

# **Chambers of Commerce and Chinese Business Enterprise in Malaysia**

CHIN Yee Whah\* and LEE Yok Fee\*\*

## **Abstract**

The paper deals with the role of the Associated Chinese Chambers of Commerce and Industries of Malaysia (ACCCIM) that represents 17 constituent members located separately in the 13 states of the nation. It will examine how ACCCIM attempts constantly to enhance and create a favourable environment for enterprise development for the Chinese business community. The paper will analyse the intensity of ACCCIM in fostering better domestic business opportunities through joint ventures that involve other ethnic groups in the multiracial and multicultural context of Malaysia and to exert its influence on state economic policies. Its role in assisting the Chinese business community to expand their markets by various means and in weathering the 1997/98 Asian financial crisis and the current global financial crisis will be discussed.

**Key words:** Chinese Chambers of Commerce, Malaysian Chinese business, and business development

## **Introduction**

The Chinese business community has traditionally established chambers of commerce in towns and cities throughout Malaysia to serve their commercial interests. To date, 17 such chambers have been set up, with one in each state, three towns and a region.<sup>1</sup> At the apex of these organizations is the Associated Chinese Chambers of Commerce and Industries of Malaysia (ACCCIM) located in Kuala Lumpur. Much of the materials on which this study is based are derived from published and unpublished sources of ACCCIM, reports in the local press and other relevant published sources.

---

\* Dr. CHIN Yee Whah is Associate Professor at the School of Social Sciences, Universiti Sains Malaysia, Penang. E-mail: ywchin@usm.my

\*\* Dr. LEE Yok Fee is Senior Lecturer at the Faculty of Human Ecology, Universiti Putra Malaysia, Selangor. E-mail: yokfee@yahoo.com

This is the revised version of a paper presented at the 16th World Congress of the International Union of Anthropological and Ethnological Sciences (IUAES), Kunming, China, 27-31 July, 2009. Thanks are due to Universiti Sains Malaysia for funding under the Research University Grant (1001/PSOSIAL/816006).

The Chinese community in Malaysia has organized several thousand associations to meet the legitimate needs of a variety of groups based on such affinities as clans, dialects, culture, education, religions and occupations. With the Chinese being commonly engaged in commerce and trade, associations that are affiliated to different occupations and businesses are also an inseparable part of Chinese society. Among them, only the chambers of commerce cater to the specific interests of the general business community and they exert an influence that goes beyond their number. The national chamber of commerce is the most influential and its president is invariably a prominent entrepreneur and whose position is equated with that of an acknowledged community leader of the Chinese. ACCCIM therefore enjoys an exalted place in the hierarchy of Chinese social organizations. How it fulfills its own role in an effective manner to serve the business community and how it is perceived by the Chinese community in general are crucial to its own image as an elite body that is worthy of the name.

The literature on Chinese chambers of commerce in Malaysia is sketchy. The most common source of information is still the occasional publications of the various chambers that commemorate specific anniversaries. Among the few studies that have been completed on this subject include those by Shinozaki (2006 and 2009) and Yeoh (2007). Shinozaki's studies delved into the early history while Yeoh dealt with the broader study of nation building in which the role of Chinese chambers of commerce in business corporation was portrayed as a response to a communal dilemma of economic marginalization and an attempt in reasserting ethno-identity.

The primary role of ACCCIM is to work towards enhancing and creating a favourable environment for enterprise development among the Chinese business community. This Chamber too contributes to the task of promoting domestic business opportunities through joint ventures with other ethnic groups in multiracial and multicultural Malaysia. Being a nationwide organization, ACCCIM enjoys sufficient economic clout to nurture close relationships with the State and to have a say in national economic policies. In the wider context of regional and global business, ACCCIM's role is to promote the interests of the Chinese business overseas and explore ways to expand markets by exploring business opportunities abroad. During times of economic stress such as the 1997/98 Asian financial crisis and also the current global financial crisis, ACCCIM would seek ways to assist its members. These roles and issues will form the basis of discussion in the paper.

## **The Associated Chinese Chambers of Commerce and Industry in Brief**

ACCCIM is the parent organization of individual Chinese Chambers of Commerce established by the business community at the local level. The first such chamber was established in Penang in 1903. Others followed in quick succession in Kuantan town in Pahang (1903), Selangor (1904), Singapore (1905), Perak (1907), Batu Pahat town in Johor (1908) and Sandakan town in Sabah or British North Borneo (1909). By 1936, eight more chambers of commerce had appeared (蔦崎香織/Shinozaki, 2009: 303). ACCCIM is the earliest national level Chinese organization to have a complete regional representation in the country (ACCCIM, 2009: 128). In 2006, ACCCIM represented 28,352 Malaysian Chinese companies, individuals and trade associations, and the Chinese business community in general. In terms of companies, more than nine-tenths of these members comprise of small and medium size enterprises (SME) category.

Formerly known as the Associated Chinese Chambers of Commerce of British Malaya, ACCCIM was founded on 2 July 1921. After the Second World War, the Associated Chambers convened its first meeting and changed its name to The Associated Chinese Chambers of Commerce of Malaya in 1947. Its declared objective was to establish close contact between Chinese chambers of commerce in various parts of the country in order to promote and protect commercial interests, to assist the agricultural, mining and manufacturing industries, and to maintain close liaison with chambers of commerce of other ethnic groups with the aim of promoting prosperity and enhancing public welfare. With the birth of Malaysia and subsequent separation of Singapore in 1965, the Singapore Chamber, despite being one of its founder members, had to make an exit. Its official name was amended again to its current one, and its membership was enlarged to include the new states of Sabah and Sarawak. The link with the Singapore Chamber was not completely severed but maintained through a liaison committee set up in early 1970.

## **Improving the Domestic Business Environment**

The year 1970 marked a watershed in the economic history of Malaysia. Following the eruption of ethnic clashes in 1969, the government introduced a radical policy in the form of the New Economic Policy (NEP). Launched with the expressed objectives of “restructuring society” and to eradicate poverty, NEP effectively restricted the economic space of Chinese enterprise at the same time as it expanded that of the Bumiputera (the Malays and indigenous populations). The introduction of a slew of Bumiputera-biased regulations over the years posed serious challenges on the ACCCIM’s role in protecting its members and their interests (Jesudason 1989; Heng 1997; Heng and Sieh 2000). The major challenge to ACCCIM was

how to come out with a pragmatic response to the official initiatives particularly in respect to the restructuring of Malay/Bumiputera society. In a multi-ethnic society in which ethnic harmony could be fragile and subject to rupture upon minor provocations, ACCCIM would need to opt for non-political approaches in its efforts to increase Chinese economic leverage in the country.

### **Lobbying for a Favourable Business Environment**

Malaysia has experienced several phases of economic development since independence in the last five to six decades. The newly-independent Federation of Malaya continued the earlier *laissez faire* policy from 1957 to 1969. The Chinese had integrated well into the economy and Chinese capital was well represented in the modern sectors. In contrast, while the predominantly rural Malays had made some progress, they were nevertheless less well integrated and tended to lag behind those in the modern sectors. It was this unequal development that was blamed for the origins of the ethnic clashes of 13 May 1969 that gave birth to the NEP. Under this policy, the controversial Industrial Coordination Act (ICA) and the Foreign Investment Committee were established in 1975 to provide two effective mechanisms for the official regulation of business. One of the high-profile regulations was a quota system that set minimum limits to equity shares of new business undertakings. Enterprises that come under the full impact of this regulation were new companies of Chinese and foreign investors who wished to operate in the Malaysian market.

The Ministry of Trade and Industry that formulated the ICA was vested with the unrestricted powers over licensing, ownership structure, ethnic employment, production distribution quotas, content and the pricing of products, to favour Malay interests (Jesudason 1989: 131-40). Implemented in May 1976, the ICA imposed a licensing system on manufacturing firms with specific terms and conditions. Firms with less than RM100,000 in shareholders' funds and fewer than 25 workers were exempted from the requirement to employ 30 per cent Malays or to allocate 30 per cent of their equity for Malay interests. The ACCCIM perceived the ICA as an instrument that undermined the basis of the Chinese business system, particularly the family business that formed the majority of Chinese enterprises. In 1971, a survey of manufacturing establishments had confirmed that 65 per cent of the firms were typical family businesses run on a sole proprietorship or partnership basis (Jesudason 1989: 139). It was obvious that almost all Chinese family businesses would come under the jurisdiction of the ICA. Naturally, the Chinese business community felt threatened and questioned why they had to give up a substantial part of their family business that they had built diligently over the years to Malay "partners". Sensing the long-term implications of the ruling, ACCCIM led the Chinese business community in a campaign, objected to the ICA

as it argued that the Act was aimed primarily at the Chinese business community (Jesudason 1989; Hara 1991; Yasuda 1991).

ACCCIM then lobbied for support to persuade the private sector to adopt its position to seek the repeal of the ICA. However, it failed to secure the support of the Malaysian International Chamber of Commerce and Industry, the National Chamber of Commerce and the Malay Chambers of Commerce. The Federation of Malaysian manufacturers took an intermediate position, recommended that the cut-off point for exempting firms from the ICA be raised to RM1 million in shareholders' funds (Jesudason 1989: 140). Ultimately the government amended the ICA in April 1977 to exempt firms with less than RM250,000 in shareholder funds and RM500,000 in fixed investment from the equity condition. It was only in 1986 that the limit of RM1 million in invested capital received official sanction.

ACCCIM veers away from politics but insists on safeguarding the economic interests of its members and the business community. To play this role, it has found it necessary to exert its influence on certain government policies. Politically, Chinese-based political parties such as the Malaysia Chinese Association (MCA) and Gerakan which are coalition partners in the government have lost much of their influence and are not able to act from a position of strength. ACCCIM seeks to minimize the impact of the declining political clout of the Chinese to fill the vacuum by its action. In 1978, during the conference of the Associated Chinese Chambers of Commerce, ACCCIM made known its displeasure with government bureaucrats who were arrogant, inflexible, and uncooperative. It was critical of the many state enterprises for their poor performance and for wasting public funds; and voiced the opinion that the NEP was bringing only transitory gains for some Malays (Jesudason, 1989: 133).

The NEP ended officially in 1990 and was replaced by the more liberal National Development Plan (NDP) that would run from 1991 to 2000. Under the NDP, the government adopted more liberal policies and promoted state-business and inter-ethnic cooperation at the corporate level (Gomez, 2003). It also encouraged joint-ventures among small and medium enterprises (SMEs) (Chin, 2004 and 2007). The three decades of social engineering programmes under the NEP, whose policies were basically continued by the NDP, have witnessed a significant restructuring of the Malaysian society and the economic transformation of the Malays. At the same time, there were visible changes in the attitude and stance of the Chinese business community toward their Malay counterparts and in their general acceptance of the extension of the NEP (Chin, 2003 and 2004).

ACCCIM plays a pivotal role in important official bodies such as the National Economic Action Council, the Ministry of International Trade and Industry, and the Central Bank. It contributes professionally to the formulation of policies, in assessing the effects of recent economic crises upon Chinese business; in assisting SMEs to adapt to the new global situation,

and in encouraging members to avail themselves of various schemes and incentives provided by government (ACCCIM 1997a; 1997b; 1999; 2001a and 2001b).

### **Crossing the Ethnic Divide in Business**

Although the NEP ended officially in 1990, the restructuring of society continues unabated. Several methods of strategy implementation were amended under the NDP to improve Bumiputera capability to create and manage their own wealth (Malaysia, 1991: vi). One of the primary objectives of the NEP that continued into the NDP was the creation of a Bumiputera Commercial and Industrial Community (BCIC). This was to be realized by means of a new strategy in which Bumiputera businessmen would receive official support in the award of contracts for timber logging, licenses and partnerships, and the setting of quotas in a range of economic activities (Malaysia, 1991: 12). It was in the context of such government strategies and changing political scenarios that ACCCIM and the Chinese business community responded in a rational and pragmatic move to foster partnerships with Bumiputera entrepreneurs. This is articulated by ACCCIM in a working paper on Bumiputera and non-Bumiputera partnerships in the Third Bumiputera Economic Congress in 1992 (ACCCIM, 1992: 1).

Beginning from 1995, following the establishment of the Genuine Joint Venture Promotion Council by the Ministry of Entrepreneur Development with the co-operation of the Malay Chamber of Commerce Malaysia (MCCM) and ACCCIM, serious attention was taken to promote “genuine joint ventures” in the late 1990s. The role of the Council is to encourage integration and close cooperation to expand and share experience, knowledge, and expertise between Bumiputera and non-Bumiputera. In late 1997, the Council was enlarged to include the Malaysian Associated Indian Chambers of Commerce and Industry (MAICCI), the Ministry of Entrepreneur Development and representatives from a consortium of 20 commercial banks (Ministry of Entrepreneur Development, 1998: 34-5). This partnership that connects the major ethnic groups, the public and private sectors represented a new approach to accelerate the formation of a BCIC as outlined in the Second Outline Perspective Plan of 1991-2000 (OPP2).<sup>2</sup> This multi-party partnership matches with Searle’s (1999) notion of “capital integration”. In other words, “financial and ownership integration” allows Bumiputera business access to government financial aids, easy bank loan and partnerships with government-linked corporations. Such integration helps to accelerate the formation of the BCIC.

Genuine joint ventures were initiated in three different years in 1995, 1997 and 1998. Under the aegis of the Ministry of Enterprise Development in late 1995, 12 agreements were concluded on genuine joint ventures that involved the integration of capital, ownership,

experience and skills between MCCM and ACCCIM (*Dataniaga*, No. 15, January 1996: 12). The estimated project costs for the 12 ventures were about RM30 million. The year 1997 saw the approval of 38 joint venture projects by the Council. These were major projects that cost a total of RM500 million (ACCCIM 1997c: 66; Ministry of Enterprise Development, 1998: 35). The Asian financial crisis that erupted in 1997 crippled the financial resources of many governments in East Asia and there were widespread difficulties in securing bank loans. Hence only two joint ventures were formed in 1998. By 2000, the Council had approved 54 joint ventures (Ministry of Enterprise Development, 2000: 36).

The majority of the joint venture companies established between 1995 and 1998 were SMEs. Manufacturing was the primary focus of 61 per cent of the 54 partnerships, while 19 per cent were involved in construction and property development, 13 per cent in services and 7 per cent in other sectors (Ministry of Entrepreneur Development, 2000: 36). Bumiputeras dominated the partnership in the early phase in 1995. Out of the 12 joint ventures, Bumiputeras held the majority share in ten of the partnerships. In the second phase in 1997, Bumiputera controlled 19 of the 38 joint ventures by holding more than 51 per cent of the share equity, 15 were controlled by non-Bumiputera partners, and four were held in equal shares. These joint ventures included manufacturing concerns in which Chinese entrepreneurs had been reluctant to risk their investments because of the stringent conditions imposed by the ICA ruling. The willingness to invest in the manufacturing sector through partnerships was an indication of the shift in the business strategy of Chinese entrepreneurs. Judging from the equity distribution of these joint ventures it is clear that the Bumiputera partners are no longer inactive “sleeping partners”. Many have become owners and managers and beginning to create an impact in the Malaysian business scene. Hence, attempts to nurture joint ventures have yielded desired results in keeping with government intentions and the elimination of the so-called “Ali-Baba” arrangement by which “Ali” the Bumiputera partner remained inactive and gained little in terms of experience but only easy monetary rewards while “Baba” the Chinese partner was left to run the business. The true joint venture encourages the development of expertise and the sharing of technology between the Bumiputera and non-Bumiputera partners (*New Straits Times* 26 December 1998: 17).

Bumiputera partners often bring with political connections and access to certain sources of capital. Through the Joint Venture Council, a financial scheme with an allocation of RM700.00 million (as at October 1997) was created to promote Bumiputera joint ventures. Twenty domestic banks have come forward to form a reliable consortium to provide banking facilities. A joint-venture company with at least 30 per cent Bumiputera shareholding is eligible to apply for funds to inject capital into the project (*Majlis Galakan Usahasama Tulen*, 1997). These and other favourable services and facilities have contributed much to the success of these joint ventures.

### **Expanding the Chinese Economic Space**

In the heady days following the launching of the NEP amidst much anxiety among the non-Bumiputera communities, the Chinese political party in the government coalition responded by establishing a vast holding company. The setting up of Multi-Purpose Holdings Bhd (MPH),<sup>3</sup> in 1975 was meant to be a community business concern based on the mobilization of savings of ordinary members of society. This was then looked up as a bold and innovative strategy to cushion the likely damaging effects of NEP policies on Chinese businesses. Many other Chinese organizations such as clan and dialect associations too started their own “community” corporations in an euphoric mood of expectation (see Yeoh, 2007). Joining the band wagon was ACCCIM and several other regional chambers of commerce in an attempt to increase Chinese economic leverage. Under the leadership of the late Tan Sri Wee Boon Ping, ACCCIM successfully convinced the Chinese business community to pool resources to initiate major enterprises. It was this initiative that led to the establishment of Unico Holdings Bhd. ACCCIM incorporated Unico Holdings Bhd in May 1981 to provide a non-political alternative to the controversial MPH. Indeed, the honour of launching Chinese “community” corporations goes not to ACCCIM but to the Penang Chinese Chamber of Commerce which was the first to set up the Penang Commercial and Industrial Development Bhd in 1973, followed in 1975 by the Chinese Commercial Association of Kuantan, Pahang, which set up Chunghua Holdings Bhd. Soon after ACCCIM’s lead, the Kedah Chinese Chamber of Commerce incorporated the Keat Hua Holdings (Kedah) Bhd in September and a group of companies in Kepong town outside Kuala Lumpur with the Kepong Commercial Holdings (M) Bhd in July (Yeoh, 2007: 207).

Although Unico Holdings was born as one of the many holding companies formed by the Chinese community in the 1980s, ACCCIM looks upon itself as the leader in the corporatization movement by virtue of its status as the highest body for the Chinese business community in the country. Its action was naturally a bold effort to face the economic challenges posed by the onset of the ethnically biased policies of the NEP. It shares the same ideals of MPH to pool the resources of grass-root communities to achieve economic self-reliance by means of holding companies.

Unico Holdings Bhd was formally incorporated on 21 May 1981 with an authorized capital of RM100 million (ACCCIM, 2008c). A month later, the 35th Annual General Meeting of ACCCIM ratified the incorporation of the holding company and delegated to the Standing Committee authority to take charge of the matter. On 28 July 1984, ACCCIM and Unico Holdings formed a special committee to launch a nationwide campaign for the public issue of 49,404,998 ordinary shares of RM1.00 each to members of the public. This committee and ACCCIM issued a joint statement entitled “Striving for Excellence and Creating New

Opportunities” in the local Chinese press in conjunction with the public issue. The exercise received overwhelming response from the Chinese community and 25,184 applications for subscription of shares in Unico Holdings were received within a space of two months, the majority was submitted by small shareholders. By 1986, Unico had a paid-up capital of RM50 million and an oil palm in Sabah (see Yeoh, 2007). Unico is one of the major companies founded by the Chinese business community that survived until today. However, in 2007 it was involved in a well-publicized dispute among shareholders regarding its corporate exercise to dispose of its 29 per cent stake in Unico-Desa Plantations Berhad.

### **Reaching Out Through International Networking**

ACCCIM is a major focal point for the local business community as well as government officials to organize delegations to explore commercial and investment opportunities abroad. Similarly, it is also the point of connect for foreign trade delegations and governments.

ACCCIM is assuming an increasingly important role since the outbreak of the 1997 economic crisis. To revive the economic fortunes of local businesses, it is taking initiatives to expand economic opportunities by widening its business networks overseas. The primary objectives of establishing business networks are to promote Malaysia products and services, to import suitable products and expertise, to identify joint-venture partnerships, and to create avenues for business and investment. ACCCIM is targeting its networking efforts beyond Southeast Asia to reach out to the booming economies in East Asia, especially China including Taiwan and Hong Kong, and countries in South Asia or even Africa. Adopting a proactive stance in the global business arena, ACCCIM encouraged the Malaysian Chinese business community to integrate into the global network by hosting the Seventh World Chinese Entrepreneurs’ Convention in Kuala Lumpur in July 2003.

Traditionally, China and its territories of Hong Kong and Taiwan have been the major trade partners of Malaysian Chinese business. Commercial ties go back centuries in time and have been building up in volume and value with accelerating speed in the recent past. Business contacts and transactions were not interrupted even during the Cold War period when trade relations with China and other countries were few and irregular. China is a vast country comprising not one but many markets at the regional and local levels.

As a key business-based, non-governmental organization in Malaysia, ACCCIM has been taking the lead in fostering closer ties with China and its provinces and cities. As ACCCIM realized the business potentials in many other parts of China, it would seek out opportunities by establishing ties in various provinces and cities. In its 2001 visit to the Sixth World Chinese Entrepreneurs Convention in Nanjing, it sought to enhance cooperation and

friendly relationships with entrepreneurs in China and other parts of the world, to study the economic development of Jiangsu province particularly the Nanjing region, and to exploit the growing business opportunities made available by the open-door and reform policies of China (ACCCIM, 2001a: 30-32). A similar mission also visited the Sixth International Fruit and Vegetable Exposition in the densely-populated and rich agricultural province of Shandong in North China. Delegates were able to focus on the possibilities of investing in the agricultural business in the province and exchanged views with its Agriculture Department (ACCCIM, 2004d: 25-26).

Regular visits and MOU signed by ACCCIM have opened up new investment avenues abroad. At the same time, the business community is able to weigh the pros and cons in the relocation of production plants in search of the most cost-effective location outside Malaysia. This is particularly important in the era of globalization as more ACCCIM members seek to re-locate their manufacturing sites from Malaysia to other countries to remain competitive. It is a fact that Malaysian investments in China have been pioneered by the Chinese business community. These investors include large conglomerates, small and medium enterprises as well as the private entrepreneurs. In the period from 1985 to 2005, the Malaysian private sector has invested US\$3.832 billion in China.<sup>4</sup> The Chinese Embassy in Malaysia states that by the end of June 2002, a total of 2,359 Malaysian companies and individuals have invested in numerous projects in China. The Embassy confirms that about 90 per cent of Malaysian investments in China have come from local Chinese businesses (Lee and Lee 2006: 167).

The economic spillover effects from China and Vietnam's recent entry into the World Trade Organization has transformed them as new favourable destinations for foreign investment. The surge in labour costs in major cities such as Shanghai, Beijing and Tianjing in recent years has forced Malaysian as well as other businesses and investors to seek more cost-effective production sites elsewhere in and outside China. Vietnam has found to be a viable alternative to China and Malaysian investments have escalated accordingly. In the 1988-2006 period, Malaysian businesses have invested US\$1.6 billion in 190 projects in Vietnam in construction, oil and gas, banking and tourism. In the last seven years from 2000 to 2006, Malaysian investment in Vietnam had accelerated to reach an amount of RM892 million (*Bank Negara Malaysia*, [www.bnm.gov.my](http://www.bnm.gov.my)).

ACCCIM also plays a pivotal role in creating opportunities for joint ventures in heavy industry. In June 2004 the ACCCIM put forward a proposal for a Malaysia-China joint venture in the automobile industry. ACCCIM argued that China has proven that its production technology in producing cars, motorcycles and trucks is on par with that of developed countries. China too has an edge in being a lower-cost producer. ACCCIM therefore proposed that Malaysia explore the possibility of automobile technology transfer from China in the form

of joint research and development for the industry (*The Star*, 14 June 2004). The ACCCIM suggestion received the favourable response from the Malaysian national carmaker, Proton Holdings Bhd which made known its decision to consider partnering with Chinese automobile companies to capture a share of the large China market.

In May 2006, Proton's subsidiary Otomobil Nasional Sdn Bhd entered into an understanding with Chery Automobile Co Ltd and Alado Corp Sdn Bhd.<sup>5</sup> At the same time, Proton and Lotus Engineering (M) Sdn Bhd, a company within the Proton group, also entered into an understanding with Jinhua Youngman Automobile Group Co Ltd to undertake a joint feasibility study on designing, developing and selling completely knocked down (CKD) vehicles in China. The agreement has the potential to let Proton take a step forward, through its subsidiary to manufacture cheaper versions of Lotus cars and to expand its engineering capability to the Asian region.

ACCCIM is also taking the lead to spearhead the search for business and trade partners outside traditional markets from the 1990s. It has dispatched trade missions to such non-traditional trading nations as Mauritius and Bangladesh.

The trade mission to the Mauritius in 1999 was the outcome of the ACCCIM strategy to widen links and contacts in new markets. The main objectives of the mission were to set up business ties and to study the economic situation and prospects of Mauritius, including a better understanding of its business environment and the possibility of tapping potential investment opportunities in the South African region. One of the results of the mission was the conclusion of a Memorandum of Understanding (MOU) with the Chinese Business Chamber of Mauritius. Individual deals among delegates and Mauritius businessmen netted US\$7 million in purchase orders for Malaysian products, and an additional US\$2 million from other business proposals (ACCCIM, 1999d: 68-71). The Mauritius Chinese Business Chamber paid a return visit to Malaysia in 2005 to further strengthen bilateral ties (ACCCIM, 2005: 28). These business interactions form part and parcel of the process of *quanxi* or personal ties that have traditionally been depended upon to enhance business transactions among Chinese entrepreneurs.

ACCCIM turned its attention to Bangladesh in 2006 by organizing a trade and investment mission to Dhaka. The delegates were briefed on doing business in Bangladesh and conducted numerous business meetings to build up ties and contacts. ACCCIM gained a foothold in the country by signing three MOUs with the Dhaka Chamber of Commerce and Industry, National Association of Small and Cottage Industries of Bangladesh, and the Bangladesh-Malaysian Chamber of Commerce and Industry (ACCCIM, 2006b: 32-33). This was followed by a trade and investment mission in 2008 to participate in the Showcase Malaysia 2008 in Dhaka and to seek new business opportunities and cooperation (ACCCIM, 2008b: 26).

ACCCIM also cast its attention to other smaller South Asian markets such as Nepal in 2003 and Sri Lanka in 2006 (*ACCCIM*, 2003b: 49 and 2006d: 49). Its trade mission to Colombo met potential partners in the National Chamber of Commerce of Sri Lanka, Ceylon Chamber of Commerce of Sri Lanka, and Federation of Chamber of Commerce & Industry of Sri Lanka. The outcome was the signing of MOUs with two of the organizations to promote trade relations.

### **Serving Its Members and the Government**

ACCCIM seeks to enhance its own role and functions as well as to improve its service to its members. One of these is to disseminate the latest information through its monthly bulletin and the annual report of its own industrial survey.

ACCCIM conducts annual surveys on the economic situation of Malaysia. These reports are not meant to serve the narrow interests of Chinese business community on basic issues of business development in the country and the national economic outlook, but also as a means to assist the government and the National Economic Action Council (NEAC) to gauge the economic situation faced by Chinese business, to collect feedback and opinion from the business community on various measures taken by the government and NEAC, and for businesses to take steps to adjust to policies or to formulate new ones. The reports also provide the basis for ACCCIM to submit their views to the government. In mid-2009, ACCCIM's Socio-Economic Research Centre (SERC) established eight key focus groups to organize, deliberate and collate views, inputs and suggestions to the NEAC (*ACCCIM* 2009a: 12). The latest attempt by ACCCIM is to enhance SERC in specialized areas of research. It has thrown its full weight and influence as the most financially powerful body among the Chinese to strengthen the research centre. The centre would tap the expertise of local and foreign specialists to conduct comprehensive and in-depth studies on issues and problems encountered by Malaysian SMEs, to assist the business community effectively and to prepare proposals addressed to related government departments (*ACCCIM* 2010).

Official statistics confirm that there were 523,132 SMEs in the manufacturing, services and agriculture sectors in the country in 2005. An estimated 80 per cent or more were established by the Chinese business community. Considering the fact that SMEs play such a crucial role in the national economy, ACCCIM takes upon itself to conduct a survey on these enterprises and to report on the findings. The primary objectives the survey are to gather the latest information and statistics on selected SMEs and to analyse their problems, to ascertain their awareness of special official facilities or services that cater to the needs of SMEs, to form the basis of their submission of views and requests to various government agencies, and

to provide the database in the formulation of common action plans and strategies (*ACCCIM*, 2008a:17-19).

The plethora of official policies and regulations on economic matters is often intimidating to the average business person. The implementation of specific policies or rulings may be poorly understood by a section of the Chinese business community. *ACCCIM* sees the need to step in to provide assistance to convey and to clarify policies that affect Chinese business. In 2002, in its seminar on the export promotion incentives offered by the government, it sought to raise the general awareness of relevant businesses on the incentives that were offered, the conditions for eligibility, and procedures in submitting applications (*ACCCIM*, 2002a: 35). Similarly, the business community was briefed on the Third Industrial Master Plan to make known the importance and implications of the plan (*ACCCIM*, 2006c: 6).

*ACCCIM* organizes lectures and talks to raise the awareness of the Chinese business community on the latest developments that have a bearing on the businesses of its members. A major subject of concern is that of taxation. *ACCCIM* has worked towards propagating and disseminating knowledge on individual self-assessment tax system that came into force in 2004. Its work, through seminars and talks, was to enable individuals, companies and partnerships to understand the new tax system and the impact on their businesses (*ACCCIM*, 2003a: 39-42). Related to the issue of taxation is that of tax audit on which *ACCCIM* organized nationwide seminars in 2007 and 2008 for the benefit of the business community (*ACCCIM*, 2007: 24-25). Efforts in information dissemination would also cater to the interests of businesses in specific sectors. A seminar was specifically organized in 2006 to focus on the subject of tax incentives for agricultural enterprises. In its concern over the often exuberant reaction to the local share market, *ACCCIM* sought to enlighten the average investors by sponsoring talks on the fundamentals of investing in shares and to appreciate the risks, profits and rights involved (*ACCCIM*, 2004c: 31).

One of the critical factors that determines the fate of SMEs is capital. Most of the SMEs rely on their own internally-generated funds and those sourced from friends and family members. Even though they are viable businesses, they face some common obstacles in their attempts to obtain loans from banks. These obstacles include the lack of collateral, insufficient loan documentation, and lack of financial track record. To help SMEs to improve their access to financial institutions, *ACCCIM* organized nationwide seminars on SMEs financing and related problems for its members. Many were able to benefit from the lectures and explanations provided by speakers from Bank Negara (Central Bank of Malaysia), Credit Guarantee Corporation, the Association of Banks in Malaysia, and *ACCCIM* itself (*ACCCIM*, 2004a: 22).

*ACCCIM* complements its role in enlightening the business community with a training

component in its functions. Business enterprises are subject to constant and dynamic changes in the business environment. Adaptation to such changes is crucial to remain competitive. Training to upgrade skills and knowledge is an integral part of competitive and even more so to cushion the impact of economic downturns. The programme of workshops, talks, and seminars that has become part of ACCCIM's service to its members and the business community has helped to promote business development, especially for SMEs.

On the need to raise general awareness on the Knowledge Economy (K-Economy) among SMEs, ACCCIM in 2001 conducted a series of seminars on the K-Economy Master Plan formulated by government and to help SMEs to adopt appropriate actions to accommodate the demands of the K-Economy. These seminars were held in major towns in conjunction with constituent Chambers of Commerce (*ACCCIM*, 2001b: 33). To prepare the SMEs to face the challenges of globalization, ACCCIM conducted workshops to upgrade skills in the use of information and communication technologies so as to become more competitive in the increasingly globalized world (*ACCCIM*, 2004b: 23).

The ACCCIM is often alert and sensitive to the development of business environment in the country, especially towards economic policy by the government. In response to the official regulation on the mandatory training for company directors that was introduced in 2001, ACCCIM was able to persuade the government to adapt the ruling to accommodate the needs of different company directors. It suggested that the programme should not be mandatory and that it could conduct in Chinese language to benefit sections of Chinese company directors. A year later, ACCCIM was also granted the training right for the Corporate Directors Training Program by the Companies Commission of Malaysia (*ACCCIM*, 2002b: 36-38).

## **Conclusion**

As an economic-based, non-governmental national organization, ACCCIM wields considerable influence in the eyes of the Chinese community and the government. Its major concern is to foster an economic environment that is conducive to the conduct of business. To attain this objective, it has to assume an effective leadership role and in promoting the general interests of its members and the Chinese community in general. It has to take a proactive stance in meeting new challenges posed by changing political and economic circumstances.

ACCCIM has performed well in the discharge of the mandate to work for the benefit of its members and the business community. It is constantly alert to new situations and to formulate appropriate response strategies. Its role as a lobby for or against specific policies has generally been effective as it builds up the trust of the government. Its range of services and undertakings has expanded with the years to meeting changing needs. To the SME sector

whose members are well represented in ACCCIM, the Chamber is like a custodian that casts a safety net for their protection. At the same time as it undertakes the task of creating regional business networks, it is also building up a programme of essential and practical services for the benefit of its members

In the 1970s when economic activities were organized along ethnic lines, ACCCIM had been critical of the policies of the NEP like many other non-Bumiputera organizations. As the social conditions and economic policies and prospects change with the times, ACCCIM is shifting to a more accommodating approach by working with government bodies and Malay entrepreneurs to expand business opportunities. The trend towards inter-ethnic businesses augurs well for the future as such partnerships are seen to bring benefits to the Chinese business community as well as to Bumiputera entrepreneurs for the overall success and prosperity of the country.

### Notes

- 1 These are the 13 chambers in the states and four in the towns of Batu Pahat, Kluang, and Klang and the North Perak region (ACCCIM, 2006).
- 2 New Economic Policy (1971-90) refers to the First Outline Perspective Plan (OPP1). Four of the country's five-year plans from the Second to the Fifth were implemented under OPP1. OPP2 refers to the National Development Plan (1991-2000), which include the Sixth and Seventh Malaysia Plans. Meanwhile, the Eight Malaysia Plan (2001-05) occupies the first five years of OPP3 or the Vision Plan (2001-10).
- 3 MPH's role was to pool Chinese economic resources and compete, in the way small enterprises could not, with large Malay corporate organizations (see Jesudason, 1989: 155-159). "Bhd" stands for "Berhad" or "Limited Company" in Malay.
- 4 Investments shown in the *China Statistical Yearbook* are the actual amounts invested. Figures gathered by the Chinese authority could possibly include Chinese Malaysian investment in China. This would include Malaysians who use Hong Kong as a base for their investment and business operation in China. A good case is the business group controlled by Robert Kuok.
- 5 Proton's target was not only to raise its domestic market share to 45.8 per cent in the 2007 financial year, but also to earn 8.6 per cent of its revenue from exports, compared with 5.2 per cent in its 2006 financial year. According to China Association of Automobile Manufacturers, China's vehicle sales hit 5.76 million units in 2005, or an increase of 13.5 per cent from the preceding year. In the first quarter of 2006, China sold 1.25 million passenger cars, or 54 per cent more than the previous first quarter (*The Star* 24 May 2006).

### References

- Association of Chinese Chambers of Commerce and Industry (ACCCIM) 1997a. ACCCIM Memorandum on issues, proposals and recommendations on employment of foreign workers, *ACCCIM Bulletin*, No. 2: 23-25.
- 1997b. Memorandum for international trade and industry dialogue, *ACCCIM Bulletin*, No. 2: 27-31.
- 1997c. Progress report on genuine joint-ventures, *ACCCIM Bulletin*, No. 3: 66-73.

- 1999a. Courtesy call by the Delegation of the China International Trade Promotion Committee, *ACCCIM Bulletin*, No. 2: 62 (in Chinese).
  - 1999b. Courtesy call by Ms Guo Li, Chief of the Asia Bureau of the Department for Foreign Trade and Economic Cooperation, *ACCCIM Bulletin*, No. 2: 63 (in Chinese).
  - 1999c. Courtesy call by Mr Guo Dong Po, Deputy President of China Overseas Exchange Association and Head of the Overseas Chinese Affairs Department of the State Council, *ACCCIM Bulletin*, No. 2: 64 (in Chinese).
  - 1999d. ACCCIM Trade and Investment Mission to Mauritius, *ACCCIM Bulletin*, No. 2: 68-71.
  - 1999e. Performance of the SMIs in the manufacturing sector, *ACCCIM Bulletin*, No. 5: 28-29.
  - 2001a. ACCCIM delegation to Nanjing, China in conjunction with the 6<sup>th</sup> World Chinese Entrepreneurs Convention, *ACCCIM Bulletin*, No. 4: 30-32.
  - 2001b. ACCCIM National Promotional Programme on K-Economy, *ACCCIM Bulletin*, No. 4: 33.
  - 2001c. Performance of small and medium enterprises, *ACCCIM Bulletin*, No. 4: 9-10.
  - 2001d. Position paper on SMIs and a recipe for faster development to meet challenges of globalization and liberalization, *ACCCIM Bulletin*, No. 5: 10-15.
  - 2002a. Government export incentives, *ACCCIM Bulletin*, No. 2: 35 (in Chinese).
  - 2002b. Ministry of Domestic Trade and Consumer Affairs grant ACCCIM Corporate Directors' Training Programme (CDTP) training right, *ACCCIM Bulletin*, No. 5: 36-38.
  - 2003a. Nationwide talk on the 2004 income tax personal assessment system, *ACCCIM Bulletin*, No. 2: 39-42 (in Chinese).
  - 2003b. ACCCIM Trade and Investment Mission to Nepal, *ACCCIM Bulletin*, No. 3: 49.
  - 2004a. Nationwide talk on the problems facing the capitalization of SMIs, *ACCCIM Bulletin*, No. 1: 22 (in Chinese).
  - 2004b. Seminar on how to utilize information and information technology to raise international competitiveness, *ACCCIM Bulletin*, No. 1: 23 (in Chinese).
  - 2004c. Press conference on educational talk on investing in trusts, *ACCCIM Bulletin*, No. 2: 31 (in Chinese).
  - 2004d. ACCCIM Agricultural Study Group to Shandong Province, *ACCCIM Bulletin*, No. 4: 22-24 (in Chinese).
  - 2005. Visit of the Mauritius trade delegation, *ACCCIM Bulletin*, No. 3: 28 (in Chinese).
  - 2006a. *2006-2008 Hand Book*. Kuala Lumpur: ACCCIM.
  - 2006b. Trade and Investment Mission to Dhaka, Bangladesh, *ACCCIM Bulletin*, No. 3: 32-33.
  - 2006c. Joint ACCCIM-Kuala Lumpur/Selangor Chinese Chamber of Commerce Briefing on the Third Malaysian Industrial Master Plan, *ACCCIM Bulletin*, No. 4: 6 (in Chinese).
  - 2006d. Trade and Investment Mission to Colombo, Sri Lanka, *ACCCIM Bulletin*, No. 4: 49.
  - 2007. Nationwide Seminar on Tax Audit, *ACCCIM Bulletin*, No. 2: 24-25.
  - 2008a. Highlights on Report of ACCCIM Second SMEs Survey, *ACCCIM Bulletin*, No. 2: 17-19.
  - 2008b. ACCCIM Trade and Investment Mission to Bangladesh, *ACCCIM Bulletin*, No. 2: 26.
  - 2008c. The Associated Chinese Chamber of Commerce and Industry of Malaysia (ACCCIM) Rebuttal and Clarifications on the 'Letter to Shareholders by Unico Holdings Bhd'. <http://www.acccim.org.my/html/modules/news/article.php?storyid=159> (retrieved on 24 July 2009).
  - 2009. *62<sup>nd</sup> Annual Report (2008-2009)*. Kuala Lumpur: ACCCIM.
  - 2009a. NEAC-ACCCIM Focus Groups, *ACCCIM Bulletin*, Issue No. 4: 17-19.
  - 2010. President Speech: Media Conference on the Report of ACCCIM 2010 SMEs Survey. <http://www.acccim.org.my/html/modules/news/article.php?storyid=240> (retrieved on 13 March 2010).
- Bank Negara Malaysia, [www.bnm.gov.my](http://www.bnm.gov.my)
- Department of Statistic, Malaysia 2005. *Census of Establishments and Enterprises, 2005*, Putrajaya.
- CHIN Yee Whah 2007. Knowledge management: business development in Chinese-Bumiputera partnerships in Malaysia, *Journal of Asian Business*, 22(2)/22(3)/23(1): 189-212.

- 2004. Ethnicity and the transformation of the Ali-Baba partnership in the Chinese business culture in Malaysia. In *The Challenge of Ethnicity: Building a Nation in Malaysia*, edited by Cheah Boon Kheng, Singapore: Marshall Cavendish International: 54-88
- 2003. The 'Bumiputera Policy': views from the Chinese business community, *Kajian Malaysia*, XXI (1 & 2): 363-377.
- GOMEZ, E.T. 2003. Affirmative action and enterprise development in Malaysia: The New Economic Policy, business partnerships and inter-ethnic relations, *Kajian Malaysia*, 21 (1&2): 59-104.
- HARA, Fujio 1991. Malaysia's New Economic Policy and the Chinese business community, *The Developing Economies*, 29 (4): 350-370.
- HENG Pek Koon 1997a. The New Economic Policy and the Chinese community in Peninsular Malaysia, *Developing Economies*, 35 (3): 262-92.
- HENG Pek Khoon and SIEH-LEE Mei Ling 2000. The Chinese business community in Peninsular Malaysia, 1957-1999. In *The Chinese in Malaysia*, edited by Lee Kam Hing and Tan Chee Beng, Shah Alam: Oxford University Press.
- JESUDASON, James V. 1989. *Ethnicity and the Economy: The States, Chinese Business, and Multinationals in Malaysia*, Singapore: Oxford University Press.
- Dataniaga. 1996, No. 15 January.
- LEE Poh Peng and LEE Kam Hing 2006. China's economic rise and its impact on Malaysian Chinese business. In *Southeast Asia's Chinese Business in An Era of Globalization: Coping with the Rise of China*, edited by Leo Suryadinata, Singapore: ISEAS: 162-190.
- Majlis Galakan Usahasama Tulen 1997. Guidelines for Bumiputera and Non-Bumiputera Genuine Joint-Ventures (second edition).
- Malaysia 1991. *The Second Outline Perspective Plan 1991-2000*. Kuala Lumpur: National Printing Department.
- Ministry of Entrepreneur Development (MED) 1998. *Annual Report*.
- 2000. *Annual Report*.
- New Straits Times* 26 December 1998.
- The Star* 14 June 2004. Proton, China firms study deal.
- SEARLE, P. 1999. *The Riddle of Malaysian Capitalism: Rent-seekers or Real Capitalism?* NSW: Allen and Unwin.
- YEOH, Emile Kok-Kheng 2007. Identity and economic development in a multi-ethnic society: Malaysian Chinese and the making of the nation. In *Malaysian Chinese and Nation-building: Before Merdeka and Fifty Years After*, Volume 1, edited by Voon Phin Keong, Kuala Lumpur: Centre for Malaysian Chinese Studies: 187-222.
- SHINOZAKI, Kaori 2006. The formation of the Penang Chinese Chamber of Commerce in 1903: protecting Chinese business interests in the two states, *Journal of the Malaysian Branch of the Royal Asiatic Society*, 79 (1): 43-65.
- YASUDA, Nobuyuki 1991. Malaysia's New Economic Policy and the Industrial Co-ordination Act, *The Developing Economies*, 29 (4): 330-349.
- 藤崎香織 2009. “华人商务局”的成立：商业与贸易发展的催化因素。载文平强、许德发主编，《勤俭兴邦：马来西亚华人的贡献》，吉隆坡：华社研究中心：301-328
- (SHINOZAKI, Kaori 2009. The establishment of “Chinese Business Departments”: factors behind the development of commerce and trade. In *National Prosperity Through Industry and Thrift: Contributions of Malaysian Chinese*, edited by Voon Phin Keong and Khor Teik Huat, Kuala Lumpur: Centre for Malaysian Chinese Studies: 301-328.