

REVIEW ARTICLE

EXPLORING THE MALAYSIAN CHINESE BUSINESS: A REVIEW

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ABSTRACT - *The paper will explore the momentum of the Chinese business in Malaysia into a consistent and competitive performance thereby making it possible to continue to lead the domestic business environment despite the many challenges before and after independence of Malaya. This paper employed the historical views conducted through literature content analysis. As a result, the study discovered that the business strategy used, particularly the maneuver capability factors in Chinese-owned companies before and after independence. Business maneuver methods were common strategies applied by the Chinese enterprises to increase the number of firm size during the period of the implementation of NEP era. The companies responded to the government's call in opening up the ownership of shares for the Malay-Bumiputera investors without affecting their performance. Innovation to the preservation of Chinese-owned businesses in the era of NEP indicates that the companies practiced a partnership especially the small and medium enterprises and family businesses. Overall, it has proved that the dynamics of the company's business in the Chinese business based on the concept of maneuver allowed Chinese owned companies not only to survive, but to compete successfully and expand tremendously during the NEP era.*

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INTRODUCTION

The Chinese first came to Peninsula Malaya around 1400, but the Chinese settlement in peninsula Malaya was not significant until the early 19th century. The Chinese immigration to Malaya was largely due to several factors such as the agrarian problems, overpopulation, natural calamities and landlord exploitation. As for the pull factors, they were mainly derived from western expansion in east following the Industrial revolution in Europe, the growth of southeast Asia markets and the increasing demand for labour in tin mines and various kinds of plantations.

The Chinese immigration in the 19th century beginnings of Chinese labour on a large scale in Malaya, rests upon two interconnected foundations. Firstly, the occupation by the British of Penang, Singapore and Malacca and the subsequent expansion of British protection to the Malay States; second, the development of tin mining in the Malay States. (W.L. Blythe, 1947). By 1860 the Chinese population of the Straits Settlements had grown to 100,000 and there were many thousands more in the States. (Gullick, J.M. 1951).

A significant number of Chinese migrants migrated to Penang and Singapore as these two cities emerged as major trading centres, while increased tin mining in the western states of the peninsula augmented demand for labour. Most of these migrants were from southern China, and comprised members of various dialect groups, particularly the Hokkiens, Cantonese, Hakkas, Hainanese and Teochew (Edmund Terence and Hsin Hung Michel Hsiao, 2001).

PROBLEM STATEMENT

The main focus of the paper is to explore the issues related to business ventures led by Chinese people in Tanah Melayu. It seems that their business effort is smooth and success in every involvement regardless of any Negri's or political background. Therefore, what is the philosophy (or thinking) that underlying the action and execution of Chinese businessman in Tanah Melayu that bring success for them? More specific, this paper is try to answer this two questions;

- 1) What is the strategy of Chinese businessman deployed in Tanah Melayu?
- 2) How this strategy works and beneficial them?

RESEARCH METHODOLOGY

The study will be employed qualitative approach and the technique used is content analysis. According to Creswell (2012), qualitative research is a method to explore and to comprehend the meaning defined by individuals or groups on certain

human social problems. In this research, an event and human experiences was recorded in various documents. In order to obtain information, the researcher has obtained copies of various documents related to this study from the National Archives of Malaysia (Kuala Lumpur), universities and instituts libraries. The data in this study is primary data archived in the forms of letters, minutes of meetings and reports issued by the related governing bodies and authorities throughout the relevant period.

DISCUSSION

The discussion will be divided into four parts based on the time period, which is before the arrival of the British, during the British rule, independence and during the New Economic Policy. This is important because we will see how these Chinese entrepreneurs operate their business and adapting to each period of time. In general, these Chinese entrepreneurs are very flexible and have room to cooperate with various interested parties and are willing to make sacrifices to ensure that their business can continue.

Before British Period

The Chinese were actively involved in commercial agriculture, especially sugar and tapioca, in the 19th century. The former was planted mainly in Province Wellesley and Perak in the north of Malaya, while the latter was concentrated in the western part of the Peninsula, including the states of Malacca and Negeri Sembilan. Chinese sugar planters had settled in Batu Kawan prior to the cession of Province Wellesley to the British in 1800. They opened up sugar estates in the mangrove-covered land and later extended the activity to Bukit Tambun. The industry gained a firm foothold and began to expand during the 1820s and 1830s. (Jackson, James C. 1968). The majority of the Chinese sugar planters were Teochews.

In the 19th century Malaya also traced the growth of pepper and gambier plantations early in Singapore and later in Johore under the kangchu system. (Coope, A. E. 1936). In Singapore the planting of gambier and pepper was entirely in the hands of the Chinese; and almost 90 per cent of the plantations were controlled by a single Chinese dialect group, the Teochews. Many of the planters became rich and powerful in the Chinese society. The Chinese planters adopted the shifting method of cultivation which promised quick return.

Besides commercial agriculture, the Chinese economic activities in the 19th century covered tin mining. Tin was discovered in Malaya by Long Jaafar, the Malay ruler of Perak, in Larut in 1848. The extension of British power over the Malay States following the Pangkor Treaty in 1874 saw a great increase in the number of Chinese. During the British administration in Malaya, the Chinese had managed to maintain control over the tin mining sector as they were able to mobilize labour from China to work the mines, until the British introduced more sophisticated mining techniques that were less labour intensive.

Before the British intervention in Malaya, the development of the mining industry came from the European and Chinese capitalists in the Straits Settlements. Chinese capitalists such as Chee Yam Chuan, See Boon Tiong, Si Food Kee, and Yeo Hood Ing came principally from Malacca. They made their wealth in trade, real estate, opium and liquor farms, and accumulated enormous capital for reinvestment. Many of them regarded tin mining as one of the big business enterprises and a potentially important source of wealth. They were actively involved in opening up tin mines in Selangor and Negri Sembilan. (Khoo, Kay Kim, 1975). The Chinese Capitan the early 1880's had the largest and richest mines. Capitan Yap Ah Loy, being a pioneer miner, had a total of 411 acres of mining land and also became the first Chinese to institute on his mine a steam-engine. (Kok, Loy Fatt, 1975).

British Period

In the 20th century Malaya, the most important economic change affecting the Chinese business community in Malaya was the rise of the rubber industry. The commercial planting of rubber began prior to 1900. Rubber was an indispensable raw material for the fast-growing new industries. It helped transform the economy of Malaya and some of the Chinese community played a major role in the production. For example, in 1896, Tan Chay Yan, planted 16.2 hectares of rubber at Bukit Lintang, northeast of Malacca and further developed more than 810 hectares in Bukit Asaham, Malacca into a rubber plantation. (Drabble, J. H. 1973)

In mid of 20th century Malaya, many of the Chinese owners of large plantation companies who started as rubber dealers, millers, and exporters of smallholder produce subsequently turned to plantation ownership. The most outstanding Chinese in the rubber industry was Lee Kong Chian, a Singaporean, who owned fifteen rubber milling factories and controlled about 18,500 acres of rubber in 1953. The Tan family, who came from the Baba community in Malacca, were also prominent rubber owners. Tan Cheng Lock was also a director of Sime Darby, representing one of the few instances of collaboration between Western and Asian interests. (Puthuchear, James J., 1960)

The period between 1901 and 1941 saw the rise of Chinese commercial banking. (Lee Sheng Yi.1990) Large Chinese businessmen also diversified into banking or it served as a useful platform to get more funds and widen existing businesses. Some of the men mentioned were deeply involved in setting up or running banks in the colonial era. (Tan Ee Leong. 1961). Tan Cheng Lock was associated with the Ho Hong Bank (founded in 1917), Lee Kong Chian with the Chinese Commercial Bank (1912), Eu Tong Sen with the Lee Wah Bank (1920), and Loke Yew with the Kwong Yik

(Selangor) Bank (1913). These banks did their business principally with the Chinese community and, more specifically, with particular clan groups since the banks themselves were founded and run by people of distinct clans.

These Chinese banks played an important role in strengthening the position of Chinese traders. By providing credit and financial guarantees, Chinese importers could get their consignments direct from Europe rather than through the agency houses and close connections with the European producers.

A characteristic of these early Chinese banks was their close ties with Chinese dialect communities. This was clearly reflected in the founding of two Kwong Yik banks and the Lee Wah bank by the Cantonese group, the Sze Hai Tong Bank by the Teochew group, and the Ho Hong Bank and the Overseas Chinese Banking Corporation by the Hokkiens. This close connection suggests that these banks were intended to serve primarily the interests of a particular dialect group.

Yet during the *laissez faire* post independent Malaya, the Chinese business community gained freedom in business activities and became compradors and business tycoons. For example; some of the big name of Chinese businessmen like Lim Goh Tong, who was a major resort and casino developer, sold foodstuffs during the Japanese occupation. He then set up a scrap iron shop, and from buying and selling used mining machinery developed a profitable business in hardware; this experience allowed him to enter construction in a big way in the 1950s. Penang's tycoon, Loh Boon Siew was a property developer and holder of the Honda franchise, started out as a mechanic, and saved enough to establish the Penang Yellow Bus Company in 1941. He later diversified into real estate and property development. (Jesudason, James V.1989).

Independence Period

When Malaysia became independent from Britain in 1957, compromises between the top ethnic leaders resulted in a relatively *laissez faire* economic framework between 1957 and 1969. There was comparatively little state interference in the operations of the Chinese and foreign business groups. However, the May 1969 general election results were also significant as it led to the end of a relatively *laissez-faire* economic system favored by the Chinese enterprises. This change to the economic system was justified as a response to the factors that contributed to the race riots that erupted soon after the general election. Since the racial turmoil was partly ascribed to the inequitable distribution of wealth among the Malays and the Chinese, the government introduced the New Economic Policy (NEP) in 1970, an ambitious twenty-year social engineering plan to achieve national unity.

In 1957 to 1969 the economic policy implemented by the government was basically *laissez faire* in nature. Under conditions of free enterprise, the Chinese community performed remarkably well that they were able to increase their equity share of the national corporate wealth up to 22.8 percent in 1969. However, the Malay share in 1969 was a mere 1.5 percent. This state of affairs caused great dissatisfaction within the Malay community and may be said to be one of the underlying causes of the May 13 racial riots of 1969. To redress the alarming inequality, the government introduced the New Economic Policy (NEP) in 1971. However, the Chinese business community perceived the NEP as disadvantages to their business activities. Despite the disadvantages and difficulties during the NEP period 1971-1990, the Chinese business community increased their share of corporate wealth from 23 percent in 1969 to 45 percent in 1990.

New Economy Period

The New Economic Policy (NEP) in Malaysia, an affirmative action program that lasted from 1971 to 1991, shows how government policies can slow the cycle of envy and group vulnerability. Weidenbaum and Hughes (1996) estimated that 40-50% of Malaysia's corporate assets were controlled by ethnic Chinese businesses, and this was after the implementation of the New Economic Policy. Chinese businesses in Malaysia dominated the main Malay sectors – agriculture, mining, and manufacturing – owning 58%, 46%, and 53% of the firms in each of those industries respectively as of 1998 (Hing and Ping 2003).

In the mid-1970s Chinese firms started to feel the impact of the NEP; many sectors previously dominated by Chinese began facing Malay competition, including construction and transportation. Chinese firms responded in different ways. Some allied with Malay politicians in an attempt to increase exemptions to equity restructuring. They had small victories; firms with less than \$500,000 in fixed investments gained exemption from the equity quotas. Some Chinese firms leveraged the NEP's equity provisions to take advantage of financing opportunities Malays now had special access to, growing their businesses under NEP. Some Chinese firms benefited from partnering with Malay patrons, but this made their business interests vulnerable to political change (Koon 1997).

As might be expected, Sino-Malay joint ventures were initially superficial, with Malay partners accepting fees to secure business deals through their access to Malay politicians, while Chinese partners for all practical purposes controlled the firm. Over time, however, joint ventures became more genuine partnerships (Koon 1997). This growth may have made it easier for Chinese to accept Malay's preferential opportunities (Koon 1997). 23 Indeed, many ethnically Chinese business groups in Malaysia grew following the implementation of the NEP. One such group was the Kuok Group, founded in 1949 by Robert Kuok. The Group originally focused on the rice, sugar, and wheat flour trade (Koon 1997) and later expanded to palm oil and real estate (Hara 1991). The "dominant principle" of the Kuok Group was "family exclusivity, informed by patriarchal notions of tight ownership control and a delimited, face-to-face understanding of trust" (Jesudason 1997, p. 123). Under NEP, the Group opened up in small but meaningful ways, bringing on ethnically Malay directors to various Group firms (Hara 1991). As of 2013, the Kuok Group was the world's largest producer of

palm oil, the eighth largest sugar producer, and the operator of the Shangri-La hotel chain (Hing, Kheok, and Ping 2013, p. 271).

In the mid 1980s, however, Malaysia began experiencing a recession. At the same time, Chinese discontent with certain aspects of NEP – including cultural policies, access to universities, and land redistribution – heightened. In 1985 the government issued new guidelines weakening equity requirements and succeeded in spurring foreign investment. In 1991 NEP's heavily liberalized replacement was announced: The National Development Policy. The changes stemmed from a combination of Chinese pressure, the recession, and drops in foreign investment. The new policy focused less on ensuring that Malay representation in businesses was proportional to their population size, and more on securing overall economic growth (Koon 1997). Though provisions providing preferential opportunities to Malay remained, educational opportunities for non-Malays increased. It is difficult to assess the extent to which the NEP is responsible for changes in Malay economic standing or attitudes toward ethnically Chinese business groups like the Kuok Group, given the general economic growth and urbanization that coincided with its implementation. But 24 from 1970 to 1991 overall poverty in Malaysia dropped substantially across all groups. Malay ownership of share capital increased from 2.4% in 1970 to 19.3% in 1990. Income inequality dropped; the income disparity ratio between Malays and Chinese was 1:2.29 in 1970, and 1:1.74 in 1989 (Tenth Malaysia Plan 2011-2015).

During NEP the likelihood of attending post-secondary education increased for all groups, but the rate of increase was highest for Malays – both compared to other ethnic groups, and compared to Malays who reached college age pre-NEP (Agadjanian and Liew 2005). By most accounts, NEP was at least partly responsible for reducing antagonism toward Chinese business groups. The Chinese-Bumiputera partnerships in small and medium enterprises, particularly in the manufacturing sector, in the economic liberalization of post-NEP Malaysia was examined. (Chin Yee Whah 2010) in the research also considers how and why Chinese-Bumiputera partnerships in the construction sector have succeeded. It focuses especially on the development of Chinese-Bumiputera SME joint ventures from a sociological perspective. According (Nor Fuad 2013) during NEP period, Malaysian government's intervention and affirmative policy on the survival of Malay and Chinese family businesses, specifically on micro- and small-sized family businesses. Since there was very little knowledge of the operation and survival of family business in the context of Malaysia across ethnicities, he try to explore the study takes a retrospective approach in reviewing secondary-source literature which covers the period from the era of British colonialism starting in the eighteenth century until the post-independence period, especially during the implementation of the NEP from 1971, in order to be able to gain a fair and adequate view of the socio-economic situations across the two major ethnicities i.e. the Malays and Chinese.

CONCLUSION

As a conclusion, there are several factors that can be identified as the basis or foundations for them in managing their business in different contexts. Normally, there are two factors that related in this situation which is, the business opportunity and the peoples to run the business. The migration of Chinese from the main land saw a significant number of people who will becoming the work force and at the same time need to provide for them. At the same time, local and domestic factors also played a vital role. The desire and willingness of the dignitaries in Malay land to accept and cooperate with Chinese traders also played a large role in determining their success. In the Malay traditions and culture, once the respected and prominent figures in society has made a called, the subject will obey and follow it without any hesitant. Even though in the Malay culture, business is something quite foreign to them because they are more focusing on agriculture and self-sufficient effort, but due to the loyalty to the rulers, they are willing to take part.

Apart from that, it is revealed that the Malay family business and Chinese family business were rooted differently in terms of their cultural resources, as the former were imbued with the religious beliefs of Islam while the latter practiced Confucian cultural values in their businesses. Both ethnicities exhibited longer-term survival in their businesses succeeding beyond the critical first three years, but the Chinese family business had the further advantage of strong bonding in terms of social capital networking within their ethnic group which surpassed that of the Malay family business, and this explained their dominance in the various businesses since the colonial period. A surprising result was the encouraging number of Malay family business which had developed positive links with Chinese business networks.

The combination of family, intra-ethnic and, most importantly, inter-ethnic networks and partnerships are crucial to the development of the business and account for a good deal of their entrepreneurial experiences. The adoption of western management principles and skills becomes much needed when the business grows larger because traditional Chinese management style that is based on family connections seems to be suitable for small and less complicated firms (Mosbah, A., dan Wahab, K. A., 2018). Based on the progress and growth before and after independence of Malaya, the Chinese enterprises pursue and maneuver their business strategies. The conclusion showed the Chinese based companies able to transform their momentum of growth despites of facing some tremendous difficulty especially during the affirmation action period. In short, it can be said that the key to their success is the ability to identify opportunities, establish good relationships with various parties, be willing to sacrifice and work hard, or in one word, pragmatism.

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AUTHOR CONTRIBUTION

- 1) Ku Hasnan Bin Ku Halim, Mohd. Ainuddin Iskandar Lee Abdullah, and Mohd Mizan bin Mohammad Aslam: Research statement and literature review
- 2) Zahrul Akmal Bin Haji Damin dan Yusri Bin Yusof: Research method and data collection
- 3) Jamal Rizal Bin Razali: Data analysis and discussion, final draft

CONFLICT OF INTEREST

The author does not have any conflict of interest with any party in the process of researching and writing this paper.

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