector, which has always been dominated 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 out in construction, commerce, mining and quarrying, agriculture, forestry and fisheries.

The pressure of affirmative action weighing down on the shoulders of Chinese entrepreneurs was most clearly manifested in the banking and finance sector. In December 1969, the Central Bank took over the Chinese-owned Malayan Banking Bhd. when it was put under government protection because the bank was facing management problems and was in danger of collapse (Ranjit, 1987). By 1982, the Bumiputera capital ownership in Chinese-run 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 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 reduced from 24.3 per cent in 1970 to 10.2 per cent. In contrast, the correspondent Bumiputera shares were 3.3 and 12.5 per cent respectively (Table 3).

Affirmative action in the form of the NEP had caused a drastic change in the corporate landscape of Malaysia. This change is marked by an overall decline of Chinese presence in many sectors of the economy while that of Bumiputera business has surged on most fronts. 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 increased 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). Secondly, 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 comparison, Chinese ownership of corporate wealth in 2008 was estimated at 34.9 per cent, having declined from 40.6 per cent in 2004.

Assessment of Chinese Entrepreneurship in Malaysia

The term "entrepreneurship" is taken to mean the ability to undertake businesses in a changing political and social economic context by seizing business opportunities, introducing new products and creating new forms of organization to improve profit level and expand market shares. After analysing available data, six assessments of Chinese entrepreneurship in Malaysia may be made.

First, Chinese entrepreneurs were resilient as they were able to seize opportunities in the initial period of the affirmative action policy and rode through the storm of a world economic recession that hit Malaysia in the mid-1980s. In the context of accelerated economic growth before the Asian financial crisis, Chinese entrepreneurs responded well to the affirmative action policy. Ample business opportunities had allowed the full play of Chinese enterprise. Between 1997 and the present, the Asian financial crisis and the incessant march of affirmative action policy have continued to pose challenges to Chinese entrepreneurship in Malaysia. The negative effects of the Asian financial crisis and eroded confidence led to reduced private investments to pre-crisis levels. In the face of limited business opportunities, only the fittest could survive. [1]

Second, the existence of Chinese business networks, especially in the wholesale and retail sectors, was sufficiently durable to withstand external competition. A case in point is the attempt to break the Chinese business networks in Mandarin orange trade involving Chinese traders from Malaysia, wholesalers from Singapore, and suppliers from China. This regional network had successfully withstood state-backed Bumiputera who tried to bypass the middlemen (wholesalers) in Singapore to break the monopoly in the trade of Chinese oranges (Kuo, 1991). However, vigorous state-sponsored entrepreneurship programmes in the four

Table 3. Share Capital Ownership (at Par Value) of Listed Companies by Ethnic Groups and Sectors, Peninsular Malaysia, 1970 and Malaysia, 2004

Sectors	Bumiputera (%) 1970	Bumiputera (%) 2004	Chinese (%) 1970	Chinese (%) 2004	Indian (%) 1970	Indian (%) 2004	Foreigners (%) 1970	Foreigners (%) 2004	Nominee Companies 1970	Nominee Companies 2004	Total* RM Million 1970	Total* RM Million 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

* The total includes share capital ownership by Federal and State Governments and Statutory Bodies.
- Not available

Sources: *Mid-Term Review of the Second Malaysia Plan 1971-1975*: 83; *Ninth Malaysia Plan 2006-2010*: 336 and 338.

decades have created a significant presence of Bumiputera interests in the wholesale and retail trade. As the power of the Chinese business networks in this sector diminished, the Chinese are no longer able to protect their interests against state intervention as effectively as before. This is a clear case of a monopoly being penetrated by state intervention, and often without incurring a great cost (Lim, 1983: 8).

Third, as the social-engineered BCIC has yet to emerge as a business force in the early 1990s, Chinese entrepreneurs remain indispensable in the country's economic development (Chin, 2003). The 1970s and 1980s had witnessed the flourishing of "Ali-Baba" alliances, especially in the construction and transportation sectors (Snodgrass, 1980: 225; Nonini, 1983). These "Ali-Baba" (Bumiputera-Chinese) joint ventures or partnerships were formed to tap into state largesse extended to Malay Bumiputeras. Inter-ethnic collaboration was institutionalized in the mid-1990s to expedite the formation of the BCIC, and Chinese enterprises that participated in this partnership managed to gain access to state-owned funds to expand their businesses (Chin, 2004, 2008 and 2010). With the emergence of the anticipated BCIC, the affirmative action policy had successfully restructured the Malaysian society to create a growing Malay middle class (Abdul Rahman, 2002). The economic transformation of Malay society is accompanied by a class of Malay contractors who are able to undertake large-scale state-funded and private projects. The days of Chinese firms in securing government contracts are almost numbered. The Ali-Baba modus operandi has taken a new form with Bumiputera taking more equity and active role in the partnership (Chin, 2010). Under the current format of the NEM and the Economic Transformation Programme (ETP), the state is putting in place a larger plan to engage Malaysian companies, especially Bumiputera-owned, in regional supply chains that may create a critical mass and talents to promote the economies of scale. The state has a stake in promoting a vibrant BCIC to play an essential role in the Malaysian economy (Malaysia, 2010a: 11-14). Under the NEM, the state aims to integrate the current successful Bumiputera firms and GLCs with national supply chains as well as globally connected and competitive supply chains as a strategy to improve the overall performance of the BCIC (Malaysia, 2010a: 12). The dominant presence of GLCs has stifled entrepreneurship of the Chinese and also the smaller Bumiputera enterprises. This trend of development may eventually entrench Bumiputera-dominated supply chains in certain industries. There is a real possibility that the increased challenges will undermine the role of Chinese SMEs in the national and regional supply chains.

Fourth, Chinese-owned banks have seen better days in the national economy. Of the 23 commercial banks in Malaysia, 14 had been established by the Chinese (Cheah, 2011). By 1990, only eight of these remained, the rest was taken over by the state or Bumiputera interests (Hara, 1991). The early Chinese-controlled banks had accumulated their capital from fortunes acquired in the rubber and tin industries. They had helped to fund the expansion of Chinese-owned industrial and property development and new start-ups. Today, Chinese-controlled banks have been reduced to two, namely, Public Bank and Hong Leong Bank. From the perspective of power theory, both banks are well managed and on a scale that renders them difficult targets for takeover bids. In contrast, Southern Bank, a small, efficient and profitable bank that served mainly Chinese small businesses, was always a target for acquisition. CIMB, Malaysia's second largest local bank, controlled by state investment fund, Khazanah Nasional, launched a hostile takeover of this bank in March 2006. This hostile takeover was mounted because Southern Bank was seen as an important ingredient to bring about the turnaround in CIMB's consumer franchise (*The Star*, 4 August 2012).

Public Bank and Hong Leong Bank that complied with the NEP policies survived two rounds of banks consolidations, one in the 1980s and the other in the 1990s. During the NEP period, the founder of Public Bank, Teh Hong Piow (now Tan Sri), pursued a Bumiputera policy and was the first local bank to have a Malay Chairman, Tan Sri Nik Ahmed Kamil, an influential member of United Malay National Organization (UMNO) ruling party (Bowie, 2006: 78; Tan, 1982: 282). It conformed to the NEP staffing requirements by providing scholarships and college places for Bumiputeras who were then bonded to serve the bank. It was then granted "Approved Status" by the Finance Minister for meeting all of the Central Bank's priority lending guidelines and for fulfilling the NEP's Bumiputera ownership and employment quotas. The "Approved Status" also enables the bank to accept government deposits and obtain certain licences (Bowie, 2006: 107). Always supporting the government's affirmative action, the bank attained the prescribed goal, reaching a 31.2 per cent equity stake in the bank, in as early as 1980 (Bowie, 2006: 210). Today, the bank has a noteworthy presence in Southeast Asia. In 2013, the Public Bank Group is the third largest banking group in Malaysia with total assets of RM305.73 billion.

After the acquisition of EON Capital in 2011, Hong Leong Bank has become a stronger banking group with an asset size of more than RM170 billion and 329 branches nationwide. It has a strong presence in Southeast Asia and is the first Malaysian bank to operate in China. In 2008, it acquired a 20 per cent strategic shareholding in Bank of Chengdu Co., Ltd. and became the first and only Malaysian and Southeast Asian bank to wholly-own and operate a commercial bank in Vietnam. In 2013, the bank launched its wholly-owned commercial bank in Cambodia (hlb.com.my; *Hong Leong Bank Annual Report 2014*).

With only two Chinese-controlled banks left, Chinese entrepreneurs, especially SMEs, face immense difficulties in securing loans. The appeal of state-sponsored financing through SME Corporation and SME Bank is much reduced by the thought of possible state expropriation if they fail to pay back their debts. The much weakened Chinese presence in banking has served to dampen Chinese entrepreneurship and business enterprises in Malaysia.

Fifth, the presence of multinational corporations (MNCs) in the 1990s created opportunities for the Chinese to exploit their entrepreneurial skills in the technology sector. Chinese "technopreneurs" had emerged in the late 1980s serving as contract manufacturers to the MNCs. Several Chinese-controlled technology firms were able to gain listing in the Kuala Lumpur Stock Exchange (Table 4).

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.

Table 4. Public Listed Chinese-controlled Technology Firms, 1990s and 2000s

Companies	Year founded	Year listed	Countries of operation
Engtek Group	1984	1993	Malaysia, Singapore, Thailand, China, the Philippines
Globtronics Technology Bhd.	1991	1997	Malaysia, Hong Kong
Unisem Group	1989	1998	Malaysia, China, Indonesia, U.S.
Pentamaster	1995	2003	Malaysia, China
Vitrox	2000	2004	Malaysia, China

Sources: Companies websites and annual reports

Sixth, in the face of increasing competitive pressure in the limited domestic economy, coupled with the growing appetite of GLCs, state-backed investment institutions, and large foreign enterprises, prospects for small business survival deteriorate. Some Malaysian businesses form strategic partnerships to venture abroad and take advantage of the changing international scenario brought about by the impact of global liberalization encouraged by WTO, IMF and the World Bank. Large volumes of Malaysian ringgit flow into the booming China market. Between 1998 and 2005, Malaysia invested RM7.03 billion (US$1.85 billion) in China. Chinese sources indicate that 2,359 Malaysian companies and individuals were operating in China in 2002, having invested RM9.88 billion (US$2.6 billion) in numerous projects. Not surprisingly, 90 per cent of the Malaysian investment in China was made by the Chinese (Chin, 2007).

Dominance of State Investment Institutions and Government-Linked Companies

Despite the vigorous implementation of the affirmative action policy to uplift Bumiputera economic well-being, a new and young generation of Chinese capitalists has emerged during the NEP and post-NEP decades. This is accomplished largely by co-opting politically well-connected Malays into their corporations (Heng, 1997; Gomez, 1999; Searl, 1999). Many family-based Chinese businesses were transformed into Sino-Malay business alliances in a structural shift that became increasingly evident at the corporate level during the period of National Development Policy (NDP) from 1991 to 2000 (Gomez, 2003; Wazir, 2002).

Recent developments in the Malaysian corporate scene points to a new power corporate game that features state-backed investment institutions (SIIs) and GLCs acquiring and assuming control of medium and large listed enterprises owned by the Chinese. This study will examine four major government entities, namely Permodalan Nasional Berhad (PNB), Khazanah Nasional, 1MDB and Ekuinas, and GLCs that have altered Chinese and Bumiputera ownership of corporate wealth in certain strategic sectors.

These entities employ different avenues to raise fund. PNB, a government investment institution established in 1978, serves as a principal official vehicle to accelerate the NEP objective of social restructuring by promoting Bumiputera ownership of the corporate sector.

Its core function is to evaluate, select and acquire a sound portfolio of shares in limited companies with high growth potentials. In essence, it acts as a clearing house by which shareholdings in these limited companies are placed in trust funds and disposed of to smaller unit holders. In late 2014, its unit trust funds are spread over 11.6 million accounts held under various unit trust funds (such as ASN, ASB, WAWASAN, etc). PNB has mobilized and accumulated about RM255 billion worth of unit holding and proprietary funds for its various investments in about 200 subsidiary companies in Malaysia (http://www.pnb.com.my). With these funds, PNB has acquired many large and strategic companies in finance, insurance, plantation, property, motor vehicle, logistics, infrastructure, energy, telecommunication, pharmaceutical and chemical industries. At the end of 2013, it held substantial shareholdings in several established large-scale companies (Table 5).

Table 5. PNB's Shares Ownership in Selected Public Listed Companies, 2013

Companies	Industries	Market capital*(RM)	%of shares
Chemical Company of Malaysia Berhad	Pharmaceutical and fertilizer	453,053,557	71.35
SP Setia Berhad	Property	8,593,160,774	66.07[2]
MNRB Holdings Berhad	Insurance	854,408,695	62.16[3]
NCB Holdings Berhad	Logistic	1,551,833,936	53.77[4]
UMW Oil and Gas Corporation Berhad	Oil and gas	318,640,000	63.09[5]
UMW Holdings Berhad	Automotive, oil and gas	12,150,256,892	52.64[6]
Sime Darby Berhad	Plantation, automotive, property, industry, energy and utility	53,291,738,093	49.85[7]
Malayan Banking Berhad	Banking	87,242,026,162	47.40[8]
Telekom Malaysia	Telecommunication	24,994,159,673	19.01[9]
Axiata Group Berhad	Telecommunication[10]	55,688,837,630	13.36[11]
Tenaga Nasional	Energy	74,608,539,680	11.01

* As of 16 June 2015

Sources: Individual company's annual report for 2013; Kuala Lumpur Stock Exchange

In 2009, the 30 per cent Bumiputera equity requirement for Malaysian companies seeking public listing was repealed. Instead they are to offer 50 per cent of the public shareholding to Bumiputera investors (see http://bursa.listedcompany.com/news.rev/id/22403). The repeal of this policy is replaced with a new investment instrument called Ekuiti Nasional Berhad (Ekuinas), a private equity fund management company, as required under the NEM (*The Star*, 30 June 2009). Established in September 2009, Ekuinas is meant to be "market-friendly" in its realization of the NEM objectives.[12] Its mandate is to create the next generation of leading Malaysian companies by undertaking private equity investments in high potential local businesses. It invests in promising Bumiputera and other Malaysian companies, acquires either the entire or substantial shares of the non-core assets of GLCs, public-listed companies, MNCs, and trust foundations.

The government has committed to RM5.0 billion to enable Ekuinas to achieve its objectives. As of December 2013, Ekuinas has received RM2.4 billion from the government for deployment. Within three years, it has realized profits of RM409.4 million from its investments. At the same time, it has increased Bumiputera equity value by RM2.8 billion (*Ekuinas Annual Report*, *2013*: 2, 12 and 19). Its targeted sectors include education, retail and leisure, oil and gas (O&G), and fast moving consumer goods (FMCG).

In January 2009, the Terengganu Investment Authority established a year earlier, was renamed 1Malaysia Development Berhad (1MDB) to fit into the broad strategy of the NEM with the specific focus to stake a claim on the energy, real estate, tourism and agribusiness sectors. Armed with the power to mobilize huge capital with the Federal Government as the guarantor, it has since engaged itself in a complex network of projects.[13]

The section that follows examines the manner in which these four state investment funds and GLCs have gobbled up Chinese- and Indian-controlled medium and large enterprises and how their strategies and actions have given birth to the desired national and regional supply chains to strengthen the BCIC in different sectors of the Malaysian economy.

Automotive Sector

The automotive sector is dominated by GLCs and Bumiputera-owned companies. Through UMW Holding Berhad, a GLC, PNB has a 51 per cent stake in UMW Toyota Sdn. Bhd. and 28 per cent stake in Perusahaan Otomobil Kedua (Perodua) (*UMW Holding Berhad Annual Report, 2013*: 105-106). Toyota and Perodua command a lion's share of the Malaysian passenger car market. Sime Darby, a subsidiary of PNB is the sole distributor of BMW, imports and distributes commercial vehicles of Hino, UD Nissan, Mitsubishi Fuso, Hyundai and Mack brands. It also assembles various Hyundai passenger and commercial vehicles. Other brands represented by Sime Darby Motors include MINI, Rolls-Royce, Peugeot, Ford and Land Rover.

The production of motorbikes and automobiles began as assembly industries from the late 1960s. A pioneer in this sector was Loh Boon Siew, an entrepreneur from Penang and the first to assemble motorbikes in his Kah Motor Assembly Plant in 1969. By 2005, this company has rolled out 2.7 million motorbikes, besides being the distributor for Honda, Mercedes Benz and Peugeot models (Flower and Lim, 2006: 72-74). Today, the Boon Siew Group, one of the largest conglomerates of the country, has lost all distributorships in the auto industry, and is left only with the Honda motorbike business. The DRB-Hicom Group, controlled by Syed Mokhtar Al-Bukhary,[14] reputedly Malaysia's richest Malay businessman has an extensive distribution network for six brands of passenger cars (Proton, Mitsubishi, Audi, Honda, Isuzu and Suzuki) and four commercial and utility vehicles (Isuzu, Mahindra, Honda and Mitsubishi). DRB-Hicom is also an OEM for Toyota, Honda, ZF Steerings, TRW, Brose, Volvo, Ford, Nissan and Yamaha, apart from being the sole manufacturer and distributor of defense vehicles. The Naza Group, a Malay-controlled company, is the official distributor for Peugeot, Kia, Ferrari, Maserati, Citroen, Chevloret, Brabus, Mercedes and Perodua brands of passenger cars in the country.

Today there are only three Chinese business groups that hold an official distributorships of limited brands of passenger cars and commercial vehicles in Malaysia. The Hap Seng Group is the sole authorized dealer for Mercedes-Benz logging and general-purpose trucks, buses, passenger vehicles and spare parts in Sabah and Sarawak, and the sole authorized dealer for Mercedes-Benz and Mitsubishi Fuso in East Malaysia as well as an authorized dealer of Mercedes-Benz and Smart vehicles in the Klang Valley. The Berjaya Group owns the distribution and retailing of Mazda vehicles in Malaysia and the Tan Chong Group is the franchise holder and exclusive distributor of Nissan passenger and light commercial vehicles and Renault vehicles.

Commodity Sector

A high-profile case of Chinese business interests giving way to state interests was that of sugar refining and distribution. The richest Malaysian businessman, Robert Kuok, the acknowledged pioneer and the “Sugar King” of Malaysia, had to let go of Malayan Sugar Manufacturing Co. Sdn. Bhd. (MSM) to the state and Malay elite interests in 2009.

The reasons behind the disposal of his entire sugar refining operations and half his joint-venture stake with Felda in Kilang Gula Felda Perlis Sdn. Bhd. to Felda Global Ventures Holdings Sdn. Bhd. remain unknown. A few factors have been cited by market analysts. The first was that the Malaysian sugar business was a small component of the Kuok business empire which is especially well-established in China. The Kuok Group controls more than 40 per cent of China’s cooking oil market share via its Singapore-listed plantation giant, Wilmar International Ltd. Wilmar is controlled by the Kuok Group of companies and has a market capitalization of S$39.1 billion (RM109 billion at current exchange rate). Another possible factor cited was that cashing out at a decent price was a rational business choice. MSM has made an aggregate investment of RM60 million between 1976 and 1999. The takeover price of RM1.25 billion for MSM and related assets had yielded a massive gain of RM1.19 billion. Thirdly, in 2002, Syed Mokhtar Al-Bukhary had, through his interests in Tradewinds, became a partner with the Kuok Group. Syed Mokhtar controls about 43 per cent of Tradewinds, compared with Kuok’s 20 per cent. The proposed acquisition of Padiberas Nasional Bhd. (Bernas) by Tradewinds in 2009 was perceived as likely to increase the gearing of company (*The Edge Malaysia*, 10 December 2009). It was reported that Syed Mokhtar owed Tradewinds some RM200 million and there have been related party transactions involving him and Tradewinds. The Kuok Group was reported unhappy and could have disposed of its 20 per cent stake in Tradewinds to Felda (*The Star*, 4 November 2009). The last factor was that it was probably easier for the government to reduce the sugar subsidy if the business was controlled by companies with links to the government (*The Edge Malaysia*, 9 November 2009).

The issue may also be examined from the perspective of a power and control game between a GLC, Malay elites, and the Kuok Group. As sugar is a basic commodity whose price is controlled by the government, it is state policy that matters most. To expedite the NEM strategy of integrating the BCIC into a national and regional supply chains seems to justify the acquisition. Felda Holdings, with 850,000 ha of plantation land and about RM1.5 billion in reserve, is arguably the largest oil palm plantation company in the world. The acquisition of MSM has enabled Felda to control both the sugar plantations and refineries. The interests of the Kuok Group had embraced the whole spectrum of the business including shipping facilities, extensive trading networks, and the volume to secure cheap supplies of raw sugar. The group still operates sugar businesses in Sumatra, buys raw sugar in bulk from Australia and Cuba, and keeps its cost low via bulk purchases and trading of sugar in China, Hong Kong and other regional markets (*The Edge Malaysia*, 9 November 2009).

According to news reports, Malaysia imports about a million tonnes of 90 per cent of the raw sugar needs of the country's four sugar refineries (MSM, Kilang Gula Felda Perlis Sdn. Bhd., Kilang Gula Padang Terap and Central Sugar Refinary Sdn. Bhd.), mainly from Australia. The combined production of MSM and KGFP exceeds 700,000 tonnes of refined sugar each year (*The Edge Malaysia*, 9 November 2009; *The Star*, 4 November 2009). Before the acquisition of MSM, the quantity of raw sugar import and refinery production indicate that the Kuok Group and Felda controlled 70 per cent of the country's sugar refinery business with the remaining 30 per cent controlled by Tradewinds' subsidiaries Kilang Gula Padang Terap and Central Sugar Refinery Sdn. Bhd.

Felda and the Kuok Group are competing to wrest control of the sugar business. That Felda is able to fix retail sugar price gives it an edge over its rival. A year after MSM was acquired, the subsidy for sugar was removed twice to enhance the profit margin of Felda and Tradewinds. Felda has established Felda Global Ventures Sdn. Bhd. (FGV) with a firepower of over RM6 billion capital expenditure from 2010 to 2015 to spearhead its expansion overseas in its core plantation and related businesses. FGVH has businesses in the U.S., China, Sri Lanka and Australia. Six months after selling its local sugar operations to Felda, the Kuok Group, via Singapore-based Wilmar International Ltd., acquired the Sydney-based CSR Ltd's sugar business and its renewable energy unit, Sucrogen Ltd. for A$1.75 billion (RM4.73 billion according to current exchange rate) which gives Wilmar control over half of Australia's raw sugar output from where Malaysia sourced 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.

Construction and Property Sector

As in the commodity sector, the takeover bids in the construction and property sector involves the wrestling of control of large and profitable developers. The hostile takeover of SP Setia Bhd. on 28 September 2011 by PNB is a recent example. SP Setia is the nation's second-largest developer, ranks only behind UEM Land by market value. Holding of 33.17 per cent SP Setia Bhd. shares, PNB took advantage of weak market sentiment and used its huge accumulated cash to push its stake to over 50 per cent in order to take control of SP Setia. Two other government institutions, the Kumpulan Wang Persaraan and Employees Provident Fund, owned 18 per cent of the shares. With this reshuffling of shares, the founder of SP Setia, Liew Kee Sin (now Tan Sri), holding 11.26 per cent and foreign interests holding 21 per cent, lost ownership and management control. Analysts felt that PNB could use SP Setia as a vehicle to consolidate all its vast property development business, namely, Pelangi Bhd., Island and Peninsula, Petaling Garden and Sime Property, to turn the newly acquired SP Setia into the biggest developer by market capitalization, land bank and sales (*The Malaysia Insider*, 28 September 2011; *The Star*, 1 October 2011).

In the context of the *Tenth Malaysia Plan*, the NEM and ETP, PNB is most probably building itself into a giant not only in the property sector to leverage on its advantage in the government's development plan of the Greater Kuala Lumpur,[15] but also to expedite the formation of a network comprising smaller Bumiputera developers, contractors and the whole supply chain in this sector in order to attain the goal outlined in the NEM. This argument is consistent with the strategy taken by UEM Land to get Sunrise and Sime Darby to acquire a significant share holdings in the Eastern and Oriental Group (E&O). In November 2010, UEM Land Holdings Bhd. proposed a takeover of Sunrise, an established property developer controlled by the Chinese. UEM Land values Sunrise at RM1.39 billion by offering RM2.80 per Sunrise share via a share swap and resulted in a RM5 billion size UEM-Sunrise new entity (*The Edge Malaysia*, 4 November 2010). On 26 August 2011, Sime Darby announced its intention to acquire 30 per cent stake in E&O from the managing director and other major shareholders for RM766 million. Some observers see the Sunrise and E&O deals as largely market-driven in which E&O managing director Datuk Terry Tham, who sold 12.2 of his 17.3 per cent stake, and Sunrise executive chairman Datuk Tong Kooi Ong, who gave up his 24.6 per cent interest, exited at a good price. With these deals, E&O mobilized the capital to develop its flagship project Seri Tanjung Pinang in Penang, while the lack of land in the case of Sunrise was overcome by merging with UEM Land to sustain its operation (*The Star*, 1 October 2011).

Some analysts perceived these acquisitions as a GLC agenda to gobble up or edge out the entrepreneur-driven private sector. A consequence could be the anxiety among entrepreneurs about the possibility of acquisition by powerful GLCs. The series of high-profile acquisition seem to run contrary to the official encouragement of private sector role to spearhead the process of economic transformation. Borrowing Fligstein's conception of control as a form of "local knowledge" and "historically specific to a certain industry in a certain society" (2001:

35), we notice that the acquisitions of property firms by GLCs and SIIs have been executed without difficulty as the latter are backed up by their vast resources.

Financial Sector

The State-controlled banks are growing in size and spreading their presence to neighbouring countries. CIMB, RHB and MBSB failed to merge into a mega Islamic bank in 2014. Maybank, the country's largest, currently has a strong presence in Indonesia, Singapore and the Philippines. Maybank acquired 97.5 per cent of PT Bank Internasional Indonesia (BII) in 2008 when global bank stocks plummeted by a third (*Bloomberg,* 30 September 2008). It is growing as a financial group and has expanded its international investment banking operations by acquiring Singapore brokerage Kim Eng Holdings Limited in 2011. This acquisition allows Maybank instant access to investment operations in Singapore, Thailand, Vietnam, Indonesia and the Philippines and thus transforms Maybank into a regional powerhouse (*Financial Times*, 6 June 2011).

Another state-controlled bank, CIMB, is ranked second in the country. The CIMB Group is the largest Asia Pacific investment bank outside Japan, and the fifth largest in ASEAN. It is strengthening its present in Southeast Asia and is connecting itself to global financial centres and large economies that have linkages with ASEAN. In underwriting capital-market deals for the Asia-Pacific, CIMB out-ranks Singapore's DBS Group Holdings Ltd. and HSBC Holdings Plc, while Royal Bank of Scotland (RBS) trails at No. 35. In takeovers, it is ahead of Morgan Stanley, Credit Suisse Group AG and Goldman Sachs with RBS lagging behind at number 19 (*Bloomberg*, 25 June 2012).

According to Fligstein (2001: 84), power struggle within firms and market could be triggered by external forces such as "shift in demand, invasion by other firms, or actions of the state". Future banking consolidation that favours state-controlled banks will see the remaining Chinese-owned banks exiting the corporate scene. Cook (2008) noted that since the late 1960s until the present, the government had been very firm with its state-guided approach and had systematically reformed the domestic banking sector.

Oil and Gas Sector

Bumiputeras are dominating the oil and gas sector of the economy, initially through the state-owned national petroleum company, Petronas, now accompanied by numerous downstream corporations. The largest and most successful Bumiputera-controlled oil and gas company is Sapura Kencana Petroleum Berhad. Recently, Ekuinas has acquired smaller companies such as 24 per cent stake of Tanjong Offshore Berhad in July 2010 and 70.7 per cent stake of Icon Offshore Berhad in November 2012 (*Ekuinas Annual Report, 2013*: 60). In its listing at Bursa Malaysia in June 2014, Icon's initial public offering raised RM1.09 billion through public issue of 587 million shares (*New Straits Times*, 25 June 2014). Icon Offshore is a new creation from the merger of two oil and gas companies, namely Tanjung Kapal Services Sdn. Bhd. and OMNI Petromaritime Sdn. Bhd. Icon Offshore is now the third largest offshore support vessel (OSV) company in Malaysia (*Ekuinas Annual Report, 2013*: 22). Ekuinas' business strategy is basically taking a position of a trader, buy low and sell high to accumulate profits from a position of strength.

Utility Sector

The latest addition to the list of state-owned companies, 1Malaysia Development Bhd. (1MDB), a strategic development company that can easily mobilize huge capital to acquire large businesses and power plants and to engage in property development. With vast financial resources at its command and accompanying political clout, it can easily take over large businesses to meet its ends. Its power of acquisition has not spared Malaysia's second and third richest men, Ananda Krishnan and Lim Kok Thay respectively. It bought the Ananda's Tanjong Energy Holdings Sdn. Bhd. in March 2012 for RM8.5 billion. Tanjong Energy owns and operates eight power plants with investments in five power plants in Malaysia, Egypt, Bangladesh, Pakistan, Sri Lanka and the United Arab Emirates, boasting an aggregate net generating capacity of 3,951MW. This was followed by the acquisition of Genting Berhad's domestic energy operation via Genting Bhd's 97.7 per cent stake in Mastika Lagenda Sdn. Bhd. for RM2.3 billion. Genting Sanyen is a first-generation independent power producer with a production capacity of 720MW from its combined-cycle gas turbine plant in Kuala Langat, Selangor. The reason cited for the purchase of these assets was to achieve 1MDB's intent to fulfill the country's long-term energy security (*The Edge Malaysia*, 8 March 2012).

In a move to gain dominance of the energy sector, 1MDB formed a consortium with Mitsui Co. Ltd. to oust YTL Power International Ltd. in a RM11 billion 2000MW 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 Nasional Berhad (TNB). Critics say that the award was to appease YTL for not getting the RM11 billion Project 3B won by 1MDB. 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 Star*, 18 June 2014). From the perspective of power, the Chinese-controlled YTL group was one of the largest public listed companies in Malaysia to have lost out to a GLC.

Retail Sector

The perception of the economic "dominance" of the Chinese in Southeast Asia is commonly associated with the almost ubiquitous Chinese retail stores in the towns and villages. So was the case in Malaysia. The retailing sector has changed in the manner business is done and in the variety of goods and services offered. The growing presence of Bumiputera interests in certain retail businesses is increasingly evident. Such GLCs as Petronas and

Boustead Holdings have created and dominated the convenient stores set up in their petrol stations throughout the country. The Johor Corporation has emerged as Malaysia's first and only fully-integrated food operator. With its control of the QSR Brands, it is a franchisee of over 700 KFC restaurants in Malaysia, Singapore, Brunei, India as well as Cambodia, and the operator of more than 300 Pizza Hut restaurants in Malaysia and 50 in Singapore.

Ekuinas is actively gaining a controlling stake in selected companies to create value for its fast-moving consumer goods, retail and leisure portfolio. Its food and beverage group has won control of Burger King Malaysia and Singapore; Manhattan Fish Market; Tony Roma's; Popeye's Singapore and San Francisco Coffee. It has also ventured into *halal* food manufacturing to synergize with its food and beverage companies. In 2010, the Ekuinas retail group acquired a 20 per cent stake in Alliance Cosmetics Group, a leading colour cosmetics and fragrance player in Malaysia, Singapore and Brunei.

Services Sector

The expanding services sector has not been overlooked by GLCs. The Johor Corporation's KPJ Healthcare Berhad[16] and Khazanah Nasional's IHH Healthcare Berhad[17] have a strong presence in the provision of healthcare and higher education services. Ekuinas has not been constrained by its more limited investment funds in winning substantial stakes in Asia Pacific University of Technology and Innovation (APU), Asia Pacific Smart Schools, UNITAR International University, Kuala Lumpur Metropolitan University College, and Cosmopoint College and APIIT Lanka, a leading private tertiary education provider from Sri Lanka. Back in 2010, it acquired a 61.6 per cent stake in Konsortium Logistik Berhad which specializes in providing logistics solutions for the automotive and coal transportation sectors (Ekuinas.com.my; *Ekuinas Annual Report, 2013*: 20, 21, and 60).

Conclusion

This is a study of the changing corporate scenario of Malaysia in the past several decades from the perspective of power. It is all too clear that the affirmative action policy has shaped Malaysia's economic landscape through state-sponsored institutions empowered by legal instruments and vast financial resources. These institutions and their economic enterprises are symbols of power and control in the corporate sector that stamps their dominance over private-owned enterprises of the largest scale. A far-reaching implication of the affirmative action policy is to frustrate the current generation of private entrepreneurs to replicate the so-called "Chinese new wealth" witnessed in the 1990s. The challenge is for Chinese and other non-Bumiputera enterprises to adapt to the changing circumstances to keep abreast with Malaysia's evolving political economy.

The state-led Bumiputera economic agenda that emphasizes the development of the BCIC has inspired a radical strategy to integrate Bumiputera entrepreneurs and their companies as well as the GLCs into effective national and regional supply chains. This strategy will undermine the existing long-established Chinese business networks and supply chains. There is, however, a significant difference between the state-constructed BCIC supply chains and the Chinese business networks. The former's supply chains tend to be driven by the state and has strong dependency syndrome, while the Chinese business networks are more than an integrated structure and are strongly influenced by social and cultural dynamics (Yeung, 1997: 5). The Chinese business networks are not defined explicitly by property, ownership, or control but have flexible boundaries involving a series of relationships linking people together and capable of expansion or contraction as determined by circumstances of time and place (Hamilton, 1991: 61).

State-backed enterprises and the resultant competitive pressure may undermine Chinese entrepreneurship, but they may similarly affect the future development of Bumiputera entrepreneurship. Persistent state intervention to prop up Bumiputera enterprises will be increasingly difficult to sustain in the context of economic liberalization and the move towards a more level playing field. The bright side of Chinese business is that, with their entrepreneurial spirit and access to opportunities, they will continue to create new products and pioneer new markets just as the technopreneurs did in the late 1980s and 1990s, to find their competitive edge in the global supply chains and maintain their competitiveness by moving up the value chains beyond the national border. Several factors, such as the bitter lessons of the past, the existence of surviving business networks, the availability of business opportunities, and the success of the Kuok strategy in expanding beyond the national border, may encourage more and more Chinese entrepreneurs to expand overseas in search of a more level playing field.

Appendix

1MDB	1Malaysia Development Berhad
BCIC	Bumiputera Commercial and Industrial Community
Ekuinas	Ekuiti Nasional Berhad
ETP	Economic Transformation Programme
FGV	Felda Global Ventures Sdn. Bhd.
FGVH	Felda Global Ventures Holdings Sdn. Bhd.
GLCs	Government-linked Companies
MNCs	Multinational Corporations
MSM	Malayan Sugar Manufacturing Co. Sdn. Bhd.
NDP	New Development Policy
NEM	New Economic Model
NEP	New Economic Policy

OEM	Original Equipment Manufacturers
PNB	Permodalan Nasional Berhad
SMEs	Small and Medium Enterprises
SIIs	State-backed Investment Institutions
UMNO	United Malay National Organization

Notes

1 The crisis drove many to default on loans, MBf Finance Berhad, the biggest finance company in Malaysia, controlled by the Loy family, had a 20 per cent bad loan. Before the situation worsened, BNM stepped in and took over its management (*New York Times*, 5 January 1999).

2 PNB (48.76%) and PNB's funds; Skim Amanah Saham Bumiputera (15.08%) and Amanah Saham Malaysia (0.87%) and Skim Amanah Saham Wawasan 2020 (1.36%). See *SP Setia Berhad 2013 Annual Report*.

3 PNB (12.76%) and PNB's funds; Skim Amanah Saham Bumiputera (46.65%) and Amanah Saham Malaysia (2.75%). See *MNRB Holdings Berhad 2013 Annual Report*.

4 PNB (0.75%) and PNB's funds; Skim Amanah Saham Bumiputera (47.71%), Skim Amanah Saham Wawasan 2020 (3.93%) and Amanah Saham Didik (1.38%). See *NCB Holdings Berhad 2013 Annual Report*.

5 UMW Holdings Berhad (55.15%); PNB's funds; Skim Amanah Saham Bumiputera (5.04%), Skim Amanah Saham Wawasan 2020; Amanah Saham Malaysia (1.16%); and Amanah Saham Didik (0.31%). See *UMW Oil & Gas Corporation Berhad 2013 Annual Report*.

6 PNB (4.81%) and PNB's funds; Skim Amanah Saham Bumiputera (40.72%) and Amanah Saham Malaysia (2.91%), Skim Amanah Saham Wawasan 2020 (3.07%) and Amanah Saham Didik (1.13%). See *UMW Holdings Berhad 2013 Annual Report*.

7 PNB (10.95%) and PNB's funds; Skim Amanah Saham Bumiputera (35.21%), Amanah Saham Malaysia (1.78%) and Skim Amanah Saham Wawasan 2020 (1.91%). See *Sime Darby Berhad 2013 Annual Report*.

8 PNB (5.68%) and PNB's funds; Skim Amanah Saham Bumiputera (38.70%) and Amanah Saham Malaysia (1.36%) and Skim Amanah Saham Wawasan 2020 (1.66%). See *Malayan Banking Berhad 2013 Annual Report*.

9 PNB (1.60%) and PNB's funds; Skim Amanah Saham Bumiputera (13.19%), Amanah Saham Malaysia (1.51%); Skim Amanah Saham Wawasan 2020 (1.94%) and Amanah Saham Didik (0.77%). See *Telekom Malaysia Berhad 2013 Annual Report*.

10 As of 16 June 2015, PNB via its unit trust funds owned 8.49% of Digi.com Berhad (market capital: RM43,384,500,000); and 10.71% of Maxis Berhad (market capital: RM48,807,968,300).

11 PNB (0.54%) and PNB's funds; Skim Amanah Saham Bumiputera (10.16%), Amanah Saham Malaysia (1.06%); Skim Amanah Saham Wawasan 2020 (0.85%) and Amanah Saham Didik (0.75%). See *Axaita Group Berhad 2013 Annual Report*.

12 Ekuiti Nasional Berhad (Ekuinas) is claimed to be a new market-friendly policy instrument aims to promote equitable and sustainable Bumiputera economic participation via equity ownership through private equity (PE).

13 1MDB sold US$1.75bil (RM5.46bil) of 10-year debt to yield 5.99% in May 2012. It sold US$3billion (RM9.36bil) of US dollar-denominated bonds on 19th of March 2013. It is developing a US$8 billion financial district in Kuala Lumpur called the Tun Razak Exchange (RM24.96bil) development.

It had signed agreements with Aabar Investments PJSC, a company controlled by Abu Dhabi's state-owned International Petroleum Investment Co., to co-invest RM18bil in projects in Malaysia (*The Star*, 24 April 2013). It has a debt of RM36 billion (*TheEdgeMarket.com*, 25 October 2014).

14 Syed Mokhtar Albukhary emerged as a successful corporate Malay businessman in 2003 as exemplified in his diversified conglomerate. The New Economic Policy's affirmative action programmes and his close connection to former Prime Minister of Malaysia, Mahathir Mohamad are two major catalysts for his rapid rise in the Malaysian corporate world (Mohanlall, 2012). Through Etika Strategi Sdn. Bhd., his holding company, Syed Mokhtar holds controlling stakes in DRB-Hicom Berhad, Malakoff Corporation Berhad, Pos Malaysia Berhad, MMC Corporations Berhad, Bernas (Padiberas Nasional Berhad), Tradewinds Berhad.

15 Greater Kuala Lumpur is one of 12 National Key Economic Areas outlined in the ETP that has enormous property development prospect.

16 As of 23rd June 2015, KPJ Healthcare Berhad's market capital was RM4.5 billion.

17 As of 23rd June 2015, IHH Healthcare Berhad's market capital was RM47.6 billion.

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