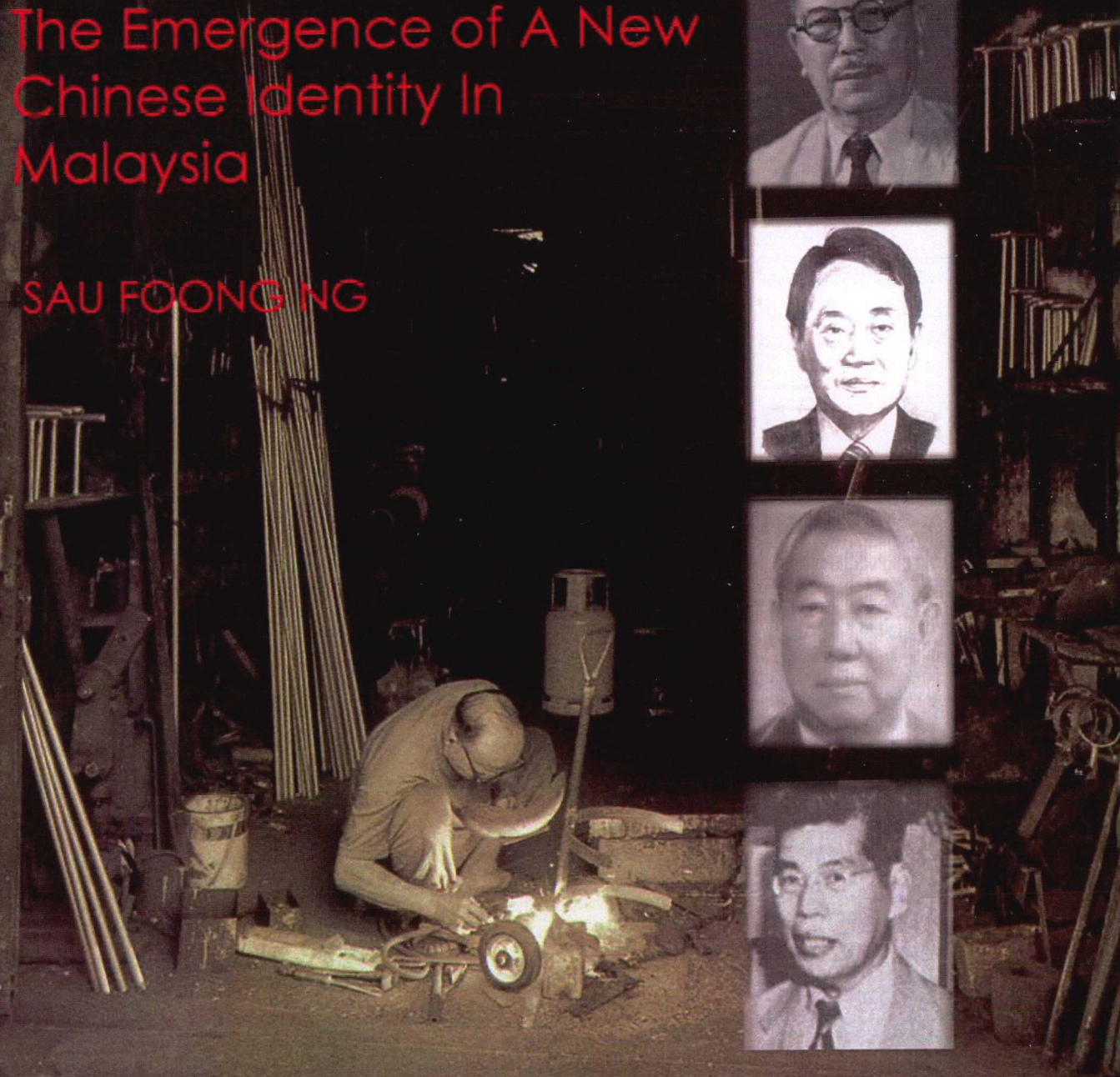


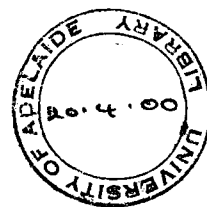
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**NANYANG HUA CHI'AO  
TO  
MALAYSIAN CHINESE:  
The Emergence of A New  
Chinese Identity In  
Malaysia**

**SAU FOONG NG**



**UNIVERSITY OF ADELAIDE**



NANYANG HUA CHI'AO  
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Chinese Identity in  
Malaysia

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Honours Thesis, Department of Politics, University of Adelaide,  
South Australia, 1999

In the loving memory of my grandfather *Dato* Ng Kuok Thai

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## ABSTRACT

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It is argued that the success of Overseas Chinese in Southeast Asia lies in their unique 'Chineseness'. This unique 'Chineseness', as many argued created a chain of broad networks that links Chinese with Chinese together. Although the assumption may be true in a broad context, in Malaysia this assumption does not hold. The sojourning Chinese during the period of the 'Chinese Diaspora' came to Malaya in search of economic wealth. However the political situation in Malaya induced a change in identity to which 'Overseas Chinese' identity was accepted. In part, this identity gave them an edge over the indigenous population. Within a short period of a few decades, the Chinese had already dominated various economic sectors and controlled the middle class. As their economic base continued to expand after independence, the Malays soon came to realize that they were left with a fragmented society. As Chinese strive further, first economic and later politics, the Malays see the need to retard their expansion. The rapid expansion of Chinese economic base led to a racial confrontation on May 13<sup>th</sup> 1969. The event became the turning point and the New Economic Policy (NEP) was enacted to redistribute wealth amongst the Malays. As a result of political change, the Chinese were forced to adapt to a different situation by adopting a new identity. In turn, this new identity as 'Malaysian Chinese' became the determinant of their success in modern Malaysia.

## ACKNOWLEDGEMENTS

First and foremost I would like to thank my supervisor Dr Felix Patrikeef for his exceptional guidance and advice. Without him I wouldn't have managed. I would also like to express my sincere gratitude to Associate Professor Dr Yen Ching-hwang, an expert in this field who readily aided me in times of difficulty giving me greater insights into the subject. Thanks must also go to Ng Yeong Hong, Managing Director of Ng Kuok Thai Holdings and *Datin* Sandra Lee, wife to *Dato* Lee Oi Hian for facilitated me with resourceful information. To my buddy Greg, who would forgo his leisure time for a game of golf to help me, often providing critical and crucial advice. To Wendy, my girlfriend who helped me organize and proof read chapters of my thesis, although she would prefer to read 'Cleo'. Also my cousin and Barrister-to-be Edwin who provided me with material and sources unavailable in Australia. Finally I must thank my parents who provided me with moral support and a determination to succeed. Without them I would not be here today.

## **DISCLAIMER**

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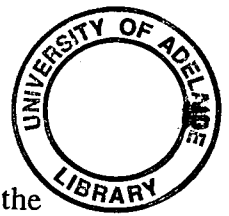
I hereby declare that this work contains no material which has been accepted for a previous award of any other degree or diploma in any other university and that, to my best knowledge and belief, this these contains no material previously published or written by another person except where due reference is made.

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Sau Foong Ng  
1<sup>st</sup> November 1999



# **INTRODUCTION**



Driven out of their homeland by abject poverty and starvation, the Chinese emigrants who sailed for the shores of Southeast Asia were to become, in a generation or two, the region's economic backbone, and some of its richest men.<sup>1</sup>

In Southeast Asia, most of the literature on Chinese business acknowledges the ubiquitous presence of this community in the various economies, although with the exception of Singapore, the Chinese only constitute a minority of the population.<sup>2</sup> In part, Chinese business ubiquity created the justification for government attempts to redistribute wealth in order to achieve economic parity amongst the populations. The question is, what gave the Chinese an edge over the indigenous population? Literatures exist which stereotype Chinese identities in Southeast Asia, attributing their success to 'broad networks', suffused with an inherent 'Chineseness'.<sup>3</sup> As Brown argued:

Ethnic Chinese succeed in business because of the extensive networks in which they work – and its negative form – the reason why the indigenous business people have been less successful is that they do not have these networks.<sup>4</sup>

He sees 'Chineseness' as,

The state of being Chinese to which all Chinese, overseas or in China itself, are heirs. For many observers, Confucianism is seen as the key to this unique Chineseness"<sup>5</sup>

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<sup>1</sup> Dobbs-Higginson, M.S., "The Chinese Diaspora: Will They and Their Hosts Know How to Behave?" in *Asia Pacific: Its Role in the New World Disorder*, (Victoria: Mandarin, 1993 ), p170; C. Brown, "Overseas Chinese Business" in South-East Asia, in Sheridan, K. ed., *Emerging Economic Systems in Asia*, (NSW: Allen & Unwin, 1998), pp209-10

<sup>2</sup> K. Yoshihara, *The Rise of Ersatz Capitalism in Southeast Asia*, (Singapore: Oxford University Press, 1988); J.V. Jesudason, *Ethnicity and the Economy: The State, Chinese Business, and the Multinational in Malaysia*, (Singapore: Oxford University Press, 1989); F. Hara, "Malaysia's New Economic Policy and the Chinese Business Community", *The Developing Economics* 29 (4). 1991; P.K. Heng, "The Chinese Business Elite of Malaysia", in R. Mcvey (ed.). *Southeast Asian Capitalists*, (Ithaca: Cornell South East Asian Studies Program, 1992)

<sup>3</sup> Yoshihara *op. cit.*; H. Sender, "Inside the Overseas Chinese Network", *Institutional Investor*. August 1991; J.A.C. Mackie, "Overseas Chinese Entrepreneurship", *Asia Pacific Economic Literature*. May 1992; Brown *op. cit.*

<sup>4</sup> Brown *op. cit.* pp208-9

It results in networks 'linking ethnic Chinese businesspeople together, networks based on common places of origin in China or shared languages.' Such stereotypical assumptions can be shown to be severely limited in the Malaysian context. While 'Chineseness', represented through 'broad networks' did help create the foundation of an overseas Chinese identity in Malaysia, strict adherence to intra-ethnic Chinese networks became unworkable once political pressure was applied. Thus, such assumptions are not a clear representation of Chinese identity in Malaysia in the modern era. The unique political state in Malaya and later Malaysia helped forge an identity transition amongst the Chinese community from that of 'Overseas Chinese' to that as 'Malaysian Chinese'. The thesis will provide an understanding of this evolution of Chinese identity in Malaysia. What became the catalyst for the transition was political pressure, applied by a government which had the ability to do so. As Ien Ang observed:

Why still identify ourselves as 'Overseas Chinese' at all? The answer depends on the context: sometimes it is and sometimes it is not useful to stress our Chineseness, however defined. In other words, the answer is political.<sup>6</sup>

### **Research Methodology**

This study employs a multi-disciplinary approach to trace the development of Chinese enterprises in Malaysia. Since the study is an attempt to understand the entrepreneurial behaviour of the Chinese businessmen with regard to their corporate strategies before and after the NEP, it calls for an approach that requires the examination of wide range of variables. The study will start by taking a historical approach showing substantial changes in the Malaysian society, so as the implications for Chinese capital can be

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<sup>5</sup> *ibid.* pp209-10

better understood. I will focus on the interplay between Chinese businessmen and the state, particularly with regard to changes in policy, inter-ethnic cooperation, and political influences from the government and most importantly the impact of ethnic politics on the business sector. The study will isolate factors that contribute to the determination of corporate strategy, business behaviour and the organizational structure of companies under Chinese ownership.

To provide a clear understanding of the peculiarities of Chinese business development over the period of analysis, some insights will be provided on the development of the major Chinese companies. However, important activities undertaken by smaller companies - particularly inter-ethnic cooperation and politically connected incidences - will also be examined in an attempt to create a more detailed picture of the historical development of Chinese business in Malaysia. I have selected various businessmen, their corporations and particular events that highlight the dynamics in Chinese business. The aim is to provide a better distinction in their business peculiarity, particularly on their adaptation to changes in the Malaysian political climate. The businessmen included in the main profiles have been categorised into two parts with two from the first-generation and two from the second-generation. However, other relevant businessmen will be incorporated into the analysis to provide better understanding. I will examine and evaluate the profiles of the selected Chinese entrepreneurs to understand the process of adaptation to a changing political climate.

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<sup>6</sup> I. Ang, "To Be or Not to Be Chinese: Diaspora, Culture and Postmodern Ethnicity", *Southeast Asian Journal of Social Science*, Vol. 2.1 No. 1, 1993, p14

In the profiles selected, an attempt has been made to distinguish the Chinese entrepreneurs' relatively independent links with *bumiputera* political elite and those who have forged close ties with influential politicians. Using primary sources and secondary sources especially newspapers and journals, their distinctive ethnic business operations could then be distinguished, allowing a more accurate evaluation both of their early intra-ethnic and later inter-ethnic business relations and the path chosen in capitalism. I will identify the characteristics of these intra-ethnic and inter-ethnic relationships through the use of identity models I have created.

### **Chinese Identity Transition in Malaysia**

In the middle of the nineteenth century, after the failure of the Qing administration and a vast population explosion, Chinese emigrated in droves, dispersing themselves to various parts of Southeast Asia. These emigrants who would later become collectively described as 'Overseas Chinese' referred to themselves as '*Nanyang Hua Ch'iao*'. *Nan'yang* meaning 'South China Sea', pertaining to their area of dispersion and *Hua Ch'iao* the 'Sojourning Chinese'. They are described by both Dobbs-Higginson and Brown as "Chinese temporarily outside of the country and would someday return to China."<sup>7</sup> These humble peasants journeyed to Southeast Asia with the vision of generating enough wealth to retire comfortably back in China.

The Chinese Diaspora, as it is commonly referred to, created ethnic Chinese communities in almost every part of Southeast Asia. However, what became increasingly evident was their growing dominance within many of the corporate

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<sup>7</sup> Ang, *op. cit.*, p14

sectors in the countries they resided in. Harvard researcher John Kao has observed that:

The most important development that has consolidated the Overseas Chinese commonwealth is how rich many Chinese communities have become.<sup>8</sup>

Seagrave sees the Overseas Chinese as, "...a prosperous multi-national middle class with a small superclass on top."<sup>9</sup> With the exception of Singapore, overseas Chinese remained a minority population in most of the Southeast Asian countries, however in many cases they dominated the economy. The settlement of these Overseas Chinese in the region caused envy amongst the indigenous populations due to their quick adaptation to a foreign environment.<sup>10</sup> This has led to the question of what may have helped them adapt and given them an edge over their competitors and indigenous peoples in the practice of business.

Since the early 1990s, new studies have emerged arguing that the success of ethnic Chinese capitalism in Southeast Asia could be attributed to its distinctive characteristics derived from Confucian ethics.<sup>11</sup> This edge is commonly referred to as the function of shared Chinese identity, or 'Chineseness'.<sup>12</sup> The unique characteristic to which this 'Chineseness' refers lies in the influence and extension of Confucian

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<sup>8</sup> J. Kao., "The World Wide Web of Chinese Business", in Harvard Business Review, March-April, p32

<sup>9</sup> S. Seagrave, *Lords of the Rim: The Invisible Empire of the Overseas Chinese*. (New York: G.P. Putnam's Sons, 1995), p3

<sup>10</sup> M. Mohamad, *The Malay Dilemma*, (Kuala Lumpur: Times 1970)

<sup>11</sup> V. Purcell, *The Chinese in Malaya*, (London: Oxford university Press, 1967); C.H. Yen, *Malaysian Chinese and the Chinese Revolution 1900-1911*, Vol. I, Unpublished PhD Dissertation, (Canberra: Australian National University, 1968); Mohamad (1970) *op. cit.*; C.H. Yen, *A Social History of the Chinese in Singapore and Malaya*, (Singapore: Oxford University Press, 1986); P.K. Heng, *Chinese Politics in Malaysia: A History of Malaysian Chinese Association*, (Singapore: Oxford University Press, 1988); F. Hara, "Malaysia's New Economic Policy and the Chinese Business Community", *The*

ethics, often seen as hard work, thrift, trust, and family ties.<sup>13</sup> However this does not explain why have ethnic Chinese entrepreneurs in Indonesia managed to accumulate far greater proportion of corporate equity than the far more numerous Chinese in Singapore? The Overseas Chinese population in Indonesia only encompass 7 per cent of the population while more than 75 per cent of Singaporeans are ethnic Chinese. Thus the use of ethnic and culturally specific values as the primary conceptual tool to draw a conclusion on the growth of Chinese enterprises without reference to the political environment is problematic. This will become evident through the argument in the Malaysian context.

It is, in fact, the ability of Chinese businesspeople to adapt to the political conditions to which they are exposed that has given them their edge. Fear of Chinese economic flexibility clearly preoccupied Dr Mahathir Mohamad in his early political carrier:

What is clear is that unless the Chinese in particular are willing to hold themselves back and appreciate the need to bring the Malays up in the economic field, not even the determination of the Malays and the schemes of The Government can help to solve the Malay economic dilemma.<sup>14</sup>

This fear led directly to the implementation of the NEP in 1971 which consolidated the evolution of Chinese identity in Malaysia, whereby while the ethnic identities of Chinese have remained distinct they have surpassed Brown's concept of 'Chineseness'.

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*Developing Economics* 29 (4), 1991; A. Reid, *Sojourners and the Settlers: Histories of Southeast Asia and the Chinese*, (Sydney: Allen & Unwin, 1996);

<sup>12</sup> Brown (1998) *op. cit.* p209 (see for definition of Chineseness)

<sup>13</sup> Yen (1986) *op. cit.*; C.F. Yong, *Tan Kah Kee: The Making of an Overseas Chinese Legend*, (Singapore: Oxford University Press, 1989); Jesudason (1989) *op. cit.*; S.G. Redding, "The Distinct Nature of Chinese Capitalism", *The Pacific Review*, Vol. 9, No. 3, 1996, pp430-1

As Jesudason has noted in Malaysia, the ethnic identity of the Overseas Chinese begun to evolve even before the implementation of the New Economic Policy (NEP).<sup>15</sup> While popular notions such as 'global tribe' and 'bamboo network' highlight the success of intra-ethnic Chinese business networking of many of the Chinese business elite – Malaysia's Robert Kuok and Quek Leng Chan, Indonesia's Lim Sioe Liong and Eka Tjipta Widjaja, Singapore's Ong Beng Seng and Kwek Leng Beng, Philippine's Henry Sy and John Gokongwei, Thailand's Sophonpanich family and Charoen Pokphand, and Hong Kong's Li Ka Shing and Lee Shau Kee<sup>16</sup> - in Malaysia this networking has only integrated Chinese success prior to the New Economic Policy (NEP). Within Malaysia, the networks forged were more inter-ethnic after the NEP than intra-ethnic. This is evident in Heng's argument, which shows that the corporatisation movement which attempted to retain inter-ethnic business networks amongst the Chinese failed to make an impact as an economic force, despite Malaysian Chinese Association<sup>17</sup> (MCA) backing.<sup>18</sup> This was largely due to insufficient support from the Malay political elite who proved their disdain for the Chinese as a political force by formulating the NEP. While the Chinese businessmen who held the intra-ethnic model as sacrosanct failed, Robert Kuok and Lim Goh Tong, two of Malaysia's most successful Chinese entrepreneurs, emerged successfully during the same period by adapting to the new political climate,

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<sup>14</sup> Mohamad (1970) *op. cit.* p32

<sup>15</sup> Jesudason *op. cit.*

<sup>16</sup> G. Hiscock, *Asia's Wealth Club: Who's Really Who in Business – The Top 100 Billionaires in Asia*, (London: Allen & Unwin, 1997)

<sup>17</sup> Malaysian Chinese Association (MCA) is an association formed to forge Chinese political representation in the post-independence era. [For further reading see P.K. Heng, *Chinese Politics in Malaysia: A History of the Malaysian Chinese Association*, (Singapore: Oxford University Press, 1988)]

<sup>18</sup> Heng (1988) *op. cit.*



becoming torch bearers of a new identity. The profiles of Lim and Kuok will suggest that the adoption of a new model was crucial to achieve success in the new political environment. The failure of the businessmen in the corporatisation movements clearly accentuates the inappropriateness of the intra-ethnic model in the post-NEP period.<sup>19</sup> The active involvement of MCA in corporatisation movement, as demonstrated by various researchers such as Gale, Yeoh, Heng, Hara and Gomez was perhaps a belief that the expanding Chinese middle class could force a political change to accommodate to the needs of an expanding economy.<sup>20</sup> By the mid-1980s the corporatisation movement was recognised as an object of failure and most MCA-led companies came close to bankruptcy.<sup>21</sup> The need to cement a new identity as inter-ethnic 'Malaysian Chinese' rather than intra-ethnic 'Overseas Chinese' in Malaysia became crucial and widely accepted.

It has become evident that the adoption of a new inter-ethnic model created some Chinese pariah-entrepreneurs<sup>22</sup>. Yoshihara argues that most large enterprises in Malaysia are led by 'comprador capitalists', who are merely rent-seekers emerging from ties forged with influential state leaders.<sup>23</sup> The profiles included in this paper will show that the emergence of these entrepreneurs was induced by political pressure from the Malaysian government to redistribute wealth. Searle has also argued this fact, noting that the political pressure induced by the Malaysian government forced

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<sup>19</sup> Jesudason (1992) *op. cit.*

<sup>20</sup> B. Gale, *Politics and Public Enterprise in Malaysia: A Study of the United Malays National Organization and Party Islam*, (Kuala Lumpur: Heinemann Educational Books, 1985); Hara (1991) *op. cit.*; Heng (1992) *op. cit.*; E.T. Gomez, "Political Business in Malaysia". Occasional paper No. 8, Department of Intercultural Communication and Management. (Frederiksberg: Copenhagen Business School, 1997)

<sup>21</sup> Heng (1992) *op. cit.* p135; P. Searle, *The Riddle of Malaysian Capitalism: Rent-seekers or Real Capitalists?*, (Sydney: Allen & Unwin, 1999), p178

<sup>22</sup> A term described by Crouch to represent a class of Chinese entrepreneurs who relied solely on the Malay political elite for economic gains. (For further reading see Crouch *op. cit.* pp206-11)

the change from intra-ethnic to inter-ethnic networks. In fact, it could be argued in opposition of Yoshihara that the evolution has created a set of Malay rentiers who produce political influence in exchange for wealth; a business form often regarded as 'Dummy Directorship'.<sup>24</sup> Heng and Hara have also disputed Yoshihara's contentions regarding the leading Chinese capitalists, asserting that although these businessmen have had to establish ties with the Malay political elite, there has been much more competitive use of opportunities secured through such collaboration.<sup>25</sup>

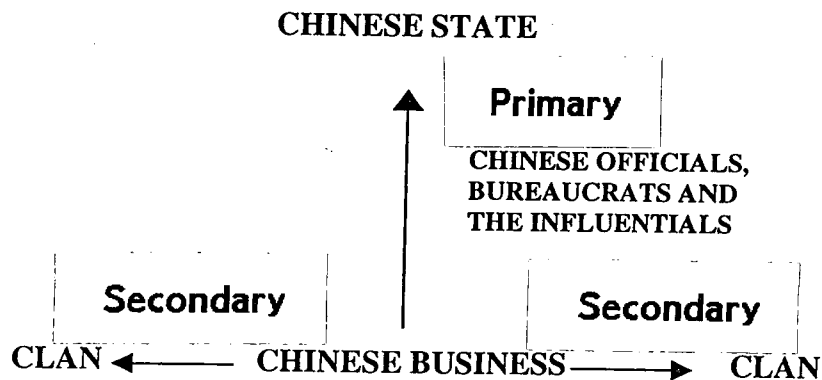
I will argue that this identity as 'Overseas Chinese' was not a distinctive and static model of identity but a part of a dynamic and flexible model of transition, adopted in light of circumstance, which would evolve as new circumstance were presented. This evolution can be evaluated through 'three models of transition'. Traditional Chinese, 'Overseas Chinese' and, finding a new identity as 'Malaysian Chinese'. For the purpose of this thesis, I will concentrate on the inter-relationship between Chinese and the native Malays. While other ethnic groups particularly Indians, make up an important part of the Malaysian population; the main argument is structured between the Chinese and the native Malays. Therefore for the sake of this argument other races will be held constant.

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<sup>23</sup> Yoshihara *op. cit.*

<sup>24</sup> Searle *op. cit.* p82-4

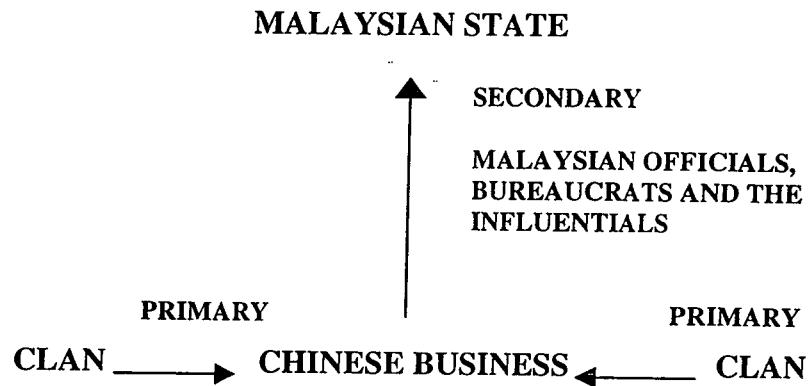
**Figure 1.0: Traditional Model of Chinese Business Organization – ‘Sojourner’ Model**



In China, where competition was harsh and population large, economic gains were hard to come by and the Chinese battled against Chinese in an attempt to achieve prosperity. Traditionally, Chinese business people's first allegiance was to their direct patriarchal line. The Chinese people would interact directly with the state through the patronage of Chinese officials. Clans further then the agnostic line, and other Chinese businessmen became rivals.<sup>26</sup> However, as the Chinese dispersed to foreign lands, another model became evident.

<sup>25</sup> Hara *op. cit.*; Heng (1992) *op. cit.*

**Figure 1.1: Adapted Model of Chinese Business Organization – ‘Overseas Chinese’ Model**



The model derived shows an accentuated intra-ethnic relationship amongst Chinese to protect the interests of their own people against the indigenous population. Thus the inter-clan relationship became their primary linkage and Confucian ethics of kinship and trust became accentuated horizontally with ties growing wider, involving clans, formerly not evident in China.<sup>27</sup> Groups were established according to their dialects and later evolved into enterprises, acquiring corporate equity in the interest of the group members. The ‘Overseas Chinese’ identity was consolidated by the idea that Mainland China was still home and their new place of business was merely a way station that would provide them with the capacity to derive wealth, which would to be repatriated within themselves or retirement to China.<sup>28</sup>

The ‘Overseas Chinese’ grew and prospered during Colonial rule, Chinese benefiting from the legislatures and regulations.<sup>29</sup> With the leadership of Tunku Abdul

<sup>26</sup> P.B. Ebrey, “Early Stages of Descent Group Organizations”, in P.B. Ebrey and J.L. Watson ed., *Kinship Organization in Late Imperial China 1000-1400*, (London: University of California Press, 1986), p55; Dobbs-Higginson (1993) *op. cit.* pp170-1; Yen (1986) *op. cit.* pp1-10

<sup>27</sup> Yen (1968) *op. cit.* p10; Yen (1986) *op. cit.* pp1-10

<sup>28</sup> Dobbs-Higginson *op. cit.* p170; Yen (1986) *op. cit.* pp8-10

<sup>29</sup> Mohamad (1970) *op. cit.* pp24-5; Jesudason *op.cit.* pp38-9

Rahman<sup>30</sup> in independent Malaysia, the Overseas Chinese widened their economic base further with various state concessions. However, after a major inter-racial conflict in May 13<sup>th</sup> 1969, the King of Malaysia (Yang Di-pertuan Agong) in an attempt to promote ethnic unity and invigorate the native Malay economic base formed a new political concept called the New Economic Policy (NEP).<sup>31</sup> Subsequently the term '*bumiputera*'<sup>32</sup>, became widely used to accentuate the difference between Chinese and the ethnic Malays. As Dr. Mahathir put it:

... In trying to redress the imbalance it will be necessary to concentrate your effort on the Malays, to bring out more Malay entrepreneurs and to make Malay millionaires, if you like, so that the number of Malays who are rich equals to the number of Chinese who are rich, the number of Malays who are poor equals to the number of Chinese who are poor and the number of unemployed Malays equals to the number of unemployed Chinese, then you can say that parity has been achieved.<sup>33</sup>

While the MCA attempted to maintain inter-ethnic Chinese unity, 'Overseas Chinese' as an identity was largely destroyed. Under the NEP, the identity of 'Overseas Chinese' evolved with most adopting a new identity as 'Malaysian Chinese'. The transition is further exemplified in the following model.

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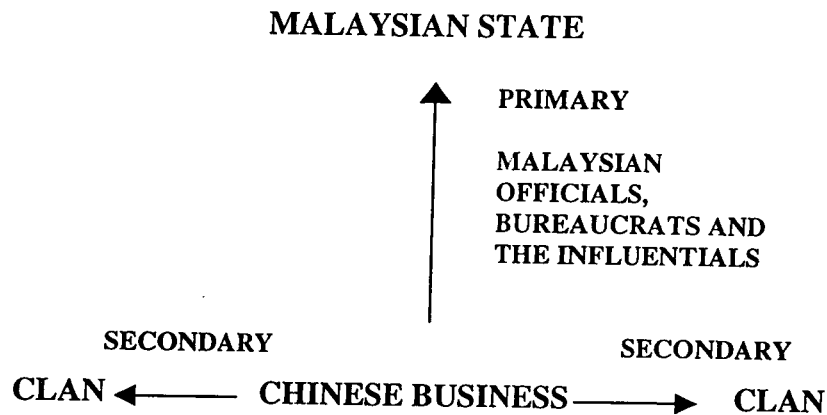
<sup>30</sup> The father of independence and the first Prime Minister of Malaysia.

<sup>31</sup> L.Comber, *13 May 1969: A Historical Survey of Sino-Malay Relations*, (Singapore: Gramham Brash, 1983) p79

<sup>32</sup> A term widely used after the implementation of the New Economic Policy (NEP) to accentuate the difference between the predominant Malaya community from the Chinese, Indians and other non-Malay races. (For further reading refer to Y.K. Oo., *Ethnic Chameleon: Multiracial Politics in Malaysia*, (Malaysia: Pelanduk Publications, 1991), p110)

<sup>33</sup> C. Muzzafar, *The NEP: Development and Alternate Consciousness*, (Penang: Aliran, 1989), p17

**Figure 1.3: Adapted Traditional Model of Chinese Business Organization –  
‘Malaysian Chinese’ Model**



Under intense political pressure, the ‘Overseas Chinese’ reverted to a more traditional model, placing primary importance on political ties and vertical links to forge ties with the state (in this case the Malay state), rather than their own clan people. For economic survival, the ‘Overseas Chinese’ had to adopt a new identity by discarding the ‘Overseas Chinese’ model for the latter. The adoption of the Malaysian Chinese model gave them a new identity as ‘Malaysian Chinese’. However Chinese began to disunite and pariah-entrepreneurs began to eventuate after economic gains were redistributed through Malay patronage. This dissertation will trace chronologically the developments of Chinese enterprises in Malaysian in an attempt to discover the three stages of identity transition.

The identity of Chinese emigrants began evolving the moment that they migrated. The Chinese Diaspora itself was a change in ethnic identity. Yen argues that:

Given the fact that Chinese generally were against the idea of emigration because of Confucian tradition, those who broke through the social bonds must have had a great deal of courage.<sup>34</sup>

<sup>34</sup> Yen (1986) *op. cit.* p284

The search for economic opportunity initially drove this change. As Confucian teaching encourages familial social bonds, those who migrated leaving their family behind freed a change in identity, defying the rules of the Confucian teachings.<sup>35</sup> The Chinese emigrants arrived in Malaya carrying with them their traditional model, but (see figure 1.0) adapted this to their surroundings. The 'sojourning' characteristics remained strongly imbedded in them. The Chinese did not initially adopt the identity of 'settlers' for their vision was to make enough money to retire comfortably in China. Economic opportunities were the main attraction for this foreign land. However, as the business ventures in Malaya expanded and the roots of being Overseas Chinese grew deeper, these sojourners eventually realised that their desire to return to China had lessened. Instead they encouraged the emigration of the rest of their family from China to Malaya. Furthermore they feared that they could not continue to generate the wealth there had accumulated in Malaya.<sup>36</sup> As one author puts it:

Indeed, the power of the mandarin and gentry could only be matched by an Imperial degree or a seat in the bureaucracy, which they did not have. They may not have been able to maintain the relatively high living standard they enjoyed overseas when they returned to their home villages.<sup>37</sup>

Thus many of the sojourners eventually became settlers, especially those from the second-generation, and adopted the 'Overseas Chinese' identity in Malaya. However, when the Chinese began to accept themselves as settlers, they still showed a strong desire to retain their ethnicity and kinship ties. They also had to rely on themselves and the strength of their organization to safeguard against any undesirable elements,

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<sup>35</sup> Yen (1968) *op. cit.* p9; Yen (1986). p34

<sup>36</sup> Yen (1986) *op. cit.* p8; Dobbs-Higginson *op. cit.* p170; Brown *op. cit.* 209

<sup>37</sup> Yen (1986) *op. cit.* p8

seen mainly as exploitation and discrimination. In Malaya, the Chinese immigrants recognised the advantage of their size and unity, establishing an increasingly wider 'Chinese' identity, particularly if their surname ideographs were identical, no matter what their place of origin was and what dialect they spoke. Non-kinship groups began to develop, as Ginsbury shows:

Chinese organizations in Malaya belonged to these category as classified by the official register for the Federation of Malaya: religious, *kongsi*, *hui kuan*, social, sports, benevolent, guild, cultural, political and general.<sup>38</sup>

Many of these organizations were multi-dialectic, with Chinese unity evident irrespective of dialect group or clan, in order to protect their interest. The adaptation to the 'Overseas Chinese' model of transition was becoming strongly evident. Groupings within clan lines became more clearly defined and dialect groups began to establish associations among themselves to serve as a body to protect the interest of their own people. As observed by Yen:

The Chinese dialect associations assumed some of the roles of the Chinese clans in the rural communities of south China. One of these roles was mutual assistance. In a community where government welfare benefits were absent, the idea of mutual assistance was an attractive one, for it provided a strong sense of security to members of the organization.<sup>39</sup>

As the expansion of the Chinese economic base became more prominent, the dialect organizations interlocked with one another to aid the development of Chinese business in Malaya. Strict adherence to surname associations and occupational backgrounds and groupings became unnecessary. While they had functioned independently before, the need to unite the various dialect (*pang*) groups became

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<sup>38</sup> M. Ginsbury, *Chinese in the Federated States of Malaya*, (Kuala Lumpur: Oxford University Press, 1982), p33

<sup>39</sup> Yen (1986) *op. cit.* p34



imperative. Thus in 1905, the first Malayan Chinese Chamber of Commerce<sup>40</sup> was established in Singapore. It proposed to unite the Overseas Chinese in Malaya and to promote commercial activity. Subsequently, Chinese Chambers of Commerce mushroomed in every federated state in Malaya. As noted by Yong, "... Tan Kah Kee regarded all members of the Chinese Chamber of Commerce as Chinese nationals, regardless of their *pang* origins."<sup>41</sup> Although Tan preferred a more democratic association (Chamber of Commerce), and attempted to abolish the *pangs* so that the elections could proceed without discrimination as a result of dialect groupings, the movement was a crucial attempt towards wider Chinese unity in Malaysia.<sup>42</sup> The 'Overseas Chinese' model of transition clearly demonstrates the inward movement of Chinese groupings which created a middle class or bourgeoisie represented primarily by the 'community' of Overseas Chinese.<sup>43</sup> The acceptance of their new identity began to show through the inception of Chinese labourers in various sectors of the economy.

The development accentuates Chinese unity in Malaya. As exhibited in the second transition model the clan and dialect groups moved inwards towards the central

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<sup>40</sup> The function of Chinese Chamber of Commerce includes:

1. Improving and developing the commercial activities of Chinese residents.
2. Questionnaires and information concerning commerce and industry
3. Arrangements and guidance concerning international trade.
4. Arbitrating disputes in the commerce and industry of Chinese residents.
5. Certification and appraisal concerning their commerce and industry.
6. Statistical survey and compilation of commerce and industry activities.
7. Commercial museums, schools and other public activities related to the commerce industry.
8. Negotiations with the government on behalf of the Overseas Chinese.
9. Directing and controlling various commercial and industrial organizations and acts as intermediary between them.
10. Public display of merchandise, promotion of education by opening technical and commercial schools and dispatch of trade missions, liaisons and friendship ties with foreign countries.

<sup>41</sup> Yong *op. cit.* p147

<sup>42</sup> The success and status of each *pang* was seen as an imbalance in the committee board as one *pang* might have had more success than the other (see Yong *op. cit.* p147)

<sup>43</sup> H.Crouch, *Government and Society of Malaysia*, (United States: Allen & Unwin, 1996), pp206-7

Chinese business. It becomes the primary importance before other ethnic groups. Chinese became a driving force in Malaya to which it provided fuel to the Malayan economy. A middle class was created to which the economic base was expanded. The 'Overseas Chinese' model continued to expand through to the formation of MCA. Chinese unity peaked just prior to the May 13<sup>th</sup> 1969 racial clash when all Chinese clans and secret societies unite to represent the strength of the Chinese in Malaya against the Malays.<sup>44</sup>

After the racial confrontation, the change in political circumstance had induced a change in Chinese identity and Chinese unity began to decline. In the next chapter we will examine the political impact of the post-May 13<sup>th</sup> event on the Chinese population.

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<sup>44</sup> Comber (1983) *op. cit.* p70

## **CHAPTER I**

### **EMIGRATION TO MALAYA: FROM 'CHINESE' TO 'OVERSEAS CHINESE'**

The first instance of Chinese contact with Malaysia dates to the fourth century when Chinese monks ventured abroad to preach the gospel of Buddhism. However it was not until much later that Chinese traders appeared in the scene. Purcell notes that it was only from the fourteenth century that Chinese records showed signs of mercantile contacts in Malaya.<sup>45</sup> The Chinese traders were given a special decree by the emperor to venture abroad to trade. These merchants were mainly from the Canton, Amoy and Ningpo region and conducted their business activities through the port of Malacca. Even during the days of the Chinese maritime glory, the fleet of Admiral Cheng Ho reported that there were no permanent Chinese community. However, by 1537 some Chinese traders established permanent residence in Malaya. Mercantile contacts flourished between the locals and the Chinese. As the frequency and the extent of trade increased so did the number of permanent Chinese residents. Trade led to growth of prosperity among the small Chinese merchant community especially those within the port settlements.<sup>46</sup>

The number of Chinese residents increased during the mid-eighteenth century after China experienced acute famine conditions concomitant to vast population explosion. The Chinese fled China in search of better opportunities elsewhere and many ventured into the South East Asia region. Clarkson's report noted that the Chinese population in the Straits Settlement grew dramatically over the years as shown in table 2.1. As exhibited in table 2.1 the population of Chinese emigrants leapt dramatically after the great famine in China.

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<sup>45</sup> V. Purcell, *The Chinese in Malaya*, (London: Oxford University Press, 1967), p7

**Table: 2.1 Chinese Population in the Straits Settlements**

| Year | Malacca    |            | Penang     |            | Singapore  |            |
|------|------------|------------|------------|------------|------------|------------|
|      | Population | Total Pop. | Population | Total Pop. | Population | Total Pop. |
| 1750 | 2,161      | 9,635      |            |            |            |            |
| 1812 |            |            | 2,558      | 26,107     |            |            |
| 1817 | 1,006      | 19,647     |            |            |            |            |
| 1821 |            |            |            |            | 1,159      | 4,727      |
| 1823 |            |            |            |            | 3,317      | 10,683     |
| 1834 | 4,143      | 29,260     |            |            |            |            |
| 1850 |            |            |            |            | 27,988     | 52,891     |
| 1851 |            |            | 24,188     | 107,914    |            |            |
| 1871 | 13,482     | 77,756     | 36,561     | 133,230    | 54,572     | 97,111     |
| 1891 | 18,161     | 92,170     | 86,988     | 232,003    | 121,908    | 185,117    |
| 1911 | 36,094     | 124,952    | 110,206    | 271,376    | 224,230    | 311,303    |
| 1931 | 65,302     | 186,877    | 169,985    | 341,375    | 423,793    | 570,128    |
| 1957 | 120,690    | 291,246    | 327,287    | 572,132    | 1,090,596  | 1,445,929  |

Source: J.D. Clarkson, *The Cultural Ecology of A Chinese Village: Cameron Highlands, Malaysia* (Michigan: University of Michigan, 1968)

The mass migration of Chinese migrants into Malaya led to a boost in the Malayan economy. Most Chinese came as indentured labourers and coolies (working in tin mines and plantations). Before the British extended their rule over Malaya, substantial number of Chinese flocked to the rich tin fields of Perak and Selangor.<sup>47</sup> This led to severe conflicts within the administration of the tin fields, which went beyond the capacity of the Malay sultanate's control. The event evoked the need for the British to implement indirect administration in Malaya to reduce civil disorders among the tin fields. And in 1874, this indirect rule was established and administered through the Malay rulers under the guidance of the British authority.<sup>48</sup> The British harmonisation of civil order and a reduction on immigration restrictions led to a greater influx of Chinese labourers (see table 2.1).

<sup>46</sup> I. Ramanathan, *China and the Ethnic Chinese in Malaysia and Indonesia: 1949-1992*, (India: Radiant Publishers, 1994), pp9-10

<sup>47</sup> Purcell, *op. cit.* p160

The British deregulation led to a huge influx of Chinese emigrants. Established Chinese tradesmen in Malaya introduced the subsidised immigration scheme due to an increase in the demand for Chinese labourers. As noted by Means:

'.... The Chinese introduced an immigration scheme to subsidise the passage of Chinese peasant labourers to Malaya. In return for his boat fare, the Chinese peasant would sign a contract with a Chinese labour broker to work as an indentured labour for a year or two until his debt had been repaid.'<sup>49</sup>

The transportation of these coolies was often abusive and inhumane. The abuses were so severe and shameful that an ordinance was passed demanding British presence on transports to ensure their safety.<sup>50</sup> Thus, with the aid of the British procurement systems, large-scale immigration took place guaranteeing the operation of the tin fields. The system of immigration of Chinese was abolished shortly after World War I by the government action. However limitations on immigration were not imposed until 1933.<sup>51</sup>

A large number of the Chinese migrants came from the Southern provinces of China around the Fukien, Kwantung and Kiansi province. By 1947, record showed that the 2.6 million compositions of overseas Chinese in Malaya were, 32 per cent Hokkien, 25 per cent Cantonese, 17 per cent Hakkas, 14 per cent Teochews, and 6 per cent Hainanese. The smaller fraction of the population consists of 2.76 per cent Kwongsai, 1.84 per cent Hokchiu, 0.66 per cent Henghwa, 0.49 per cent Hokchia, with other

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<sup>48</sup> J. Kennedy, *History of Malaya*, (3<sup>rd</sup> Edition, Malaysia: Sooriya Press, 1993), p193

<sup>49</sup> Purcell, *op. cit.* p160

<sup>50</sup> Kennedy, *op. cit.* p189

<sup>51</sup> *ibid.* p224

dialect groups making up the remaining figure.<sup>52</sup> The high proportion of Southern Chinese was due to the fact that they had best seaport facilities, enabling them to engage in mercantile activities with the European trade. Descendants of these migrants from the province of Fukien thus made up the largest proportion of the new 'Overseas Chinese' business elite in South-East Asia.<sup>53</sup>

The Chinese migrants comprised different dialect (*pang*) groups. Different Chinese dialect groups dominated different areas of trade as shown in table 2.2. The inclusion of Chinese migrants in Malaya proved invaluable for the Malayan economy and its 'Chineseness' was clearly present through the concept of business organization. As observed by Andaya and Andaya:

Their expertise is clearly seen in the *kongsi*, an association of individuals from the same dialect group and the same area of China who held shares in a co-operative venture.... In the Yunnan *kongsi* organization, a man with capital brought together a group of men from the same clan or dialect group who, whether managers or wage labourers, were willing to share in the gain or loss of a common endeavour. It was this experience and this traditional, characterised by a sense of group cohesiveness and brotherhood, which the Chinese introduced to the Malay world.<sup>54</sup>

The loss of a common homeland led to the unification of Chinese in Malaya. Political pressure induced by the Colonial rulers brought about a change in their identity adopting the 'Overseas Chinese' model rather than the traditional model. Chinese unity was further tightened with clansmen and dialect groups becoming the primary reliance rather than the state as shown in the 'Sojourner' model.

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<sup>52</sup> K.J. Ratnam, *Communalism and the Political Process in Malaya*, (Kuala Lumpur: Macmillan, 1965), p5

<sup>53</sup> For fuller detail see Hiscock *op. cit.*

<sup>54</sup> B.W Andaya & L.Y. Andaya, *A History of Malaysia*, (London: 1982), p139

**Table 1.2 Chinese Trade Specialisation (By Dialect Groups)**

| Chinese Dialect Group | Percentage of 2.6 million Population by 1947 | Trade Specialisation                         |
|-----------------------|--|--|
| Hakka                 | 17 per cent                                  | Textile, Medical, Agriculture and Tin Mining |
| Hainan                | 6 per cent                                   | Restaurant and Tin Mining                    |
| Hokkien               | 32 per cent                                  | Banking and Rubber Trade                     |
| Kwangtung (Cantonese) | 25 per cent                                  | Restaurant                                   |
| Teochew               | 14 per cent                                  | Pepper and Gambier Trade and Goldsmiths      |

note: Smaller dialect groups (Hokchiu, Henghwa, Kwongsai etc.) were absorbed into various sectors.

Sources: J.H. Goh, *Some Aspects of Chinese Business World in Malaya*, in *Ekonomi*, 3: 1962, pp84-95 cited in Jesudason, J.V., *Ethnicity and the Economy: The State, Chinese Business, and Multinationals in Malaysia*, (Singapore: Oxford University Press, 1989), p34; C.F. Yong, *The Making of an Overseas Chinese Legend*, (Singapore: Oxford University Press, 1989), pp10-1

A growth of competitive spirit has been highlighted by Andaya and Andaya:

Though most *Singkeh* [new men or migrants] were already accustomed to harsh conditions and backbreaking work, the rigour of existence on the edge of the jungle and the depredations of tropical diseases took their toll, the death rate in some areas being estimated at 50 per cent. Those who survived exhibited a competitive spirit and determination to succeed which could not but affect the pace of change in the Malay world.<sup>55</sup>

The British favoured Chinese migrants rather than Malays, as Swettenham patronisingly noted of Malays:

...he is ...lazy to a degree, is without method or order of any kind, knows no regularity even in the hours of meals, and considers time of no importance. His house is untidy, even dirty, but bathes twice a day, and is very fond of personal adornment in the shape of smart clothes.<sup>56</sup>

This favour accentuated the Chinese's economic base in the Malayan economy.

Mohamad also noted that during the colonial period the Chinese dominated the trade, mining and agricultural sectors while few ethnic Malays, or if any would indulge in

<sup>55</sup> Andaya and Andaya, *op. cit.* p138

<sup>56</sup> A. Rabushka, *Race and Politics in Urban Malaya*, (Stanford: Hoover Institution Press, 1973), p65 in Jesudason *op. cit.* p39



heavy labouring.<sup>57</sup> The Chinese found significant places in almost all sectors of the Malayan economy, and were represented at all levels of business activity.<sup>58</sup>

The quick adaptation of Chinese migrants to the local political and economic climate gave them the edge over the indigenous population. Although they continued to regard themselves as 'Overseas Chinese' with China of primary importance, it can be argued that the migrants have evolved to a different identity as portrayed in the 'Overseas Chinese' model. Early Chinese unity was best displayed in the Singapore Chinese Chamber of Commerce (SCCC). As Yong noted:

In the twentieth-century, the highest body within the *hua ch'iao* community belonged to the Singapore Chinese Chamber of Commerce, founded in 1906. This was an inter-*pang* organization with uneven numbers of office-bearers to represent each *pang*<sup>59</sup>.

He went on to say:

The *hua-ch'iao* community was numerically strong, economically powerful, and organisationally viable and sound. Its numbers, economic resources, organisational structure and skills could conveniently be channelled into community and political actions in the common interests of their own community in time of crisis and stress.<sup>60</sup>

Non patria-lineal unity was a characteristic formally not practiced in China. An indication of strong portrayal of the 'Overseas Chinese' model. The brief profiles of the early Chinese business people in the following section will further highlight the characteristics of an 'Overseas Chinese' in the 'Overseas Chinese' model.

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<sup>57</sup> M. Mohamad, *The Malay Dilemma* Singapore, Times: 1970, p21

<sup>58</sup> This explains Dr Mahathir's (Malaysia's fourth and current Prime Minister since 1984) insistence on the need to adopt a protectionist policy on the *Bumiputeras*.

<sup>59</sup> Yong, *op. cit.* p11

<sup>60</sup> Yong *op. cit.* p11

**The 'Overseas Chinese' model of Transition: Early Chinese Business people and the rise of intra-ethnic involvement.**

By the mid-1930s, the Chinese had already established themselves as an economic force, however their commercial interests within the country were not as extensive as that of the British. A large number of the established Chinese business practices were small family-owned enterprises based solely on small-scale trade and petty business ventures. The workers of the company were usually their family members and business hours were longer than usual depending on the demand of customers on the particular day. Given the size of the Chinese enterprises and the scale of their operation at that time, Chinese business rarely posed a serious threat to the larger, better-financed and politically favoured British companies. The capital accumulated for the establishment of these Chinese enterprises were normally self-funded, family member's funds or at a later stage Straits Chinese credits. Since financial institutions were not available, the limitation of funds made establishment of big enterprises almost impossible. Despite these impediments to the development of Chinese capital, a number of Chinese were successful. Some managed to secure a few rubber plantations, while others, mainly in the tin mining industry, had secured a large presence before the advent of the capital-intensive dredge tilted the balance in favour of the bigger British mining companies. However the successful Chinese businessmen later became pioneers of Chinese financial institutions in Malaya to help provide finance to the Chinese population for commercial activities.<sup>61</sup>

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<sup>61</sup> V. Purcell, "The Chinese in Malaysia", in G.Wang ed., *Malaysia, A Survey*, (Bristol: Western Printing Services, 1964), pp193-4

As mentioned earlier, the British preferred the Malays to remain in the rural sectors of the economy. They preferred to keep the growing capitalist economy simple for the benefit of both their dominance and control. When the growing economy became irresistible, some Malays tried to participate in rubber production only to be curbed by the British imposing restrictive cultivation conditions on land. After 1910, the British implemented the policy that the Malays were not allowed to run rubber plantations on newly acquired land. Those who choose to oppose would have to pay severe taxes upon cultivation. Later the Malay Reservation Act 1913 and Land Enactment Act 1917 were enforced, ostensibly to protect the interest of Malay peasants on their 'reserves'. However these laws 'ghettoized' the Malay peasants on their 'reserves'. The early discriminatory policies in favour of the British severely retarded the development of indigenous capital and suppressed Malays to traditional economic activities. The ways in which the British hindered the development of Malays were later used to support the concept of post-1969 policies, particularly the NEP that discriminates in favour of the Malays.<sup>62</sup>

The favourable situation led to the incorporation of companies by Chinese businessmen in various fields of the economy. Among the most prominent Chinese businessmen of the colonial era were China born Lau Pak Khuan, Loke Yew, Tan Kah Kee and Lee Kong Chian and Leong Sin Nam. All of who had secured major stakes in tin mining and rubber plantations, the two major export commodity during the

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<sup>62</sup> V. Purcell (1964) *op. cit.* p194; Jesudason *op. cit.* pp30-3

colonial era.<sup>63</sup> Many of who became eventual founders of financial institutions and became leaders in various intra-Chinese associations. Table 2.2 shows a list of banks developed by early Chinese businessmen who attempted to provide financial assistance to the Chinese community. Many of these banks remain prominent today. Despite their involvement in commercial activity, these businessmen also exhibited intra-ethnic ties by establishing various clan and dialect associations.<sup>64</sup> There were also several other straits born Chinese who emerged as prominent businessmen in Malacca and Singapore focusing mainly in trading, plantations and shipping. Some distinguished ones were Chan Kang Swi (a rubber planter and banker from Malacca), Tan Jiak Khim and Tan Jiak Hoe (brothers associated with the Straits Steamship Company), Lee Keng Hee (shipping, property and plantation tycoon), and E Kong Guan (rubber plantation magnate).<sup>65</sup>

**Table: 2.2 Early Chinese Businessmen and their interests**

| BUSINESSMEN      | FINANCIAL INTERESTS             | GENERAL INTERESTS             |
|------------------|---------------------------------|-------------------------------|
| Aw Boon Haw      | Chung Kiaw Bank                 | Medicine                      |
| Chee Swee Cheong | Ho Hong Bank, OCBC              | Rubber Plantation             |
| Eu Tong Sen      | Lee Wah Bank                    | Medicine, Rubber Plantation   |
| Lau Pak Khuan    | Chung Kiaw Bank, OUB            | Tin Mining                    |
| Lee Kong Chian   | Chinese Commercial Bank, OCBC   | Rubber Plantation             |
| Leong Sin Nam    | Bank of Malaya, Chung Kiaw Bank | Tin Mining, Rubber Plantation |
| Loke Yew         | Kwong Yik Bank                  | Tin Mining                    |
| Tan Cheng Loke   | Ho Hong Bank, OCBC              | Rubber Plantation, Politics   |
| Tan Kah Kee      | Chinese Commercial Bank         | Rubber Plantation, Newspaper  |
| Yeap Chor Ee     | Ban Hin Lee Bank                | Tin Mining, Sugar             |

Note: OUB - Overseas Union Bank, OCBC - Overseas Chinese Banking Corporation

<sup>63</sup> K.B. Chan, and C. Chiang, *Stepping Out: The Making of Chinese Entrepreneurs*, (Singapore: Prentice Hall 1994), p12

<sup>64</sup> For details refer to K.H. Lee and M.S. Chow, *Biographical Dictionary of the Chinese in Malaysia*, (Kuala Lumpur: Pelanduk Publications, 1997)

<sup>65</sup> For further reading see Lee and Chow *op. cit.*

Sources: C. Hirschman, *Ethnic Stratification in West Malaysia*, Unpublished PhD dissertation, (Wisconsin: University of Wisconsin, 1972); K.H. Lee and M.S. Chow, *Biographical Dictionary of the Chinese in Malaysia* (Kuala Lumpur: Pelanduk Publications, 1997)

Leong Sin Nam immigrated to Malaya at a very young age. However he returned to China after twelve years of occupation in Penang for his formal education, and came back to Malaya at the age of 19 to start his business. The extent of his entrepreneurship earned him various tin mines and rubber estates throughout Malaya. In 1920 he initiated the Bank of Malaya Ltd and subsequently helped established the Hakka Chung Kiaw Bank in Perak. Leong also simultaneously directed various companies.<sup>66</sup> He involved actively in intra-ethnic activities. In 1919, he was elected a member of the Perak State Council and a year later appointed Justice of the Peace and a member of the Perak Chinese Advisory Board. Leong held many more appointments in various intra-ethnic groups.<sup>67</sup> Despite his heavy involvement in commercial and intra-ethnic activities, Leong also headed the *Kuomintang* Perak Branch as President. As most 'Overseas Chinese' would do in order to retain their ethnic identity, he actively participated in various activities involving China. He played a leading role in 1938 to campaign funds for China during the war against Japan. Leong was also appointed advisor to the Agricultural and Trade Department in China, and committee member of the *Kuomintang* Government Economic Development Program. He represented as 4 of Malaya's Chinese in the People's Assembly of the Republic of China. For his efforts, the Chinese Government awarded Leong with several

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<sup>66</sup> For further reading see Lee and Chow *op. cit.* p98

<sup>67</sup> Also President of Chinese Association, Chinese Maternity Association, Mining and Planting Association, Ipoh Kar Yin Association, Perak Chinese Recreation Club, Ipoh Ratepayers' Association, Yuk Choy Public Junior Chinese School, Ipoh Min Tak School, and Perak Girls' Public School; Vice President of Singapore Khok Community Guild; Committee Member in: Lung Thau Ngam Fu Yen Yeong Lo Yuen; and Member of Lok Lam Club, Ipoh Gymkhana Club, Kinta Chinese Club, and Chamber of Mines. (For further reading see Lee and Chow *op. cit.* p98)

honourable titles.<sup>68</sup> In spite of that, King George V also awarded the Order of the British Empire (OBE) to Leong. The efforts and involvement portrayed by Leong is a typical representation of the 'Overseas Chinese' model. It intensifies Chineseness by involving in various Chinese associations while retaining his ethnic identity as an 'Overseas Chinese' through his contacts with China at all times.

Lau Pak Khuan, a Hakka born in Guangdong in 1895, who ventured abroad to Perak (a tin rich region in Malaysia) to work for a relative at the age of 12. His capability earned him a tin mine in which he expanded within the state. Shortly thereafter he diversified his operations in banking where he established the Chung Kiaw Bank Limited and the Overseas Union Bank (OUB) Limited. He also established a Public Insurance Company and the Oriental Smelting Company.<sup>69</sup> Despite his commercial prominence, Lau also catered for the interest of his clansmen, establishing various associations in Malaya. Lau was a strong supporter for *Kuomintang* and during the Japanese Occupation in Malaya, he aided the government in organising Kinta Valley Home Guard to protect Chinese-owned mines against the constant hassling and attacks made by the Malayan Communist Party (MCP). Lau was perhaps the most prominent Chinese leader in his era, being the founder of Malaysian Chinese Association (MCA) and one of the four Chinese leaders, he threatened to form another alternative party should MCA leadership fails cater for the demands of the Chinese community, especially in language and education. His passion to accentuate Chineseness brought him to London where he presented a conference on the views of

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<sup>68</sup> For further reading see Lee and Chow *op. cit.* p98

<sup>69</sup> Lee and Chow *op. cit.*, p42, p82, pp123-5

Chinese associations. Lau helped established numerous associations<sup>70</sup> and was regarded as the most prominent Chinese leader in Perak.<sup>71</sup>

Loke Yew, a Cantonese born in the same province as Lau, (Guangdong) in 1846. He migrated to Singapore at the age of 13. He began by being an assistant in a sundry shop before moving to Perak with some savings to invest in some tin mines. Loke Yew successfully diversified his tin mine operations to several other states including Selangor and Pahang. Later he invested his revenue in farming, rubber plantations, tobacco cultivation and banking. In 1903, he established the Kwong Yik Banking Corporation Limited, first Malayan Chinese bank. Loke Yew was reputed to be the richest man in Malaya during the 1900s. Through his commercial prominence, Loke Yew became the Chinese leader in Kuala Lumpur. In 1892, he took over Chiew Yoke's position in the Selangor State Council as a representative of the Cantonese community alongside Yap Kwan Seng, the last 'Kapitan Cina'<sup>72</sup>, who represented the Hakka community. In 1904, Loke Yew was appointed the first Chairman of Selangor Chamber of Commerce. His philanthropic nature earned him respect throughout the community in both Hong Kong and Malaysia.<sup>73</sup> Loke Yew is another typical representation of an 'Overseas Chinese' being involved in community leadership and CCC.

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<sup>70</sup> Also established Perak Tseng Lung Association and patron to all branches of the association throughout Malaya and Singapore; President of Chinese Assembly Hall, Perak Chinese Association, Chinese Chamber of Commerce, Mining Association, All Malaya Chinese Mining Association, Guangdong Association, Chinese Maternity Hospital, Chinese Chin Woo Athletic Association, Khek Association (first President), and the Chinese Welfare Association. (For further reading see Lee and Chow *op. cit.* p82)

<sup>71</sup> Lee & Chow *op. cit.*

<sup>72</sup> A title given by the Colonial Government to the Chinese community leader in Malaya. (For further reading see Yen (1986) *op. cit.*)

<sup>73</sup> For further reading see Lee and Chow *op. cit.* pp124-5

One of the most prominent Chinese entrepreneurs at the turn of this century was Hokkien-born Tan Kah Kee. He was born in 1874 to Tan Kee Peck in Fujian province. At the time the Tans ran a thriving business in Singapore, established in the 1870s. At the age of 17, Tan Kah Kee ventured to Singapore to help in his father's company, Soon Ann. The company achieved fame after Tan Kee Peck successfully invested in the pineapple industry, establishing himself as the largest pineapple producer on the Malayan peninsula, with a monopoly of over 70 per cent of exports by 1900s. However, Soon Ann incurred huge debts and was liquidated in 1904. Kah Kee, with his own capability revived the situation by paying off most of its debts and remained in the business for a while before investing into rubber plantations. His business operations expanded to most Asian countries, Thailand, Indonesia, Hong Kong and China. Kah Kee invested into the shipping industry in 1905 and bought a stake in the Chinese Commercial Bank in 1912. In 1919, he incorporated Tan Kah Kee and Company and established vertically all integrated operations in the rubber industry. He began producing and manufacturing rubber products after acquiring several rubber factories. 4 years later in 1923, Kah Kee established a Chinese newspaper, *nanyang siang pau*, which remains the major Chinese language newspaper in Malaysia today. His total market capitalization at that time was estimated at eight million Straits dollars. In spite of his commercial interests Kah Kee was a philanthropist and a community leader. He established various organizations.<sup>74</sup> The Great Depression in the 1930s severely affected Kah Kee and a large proportion of the stake was taken over by Lee Kong Chian, his son in-law. After the Great Depression,

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<sup>74</sup> Includes: Chong Fook Girls' School, Nanyang Girls' School, Nanyang Chinese high School, Nanyang Chinese Normal School, Raffles College (later became University of Malaya); Member of Chinese Advisory Board, President of Singapore Hokkien Association, Tung Meng Hui, Sin Chew Reading Room, Straits Confucian Association, Singapore Rubber Dealers' Association, Singapore Tung An Association and Ee Ho Club. (For further reading see Lee and Chow *op. cit.* pp156-7)



he actively involved himself in China politics where he later returned to China and subsequently passed away in 1961.<sup>75</sup>

After acquiring a majority stake at Tan Kah Kee & Co., Lee Kong Chian founded the Lee Rubber group. His family still retains a prominent presence in Singapore's corporate sector through the ownership of Overseas Chinese Banking Corporation (OCBC) Limited group. Lee was born in Fujian province China in 1894 and joined his father in Singapore in 1903 before being employed by Kah Kee while he was expanding rubber trade to Europe. In 1927, Lee left Tan to establish Lee Smoke House, the predecessor of Lee Rubber in Johore. By 1937 *the Pinang Gazette* describe him as the 'rubber and pineapple king of Malaya'. Like Tan Kah Kee and most Chinese businessmen, he diversified into integrated operations in both industries. The extensive investments led him into establishing OCBC in 1932. Later he became the second chairman of the company in 1938; a post he held until 1964 where he retired. Under Lee's control OCBC group developed an interest in various British-controlled companies.<sup>76</sup> His family still maintains majority share in OCBC.<sup>77</sup> Lee also contributed to the Chinese community where he established schools and universities to promote Chinese education.<sup>78</sup> He also became a prime mover for the China Relief Fund during the Sino-Japanese War. Lee Foundation a Social Welfare Association was another of his philanthropic deeds. The profile of Lee contemplates a better representation of second-generation 'Overseas Chinese', while the basic

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<sup>75</sup> Lee and Chow *op. cit.* pp155-8; Yong, *op. cit.* pp20-2

<sup>76</sup> For further reading see Lee and Chow *op. cit.* p88-9

<sup>77</sup> *ibid.*, pp88-90; Yoshihara (1988) *op. cit.*, pp240-1

<sup>78</sup> Founded Lee Foundation a foundation that aids the developments of Chinese education, culture and society. President of Singapore Chinese Chamber of Commerce and Tung Meng Hui. (For further reading see Lee and Chow *op. cit.* pp88-9)

characteristics remains the same, Lee died in Selangor at the age of 73. Unlike his father-in-law, Tan Kah Kee, Lee did not return to China.

The brief profiles of these early Chinese pioneers clearly accentuated the 'Overseas Chinese' model displaying vast intra-ethnic developments. To a certain extent the 'Chineseness' of these Chinese are more accentuated than those in China. The social and political environment of Colonial Malaya created an inward pressure for the clans and dialectic groups to unite under the Chinese banner. In spite of their prominence in the corporate sectors, Chinese also created a heavy impression amongst the colonial rulers and indigenous population of unity and inward oriented nature. The capability to counter-rely on its own people gave Chinese community a successful ascendance into the middle class of the Malayan economy.

While the Chinese achieved economic and social stability through the support of CCC, they felt the need for political support. Therefore in 1949, the aspiration to achieve political stability led to the formation of MCA. The extent of MCA's political ventures will be discussed in the next chapter.

## **CHAPTER II**

### **POLITICAL STRUGGLE: THE FORMATION OF MCA**

### **i. Formation of MCA**

The brief account of these businessmen during the colonial era reflects a rather general trend among Chinese capitalists. As the Chinese middle class continued to grow, there was a need for political representation at the federal level. This led to the formation of Malaysian Chinese Association (MCA), an association the Chinese capitalists felt compelled to form in order to achieve effective political representation in a post-colonial government. It was an attempt for the Chinese to further dominate the political elite class just they had the economic. The first political representations of Chinese businessmen were significant through the Malayan Communist Party (MCP).<sup>79</sup> MCP was formed during the Japanese occupation in Malaya (1943-1945) to aid the British against the Japanese. In 1948, after the Japanese occupation the British banned MCP in fear of its [sum]mounting support from the Chinese community and influence of a 'left-leaning' party. The British subsequently supported the formation of MCA as a better alternative to MCP. The formation of MCA in 1949 comprises anti-communist *Kuomintang* (KMT) leaders and wealthy Chinese businessmen. The original leaders of the MCA were tin miner Lau Pak Khuan, H.S.Lee (Cambridge University graduate and a wealthy tin miner) Tan Cheng Lock later becomes the first MCA President, and his son Tan Siu Sin both descendents of a prominent Baba<sup>80</sup> family in Malacca.<sup>81</sup>

The association aroused great interest within the Chinese business community as most of the Chinese businessmen were already serving as Presidents of Chinese Chambers

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<sup>79</sup> Comber *op. cit.* p28; Heng (1998) *op. cit.* p98; I. Ramanathan, *China and the Ethnic Chinese in Malaysia and Indonesia 1949-1992*, (New Delhi: Radiant Publishers 1994), pp18-9

<sup>80</sup> An ethnic community established from the cross marriage of ethnic Malays (*bumiputeras*) and overseas Chinese during the early 16<sup>th</sup> century. The community continues to preserve certain Chinese cultures but incorporates localized behaviours as well.

of Commerce in the states and peninsular, as well as leaders of important Chinese associations.<sup>82</sup> MCA, they thought would create a greater political voice on the federal level. In view of the MCA's history of bourgeois leadership, the party has rarely been able to muster the support of working-class Chinese.

In 1952, the MCA joined the alliance party to form *Barisan Nasional* with United Malays' National Organization (UMNO) to exhibit ethnic unity in order to <sup>obtain</sup> pertain independence from the colonial government. In due course, an ethnic agreement was reached with the Malays (*bumiputera*) which would leave the Chinese relatively undisturbed in their search for economic prosperity, as long as the *bumiputeras* could dominate politics. The Alliance was also a great opportunity for them to retain their ethnic identity while mobilising broad ethnic support. A tripartite coalition was formed in 1954 when the Malayan Indian Congress (MIC), another ethnic party led by professionals, joined. UMNO came to realise that the Alliance formation was a good opportunity for them to rely on MCA for financial support since the latter comprised of primarily peasants. The successful collaboration was reflected in the result of the country's first general elections in 1955 with the Alliance winning 51 of the 52 parliamentary seats.<sup>83</sup>

The establishment of the *Barisan Nasional* Alliance had the leaders thinking about the dispersion of power. The aristocratic Malays were keen on securing political power while the Chinese were primarily interested in preserving and enhancing their economic base. Thus it would be almost impossible for three ethnic parties to run an

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<sup>81</sup> Heng, (1988) *op. cit.* pp63-5

<sup>82</sup> Heng (1988) *op. cit.* pp64-5

Alliance based on a similar ideology. The objectives of individual parties, UMNO, MCA and MIC have been described as being based on 'ethnic ideologies'.<sup>84</sup> These ethnic ideologies isolated each leader of an ethnic group to their ethnics. With limited inter-ethnic interaction, there have been fears among all ethnic communities that their interests would be marginalized in multi-racial organization because a similar ideology could not be obtained.<sup>85</sup>

## ii. From Independence to MAY 1969

Malaya achieved independence on the 31<sup>st</sup> August 1957 and after independence the Chinese continued to enjoy a decade of prosperity. Post-independence policies did not interfere much with Chinese capitalism. While the *bumiputera* dominated government they had no economic base of their own. As one author describes, "a political situation that was rather unique, although not altogether unusual in a new state but was necessarily fragile and untenable in the long run."<sup>86</sup> The Alliance agreed to allow the continuation of British investments in their former colony. Therefore British capital continued to dominate the economy. Although it came to UMNO's realisation that the key to economic growth would lay at the hands of foreign investment, they also believed that perhaps the domination of foreign investments would retard further expansion of Chinese capital.<sup>87</sup>

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<sup>83</sup> K.J. Ratnam, "Political Parties and Pressure Groups", in Wang, *Malaysia, A Survey*, (Bristol: F.W. Cheshire, 1964), pp341-2; Heng (1988) *op.c it.* p259; Kennedy *op. cit.* pp301-2; Searle *op. cit.*, p32

<sup>84</sup> Brown, R. *The State of Ethnic Politics in Southeast Asia* London: 1994, pp206-57

<sup>85</sup> Comber *op. cit.* p51; Kennedy *op. cit.* pp348-9

<sup>86</sup> K.S. Jomo, *A Question of Class: Capital, the State and Uneven Development in Malaya*. (New York: Heinemann, 1986), p247

<sup>87</sup> *ibid.*, p249

There was much evidence to suggest that the first batch of post-independence Chinese businessmen enjoyed various state concessions.<sup>88</sup> Many took advantage of the situation to establish their business practices. Upon resignation from Finance Ministry, H.S Lee (first Finance Minister of Malaysia) obtained a license from the government to establish the Development and Commercial (D&C) Bank Bhd. Apart from Lee, Khoo Teck Puat and Teh Hong Piow each secured banking licenses from the government. Khoo established Malayan Banking Berhad in 1960. Shortly after Teh set up Public Bank Berhad in 1966. Both establishments still remained Malaysia's leading banks today. Lim Goh Tong was granted the license to operate a casino, which explains his considerable wealth today. In manufacturing, Robert Kuok benefited from the Import Substituting Policy (ISI) incentives by setting up flour and sugar mills.<sup>89</sup> The liberalism of government grants to Chinese businessmen was partially blamed on Tunku Abdul Rahman, the first Prime Minister of Malaysia. The fourth Prime Minister of Malaysia Dr. Mahathir, then a young pro-Malay political talent openly attacked him by branding him a 'pro-Chinese'; an accusation that ultimately relieved him from his parliamentary seat. However, Tunku defend himself by saying, "I am a Malay and naturally I am their leader but I have to see the interests of non-Malays too, I can't just throw them into the sea."<sup>90</sup> The leadership of Tunku brought about many economic benefits directed at Chinese businessmen.

The government soon came to realize that the economy was over-dependent on the revenue generated from tin and rubber exports. The situation promoted production of other exportable commodities including cocoa and palm oil, while the Import

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<sup>88</sup> Comber *op. cit.* pp52-3; Gomez and Jomo *op. cit.* p14; Searle *op. cit.* pp34-5

Substitution Industrialization (ISI) policy continues to protect and encourage industrialization on manufactured goods previously imported. However, ISI policies were formed in such a way as to benefit foreign companies, with the intention to increase their economic base in Malaysia. It provided infrastructure and credit facilities to the approved investor. British firms took advantage of the situation to expand their market share from existing colonial investments. Pioneer Industries Ordinance 1958 was enacted to provide incentives to the ISI companies, whereby initial import-substituting manufacturing would be eventual exports.<sup>91</sup>

Robert Kuok, encouraged by Tun Razak (second Prime Minister of Malaysia) took advantage of the government incentives by venturing into the manufacturing of plywood and veneer. However, the outcome was not promising.<sup>92</sup> He also invested in flour and sugar production and milling. The involvement of Chinese companies in the industry was minimal, as it was obvious that the government policies favour large, capital-intensive companies. The government deliberately allowed the ISI policies to benefit the foreign companies because there were concerned at the intensity of Chinese capitals within the economy. Inevitably, the development of domestic industries became slowed. The extent of domestic capital participation in ISI initiatives in the 1960s remains modest, mainly involving Chinese in simple food, plastic and wood-based industries.<sup>93</sup>

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<sup>89</sup> I. Sia, "Robert Kuok: Taipan Inc", in Hara, F (ed.), *Formation and Restructuring of Business Groups in Malaysia*, (Tokyo: Institute of Developing Economics, 1993), pp59-63

<sup>90</sup> Comber (1983), *op. cit.*, p57

<sup>91</sup> Gomez and Jomo *op. cit.* p16

<sup>92</sup> Sia, I. *Robert Kuok: Taipan Incorporated*, in Hara, F (ed.), *Formation and Restructuring of Business Groups in Malaysia* Tokyo: 1993, p56

<sup>93</sup> Jesudason *op. cit.* pp37-8; Gomez (1997) *op. cit.* p3



The years between independence in 1957 and 1970 saw the Malaysian economy growing at a rapid rate, registering an average annual growth of 5.8 per cent. Malaysia's large influx of export earnings ensured large savings and foreign exchange reserves, contributing to investments, growth and structural change.<sup>94</sup> However, towards the end of 1960s there was increased tension between Malay aristocrats and Chinese businessmen, as the distribution of political and economic power were untenable by the Malays. Since independence, the Malays made significant political change but little economic expansion. Furthermore, the policy implemented by the government to aid rural development did not involve land and capital redistribution. The Malays came to the conclusion that the government's commitment to limited regulation had retarded their growth and promoted income inequality.<sup>95</sup>

Soon, the insignificant changes in ethnic Malay ownership in corporate equity since independence led to severe criticisms from within the UMNO framework, directing at the party's non-interventionist policies. They were complaining that UMNO did not accommodate enough to the economic welfare of the ethnic Malays. Such criticisms were evident on two Bumiputera Economic Congresses held in 1965 and 1968 organized by Malay politicians and civil servants.<sup>96</sup> Since the Chinese capitalist developed corporations on behalf of their clan to acquire corporate equities, the Malays thought that it would be a good idea to follow suit. Majilis Amanah Rakyat (MARA, or the Council of Trust for Indigenous People) was established to manage new industrial enterprises for eventual transfers over to the *bumiputeras*. MARA

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<sup>94</sup> Kennedy (1962), *op. cit.*, p335-7; Crouch *op. cit.* p222

<sup>95</sup> Jesudason *op. cit.* pp54-5; Crouch *op. cit.* pp198-9

<sup>96</sup> Gomez, E.T., *Philanthropy in a Multiethnic Society: The Case of Malaysia* in Tadashi, Y. (eds.) *Emerging Civil Society in the Asia Pacific Community*, (Singapore and Tokyo: Institute of Southeast Asian Studies and Japan Centre for International Exchange, 1996), p25

Institute of Technology was incorporated soon after to provide training grounds for the *bumiputeras*. MARA soon became UMNO's underwriter and also a trading arm to acquire corporate equity<sup>97</sup>. In addition to MARA, Bank Bumiputera was subsequently established in 1966 to encourage and develop *bumiputera* businesses financially. Non-Malay perceived Bank Bumiputera as an attempt to demolish Chinese and foreign domination in the banking sectors. Among the original directors of the company were two prominent Chinese businessmen, Robert Kuok and Khoo Kay Peng. Both played a major role in the management and the initial structure of the bank. Few years later, Khoo Kay Peng himself developed the MUI Bank group. In 1969, a subsidiary of Bank Bumiputera, Perbadanan Nasional Bhd. (Pernas, or the National Corporation) was incorporated to acquire corporate equity on behalf of the Malay community. During the period, various other government vehicles was established to aid the development of *bumiputeras* (see table 3.1).

**Table 3.1 Major Public Enterprises in Malaysia**

| Agriculture  | Ministry/Department                            |
|--|--|
| Federal Agricultural Marketing Authority (FAMA)                | Ministry of Agriculture                        |
| National Livestock Industry Development Authority (MAJUTERNAK) | "  |
| National Fisheries Industry Development Authority (MAJUIKAN)   | "  |
| Kemubu Agricultural Development Authority (KADA)               | "  |
| Muda Agricultural Development Authority (MADA)                 | "  |
| Federal Land Development Authority (FELCRA)                    | Ministry of Land                               |
| Felda Marketing Corporation (FELMA)                            | "  |
| Johore Tenggara Development Authority                          | "  |
| Pahang Tenggara Development Authority                          | "  |
| Terengganu Tengah Development Authority                        | "  |
| Malaysian Rubber Development Corporation                       | Ministry of Primary Industry                   |
| National Padi and Rice Board (LPN)                             | Ministry for coordination of Public Enterprise |

| Industry   | Ministry/Department                            |
|--|--|
| National Corporation and its subsidiaries (PERNAS) | Ministry for coordination of Public Enterprise |
| Majlis Amanah Rakyat (MARA)                        | "  |
| Urban Development Authority (UDA)                  | "  |

<sup>97</sup> Gale, B. *Politics and Public Enterprise in Malaysia*, (Singapore: Eastern University Press, 1981), pp5-85

|  |   |
|--|---|
| Food Industries of Malaysia Limited (FIMA)                 | ▪   |
| Malaysia Batik and Handicraft Berhad                       | Ministry of Commerce and Industrial Development |
| Malaysia Shipyard and Engineering (MSE)                    | ▪   |
| Malaysia International Shipping Corporation Limited (MISC) | Ministry of Communications                      |
| Malaysian Airline System (MAS)                             | ▪   |

| Public Utilities                 | Ministry/Department                    |
|----------------------------------|--|
| National Electricity Board (LLN) | Ministry of Works and Public Utilities |
| Malayan Railways                 | Ministry of Communications             |
| Kelang Port Authority            | ▪                                      |
| Penang Port Commission           | ▪                                      |
| Johore Port Authority            | ▪                                      |
| Telecommunication Department     | ▪                                      |

| Finance                                     | Ministry/Department                            |
|---|--|
| Bank Negara Malaysia                        | Ministry of Finance                            |
| National Savings Bank                       | ▪  |
| Bank Bumiputera                             | Ministry for coordination of Public Enterprise |
| Dert Bank                                   | ▪  |
| Agricultural Bank                           | Ministry of Agriculture                        |
| Pilgrim Management Fund Board (TABUNG HAJI) | Prime Minister's Department                    |

| Industrial and Agricultural Development in States                                     |
|---|
| 13 State Economic Development Corporations (SEDCS)                                    |
| 4 State Agricultural Development Corporations<br>(Johore, Penang, Perak and Selangor) |

Source: A. Ayub, *Public Enterprise in Malaysia* UMBC Economic Review, vol. XII, No. 2, 1976: pp32-3

As government-subsidised corporations became more evident, there were growing concerns among the Chinese that these corporations would eventually engulf the economic sectors controlled by them. Subsequently, the Chinese were dissatisfied with MCA's reticence in checking pro-Malay state intervention in the economy. The accelerating economy between 1957 and 1970 together with the enterprising and opportunistic Chinese clearly exacerbated already existing income inequalities. The period of economic prosperity led to a worsening in income distribution, which further intensified ethnic inequality *bumiputera* community increasing the most. The growing concerns were mostly in racial terms. The *bumiputera* were discontented with the extensive ownership of corporate equity by the Chinese while the non-Malays

frustrations were directed against the UMNO dominated state.<sup>98</sup> In 1969, it was revealed that the *bumiputera* had only owned a 1 per cent share of the share capital of resident companies in peninsular Malaysia, although foreign ownership accounted for the majority stake, Chinese equity ownership rose to 22.8 per cent.<sup>99</sup>

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<sup>98</sup> Comber, *op. cit.* p57; Ramanathan *op. cit.* pp42-3

<sup>99</sup> Comber *op. cit.* p57

## **CHAPTER III**

### **MAY 13<sup>TH</sup> 1969 AND THE NEW ECONOMIC POLICY**

The uneven economic distribution amongst the population in favour of the Chinese led to inter-racial discontentment. The growing racial friction within the ruling coalition resulted in the Alliance's worst electoral performance in 1969, only marginally securing control of the federal government. Even so, Kelantan and Penang fell to the opposition, while the ruling coalition only barely secured majorities in the Selangor, Perak and Terengganu legislatures.<sup>100</sup> Although the coalition secured federal authority, communal tensions were high and ethnic discontent was still evident. The federal government could not resolve the matter in time to prevent the May 13<sup>th</sup> 1969 riots, possibly the worst that has happened in Malaysia, leaving 196 dead and 409 injured.<sup>101</sup>

Shortly before the outbreak of May 13<sup>th</sup>, the intensity of racial discontent led to the expulsion of Singapore from Malaysia. In May 1965, during the UMNO General Assembly a placard became the initial evidence of racial friction. It read (in Jawi) "Crush Lee Kuan Yew".<sup>102</sup> Racial friction led to inter-ethnic hatred with Syed Ja'abar Albar, Secretary-General of UMNO urging the public to start a *jihad* (holy war) against the Chinese. Leaflets with the message flooded the country a day before the Singapore riots began. 3 months later, Tunku made an announcement in *Dewan Rakyat* (National Assembly) that Singapore had to leave Malaysia. In view to that matter, Tunku said, "when facing this dilemma, I found that only two choices lay before me. One take positive actions against Lee Kuan Yew: and, two, break with Singapore and save the nation a bloodbath."<sup>103</sup> So I chose the second." However

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<sup>100</sup> Comber *op. cit.* p58-9

<sup>101</sup> *The May 13<sup>th</sup> Tragedy: A Report of the National Operations Council*, (Kuala Lumpur: The National Operations Council: 1969)

<sup>102</sup> Comber *op. cit.* p59

<sup>103</sup> Comber *op. cit.* p61

Tunku's decision did not resolve the racial problems. The pressure continues to [sum]mount. The departure of a 'Chinese Rich' island still could not taper off the ethnic friction, leading towards a disastrous event. The entire episode succumbed to an uncontrollable racial outbreak in May 13<sup>th</sup> 1969 after a series of smaller inter-ethnic war.<sup>104</sup>

Lee (1995) describes the riots as, "...convulsion of racial violence of unprecedented nature and scale."<sup>105</sup> While another author said, "The riots made a deep and saddening impression, and fear of making things worse had strange and sometimes inhibiting effects on the actions of some parties."<sup>106</sup> The intensity of the racial discontent was taken lightly by the government, much to which contributed to the disastrous aftermath. Such disastrous consequences were not predicted. The initial announcement of MCA's withdrawal from the coalition was reversed for the sake of social stability. *Gerakan* retreated from involving in an anti-coalition party which would secure the states of Perak and Selangor as governing coalitions in fear that the decision would aggravate the situation further. In order to promote ethnic unity, the King of Malaysia (*Yang Di-pertuan Agong*) announced in 1970 that the New Economic Policy (NEP) would be enacted to achieve national unity by 'eradicating poverty' irrespective of race, and by 'restructuring society' so as to achieve inter-ethnic economic parity between the predominantly Malay *bumiputeras* and the predominantly Chinese non-*bumiputeras*.<sup>107</sup>

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<sup>104</sup> *ibid.* pp.59-67

<sup>105</sup> Lee, H.P. *Constitutional Conflicts in Contemporary Malaysia*. (Kuala Lumpur: Oxford University Press, 1995), p13

<sup>106</sup> R.S. Milne and D.K. Mauzy, *Malaysian Politics under Mahathir*, (London: Routledge, 1999), p21

<sup>107</sup> Comber (1983), *op. cit.*, pp79-80, Muzaffar *op. cit.* pp1-3

The changes were immediate following the fallout to accommodate the *bumiputeras* at the expense of other races, especially the Chinese. As Mohamad puts it:

What is clear is that unless the Chinese in particular are willing to hold themselves back and appreciate the need to bring the Malays up in the economic field, not even the determination of the Malays and the schemes of The Government can help to solve the Malay economic dilemma.<sup>108</sup>

A clear indication of the author's view of the Chinese:

For the Chinese people life was one continuous struggle for survival. In the process, the weak in mind and body lost out to the strong and resourceful.<sup>109</sup>

The author went on to say:

... If this was not enough to produce a hardy race, Chinese custom decreed that marriage should not be within the same clan. This resulted in more crossbreeding than in breeding, in direct contrast to the Malay partiality towards in breeding. The result of this Chinese custom was to reproduce the best strain and characteristics that facilitated survival accentuated the influence of environment of the Chinese.<sup>110</sup>

The author attributes the success of Chinese enterprise in Malaya to the culture and environment to which the Malays did not experience. Thus the inexperienced Malays were in no shape to take the Chinese on a fair challenge as Mohamad stresses, "Whatever the Malays could do, the Chinese could do better and more cheaply."<sup>111</sup> The unequal competition eventually led to disequilibrium in the ethnic ownerships of corporate equity. Although the Malays remained dominant in Malayan politics after NEP, they soon realised that they had no economic base to expand. With the exclusion of the foreigners, Chinese held majority equity in the Malayan economy. While the Chinese became richer, the Malays became poorer.

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<sup>108</sup> Mohamad (1970) *op. cit.* p32

<sup>109</sup> *ibid.* p24

<sup>110</sup> *ibid*

<sup>111</sup> *ibid.* p25



The new policy was an attempt to allow a fair challenge for the Malay in the economy by hindering the developments of the Chinese. The policy created a disjunction for the Chinese in Malaya. It helped create a change of ethnic identity to which the Chinese were initially unaccustomed. The Chinese were forced to diversify from their 'Chineseness' or 'Overseas Chinese' identity and network that linked ethnic Chinese business people together, networks based on common places of origin in China or shared languages. The NEP had broken the bond to which the Chinese held in common view towards China. The common concept of 'Overseas Chinese' defined as "Chinese who are scattered outside their homeland, who are literally 'overseas'" changed.<sup>112</sup> It had adapted towards the new political climate to form an identity as 'Malaysian Chinese'. The common networking of Chinese within their clan people declined while inter-ethnic networks began to grow. The older mentality eroded together with the new concept framed NEP. While the earlier generations had the aspiration to earn from Malaya and return to China for retirement, the newer generations aspired to earn from Malaya and stay in Malaya. NEP became the catalyst that promoted the change in the Chinese identity.

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<sup>112</sup> *ibid*, p209

## **CHAPTER IV**

### **THE FAILURE OF THE 'OVERSEAS CHINESE' MODEL: CHINESE DISUNITY**

While later profiles of Chinese entrepreneurs exhibits clear adaptation to the 'Malaysian Chinese' model of transition, there were incidences where the attempt to sustain the 'Overseas Chinese' model failed. One such instance was the failure of Multi-Purpose Holdings Berhad (MPHB) as a public vehicle for MCA to acquire corporate equity of behalf of the fellow Overseas Chinese during the corporatisation movement.

Senior officials of the MCA established MPHB primarily as an acquisition vehicle for the MCA in the early 1970s. As the noted by Searle:

...It was the most ambitious of the party's attempt to maintain its leadership of the Chinese and to safeguard the future of Chinese commercial life in the face of constraints posed by NEP.<sup>113</sup>

The formation was an attempt to mobilise the capital of small Chinese family businesses and individuals who were economically threatened by the NEP constraints, particularly the Industrial Coordination Act (ICA) 1975. The government uses ICA to impose strong administrative controls over the manufacturing sector. The party was then led by Lee San Choon, gathered strengths from various Chinese clan societies, dialect associations and other Chinese related bodies to forge a Chinese economic unity to battle the NEP frontier. As noted by Heng:

...By getting the Chinese Chamber of Commerce (CCC) and the Chinese clan associations (*huy kuan*) to coporate, the MCA leadership hoped to re-established the close relationship the party had had with such middle class groups in the 1950s but had steadily lost in the 1960s.<sup>114</sup>

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<sup>113</sup> Searle *op. cit.* p177

<sup>114</sup> Heng (1992) *op. cit.* p135

It was a concerted attempt by the MCA to create a political rather than simply an economic bourgeoisie which would maintain Chinese economic prosperity and eventually political stability. An opportunity that the Chinese believed would help retained the 'Overseas Chinese' model.

Koperatif Serbaguna Malaysia (KSM), a lower middle class Chinese party established in 1968 held the majority share in MPH B with just over 40 per cent.<sup>115</sup> The KSM shares were distributed among 80,000 families, with the majority of these populations residing in 'new villages' and small towns.<sup>116</sup> Although the Chinese tycoons largely supported the MCA, many like Lim Goh Tong and Robert Kuok had already adapted to the 'Malaysian Chinese' model and preferred to seek *bumiputera* connections for the benefit of their own enterprise. As stated in Seale's argument:

Although the 'old money' tycoons who had accumulated their wealth before 1970s were often supporters of the MCA, they had, especially since the 1970s, relied more on personal connections with the UMNO leaderships to protect or promote their interests than on MCA.<sup>117</sup>

Searle's argument suggests that the political pressure has created a more individualistic Chinese business community rather than a more unified community. Thus the bourgeoisie could be characterised as 'individuals' rather than 'group'. Inter-ethnic ties become more intense while intra-ethnic ties become secondary (see 'Malaysian Chinese' model).

MPHB begin under the guidance of Lee Loy Seng as appointed Chairman, commonly known as Malaysia's 'Rubber Baron'. The initial structure of MPH B was largely

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<sup>115</sup> *ibid.* p136

<sup>116</sup> *Asiaweek*, 22<sup>nd</sup> May 1986, cited in Searle *op. cit.* p179

attributed to the entrepreneurship of Lee. Tan Koon Swan described by Searle, as an epitome of the 'new wealth' was managing director and secondary to Lee. In August 1983, Lee resigned after being annoyed by the political interference within MPHB, gave way for Tan to be the new leader of the Chinese vehicle.<sup>118</sup> Being left with a well-structured corporation, Tan took MPHB to greater heights. After a series of acquisitions and mergers, MPHB emerged as one of the largest KLSE listed companies with the total market capitalisation of \$571 million. By 1985, MPHB holds controlling stake in property conglomerate Bandar Raya Developments, gambling enterprise Magnum Corporation Bhd, rubber manufacturer Dunlop Estates and Singapore based trading giant Guthrie Corporation in Britain (later renamed Mulpha Trading).<sup>119</sup> However through the process their debt-equity ratio was soaring. Unlike *bumiputera*-based vehicles, MPHB relied solely on the support of Chinese community and Chinese tycoons, who had the wealth but little political influence, and although the MPHB was financially well equipped, they acquired corporate assets at a much higher rate. MCA leaders took a defensive option, as noted by Gale:

...By purchasing or establishing subsidiary companies in key sectors of the economy (plantations, trading, finance and shipping) MPHB would prevent these traditionally foreign-dominated sectors from being monopolised by *bumiputera* interests.<sup>120</sup>

While MPHB could dominate sectors of the economy, the key feature of shaping the sectors lies in the ability to change policies – a lacking feature in the Chinese.

Although MPHB did forge a joint-venture with the predominantly UMNO controlled investment arm Permodalan Bersatu Berhad (PBB) to form Multi-Purpose Bersatu

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<sup>117</sup> Searle *op. cit.* p179

<sup>118</sup> *Malaysian Business* 1<sup>st</sup> March 1987

Development Bhd, initiated by Tan<sup>121</sup> as 'the beginning of a lasting relationship', the entire vision to produce an inter-ethnic-political relationship were tarnished after a acquisition clash that eventuated between MCA and UMNO.<sup>122</sup> The following incident highlights the vulnerability of MCA in Malaysian politics.

In June 1981, MPHB proposed to acquire United Malayan Banking Corporation (UMBC), Malaysia's third largest financial institution, by purchasing 56 per cent of the stake from other Chinese interests.<sup>123</sup> The consolidation of the acquisition would allow MPHB and subsequently the Chinese community to control a large banking enterprise. Concurrently, Pernas, another of UMNO's investment arm held 30 per cent stake in the company. The acquisition would [make] demote Pernas to a minor shareholder and the control would change into the hands of MPHB. In an attempt to secure re-election, UMNO Youth leader, Suhaimi Kamaruddin, used his political position to seized [the] on the issue of MPHB's takeover of UMBC, claiming that:

These [takeovers] acts will not only affect the economic situation of the Malays and other *bumiputeras* but also threaten national solidarity and security.<sup>124</sup>

The entire takeover was restructured leaving MPHB with an equal share with Pernas and that any further purchases would be divided between the two party.<sup>125</sup> The decision led to MPHB's disposal of its shares in UMBC and instead acquired a much smaller bank; Malaysian French Bank later renamed the Multi-Purpose Bank.

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<sup>119</sup> Heng (1985) *op. cit.* p28

<sup>120</sup> Gale (1985) *op. cit.* p11

<sup>121</sup> Through the ties he forged with Ibrahim Mohamed during his brief presence as a general manager of Genting Bhd.

<sup>122</sup> Searle *op. cit.* p180

<sup>123</sup> Gale (1985) *op. cit.* p141

<sup>124</sup> *New Straits Times* 22<sup>nd</sup> March 1981

<sup>125</sup> Gale (1985) *op. cit.* p151

Shortly thereafter, MPH B went into another racial friction when they proposed to acquire 51 per cent controlling stake in DEB for \$252 million.<sup>126</sup> DEB's parent company is Dunlop Holdings in the United Kingdom. Until September 1981, Pegi Malaysia Bhd (Pegi), a company controlled by former UMNO vice-president Ghaffar Baba, was the largest single shareholder in DEB. In fear that Malaysian interests would acquire DEB, Dunlop reached an agreement with Pegi whereby Dunlop would sell DEB to MPH B after a bi-ethnic corporation was formed between the two companies to share the assets in DEB and Dunlop Holdings. The deal was that Pegi would not acquire further interest in Dunlop.<sup>127</sup> For the second time, Kamaruddin stepped in criticising the deal claiming that it was against the NEP requirements. He argued that DEB should have offered the deal to *bumiputera* interests first and not MPH B. Under the proposed arrangements, Kamaruddin argued that *bumiputera* interest would only sum up to 40 per cent when a long-established conglomerate like Dunlop should have at least 51 per cent stake with the *bumiputeras*. The entire controversy [led] force the joint venture to dissolve in December 1992, and to an undertaking by MPH B to the authorities that *bumiputera* participation in DEB would soon be raised to 50 per cent.<sup>128</sup> Yet another failed attempt by MPH B.

The two cases highlighted in this chapter clearly show the failure of MPH B as a vehicle for the Chinese community to retain the 'Overseas Chinese' model of transition. As noted by Searle:

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<sup>126</sup> Gale (1985) *op. cit.* p164

<sup>127</sup> *ibid.* pp156-171

<sup>128</sup> Jesudason (1990) *op. cit.* p157

The controversies surrounding MPHB's takeover of DEB, and its failure to establish a financial arm through UMBC, highlighted the limits of Chinese 'group' or 'institutional' approach to protecting or expanding the community's wealth in the post-NEP era.<sup>129</sup>

The Chinese began to realise the need in adopting the 'Malaysian Chinese' model and accept a new identity as 'Malaysian Chinese'. As observed by Gomez and Jomo, "By the 1990s even the medium-scale Chinese companies were beginning to incorporate influential *bumiputeras* as directors."<sup>130</sup> A sure indication of identity transition from second to 'Malaysian Chinese' model.

There were other significant changes that contributed to the argument that the identity of 'Overseas Chinese' had taken a new form. One of the more defined examples was the feud between prominent Chinese businessmen, particularly Quek Leng Chan who aspires to acquire a banking institution after numerous failed attempts at securing a banking license from the government.<sup>131</sup> As Gomez noted:

The well-publicised feuds between Khoo Kay Peng and Tan Chin Nam, Vincent Tan and Khoo Kay Peng, Vincent Tan and T.K. Lim, as well as Quek Leng Chan and Khoo Kay Peng are some better-known examples.<sup>132</sup>

Quek Leng Chan's aspiration to acquire first the Ban Hin Lee Bank and later the MUI Bank created feuds between him and the late Yeap Leong Huat and Khoo Kay Peng. Khoo's feud with Tan Chin Name and Vincent Tan arose when Khoo's dominance was diminishing in the corporate sector after which Tengku Razaleigh lost his vice-presidency campaign and subsequently the seat of deputy Prime Minister to Musa Hitam in 1984. Furthermore Khoo and Razaleigh was both involved in the Pan El

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<sup>129</sup> Searle *op. cit.* p182

<sup>130</sup> Gomez and Jomo *op. cit.* p47



scandal that took their close associate Tan Koon Swan behind bars.<sup>133</sup> The two men were always seen sharing crony exchanges, which was partially the reason of Razaleigh's failure in securing the vice-presidency. In order to shadow Khoo's personality of the public scandals and crony ways, Khoo reduced his stake in MUI to 20 per cent in 1988. In an attempt to dilute his shareholdings further he sold his large block of share to property conglomerate Ipoh Garden Berhad (IGB), a company controlled by Tan Chin Nam. With IGB holding majority stake, the idea of a super-conglomerate incorporating MUI, IGB and Inter-Pac emerged.<sup>134</sup> However the idea dissolved as quickly as it arose due to in different ideologies posed by the three prominent Chinese, Khoo, Tan and Vincent. While MUI was often regarded as a 'sleeping giant', Vincent took advantage of Khoo's low profile, attempted to secure majority holdings over Tan by acquiring MUI. Khoo responded by increasing significant shareholdings in MUI and Tan on the defensive side attempted to acquire Inter-Pac.<sup>135</sup> The entire triangular dispute led to a fallout between the three Chinese businessmen. Although the episode did not resulted in a winner. It clearly exacerbated the existing disunity among Chinese. The attempt to create a 'bamboo network' in the Malaysian context did not eventuate but rather disunited the Chinese further.

In a separate scenario, T.K Lim clashed head on with Quek Leng Chan after the latter using his subsidiary Hume Industries Bhd (Hume) proposed in a takeover of MPHB. The take over accentuated yet another Chinese against Chinese, but with the inception that Quek had UMNO allies which would threaten the Chinese community further if

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<sup>131</sup> Gomez and Jomo *op. cit.* p; Searle *op. cit.* p218

<sup>132</sup> Gomez (1994) *op. cit.* p213

<sup>133</sup> For further reading see Searle *op. cit.* pp200-1

<sup>134</sup> *ibid.* p208

<sup>135</sup> Searle *op. cit.* p207

MPHB falls in the hands of Quek. Kamunting Corporation (Kamunting), Lim's flagship company counter-bid against Hume's intentions and a corporate battle eventuated between the Chinese companies. However Kamunting was more favourable as observed by Tsuruoka:

...Despite the fact that both were closely linked to *bumiputera* or UMNO related interests – Hume through Jaguh Mutiara and Kamunting through Seri Angkasa – Kamunting, somewhat inexplicably, was hailed as the friendly 'white knight' in the contest.<sup>136</sup>

He went on to say:

The key factors in Kamunting's ability to portray itself as 'friendly' to Chinese interests, and prevail over Hume in that contest, were: the support the company received from MCA president, Ling Liong Sik; the better terms it offered to depositors in Koperatif Serbaguna Malaysia (largely Chinese).<sup>137</sup>

It is clearly exhibited in both instances that Chinese feuds exist which were not prominent before the NEP. The capacity of Chinese in retaining the 'Overseas Chinese' model was unadaptable to the post-NEP scenario. Furthermore it is evident in the Lim-Quek feud that *bumiputera* interests were present in their corporation, however Lim's ability to be 'Chinese friendly' gave him the edge.

The failure of the 'Overseas Chinese' model was further intensified through the intra-dialectic feud amongst the leaders of the Heng Ann Association. In 1945, Ng Kuok Thai, Tan Kim Huat, You Boon Kooi and Tan Lan initiated the formation of Heng Ann Association Perak. As a co-founder, Ng Kuok Thai was elected to the board as honorary adviser and was later promoted to represent the association as President. In 1972, same year as the completion of Heng Ann Building Perak, Heng Ann Enterprise (M) Berhad was incorporated to acquire corporate equity on behalf of its association

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<sup>136</sup> Tsuruoka. D, *Unfair Shares*, Far Eastern Economic Review, 18<sup>th</sup> May 1991

members. Its diverse operation led to the formation of Heng Ann Cocoa Plantation (Tawau) Sdn Bhd, a joint venture with Hong Teik Guan also a member of Heng Ann Association to invest in cocoa plantations. Hong Teik Guan became the major supplier of agricultural chemical to the plantation.<sup>138</sup> 3 years later together with Lim Kim Soo, Heng Ann (Sandakan) Sdn Bhd was formed also to invest in cocoa plantations in East Malaysia. The vast diversification of Heng Ann Enterprise was the effort and entrepreneurship of Ng Kuok Thai then the managing director for Heng Ann Enterprise.

Ng Kuok Thai was a philanthropist and among his contributions to the Heng Ann Association was the donation of Heng Ann Hall in which he named it in the memory of his mother, Aw Ah Mooi. During the course of developing Heng Ann, Ng indulged his time efforts in an attempt to create a strong body for the prosperity of the association members. To a certain extent Ng used his personal funds and social contacts to aid the development of Heng Ann Association. However in 1985, Ng fell ill and had to be hospitalised. However he remained as the managing director of Heng Ann Enterprise and honorary President of Heng Ann Association. While Ng was recovering from the operation, Tan Kin Huat and Lim Kim Soo, then the Vice-President urged Ng to 'take a long rest', indirectly indicating that he should release his seat as President and Directorship. Ng responded by saying:

When Heng Ann was developing I indulged all my effort and time into the process, hoping that the eventual association would provide support and aid to the community members. Now that I am ill they urge me to take an early retirement. I am most wanted when I am

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<sup>137</sup> Tsuruoka *op. cit.*

<sup>138</sup> Chan *et. al.* *The Third Anniversary of the memory of Ng Kuok Thai*, (Ipoh and Fujian: Joint Publication between Heng Ann Community Malaysia and Heng Ann Community China, 1989), p8; Interview with Ng Yeong Hong, Managing Director of Ng Kuok Thai Holdings and eldest son of the late Dato Ng Kuok Thai, conducted on 15<sup>th</sup> September 1999 in Ipoh, Perak, Malaysia.

capable and now when I am not they wanted me to stay away. Am I never going to recover?<sup>139</sup>

However Ng had no choice but to resign due to the health reasons as proposed by Lim. Shortly thereafter, Lim assumed Presidency and Tan took over the Directorship replacing Ng. The takeover enabled Lim to act upon the business in his own interest.<sup>140</sup>

Towards the 80s after numerous attempts at retaining the Overseas Chinese identity failed, a set of politically well-connected *bumiputeras* known as the 'new rich' had emerged gaining control of an increased proportion of the corporate equity.<sup>141</sup> The use of UMNO hegemony and the rise of these 'new rich' were widely believed to be the main factor in hindering the acceleration and promoting disunity amongst Chinese businessmen within the Malaysian economy. Although the Chinese ownership in Malaysia's corporate equity remains large, it was harvested in a different fashion, as we will see in the next chapter.

At the end of the 20-year NEP period in 1990, corporate ownership figures revealed that the proportion of Chinese equity had almost doubled from 22.8 percent in 1969 to 45.5 percent in 1990.<sup>142</sup> During the NEP phase many Chinese businessmen managed to transform what seemed to be a disadvantage into an advantage by forging a new identity. They emerged together with the 'new rich' to control some of Malaysia's largest corporations in terms of market capitalization. Among the most prominent of

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<sup>139</sup> *Ibid.*

<sup>140</sup> Interview conducted with Ng Yeong Hong, Managing Director of Ng Kuok Thai Holdings and eldest son of the late *Dato* Ng Kuok Thai, on 15<sup>th</sup> September 1999 in Ipoh, Perak, Malaysia

<sup>141</sup> Gomez and Jomo *op. cit.* p117-65

<sup>142</sup> Third Malaysian Plan, 1976-1980 (Malaysia 1976); Seventh Malaysian Plan 1996 - 2000 (Malaysia 1996)

these businessmen were Vincent Tan Chee Yioun (Berjaya Sports Toto Bhd.), Khoo Kay Peng (MUI Bhd.), Ting Pek Khiing (Ekran Bhd.), William Cheng Heng Jem (Amsteel Corporation Bhd.), Lim Thian Kit (Magnum Corporation Bhd.), Joseph Chong Chek Ah (Westmount Bhd.) and Teh Soon Seng (Aokam Perdana Bhd.).<sup>143</sup>

Table 1.1 indicates the continued domination of Chinese controlled companies in the KLSE top 100 companies after NEP.

**Table 1.1 : Equity Ownership of Chinese Controlled Public Listed Companies Among the top 100 in Terms of Market Capitalization**

| Company  | KLSE Ranking | Activity/Industry            | Controlling Holder            | Holdings | Bumiputera Holdings |
|--|--------------|------------------------------|-------------------------------|----------|---------------------|
| Genting Bhd  | 5            | Gaming                       | Lim Goh Tong                  | 29.13%   | 5.29%               |
| Resorts World (AC)                                 | 6            | Gaming                       |                               | 30.30%   | 17.95%              |
| Asiatic Development (AC)                           | 81           | Plantation                   |                               | 54.65%   | 28.37%              |
| YTL Corporation                                    | 13           | Construction & Manufacturing | Yeoh Tiong Lay                | 47.90%   | 16.29%              |
| YTL-T  | 65           |                              |                               |          |                     |
| Public Bank Berhad                                 | 16           | Banking                      | Teh Hong Piow                 | 33.72%   | 29.49%              |
| Berjaya Sports Toto                                | 23           | Gaming                       | Vincent Tan                   | 39.12%   | 5.14%               |
| Jaya Tiasa Holdings<br>(formerly Berjaya Textiles) | 24           | Manufacturing                | Tiong Hiew King               | 29.42%   | 28.71%              |
| Magnum Corporation                                 | 26           | Gaming                       | Lim Thian Kit                 | 28.52%   | 39.48%              |
| Multi Purpose Holdings (AC)                        | 36           | Investment Holdings          |                               | 24.04%   | unestimated         |
| Kamunting Corporation (HC)                         | 94           | Construction                 |                               | 36.82%   | 0.35%               |
| Hong Leong Credit                                  | 30           | Finance                      | Quek Leng Chan                |          |                     |
| Hong Leong Bank (AC)                               | 32           | Banking                      |                               | 34.48%   | 6.36%               |
| Hume Industries (AC)                               | 34           | Manufacturing                |                               | 43.22%   | 18.44%              |
| OYL Industries (AC)                                | 45           | Manufacturing                |                               | 61.56%   | 4.37%               |
| Hong Leong Properties (AC)                         | 69           | Property Development         |                               | 50.54%   | 3.34%               |
| Malaysian Pacific Ind. (AC)                        | 73           | Manufacturing                |                               | 55.71%   | 8.50%               |
| Hong Leong Industries (AC)                         | 84           | Manufacturing                |                               | 53.22%   | 14.96%              |
| Leader Universal                                   | 35           | Manufacturing                | H'ng Family                   | 11.71%   | 4.75%               |
| Lingui Developments                                | 40           | Plantations                  | Samling Strategic Corporation | 29.67%   | 21.30%              |
| KL Kepong  | 41           | Plantations                  | Lee Loy Seng                  | 42.42%   | 24.81%              |
| Malayan United Industries                          | 42           | Manufacturing                | Khoo Kay Peng                 | 44.82%   | 1.04%               |
| Pan Malaysian Cement (AC)                          | 58           | Manufacturing                |                               | 50.64%   | 16.13%              |
| Perlis Plantations                                 | 44           | Manufacturing                | Robert Kuok                   | 30.21%   | 23.90%              |
| Pacific Chemicals                                  | 47           | Manufacturing                | Ting Pek Khing                | 22.14%   | 36.94%              |
| Ekran Berhad (HC)                                  | 64           | Construction                 |                               | 21.11%   | 17.21%              |
| MBF Capital  | 50           | Finance                      | Loy Hean Heong                | 31.60%   | 17.49%              |
| Sri Hatamas (CO)                                   | 70           | Property Development         |                               | 10.60%   | unestimated         |
| Tan Chong Motors                                   | 51           | Manufacturing                | Tan Family                    | 34.27%   | unestimated         |

<sup>143</sup> S. Cheong, *Changes in Ownership of KLSE Companies in Kuala Lumpur*, (Kuala Lumpur; CRS Publications, 1995), pp143-8 & pp170-5; Hiscock *op. cit.* pp159-293; Searle *op. cit.* pp86-100

|                            |    |               |                 |             |        |
|----------------------------|----|---------------|-----------------|-------------|--------|
| IOI Properties             | 54 | Property      | Lee Family      | 53.73%      | 15.88% |
| TA Entreprises             | 55 | Finance       | Tiah Thee Kian  | 40.60%      | 12.10% |
| Amsteel Corporation        | 57 | Manufacturing | William Cheng   | 47.75%      | 31.40% |
| Oriental Holdings          | 71 | Manufacturing | Loh Boon Siew   | 43.00%      | 11.91% |
| Mulpha Holdings            | 79 | Manufacturing |                 | unestimated | 29.18% |
| Sungei Way Holdings        | 80 | Construction  | Cheah Fook Ling | 34.29%      | 2.99%  |
| Acidchem                   | 85 | Manufacturing | Lim Keng Kay    | 46.26%      | 8.70%  |
| Metroplex                  | 88 | Property      | Dick Chan       | 42.42%      | 34.77% |
| Kian Joo Can Factory       | 92 | Manufacturing | See Family      | 35.39%      | 7.49%  |
| Hap Seng Consolidated      | 93 | Manufacturing | Lau Gek Poh     | unestimated | 23.16% |
| Cycle and Carriage Bintang | 96 | Manufacturing | Chua Family     | 48.75%      | 17.63% |
| CCM                        | 97 | Manufacturing | Lim Say Chong   | 29.88%      | 30.79% |

**Note:** HC – Holding Company; AC – Affiliated Company; CO – Common Ownership; T – Transferable subscription rights and warrants

**Source:** KLSE Annual Companies Handbook 21 (1-4), 1996

In the early 70s statistics prevailed that Chinese ownership of manufacturing amounted to 22.5 per cent while *bumiputera* ownership was a mere 2.5 per cent and the remaining were under foreign ownership.<sup>144</sup> Malaysian Business (16<sup>th</sup> January 1991) unveiled the estimation that in 1990, Chinese ownership of manufacturing sector had increased [by] two folds, standing at 40 per cent. It was estimated that between the years 1970 and 1980, the manufacturing sector achieved an annual growth rate of 10 per cent; by the end of the decade it had become a major foreign exchange earner for Malaysia. In 1996, manufacturing earns over 30 per cent of Malaysia's GDP.<sup>145</sup>

Between the years of 1971 to 1990, it had been significant that the implementation of NEP was a method to suppress the Chinese business growth and induced an identity transition, while nurturing more *bumiputera* entrepreneurs. However, it is evident that the capability of Chinese in adapting to a new political environment – in this case

<sup>144</sup> K.Y. Low, *The Political Economy of Restructuring in Malaysia: A Study of State Policies with Reference to Multinational Corporations*, M.Ec dissertation, (Kuala Lumpur: University of Malaya, 1985), p26

adapting the 'Malaysian Chinese' model – enabled the Chinese dominance in the corporate sector to be sustained. Nevertheless the situation induced a growth in *bumiputera* ownership after Chinese began participating in business ventures with *bumiputeras*, and Chinese intra-ethnic ventures were significantly reduced. The presumption that NEP would suppress the Chinese business community did not reduce their economic viability but manage to exert enough pressure for a change in identity. While ethnic and economic parity was <sup>being</sup> ~~achieving~~, Chinese unity was deteriorating. The next chapter will critically examine the profiles of the successful Chinese businessmen in the third phase.

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<sup>145</sup> Gomez (1997) *op. cit.* p5

## **CHAPTER FIVE**

### **THE ADOPTION OF THE 'MALAYSIAN CHINESE' MODEL: 'MALAYSIAN CHINESE'**



There were many Chinese capitalists who emerged before the NEP era, some of the more prominent ones are presented in the profiles below; Lim Goh Tong, Robert Kuok, Quek Leng Chan and Lee Oi Hian. With the exception of Lim and Kuok, Quek and Lee are second-generation entrepreneurs, taking over the business left by their father. However what distinguishes the difference between these businessmen and the others (unsuccessful) was the way they adapted to the political climate. With the exception of Quek and Lee, Lim and Kuok were the pioneers of the 'Malaysian Chinese' model. They discovered the need to adapt to a different model and identity before the consolidation of the NEP. However, The NEP became the catalyst for the for 'forced' transition to this new model. While Lim and Kuok had forged this identity change by 'choice', Quek and Lee were eventually 'forced' to accept it. Further, the need for inter-ethnic cooperation intensified after the realisation that MCA could no longer protect the interest of Chinese, with the situation worsen by the failure of Multi-Purpose Holdings Berhad as a 'Chinese' approach towards the NEP, highlighted in chapter four.<sup>146</sup> Therefore, it became a *necessity* for Chinese businessmen to seek linkages with *bumiputera* elite after the NEP.

While individual Chinese businessmen viewed the NEP differently, some adopted a rather offensive approach. Tan Chin Tuan, a Singaporean banker who holds the position of Chairman in Overseas-Chinese Banking Corporation Limited undertook such an approach. The speculation of Tan's intention to build a large Chinese enterprise with banking pioneers Lee Kong Chian and Khoo Teck Puat <sup>not?</sup> did to eventuate.<sup>147</sup> The proposed merger was supposedly called off after the announcement

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<sup>146</sup> Heng (1992) *op. cit.* p251-64; Searle *op. cit.* p177-188; *passim*

<sup>147</sup> *Insight* July 1983 cited in Gomez (1997) *op. cit.* p39

of the government's new ownership restructuring requirements in the numerous quoted subsidiary and affiliated companies in the OCBC group, like the Straits Trading Company, Great Eastern Life Assurance Company, Malayan Breweries, Fraser & Neave and Wearne Brothers. Tan reportedly stepped down as Chairman of some of these companies as an act of displeasure.<sup>148</sup>

Some Chinese businessmen took <sup>a</sup> non-confrontational approach towards the NEP policy. The late Lee Loy Seng, who owns <sup>ed</sup> <sup>a</sup> majority stake in KL-Kepong group preferred to divest his interest in companies in which government-owned enterprises bought into. When a government enterprise acquired a major stake in the public listed company Highlands & Lowlands Bhd., Lee decided to dispose off his stakes in the company. As quoted in Asiaweek, Lee didn't want to compete with the government company.<sup>149</sup>

Another renowned businessman, Teh Hong Piow who established Public Bank Bhd., chose to abide by the government policies. In *Malaysian Business*, he was quoted as saying that his response to the NEP would be to understand and follow all government policies.<sup>150</sup> His effort paid off when in 1982, Public Bank became the first Chinese owned bank to achieve the 'approved status' by the Ministry of Finance for achieving all Bank Negara's (central bank) priority lending guidelines and for fulfilling the NEP's *bumiputera* ownership and employment quotas.<sup>151</sup>

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<sup>148</sup> *The Star* 19<sup>th</sup> May 1983

<sup>149</sup> *Asiaweek* 19<sup>th</sup> May 1985

<sup>150</sup> S. Chan, "Annual Reports: Facts and Frills", in *Malaysian Business* 1<sup>st</sup> August 1991, pp23-5

<sup>151</sup> C. Ta, "Public Bank: Still Growing", in *Malaysian Business* January 1983, p51

The response to NEP was taken in different fashions. However those who achieved success adapted to the 'Malaysian Chinese' model and forged a new identity as 'Malaysian Chinese'. While Tan Chin Tuan lost his dominance in the corporate sector, Lee manages to maintain his dominance through the directorship of his son (see profile) and Teh being the most successful controls the largest Chinese-owned bank in Malaysia and was ranked 54 in Asia with a net worth of 1.8 billion dollars.<sup>152</sup>

Early intra-ethnic cooperation can be seen as being mutually advantageous, yet secondary to the advantage of inter-ethnic cooperation. Many Chinese businessmen benefited by state concessions during the independence period (1957-1970). During the course of building their wealth, many ventured into trade with the aid of *bumiputera* partners and politicians. The enterprising nature of these Chinese businessmen was quickly evident when they managed to incorporate businesses in various important sectors of the economy. By 1970, the Second Malaysian Plan revealed that Chinese accounted for major ownerships in various sectors of the economy (see table 4.1). The pre-NEP ethnic cooperation was evident when Tunku Abdul Rahman was in power. Among the earliest who benefited from the cooperation was Lim Goh Tong. The profiles below will highlight the importance of forging a 'Malaysian Chinese' identity adapting to the 'Malaysian Chinese' model.

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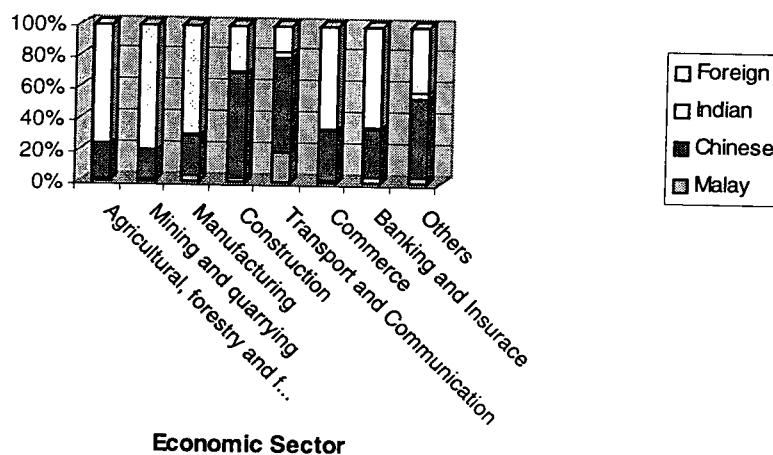
<sup>152</sup> Hiscock *op. cit.* p7

**Table 4.1: Ownership of Share Capital of Limited Companies, By Race and Sector in Peninsular Malaysia, 1970**

| Economic Sectors                     | Malay                | Chinese                 | Indian              | Foreign                 | Total            |
|--------------------------------------|----------------------|-------------------------|---------------------|-------------------------|------------------|
| Agricultural, forestry and fisheries | (0.9) 13,724         | (22.4) 177,438          | (0.1) 16,191        | (75.3) 1,079,714        | 1,432,400        |
| Mining and quarrying                 | (0.7) 3,876          | (16.8) 91,557           | (0.4) 2,488         | (72.4) 393,910          | 543,497          |
| Manufacturing                        | (2.5) 33,650         | (22.0) 296,363          | (0.7) 8,880         | (59.6) 804,292          | 1,348,245        |
| Construction                         | (2.2) 1,258          | (52.8) 30,855           | (0.8) 447           | (24.1) 19,937           | 58,419           |
| Transport and Communication          | (13.3) 10,875        | (43.4) 35,498           | (2.3) 1903          | (12.0) 9,845            | 81,887           |
| Commerce                             | (0.8) 4,715          | (30.4) 184,461          | (0.7) 4,711         | (63.5) 384,549          | 605,164          |
| Banking and Insurance                | (3.3) 21,164         | (24.3) 155,581          | (0.6) 4,434         | (52.2) 332,790          | 636,850          |
| Others                               | (2.3) 13,349         | (37.8) 220,330          | (2.3) 13,348        | (31.4) 182,862          | 582,516          |
| <b>Total</b>                         | <b>(1.9) 102,611</b> | <b>(22.5) 1,192,083</b> | <b>(1.0) 52,402</b> | <b>(60.7) 3,207,889</b> | <b>5,288,978</b> |

Note: (%)( '\$'000)

**Ownership of Share Capital of Limited Companies in Peninsular Malaysia, 1970**



Sources: Second Malaysian Plan

### i. Tan Sri Lim Goh Tong

Lim Goh Tong, with corporate assets worth over RM2.8 billion in 1992, was reputedly the wealthiest man in Malaysia.<sup>153</sup> In March 1996, Lim's flagship companies Genting Bhd and Resort World Bhd were ranked fifth and sixth in the KLSE first board companies with market capitalization of RM 16.1 billion and

<sup>153</sup> *The Star* 19<sup>th</sup> May 1992

RM15.7 billion respectively.<sup>154</sup> His companies were the largest corporations behind three utility giants (Tenaga Nasional Bhd, Telekom Malaysia Bhd, Petronas Gas Bhd and Malayan Banking Bhd, Malaysia's largest government controlled bank).

Lim, like many other Chinese businessmen, had humble beginnings. He left Fujian, China for Malaya at the age of 20 in 1937. Lim first started out as a hawker and carpenter in Kuala Lumpur before using the money that he accumulated to begin contracting jobs under his first company Kien Huat Construction.<sup>155</sup> He managed to secure several major government contracts in road works and irrigation schemes throughout the country. By 1960s Kien Huat Construction had established itself as the largest construction company in Malaysia.<sup>156</sup> Lim's cooperation with the *bumiputera* began before the NEP.

In 1950, while Lim was applying for an iron ore-mining license, he struck up a friendship with a member of the Johore state executive council, Mohamed Noah Omar. Mohamed later became the father-in-law of two Malaysia's prime ministers, Abdul Razak (1971-76) and Hussien Onn (1976-1981). The relationship brought about the establishment of a tourist base company Genting Highlands Bhd with Lim as managing director and Noah as chairman. The company sought to develop Genting Sempah, a mountaintop in Pahang into comprehensive tourist complex. Tunku heading the *Barisan Nasional* also felt the need to develop the area into a tourist spot. The bi-ethnic corporation proved invaluable when Tunku in an attempt to speed up

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<sup>154</sup> KLSE Annual Companies Handbook 21(2), 1996, p740

<sup>155</sup> *New Straits Times* 17<sup>th</sup> November 1985

<sup>156</sup> H.A. Khoo, "Tan Sri Lim Goh Tong: A Long Hard Climb to Success", in *Malaysian Business* March 1981, pp5-8; Searle *op. cit.*, p228

the development announced that a casino license (renewable every three months) would be granted to Genting Highlands Bhd.<sup>157</sup>

The initial inter-ethnic cooperation enabled Lim to obtain the invaluable casino-operating license, which began purely as a business venture. However after the May 13<sup>th</sup> incident, Lim had to adjust to the requirements of NEP and in a short span of time he sparingly adapted to the changes. As described by Searle, "Lim shrewdly combines the advantage of a casino license, state support and the opportunities offered by the growth of Malaysia's stock exchange to adapt his business operations to the changing economic and political environment."<sup>158</sup> Lim had known better that if the adaptation to the changes of the political climate were not met, it might spell trouble even for his well-established conglomerate. Since the 70s, Genting Bhd had been a major revenue earner for Malaysia. After going public, it became one of the most profitable 'blue chip' companies on the KLSE. Later evidence will show that the early inception of the new model has proved advantageous to Lim's business career.

In 1980, Lim diversified Genting Bhd operations when he bought into Asiatic Development, a shell company, and further glorified his take over by using the funds of the newly-acquired company to purchase three other Hong Kong based Malaysian plantation companies. Lim elected former Attorney-General Kadir Yusof, as chairman of Asiatic Development. Subsequently, the company issued 30 per cent stake in company to LTAT in accordance to the requirements of NEP. By December 1990, after 10 years of rapid growth, it emerged as

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<sup>157</sup> Khoo *op. cit.* p7

<sup>158</sup> Searle *op. cit.*, p228

Malaysian's top five plantation companies.<sup>159</sup>

Apart from expanding locally, Genting sought to achieve multi-national status through the subsidiary Genting International Limited (GIL). Between the years of 1985 and 1986 Genting went on to acquire majority stakes in Burswood Casino<sup>160</sup>, Perth and management contracts for Adelaide Casino, Adelaide. Genting's overseas partnerships were also evident in the north when they contracted and secured the tender to construct and manage a \$US300 million resort in Connecticut.<sup>161</sup> In 1990, GIL too went public in the Luxembourg Stock Exchange.

In 1995, Lim's company consists of inter-ethnic directorships, many of which were prominent *bumiputera* elite. Lim headed Asiatic Development with a joint Chief Executive Baharuddin Musa, while the chairman of the company remains Mohd Amin Osman (former Deputy Inspector General of Police), also a director of Lim's flagship company Genting Bhd. The twin Deputy Chairman post of Genting Bhd and Resorts World Bhd are chaired by Haniff Omar (former Inspector General of Police).

Lim made a successful integration between business and politics. During the early years of Lim's career, Lim forged ties with Tunku, Tan Siew Sin and Mohamed Noah, which provided him with a solid foundation in politics. In recent years, Lim realised the increasing importance of *bumiputera* linkages after the NEP, made a further attempt to forge ties with the younger generation of political elite. Lim made a \$250,000 personal donation to a religious movement, *Gerak Bakti* (headed by the

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<sup>159</sup> H.A. Khoo, "Great Plans for Genting", in *Malaysian Business* 16<sup>th</sup> March 1992, pp8-12

<sup>160</sup> Genting International Ltd acquired 42 per cent stake of the total capitalization of \$US300 million Burswood resort and casino.

<sup>161</sup> Asian Wall Street Journal 17<sup>th</sup> March 1992 as cited in Gomez (1997) *op. cit.* p53

former Deputy Prime Minister Anwar Ibrahim). It was suggested that the cultivation of political ties with Anwar was a good insurance judging at the fact that Lim's vulnerable casino license was at the mercy of the *Islamic* religion. In addition to that a reconstruction scheme undertaken by Resort World Bhd (another of Lim's public-listed company) in 1989 saw Lim placing RM\$570 million of Resorts World shares at the hand of UMNO *bumiputeras*.<sup>162</sup> Lim's extensive support for state objectives particularly the first Malaysian-owned foreign bank abroad, Southeast Asian Bank Limited in Mauritius proved invaluable for Lim's career. The involvement in state objectives not only boosts his prominence within the Malaysian economy but rather enabled him to forge ties with prominent *bumiputeras* such as Daim Zainuddin (Finance Minister), Basir Ismail and Wan Azmi. These invaluable ties paved the way for Lim's future prosperity. On the 25<sup>th</sup> Anniversary of Genting Casino, Dr Mahathir openly praised Lim for achieving prosperity while fulfilling the requirements of the NEP, said, "Lim has been willing to comply with our rules and regulations including the restructuring needs of the country yet he has become very, very successful."<sup>163</sup> Abdullah Ahmad, a former Member of Parliament and political secretary to Prime Minister Abdul Razak, attributes Lim's success to 'foresight' but added that 'it helps when you have powerful friends,' a clear indication to Lim's *bumiputera* partner Noah.<sup>164</sup> Lim's casino-operating venture became a reality under his careful inter-ethnic business management and prompt adaptation to the new identity.

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<sup>162</sup> Far Eastern Economic Review 23<sup>rd</sup> August 1990 cited in Searle (1999) op. cit. p222

<sup>163</sup> The Star 13<sup>th</sup> August 1990



## ii. *Tan Sri Robert Kuok Hock Nien*

The internationally acclaimed and more prominent of the Kuok brothers, Robert Kuok Hock Nien, was another pre-NEP Chinese businessmen. Kuok's road to inter-ethnic capitalism was forged well before the enactment of NEP. He had the most *bumiputera* connections than any other Chinese businessmen in Malaysia. As one author noted, "No other Malaysian Chinese tycoon can rival the breadth of Kuok's connections and considerable influence in Malaysia or the diversity and geographical spread of his group."<sup>165</sup> In 1990 it was revealed that Kuok's corporate assets amounted to RM5 billion.<sup>166</sup>

Kuok, a Foochow Chinese, was born in Johore Bahru in 1923. Kuok's father, Kuok Keng Kang established Tong Seng & Company shortly after he arrived at Malaya. Within a short period of time the company had established a name in commodity trading. However in 1949 the company went into difficulty and had to be liquidated. Kuok together with his brother Philip Kuok, established Kuok Brothers Sdn Bhd to take over the most of Tong Seng & Co's operations.<sup>167</sup> Kuok began his business life in commodity trading before integrating with import and processing operations. In 1959, Kuok incorporated Malaya Sugar Manufacturing Co. (MSM) in conjunction with Malaysia's government-controlled Federal Land Development Authority (FELDA), so that the entire inception of his business incorporates *bumiputera*

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<sup>164</sup> R. Davedason, "Manager of the Year: A Magnificent Obsession", in *Malaysian Business* 1<sup>st</sup> December 1987, p6

<sup>165</sup> Searle *op. cit.*, p227

<sup>166</sup> R. Davedason, "Perlis Plantations: Not Just Flour Power", in *Malaysia Business* 16<sup>th</sup> February 1993, p13

<sup>167</sup> Tan 1982: 292; Sia 1993: 55-69; Davedason *op. cit.* p16

shareholders. By 1960s, Kuok had already established himself as Malaysia's leading sugar refiner.<sup>168</sup>

Kuok had a vast network of *bumiputera* links. He had links with Hussien Onn, Prime Minister from 1976 to 1981, and wife of former Deputy Prime Minister Ismail Abdul Rahman. Many of Kuok's *bumiputera* associates held equity in his company. Ismail Andak, Hussien's cousin, another prominent *bumiputera* held equity in Kuok's public listed company, Federal Flour Mills Bhd. Ismail also heads the company as a member of the board of directors. Kuok's association with many prominent *bumiputera* led to his appointments in publicly-owned enterprises – as chairman of Malaysian-Singapore Airlines (later Malaysian Airline System) in the late 1960s and later (in 1968) appointed to lead the newly founded Malaysian International Shipping Corporation Bhd (MISC). Kuok also held directorships in Bank Bumiputera, established in 1966 and Pernas, government trust agency in 1969.<sup>169</sup> In 1968, Kuok benefited from state concessions allowing him to cultivate 14,490 acres of land in Perlis. The benefits stemming from this led to his establishment of Perlis Plantations to handle his expanding sugar monopoly.<sup>170</sup> Perlis Plantations' board of directors includes Mohd Yassin Jaafar, brother of ex-deputy Prime Minister Anwar Ibrahim and ex-prison chief.<sup>171</sup> The development was interesting considering the fact that the government was diverting concessions to benefit the *bumiputeras*.

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<sup>168</sup> R. Cotterel, "The Silent Empire of the Kuok Family", in *Far East Economic Review* 30<sup>th</sup> October 1986, p3

<sup>169</sup> R. Davedason, "The Quiet Achiever", in *Malaysian Business* 16<sup>th</sup> February 1993, p13

<sup>170</sup> *ibid.* p16

<sup>171</sup> KLSE Annual Companies Handbook 21 (1-4), 1996

Kuok moved to Singapore in 1971, after which he expanded his operations of the Shangri-La hotel chain. Later Kuok went into Hong Kong, with the similar motive of expanding the internationally renowned hotel chain. After the successful penetration of the Hong Kong market, Kuok began diversifying his operations into various other sectors, including electronic, publishing media, property manufacturing and trading. Using a similar pattern of growth, Kuok began his establishment in China through Hong Kong. His developments in China include a vegetable oil refinery and Coca-Cola bottling plant. He also went into major property ventures with well-known Chinese entrepreneurs such as Li Ka Shing (Cheung Kong Ltd.) and T.T Tsui (China Paint Holdings). Kuok also promoted strong ties with Lim Soe Liong (Salim Group) and Run Run Shaw (Shaw Brothers Ltd). Kuok's international prominence continues to be felt through the growth in his multinational business operations. In spite of that, Kuok continues to maintain strong relationships with *bumiputeras* in Malaysia although he is now residing in Hong Kong and controls most of Kerry Holdings; his Hong Kong based Flagship Company. His international ventures can be seen in table 4.2.

**Table 4.2: Robert Kuok's International Business Operations**

|             | Hotels                                       | Trading           | Property Development   | Manufacturing   | Shipping         | Media           |
|-------------|--|-------------------|--|-----------------|------------------|-----------------|
| China       |  |                   | World Trade Centre Beijing<br>Bu Ye Cheng Centre<br>Regency Park and Top Springs | Kerry Beverages |                  |                 |
| Singapore   | Shangri-La Hotel<br>Rasa Sentosa Beach Hotel |                   | Allgreen Properties<br>Leo Properties  |                 | Pacific Couriers |                 |
| Hong Kong   | Shangri-La Asia                              | Kerry Trading     | Kerry Properties   |                 | Citic Pacific    | TVB Ltd<br>SCMP |
| Indonesia   | Shangri-La Jakarta<br>Bali Dynasty           | Broderick Trading | Gunung Madu<br>TKA   |                 |                  |                 |
| Thailand    | Shangri-La Thailand                          |                   | Wattanathani<br>Thai Ruen Rueng-Kerry Dev.                                       |                 |                  |                 |
| Philippines | Makati Shangri-La<br>ESDA Shangri-La         |                   | Kuok Phil. Propertis Int.  |                 |                  |                 |

|         |                            |                           |
|---------|----------------------------|---------------------------|
|         | Mactan Shangri-La          |                           |
| Canada  | Pacific Palisades Hotel    | Abbey Woods Development   |
| France  |                            | Sucden Kerry Int.<br>SKIP |
| Fiji    | The Fijian<br>Fiji Macambo |                           |
| Germany |                            | Marimax                   |
| Chile   |                            | IANSA                     |

Sources: *Business Times* 14<sup>th</sup> September 1993; *Far Eastern Economic Review* 7<sup>th</sup> February 1991

Kuok's ties with *bumiputera* elites were merely in the form of friendships to begin with. The friendships began during his education in Johore Bahru English College, one of Malaya's finest schools, and at Raffles College in Singapore, which remains one of the top colleges in Singapore. Among the elites were Abdul Razak and Hussein Onn, Malaysia's second and third Prime Ministers, Muhammed Ghazali bin Tunku Sulaiman (eventual chairman of Pernas) and Geh Ik Cheong, the current chairman of Kuok's listed flagship company, Perlis Plantations.<sup>172</sup> The friendly ties Kuok forged eventually became important links and strong political support in the corporate world. However Kuok did not perceived the friendship ties to be an evasion of the NEP, since it was not enacted until 1970. In fact, after NEP he felt compelled to satisfy the NEP requirements. As observed by Searle, "...Kuok, who were mainly concerned with consolidation and (sometimes) diversification, to satisfy NEP requirements for Malay equity."<sup>173</sup> Kuok's diverse partnership with government institutions before the NEP made him attractive as an investment partner.

<sup>172</sup> Searle *op. cit.*, p224

<sup>173</sup> *ibid.*, p225

Although Kuok had vast international networks with other Chinese entrepreneurs, there was no evidence of Kuok nurturing the same relationships in Malaysia. In Malaysia, Kuok had vast *bumiputera* partnerships. Thus Kuok is a typical representation of 'Malaysian Chinese' where both pragmatism and neo-Confucian ethics are combined to determine his business behaviour.

### **iii. Quek Leng Chan**

Quek Leng Chan's Hong Leong group was well established before the NEP but however its prominence began after Quek took charge in 1965. Quek diversified its operations into multi-national and was particularly interested in banking and finance. After NEP, Quek worked closely with UMNO linked companies and well-connected *bumiputeras*. Quek was well acquainted with Home Affairs Minister Ghazali Shaffie and former Finance Minister Razaleigh Hamzah, and in later years former Finance and Deputy Prime Minister Anwar Ibrahim. Quek worked closely with several protégé of Daim Zainuddin. In 1989 an UMNO-controlled company, United Engineers (M) Bhd (UEM), awarded an RM500 million supplies contract to his public-listed company Hume Industries Bhd. Shortly thereafter, a private company Jaguh Mutiara Sdn Bhd acquired 24 per cent stake in Hume Industries. Later that year, Fleet Group Sdn Bhd a company under the controlled of Daim's protégé Halim Saad's construction giant Renong Bhd acquired Jaguh Mutiara. In February 1991, Hume Industries acquired a controlling stake of Malaysia's premier Chinese newspaper publishing company, Nanyang Press Bhd from Land & General Bhd, a listed property company controlled by Wan Azmi Wan Hamzah another of Daim's protégé.

The Hong Leong group diversified banking operations in Hong Kong and Singapore but was rather unfortunate in Malaysia. In Malaysia Hong Leong group holds three financial subsidiaries, Hong Leong Credit and HLG Capital but was unable to consolidate its financial interests in a controlling bank. Despite vast *bumiputera* connections Quek's attempt at securing a banking license from the government was unsuccessful. In 1989, Quek's desperate attempt to secure controlling stakes in Multi Purpose Holdings from T.K Lim's Kamunting Corporation Bhd, which had control of Malaysian French Bank (now Multi-Purpose Bank) fell through. Quek went on to acquire 25 per cent stake in Ban Hin Lee Bank controlled by Penang based Yeap family. Yeap family controlled almost 70 per cent of Ban Hin Lee Bank, and was reduced to 49 per cent in later years. Quek failed to acquire yet another Bank after the 25 per cent stake of Ban Hin Lee Bank did not even secure him a seat in the Board of Directors.<sup>174</sup>

The growing links between Anwar Ibrahim and Quek were evident after the management buy out of TV3 – then Malaysia's sole television network – and News Straits Times Press – the major newspaper publishing company (NSTP).<sup>175</sup> Quek assisted Anwar in securing control of two media companies in a reverse takeover involving Malaysian Resource Corporation Bhd (MRCB), an ailing relevantly small public-listed company controlled by Anwar's associates. The success of the takeover seems to suggest that the Finance Minister cum Deputy Prime Minister would secure himself a better chance at consolidating the position of 'Mahathir's successor'.<sup>176</sup>

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<sup>174</sup> J. Ho, "Enter the Dragon: Hong Leong's Credit Play for Ban Hin Lee Bank", in *Malaysian Business* 16<sup>th</sup> December 1992, p24

<sup>175</sup> S. Cheong, *Corporate Groupings in the KLSE*, (Kuala Lumpur: Modern Law Publishers and Distributors, 1990), pp31-39

<sup>176</sup> Gomez (1994) *op. cit.* pp134-8

In November 1993, Anwar was elected as the UMNO deputy president, Hong Leong Group announced that despite protracted negotiations since January 1993 its RM1.1 billion takeover of MUI Bank and its subsidiaries including MUI Finance Bhd, from its controlling party Khoo Kay Peng of Malayan United Industries Bhd (MUI). Khoo apparently had a fell out with UMNO senior officials for his unusually close relationship with Razaleigh Hamzah.<sup>177</sup> Quek's close ties with Anwar paid off after the Finance Ministry gave a speedy approval for Quek's takeover and exempted the newly acquired banking corporation of Malaysian banking rules.<sup>178</sup> Quek renamed it Hong Leong Bank and was public-listed in October 1994. MUI finance was renamed United Merchant Finance Bhd and injected into a newly formed investment holding company United Merchant Group Bhd (UMG), and listed on the KLSE in August 1994. However Advance Synergy Bhd, controlled by Anwar's contemporary Ahmad Sebi Abu Bakar, later acquired UMG. Quek also sold his remaining shares of Ban Hin Lee Bank to Ahmad Sebi while retaining 5.5 per cent stake in Advance Synergy. Nevertheless Hong Leong Bank is currently one of the leading banks in Malaysia.

#### **iv. Dato Lee Oi Hian**

Lee Oi Hian picked up where his father left off, a well-established 3<sup>rd</sup> largest plantation company in Malaysia with 66,551 Ha of plantations<sup>179</sup> (see table 5.1). In November 1993 after 'rubber baron' Lee Loy Seng's death, Lee Oi Hian succeeded as the Executive Chairman and took control of Kuala Lumpur Kepong Bhd. Although rubber remained the main acreage for KLK's plantations, Lee Oi Hian had diversified

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<sup>177</sup> Asian Wall Street Journal 12 November 1993 as cited in Searle *op. cit.* p201

its operations into other areas of the economy. During the early days of Lee, inter-ethnic cooperation was limited. Although former Finance Minister Razaleigh Hamzah was present as a member of the board of directors, Lee was in no way privy to any state concessions. Lee's empire was built through a series of horizontal integration, acquiring a number of rubber plantation companies. Lee's first acquisition was Parit Perak Rubber Company Ltd; a company controlled by Europeans with large cash reserves of RM300, 000 for which he paid only RM300, 000 to acquire. In view to the acquisition, Lee said, "I was paying RM300, 000 to get RM300, 000 in the bank and the land for free."<sup>180</sup> Subsequently Lee acquired another rubber company, Gleanley Plantations (M) Bhd using the cash reserves. With two public-listed company on hand, Lee went on to acquire Batu Lintang Rubber Company Bhd and a major stake in Batu Lintang Estate Bhd. By the end of Lee's acquisition spree, he had consolidated 7 rubber companies including his flagship company Kuala Lumpur Kepong Bhd. KLK, Lee said was secured in a last minute decision after the May 13<sup>th</sup> 1969 incident. Shortly after the riots there was a big parcel of KLK shares in the market at 80 cents per share. Lee was advised by his broker not to purchase those shares in an earlier telephone conversation. However at 11:00pm the same day, the broker told him otherwise and he purchased his first block of KLK shares, although 5 per cent it marks his first step to control. Lee said, "if the call did not come that day I will not be in control today."<sup>181</sup>

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<sup>178</sup> Malaysian banking rules states that shareholdings of any individual corporate shareholder to a bank must not exceed 20 per cent.

<sup>179</sup> Cheong (1990) op. cit., p74

<sup>180</sup> New Straits Times 20<sup>th</sup> November 1985

<sup>181</sup> Cheong (1990) op. cit. pp73-6; Taiko Bulletin December 1993, Interview with *Datin* Sandra Lee, spouse to *Dato* Lee Oi Hian, Executive Chairman of Kuala Lumpur-Kepong Bhd, conducted on 6<sup>th</sup> July 1999 in Ipoh, Perak, Malaysia



The later years of Lee's economic glory resulted in a strong horizontal integration of operations in the plantation sector. Lee was not privy to any state concessions nor did he attempt to involve *bumiputera* elites for patronage purposes. In the 1990s when rubber prices began to fall, the company took a different turn by diversifying its operations vertically into property development. Possibly the first inter-ethnic project undertaken by KLK was the joint venture with listed property company Land & General Bhd, a company controlled by Wan Azmi Wan Hamzah to develop a 521-acre plantation site into residential, recreational and commercial area.<sup>182</sup> Although the project was often viewed as the turning point of Lee's business operations, it was difficult to prove as he passed away shortly thereafter.

KLK's leadership under Oi Hian conforms to a different management style. While elder Lee favours horizontal integration, Oi Hian took the company vertically into manufacturing, retailing and property developments. In 1994, two of Oi Hian's controlled plantation companies Parit Perak and Gleanley were sold but the main plantations were retained by KLK. KLK to date controls Yule Catto & Co plc, a listed company on the London Stock Exchange dealing with non-resource based manufacturing and Crabtree & Evelyn Group a retail group with ownership of 290 specialty stores in 27 countries worldwide.<sup>183</sup> Domestically, KLK diversified its operations into property development linking with several UMNO based companies. Oi Hian, it appears, also came to conclusion that in spite of KLK's large land base, it would be impossible to move into property development without linking up with influential *bumiputeras*. During the days of elder Lee's chairmanship with Multi

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<sup>182</sup> KLSE Annual Companies Handbook 21(3), 1996 p410

Purpose Holdings in 1982, he realised that he could not develop three huge tracts of plantation lands in the prime outskirts of Kuala Lumpur without joint-ventures with UMNO controlled companies.<sup>184</sup>

The NEP has inevitably changed Chinese capitalism, business behaviour, investment patterns and most importantly their relationship to Chinese identity. Individual businessmen adopted different approach to the 'positive discriminatory' policy in favour of the indigenous Malays. In recent years, many Chinese businessmen have emerged since the NEP was enacted. The implementation of NEP was initially perceived as a 'Chinese dilemma' but some Chinese businessmen managed to battle the odds. It is widely believed that the key to Chinese capitalism lies in the penetration of UMNO politics, and the penetration of UMNO politics became the key determinant of the new identity, 'Malaysian Chinese'.

The profiles of these Chinese businessmen clearly accentuated the need to adapt to a new model. Lim and Kuok were pioneers in this field being among the earliest to adapt. Kuok's corporate strategy reflects a combination of two models. Kuok is a member of the 'bamboo networks', however in Malaysia, he had limited contacts with Chinese entrepreneurs. Lim had vast inter-ethnic cooperation since the beginning of his career. However, like Kuok it can be observed that Lim is trying to establish an international network. Although it can be argued that Lim's wealth is worth more than Kuok's, the diversification and links Kuok forged were the largest ever in a Malaysian

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<sup>183</sup> Interview with *Datin* Sandra Lee, spouse of *Dato* Lee Oi Hian, Executive Chairman of Kuala Lumpur-Kepong Bhd, conducted on 6<sup>th</sup> July 1999 in Ipoh, Perak, Malaysia

<sup>184</sup> Gomez (1990) *op. cit.* pp157-9

Chinese businessmen. To a certain extent Lim is trying to imitate Kuok's style of conglomerate growth.

Quek and Lee had similar style of vertical conglomerate growth, through a series of acquisitions and both had adapted well to the NEP. The second-generation businessmen showed strong characteristics of a 'Malaysian Chinese' being involved heavily in inter-ethnic corporations and little or no participation in intra-ethnic developments. Quek and Lee realised changes in political climate had induced a different mind set to those practiced by their fathers. Therefore the situation has evolved to such, that the main determinant of Chinese corporate strategy is no longer kinship and ties but rather pragmatism. In Malaysia after NEP, being Malaysian Chinese will offer them better economic opportunities. Therefore the majority population of successful Chinese businessmen adopted the new Chinese identity as 'Malaysian Chinese'.

## **CONCLUSION**

We began by questioning how the Chinese managed to achieve success despite being in a foreign environment and having to overcome major political restructuring. The political environment was clearly unfavourable to the Chinese. What began merely as a migration of Chinese peasants to Malaya, later became the composition of the middle class or bourgeoisie of the Malaysian economy. The success of their economic achievement can be attributed to the success they achieved through the transformation of identity.

The first-generation Chinese migrants came to Malaya during the early 18<sup>th</sup> century to escape poverty and competition. They held their Confucian ethics as the basis of business practice as shown in the 'Sojourner' model. However it became evident that the Chinese migrants adapted to a different model because the situation in Malaya was distinctively different to that in Mainland China. The economic and social aspects of the new country forced the need to adapt a new identity. Thus the 'Overseas Chinese' identity was adopted. Chinese unity was exhibited in the early Chinese entrepreneurs through numerous associations and foundations, established to protect the interests of the Chinese in Malaya. Intra-ethnic networks were developed and it marked the beginning of a new middle class. Towards independence, the Chinese dominated various economic sectors leaving the Malays segmented into upper political elites and a peasantry class. The middle class became largely Chinese with a small proportion of Indians. After independence, the Chinese continued to take control of economic sectors at the expense of the Malays because they had no economic base of their own.

The May 13<sup>th</sup> incident made the Malays realise that wealth redistribution would be needed to achieve social and economic parity amongst the ethnic groups. Subsequently the NEP was enacted. The NEP took the comparative advantage from the Chinese and placed it in the hands of the Malays, encouraging them to become part of the bourgeoisie. The Chinese were disadvantaged by the situation but managed to maintain their dominance in the corporate sectors despite strong convergence of the Malay peasantry class into the bourgeoisie with the aid of NEP.

The corporate strategy examined in this thesis after the NEP, clearly exemplifies another change in identity, initially adopted by a small minority and later followed by the other Chinese. As I have argued before, Confucian ethics - such as interfamilial transition of business leadership - continues to play an important role in Chinese business practices. However with the adoption of the new identity of 'Malaysian Chinese', inter-ethnic pragmatism became evident. After NEP, the early Confucian influence of strong intra-ethnic ties amongst Chinese eroded and Chinese unity was replaced by Chinese competition. While intra-ethnic developments were deteriorating, inter-ethnic cooperation was leading to the establishment of a nascent ethnically plural economy.

The Chinese after NEP were largely disunited, and attempts to hold on to their 'Overseas Chinese' identity became untenable. However, as the Malays achieved growth through government patronage and as rentiers, they also developed unity among themselves. The 5 largest banks in Malaysia; Malayan Banking, Bank Bumiputera, UMBC, Public Bank and Development and Commerce Bank, were established by Chinese with the exception of Bank Bumiputera. Yet, the Malays

control all of them except Public Bank. While the banking alliance proposed by Tan Chin Tuan, then the Chairman of OCBC were called off, rapid merges were eventuating between Malay controlled banks. A clear support for Malay unity.

While the Malays had achieved economic advancement by government patronage and produced strong growth results converging with the Chinese, it can be argued that the adoption of the 'Malaysian Chinese' identity will reclaim their competitive advantage. Pariah-entrepreneurs such as Francis Yeoh of YTL Corporation and Ting Pek Khing of Ekran Bhd were clear indications of new Chinese developments after NEP.<sup>185</sup> Growth figure shows strong indications that the Chinese growth had almost doubled after NEP.<sup>186</sup> The Malays were largely rentiers and the growth of Chinese corporations will help maintain the population mix between the two major races in the middle class.

Although the racial parity gap between Chinese and Malays have reduced drastically, the now 'Malaysian Chinese' have retarded their rapid convergence by adapting to a new identity. However in the foreseeable future in order to accumulate and ascend for the Chinese, they will still have to create politically sound links with Malay politicians and patrons until such time when they achieve political status.

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<sup>185</sup> YTL Corporation Bhd and Ekran Bhd are among the 7 corporations to be given the Independent Power Producer (IPP) license from the government to produce electricity and sold to Tenaga Nasional for a fix price throughout the duration of the 21-year contract. (For fuller detail see Gomez (1997) *op. cit.* pp163-82)

<sup>186</sup> Growth figures show Chinese middle class increasing from 28.6 per cent of the total population in 1970 to 43.2 per cent in 1990. (For fuller detail see Crouch *op. cit.* p185)

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## Pictures (Front Cover)

**Background Image**, taken from Malaysian Airline System, *Inflight Magazine*, August 1999

(Top to Bottom)

**Ng Kuok Thai**, taken from **Chang, T.H., Chen, Y.Y. and Chen, H.P.** (1989) *The Third Anniversary of Ng Kuok Thai*, Ipoh and Fujian: Joint Publication between Heng Ann Province Community in Malaysia and China

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