

China's Investment in Malaysia

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1. Objectives of this Study

In the last few decades, foreign direct investment (FDI) has played a significant role in the development of the manufacturing sector of Malaysia. Among foreign investors, China is a new-comer who joined the investor countries no more than several years ago and still plays merely a peripheral role. Notwithstanding this, China's importance should be regarded as much larger than the percentage she holds in the total FDI. This is because,

- (a) Economic cooperation between East Asian countries will steadily strengthen in coming years, and China is considered to be one of the fastest growing countries in the world.
- (b) In contrast to FDI from such developed nations as Japan, the United States and the EC countries, China's involvement is a reciprocal one. It merely demonstrates one of two sides of mutual investment. This means that behind Chinese investment, economic cooperation between the two countries is progressing in dual terms.
- (c) Due to historical, social and economic relations between China and the Malaysian Chinese, any kind of economic cooperation between the two has various implications to the multi-ethnic Malaysian society.

Since investment from China commenced barely several years ago, no study on it, as far as I know, has been conducted. Therefore, the main objective of this report is to depict the general view of China's investment in the manufacturing sector as thoroughly as possible. It involves number, size, location, industrial distribution, partners, employees and some other characteristic features of Chinese joint ventures in Malaysia. Special emphasis is given on participation of the Bumiputera or Malay businessmen in these Chinese joint ventures, because if Malaysian Chinese are the only participants or partners, it might affect the future of these joint ventures negatively. From the outlines shown in this article, it is hoped to understand that (a) to what extent and how Malay businessmen are involved in these ventures, and (b) whether or not economic cooperation between Bumiputeras and Malaysian Chinese are nurtured through joint-ventures with China.

To examine the reciprocity of both countries' investment, investment to China by Malaysian partners of Sino-Malaysian joint ventures in Malaysia will be scrutinized, too.

2. Methodology of the Study

The Malaysian Industrial Development Authority (MIDA) kindly provided me with the list of all the manufacturing companies in which the People's Republic of China is considered to have equity shares (MIDA-3, 1993). The List of Approved Companies prepared by MIDA (MIDA-1, 1989, 90, 91, 92, 93) which is kept in its library, also provides names of Chinese joint-ventures. Twenty one companies are listed here. More details of these companies were obtained from the Registrar of Companies (ROC). However, as most of these companies were still in preparatory stages, or at best, had just commenced production a few years ago, information filed in the ROC were on many occasions scarce and insufficient. So, questionnaires were sent to all the companies contained in the MIDA lists. But, for many of the companies it was difficult to find a factory or site address. In that case, the 'registered office' noted in the file had to be visited first. 'Registered office' usually means the registrar company's office that undertakes certain official procedures including application for registration on behalf of the client company. While some registrar companies generously gave the address of the client companies, ie. Chinese joint ventures, some did not. On a few unfortunate occasions, registrars themselves had shifted somewhere else without any trail.

In order to receive the completed questionnaires, as many factories as possible were visited between September and December, 1993. But it was only possible to visit about a half of them. All of these companies that were visited responded kindly and positively. One company was kind enough to send back the filled-up reply even without a visit.

Fundamental information for this article depends on five sources, that is, questionnaire, interview record, ROC record, MIDA record and newspaper reports. Data here basically reflect the situation of mid-1993. With regard to some companies that could not be directly contacted, it was inevitable that the relevant information obtained from the ROC or MIDA files reflected a slightly older situation. However, as fundamental facts can be considered not to have changed within a few years, this information was used as given.

Two companies contained in the MIDA list were eventually excluded from the study. In one of the two, according to the MIDA information itself, China held merely 0.47 % of the share capital. As such, Chinese capital has no influence in this company. Probably because of this minute share, even the managing staff of the company were not aware of Chinese involvement in their own company

(They explicitly denied China's participation when visited). In another company, the MIDA list showed that China held 35 % of the share capital. However, a direct inquiry revealed that its foreign partner was not China but Taiwan.

3. General View of China's Investment

According to MIDA records, the first manufacturing project with Chinese equity interest was approved in 1987. However, this approval was withdrawn in June, 1991 for reason of non-implementation (MIDA-3, 1993, 1). In 1988, no project was approved. Since 1989, the number of approved projects has increased gradually, and up to August, 1993, twenty three projects have been approved (Table 1). But, China still occupies a very minor position in the total FDI to Malaysia, either in the number of projects or in the investment amount. In 1992, of 874 approved projects involving FDI, Chinese projects were only 5 (0.57%), and of the total FDI amounting to RM 17.8 billion, China's investment was merely RM 9.6 million (0.05%) (Table 2). The average investment amount for Chinese projects was RM 1.9 million which was less than one-tenth of the average of all the approved FDI projects. Among the eight largest investor countries, only Singapore, joint ventures of which included many small and medium scale industries, could be compared equivalently to China in the sense of average investment size. With regard to the number of employees, Table 1 shows that the average potential number is 275.5 persons. However, as is shown later, the actual average number of employees of presently operating Chinese joint-ventures is 69.1. It implies that most of them have not yet reached full-operation.

Table 1
APPROVED CHINESE PROJECTS

Year	No. of Projects	Employment Potential	China's Investment (RM.M)
1989	3	648	11.33
1990	3	395	9.71
1991	4	3,364	399.53
1992	6	603	9.57
1993. 1 - 8	7	1,327	112.45
Total	23	6,337	542.59
Average		275.5	23.59

Source; MIDA.

Table 2
FOREIGN INVESTMENT IN APPROVED PROJECTS 1992

Country	No.	Investment RM. Million	Average RM. Million
China	**9	236.4	26.3
	5	9.6	1.9
France	5	4,066.0	813.2
U.S.	41	3,298.2	80.4
Japan	146	2,684.3	18.4
Australia	20	2,125.6	106.3
Taiwan	130	1,500.0	11.5
U.K.	17	1,304.0	76.7
Indonesia	4	480.2	120.1
Singapore	184	442.4	2.4
Total		17,772.1	

** Investment in Applications Received.

Source: Malaysian Industrial Development Authority, "Statistics on the Manufacturing Sector, 1988 - 1992. Tables VII, XII.

Table 3 shows when and how China has been involved in the Malaysian manufacturing sector. Of twenty one companies which are listed as Chinese joint-ventures, only ten had been established with Chinese capital itself from the very beginning, others had been participated in by China some years after establishment by Malaysians. Only twelve companies will have commenced production by the beginning of 1994 (Including two that intend to start production within several months). Two have already withdrawn, one without starting production, and the other without finalizing the concrete contract with the Malaysian partner. As such, Chinese joint-ventures in the Malaysian manufacturing sector should be regarded as still in a nascent stage.

As for Chinese investment in Malaysia in general, figures announced by both countries' authorities are fairly different. According to commercial councillor of the Chinese embassy in Kuala Lumpur. Mr. Chen Zhixiao, 65 joint-projects with China involving US\$ 207 million (RM 500 m.) were approved in Malaysia by the end of 1992. China's own investment in these projects totaled to US\$ 69.6 million (RM 174 m.). Out of the 65 mentioned above, 34 projects involving US\$ 104 million (RM 250 m.) were approved in 1992, and 41 projects comprising 6 international trade, 2 restaurant, 1 clinic, 32 manufacturing enterprises had already commenced operation (Nanyang Siang Pau [NYSP henceforth], 3, 31.12.1992, Utusan Malaysia [UM henceforth], 9.1. 1993). According to the economic councillor of the Chinese embassy, Mr. Zhu Xiaochuan, China had

Table 3
ESTABLISHMENT & OPERATION OF CHINESE VENTURES

Year	A	B	C	D
1980 & before	2	0	1	
'81-'85	3	0	0	
'86	1	0	0	
'87	0	0	0	
'88	2	0	1	
'89	3	3(3)	1	
'90	2	1	1	
'91	1	4(1)	2	
'92	4	5(3)	1	1
'93	2	4(3)	3	1
Yet to		**3	7	
Not Available	1	1	2	
Total	21	21(10)	19	2

** Under negotiation

A Establishment; B China's Participation; C Commence of Operation; D Withdrawal

() show number of companies which were established as joint-ventures with China from the very beginning.

approved 100 odd joint-projects here by the end of November, 1993, which involved US\$ 200 million (RM 500 m.) (NYSP, 2.12.1993).

On the other hand, according to the Minister of Health of Malaysia, Datuk Lee Kim Sai, as at April, 1993, there were 34 Sino-Malaysian joint venture projects in the country, 21 of them in the manufacturing sector (Business Times, 15.4.1993).

It seems obvious that China's figures include not only the manufacturing industry but all other kinds of industries as well. And if we take into account the actual total sum of the paid-up capital committed by China, which will be referred to later, it may be safely said that the investment amount announced by both countries means the assumed Chinese portion of the authorized capital. Projects other than manufacturing will be described briefly later.

4. Distribution of Location, Industry, and Share Capital

4.1 Location

Distribution of the factory site (including the planned site) is as follows :

Selangor & Kuala Lumpur 9(8), Johor 5(2), Pahang 3(0), Perak 1(1), Terengganu 1(1), Kelantan 1(1), Malacca 1(1), Total 21(14).

Figures in parentheses show the number of companies whose main shareholders are residents of the respective states.

The Concentration in Selangor and Kuala Lumpur is conspicuous. Compared with the distribution of all the FDI related factories in Peninsula Malaysia, the figures for Johor and Pahang are relatively large. On the other hand, Penang's absence is notable. One of the main reasons for choosing a factory site is infra-structural facilities. However, there seems to be another important reason. That is, Malaysian shareholders tend to build factories inside their own states. As shown above, of the nine companies built in Selangor and Kuala Lumpur, eight have main shareholders living in that area. For Johor, two out of five have Johorean main shareholders. Two factories that are run by 'outsiders' there are going to be relocated from Singapore where the operation of labour intensive industries is becoming difficult. In the case of Kelantan, while the Malaysian Chinese shareholders are Selangor residents, Malay share-holders are Kelantanese. For Terengganu, the main shareholder is its State Economic Development Corporation (SEDC). One project in Selangor, from which China has already withdrawn, is a SEDC's subsidiary. Thus, in choosing the factory site, personal initiative of the businessmen seems to play as important role as the economic stimuli of the area.

4.2 Distribution by Industry

As at 31st December, 1991, manufacturing companies in production numbered 3,927 and the total foreign paid-up capital of them was RM 9,385 million. As for the number of projects, wood and paper products held the largest share (709, 18.1%) followed by food (554, 14.1%), rubber and plastics (461, 11.7%), metal (419, 10.7%), and textiles (413, 10.5%). As for paid-up capital, electrical and electronic products (RM 2,750 million, 29.3%) was the largest, followed by food (RM 1,403 million, 15.0%), metal products (RM 861 million, 9.2%), textiles (RM 797 million, 8.5%), petroleum (RM 671 million, 7.1%), and rubber and plastics (RM 624 million, 6.6%). (MIDA-2, 16~19).

In comparison with these general features, Chinese investment is characterized by its concentration, in the case of number, in metal products (6 out of 20), rubber and plastics (4), chemicals and electric products (3 each), and in the case of investment, in rubber and plastics (47.3%), and metal products (43.7%). (Table 4). The metal products here are mainly related to iron steel tools such as stainless steel wire, hot rolling steel plate, angle steel, steel brackets and steel mongery. Of the four 'rubber and plastics' companies, three are manufacturing such rubber products as caps and gloves. Chinese investment in these three companies held 96.9% of her total investment in this sector (See Table 6). Two of the three chemical product companies are pharmaceuticals manufacturing traditional or newly invented Chinese medicine.

China has long experience in the iron industry. This might be the main reason for the establishment of iron factories in Malaysia. Almost all the machines installed in these factories were imported from China. However, the performance

Table 4
CHINESE INVESTMENT BY INDUSTRY AS AT MID-1993

Industry	Co. Set-up (RM1000)			Co. in Operation (RM1000)		
	No.	Investment	(%)	No.	Investment	(%)
Food, Beverages & Tobacco	0			0		
Textiles & Leather	0			0		
Wood, Furniture, Paper & Printing	1	?		1	?	
Chemicals	3	21.5	(0.1)	1	21.5	(0.1)
Petroleum & Gas	0			0		
Rubber & Plastics	4	7,963.0	(47.3)	3	7,713.0	(46.5)
Non-Metalic Mineral Products	0			0		
Basic Metal & Fabricated Metal	6	7,350.0	(43.7)	3	7,350.0	(44.3)
Machinery Manufacturing	2	700.0	(4.2)	2	700.0	(4.2)
Electrical & Electronic Products	3	300.0	(1.8)	1	300.0	(1.8)
Transport Equipment	0			0		
Scientific & Measuring Equipment	1	500.0	(3.0)	1	500.0	(3.0)
Miscellaneous	0			0		
Total	20	16,834.5	(100)	12	16,584.5	(100)

of these companies cannot be regarded as ideal so far. In this connection, when the Chinese Council for the Promotion of International Trade delegation visited Malaysia in early 1993, they were keen to set up joint ventures to manufacture iron and steel products as well as machinery. On the other hand, the Associated Chinese Chambers of Commerce and Industry (ACCCIM) invited China to invest in the wood-based industry here, stressing that the increased purchasing power in China now would spur greater demand for furniture (New Straits Times [NST henceforth], 22.2.1993). Furthermore, when the Malaysian Prime Minister Datuk Seri Dr. Mahathir paid an official visit to China leading nearly three hundred prominent businessmen in June, 1993, he said that as the Malaysian domestic market for iron steel was so small the government had not ratified even a single application for a steel mill project yet (NYSP, 16.6.1993).

We can safely conclude that Chinese investment in Malaysia has been induced by the former's experienced technology and the latter's affluent natural resources, and that the investment fields desired by both countries are not always exactly the same.

4.3 Distribution by Capital-Size

The number of Chinese joint ventures by size group is shown in Table 5. While distribution by authorized capital is dominated by the group of more than RM 1

Table 5
NUMBER OF COMPANIES BY CAPITAL-SIZE

Capital (RM)	Authorized Capital		Paid-up Capital	
	Set-up	In Oprtn.	Set-up	In Oprtn.
Less than 10	0	0	7	1
10 - 0.1m	2	0	1	1
0.1m - 0.5m	1	1	0	0
0.5m - 1m	0	0	3	2
1m - 2m	3	2	2	2
2m - 5m	3 ¹⁾	2 ²⁾	1 ³⁾	1 ³⁾
5m - 10m	5	3	4	4
10m - 20m	3	2	0	0
20m and more	3	2	2	1
Total	20	12	20	12

1) One is RM 2.0 million, two are RM 2.5 million each.

2) RM 2.0 m., RM 2.5 m.

3) RM 3 m.

million, distribution by paid-up capital is by the group of less than RM 1 million. A company whose shareholders' funds do not exceed RM 0.5 million is classified as a small-scale industry, and a company of not exceeding RM 2.5 million shareholders' funds as a medium-scale industry. If we adopt this criterion, of 20 joint-ventures set up so far, 8 (40%) belong to small-scale industries and 5 (25%) to medium. But, as far as 12 companies that have already commenced operation are concerned, small and medium-scale industries are 2 (17%) and 4 (33%) each. Among the set-up companies, as many as seven have paid-up capital of merely less than ten ringgit. This is mainly because at the preparatory stage of a company, founders, who usually consist of Malaysians only, tend to have paid-up capital of a few ringgit. After consolidating the company and finalizing negotiation with Chinese partners, they increase the authorized as well as paid-up capital. To sum up, it is noteworthy that half of the joint-ventures with China presently belongs to small and medium-scale industries (SMIs).

4.4 Distribution by Employment Size

The number of employees is available only for eight companies, which will be shown later in Table 8. When we summarize this table, the distribution of these eight companies by number of employees is as below:

1 ~ 9(persons); 1, 10 ~ 49; 1, 50 ~ 74; 2, 75 ~ 99; 1, 100 ~ 149; 3.

One company which employs 4 persons is still in its preparatory stage of operation. Yet, in general, Chinese joint-ventures are comparatively small. Half of the companies here belong to SMIs which employ less than 75 persons, and are therefore exempted from the Industrial Coordination Act. However, the average number of employees here is 69.1 and about a quarter of the employment potential quoted in Table 1. If all the companies accomplish their full production capacity sometime in the near future, the percentage of SMIs will be much reduced.

A Comparison with the national structure of manufacturing industries might be useful. According to the industrial survey of 1989, the distribution of establishments by employment size group was as follows (Department of Statistics, 1990(?), p. 91):

1 ~ 9(persons); 12.5%, 10 ~ 49; 43.6%, 50 ~ 99; 18.0%, 100 ~ 199; 13.8%, 200 ~ 999; 10.4%, 1000~ ;1.7%. (Average number of employees is 114.6).

Due to a time lag, these two structures cannot be directly compared. Nevertheless, Chinese joint-ventures at present can be characterized by its concentration in middle scale industries as well as by the lack of large ones.

5. Shareholders and Management

5.1 Shareholding Structure

Shareholding structure by nationality is shown in Table 6. Chinese joint-ventures here are classified by industry and their names are kept anonymous except by showing industrial identification by one or two letters (W for wood and paper, R for rubber and plastics, and so on) and giving each a sequel number. One anonymous name is thus fixed for each company, and will be used henceforth.

Six companies whose paid-up capital is less than 10 ringgit, according to the latest available file kept in the ROC, have no trace of Chinese participation. This is because, as mentioned earlier, these companies are still in a preparatory stage. Nonetheless, not only because these are included in the MIDA list, but also because their managing staff themselves admitted to either a joint-venture contract or a substantial participation from China, these should also be regarded as Chinese joint ventures. It is worth noting that in Me6, two China Chinese directors were appointed in May, 1992.

In the case of W1 which has been operating since 1973, though even the latest share-holders list (as at 1, April, 1991) recorded no Chinese investment, its directors list of 18, June, 1991 included two Chinese citizens who were appointed on that day. And MIDA information shows that it had already become a wholly foreign-owned venture, with China holding 50 % and Hong Kong 50 % (MIDA-3).

Table 6
STRUCTURE OF SHARE-HOLDING

	Paid-up Capital		China's Investment		Others		Bumiputera		Malaysian Investment		(%)
	(RM)		(RM)	(%)	(RM)	(%)	(RM)		Chinese (RM)	Sub-total (RM)	
W1	800,000						200,000		600,000	800,000	100.0
C1	50,004		21,501	43.0	12,001 ¹⁾	24.0			16,502	16,502	33.0
C2	5				3 ²⁾	60.0			2	2	40.0
C3	2								2	2	100.0
R1	5,454,000		2,672,500	49.0					2,781,500	2,781,500	51.0
R2	5,000,000		4,500,000	90.0	500,000 ³⁾	10.0			0	0	0.0
R3	5,000,000		540,000	10.8	1,910,000 ⁴⁾	38.2	1,500,000		1,050,000	2,550,000	51.0
R4	500,005		250,002	50.0	250,001 ¹⁾	50.0			2	2	0.0
Me1	27,000,000				3,081,450 ²⁾	11.4					
Me2	25,000,000		4,410,000	17.6			8,485,374		15,433,176	23,918,550	88.6
Me3	6,000,000		2,940,000	49.0			7,000,000		13,590,000	20,590,000	82.4
Me4	3,000,000		1,469,998	49.0	600,000 ²⁾	20.0			3,060,000	3,060,000	51.0
Me5	3		2	66.7					930,002	930,002	31.0
Me6	2						1		1	1	33.3
Ma1	1,000,000		700,000	70.0					1	2	100.0
Ma2	2								300,000	300,000	30.0
E1	1,000,000		300,000	30.0					2	2	100.0
E2	3								700,000	700,000	70.0
E3	3								3	3	100.0
S1	570,000		500,000	87.7					3	3	100.0
									70,000	70,000	12.3
Total	80,374,029		18,304,003	22.8	6,353,455	7.9	17,185,375		38,531,196	55,716,571	69.3
Average	4,018,701		1,525,334		1,058,909		4,296,344		2,027,958	2,932,451	

W: Wood, C: Chemicals, R: Rubber & Plastics, Me: Metal, Ma: Machinery, E: Electrical & Electronic, S: Scientific Equipment.

1) Hong Kong, 2) Singapore, 3) Taiwan, 4) Hong Kong RM 1,640,000 (32.8%), Middle East RM 290,000 (5.4%)

China's share varies from 10.8 percent to 90 percent and averaged at 22.8 percent. Out of twenty companies shown here, only four hold a dominant share of more than 51 percent. Most of Chinese joint-ventures are export oriented, and restrictions on foreign share in export oriented companies were widely relaxed several years ago. However, only two companies (R2, R4) exporting more than 90 percent of their products are 100 percent foreign owned. As such, lack of dominance of Chinese capital might not have resulted from the Malaysian Government's restrictions, but from China's own reasons.

In one occasion, Chinese investment was not paid in cash but by machinery to be installed in the factory. But the real value of machinery was assessed by the then Malaysian main partner cum largest shareholder to have barely one third, or at best, a half of the claimed value. Due to this and some other disputes as well, this Malaysian entrepreneur withdrew from the project. This incident shows that joint projects between the two countries are still in a trial and error period.

Four "third parties" are involved in seven China-Malaysian joint-ventures, that is, Hong Kong 3, Singapore 3, Taiwan 1 and a businessman of a Middle East country. In this sense, foreign partners are dominated by the ethnic Chinese of East and Southeast Asia.

As for pharmaceutical company C1, the Hong Kong partner is actually a subsidiary company of a Chinese investor that is one of the biggest pharmaceutical factories in China established in Shenzhen in 1987 (Sin Chew Jit Poh [SCJP, henceforth], 17.1.1994). Plastic company R4's Hong Kong partner and Chinese partner are a father and son. The father became a businessman after coming out of Shandong several years ago.

Since a few decades ago, Malaysian corporate companies have established subsidiaries or associated companies in Hong Kong to expedite business in China. Judging from the two cases mentioned above, converses are to some extent also true now.

The average Malaysian share is 69.3 %, out of which Bumiputeras hold 21.4 % and Malaysian Chinese 47.9 %. This means, of the total Malaysian share, Bumiputeras and Chinese hold 30.9% and 69.1% respectively. Four companies have substantial Bumiputera shareholders. It can be noted that China's joint-ventures too are trying to accomplish the main objective of the New Economic Policy to have 30 % Bumiputera equity participation. In reality, the Bumiputera share of R3 is much larger than the Malaysian Chinese share.

5.2 Shareholders

5.2.1 Chinese Shareholders

If China's partners are classified by name of organization and by location, the following results are available.

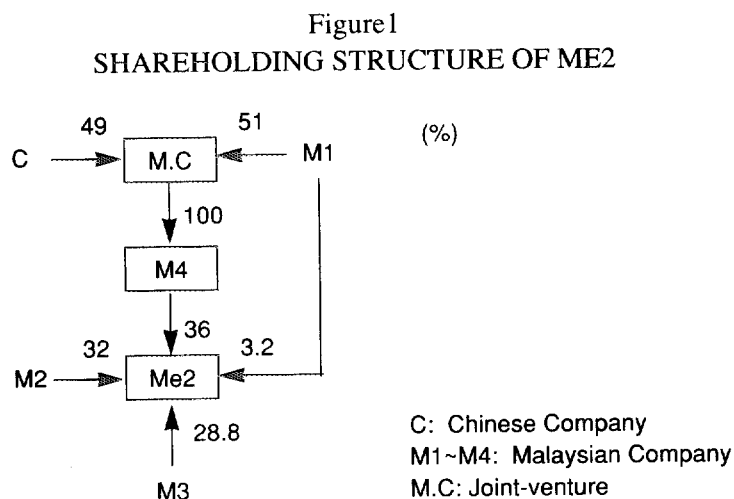
General Works (Zong Chang) 1 (Involved in two joint-ventures), Works (Chang) 1, Factory (Chang) 2, Company (Youxian Gongsi) 1, Corporation (Zong Gongsi. Gongsi) 3, Complex 1, University 1, City Office (Ban Gong Shi) 1, Individual 3. Total 15.

Liaoning 3, Shandong 2 (Involved in three ventures), Beijing 2, Guangdong 1, Fujian 1, Shanghai 1, Zhejiang 1, Sichuan 1.

Though three individuals may represent organizations, it is difficult to identify them. It is also difficult to differentiate works, factory, corporation and company. Anyhow, differentiation is not an objective here.

A Chinese source said that a project of more than 200 million Yuen (RM 86 m.) would need to get approval from the Central Government of China (NYSP, 11.12.1993). If this is the case, none of the Chinese projects approved so far necessitated Central Government's approval.

Iron products company Me2, which formerly had Chinese direct investment, has no formal Chinese investment now. Its present shareholders are four Malaysian corporations. The largest one, holding 36%, is wholly owned by a Malaysian holding company which is in itself a joint venture with China. Me2's shareholding structure is shown below.



When strict restrictions on foreign equity ownership was being implemented, foreign investors tended to establish Malaysian-registered holding companies that in turn became nominal headquarters of the relating local subsidiaries. It is not certain whether Chinese investors reorganized their enterprises for this reason.

5.2.2 *Malaysian Shareholders*

Most of the Malaysian shareholders are Malaysian Chinese corporations or individuals. All but a few corporations are private limited companies or Sendirian Berhad (Sdn. Bhd.). This means that these parent companies themselves belong to relatively small scale ones which have not felt it necessary to convert to limited companies or Berhad (Bhd.). In as many as nine companies, all the Malaysian shareholders are Malaysian Chinese individual businessmen. Usually they are at the same time directors of their respective companies. It seems that relations between Malaysian Chinese and China's business partners still heavily rely on private connections rather than on institutional or organizational ones.

However, some large Bumiputera institutions are also involved. M6's Malaysian partner, who holds its majority share now, is the Terengganu State Economic Development Corporation (SEDC). In Me5, Pahang SEDC is said to be participating. The second largest shareholder of R3, after a Hong Kong company, is a Bumiputera company. In this company, three of the eight shareholding corporate companies are Bumiputeras'. Me2's second largest shareholder after the Chinese investor is a wholly owned subsidiary of Malaysia Mining Corporation, a huge semi-government mining conglomerate. In Mel, Bumiputera corporate bodies, the number of which is not available, and Bumiputera individuals hold 29.1% and 2.3% of the share respectively. On the other hand, the largest individual share holder of W1 is a Bumiputera businessman living in Kelantan where the company's business site is located. Thus, in four companies Bumiputera interests are already substantially involved, and in the other two, SEDCs should emerge as the main partners who invest a substantial amount of capital if their factories commence production within the next few years. Bumiputera capital too plays a significant role in Chinese joint-ventures.

5.3 *Directors*

Based on available information, we obtain Table 7 which shows directors by nationality and, for Malaysians, ethnicity. Out of 99 directors including chairmen and managing directors, China Chinese are 37 (including three chairmen and five managing directors), Malays 14 (including one managing director), Malaysian Chinese 40 (including two chairmen and one managing director), Hong Kong Chinese 4 (including one chairman), Singaporean 2, Taiwanese 2 (including one managing director). Most of the directors are, at the same time, either shareholders of respective companies or the representatives of the parent companies. Two of the Malaysian Chinese directors are Muslims, one being a woman director of S1, Datin Minuira Sabki Nee Munira Ma Min bt. Hj. Ibrahim Ma. She is a daughter of a former consul of the Republic of China to Ipoh, Haji Ibrahim Ma. Haji I. Ma relinquished his Chinese official position and settled

Table 7
DIRECTORS

Co	Chairman	Managing Director	Directors							Total
			Foreigners			Malaysians				
			C	O	Sub-T	M	H	I	Sub-T	
W1			2	2 ¹⁾	4		3		3	7
C1			1	1 ¹⁾	2	1	1		2	4
C2				(3)	(3)		(2)		(2)	(5)
C3						2	3		5	5
R1	H	C	2		2		3		3	7
R2	C	T	4	2 ²⁾	6		2		2	10
R3			2		2	1	1		2	4
R4	K	C	3		3					5
Me1	(M)					(1)	(3)	(1)	(5)	(6)
Me2	H		3		3	4	7		11	15
Me3		M	1		1		1		1	3
Me4		C	1	1 ³⁾	2	1	2		3	6
Me5	C		1		1		1		1	3
Me6		C	2		2	4	2		6	9
Ma1	C	H	1		1		1		1	4
Ma2		C	2		2		2		2	5
E1			1		1		1		1	2
E2							(3)		(3)	(3)
E3			2		2		2		2	4
S1			1		1		5		5	6
Total	6	8	29	6	35	13	37		50	99

C : China Chinese, T: Taiwanese, K : Hong Kong, M : Malays, H : Malaysian Chinese, O : Others.
1) Hong Kong, 2) Singapore 1, Taiwan 1, 3) Singapore.

Figures in parentheses show directors of the three companies, C2, Me1 and E2 which have concluded the contract with China's counterparts to set up joint-ventures but not inaugurated them yet. These figures are not counted in the total.

down in Malaya when the Kuomintang consulate was closed in January 1950 due to the establishment of diplomatic relations between the People's Republic of China and the United Kingdom.

One of the main objectives of this article is to ascertain how Bumiputera businessmen are participating in Chinese joint-ventures and how cooperation between them and China Chinese, Malaysian Chinese businessmen are progressing in these joint-ventures. Hence, details of Bumiputera directors need to be scrutinized here.

5.3.1 Bumiputera Directors

C1's director, Tan Sri Dato' Sri Mohd. Shariff b. Hj. Ahmad is chairman of its parent company and presumed to be a retired government officer.

None of the two Bumiputera directors of C3 is its share-holder. However, one of them, Tan Sri Jaffar b. Abdul is director of three listed companies on the Kuala Lumpur Stock Exchange (KLSE), that is, chairman of both Mycom Bhd. (Hong Leong Group company) and Olympia Industries Bhd. and director of Seal Incorporated Bhd. C3's another director, Dato' Hj. Yahaya b. Hj. Taib is supposed to be a director of Lion Corporation Bhd.

R3's director, Tan Sri Datuk Sri Hj. Hamzah b. Dato' Abu Samah is one of its main share-holders and a co-sponsor of the holding company of the group in which R3 belongs, that is, Kumpulan Hamzah-Kwong Hing Realty Sdn. Bhd. as well.

Four directors of Me2 and their corporate positions outside Me2 are as follows:

Ghazi @ Hasbullah b. Hj. Ramli ; Director of three Berjaya Group companies.
Ibrahim b. Manuddin ; Director of fourteen Malaysia Mining Corporation Bhd. (MMC) Group companies including MMC per se. In MMC Engineering Group Bhd., which is listed on the KLSE, he is the chairman.

Ab. Sukor b. Shahar ; Director of ten MMC Group companies.

Othman b. Talib ; Director of MMC Group companies.

Thus, all of the four Bumiputera directors represent two major shareholders of Me2, that is, Berjaya and MMC. Ghazi is representing Berjaya and the others MMC.

Me3's managing director and Me4's director is the same person, Zainal Abidin b. Mat Natar. However, this does not necessarily mean he was the key initiator of these projects. A few Chinese businessmen played and still play a significant role in establishing and managing three companies, Me2, Me3, Me4.

Four directors of Me6 and their positions outside Me6 are as below :

Mazlan @ Mohd. Nanri b. Hashim ; Deputy State Secretary (Development), Terengganu.

Abdul Aziz b. Ibrahim ; Terengganu SEDC.

Abdul Kadil b. Musa ; Penasihat Undang Undang (legal adviser).

Aziz @ Ibrahim b. Awang ; Executive Committee Member of Terengganu State Government.

Me1, which has not inaugurated its joint project yet, has a Bumiputera chairman, Abdullah b. Mohd. Yusof and a Bumiputera executive director, Ahmad Puat b. Hj. Mohd. Noordin. Abdullah is director of three more listed companies,

that is, Faber Group Bhd. (Chairman), Sistem TV Malaysia Bhd. and Jasa Mega Industries Bhd. Until November 1990, Mayor of Ipoh, YAM Dato' Shahbandar Hj. Shahari b. Hj. Hassan was also a director of Mel.

6. Operation

6.1 Employees

The number of employees by nationality as well as by ethnicity is shown in Table 8. Malaysians occupy 86% of the total employees, the majority being Malays who occupy 50% of the total. If Ibans of Sarawak are included as Bumiputeras, the latter occupy 56%. If merely Malaysian employees are taken into account, Bumiputeras, Chinese and Indians are 66%, 25% and 9% respectively. With regard to criteria of Bumiputera percentage, Chinese ventures in general surpass the New Economic Policy regulations.

Most of the China Chinese employees are engineers. At the early stage of production, twenty to thirty Chinese engineers were employed in a few larger companies. But after completion of technology transfer, most of them went back to China. As such, no complaint against their unnecessarily too long stay was heard. This is slightly different from some other countries' joint-ventures.

Table 8
NUMBER OF EMPLOYEES

Company	Malaysian				Sub Total	China	Others	Total
	Malays	Chinese	Indians	Ibans		Chinese		
C1	12	8	3		23	4		27
R1	43	18	14		75	3		78
R2	80	12			92	3	16	111
R4	18	20	7		45	5		50
Me2	76	37	7		120	4		124
Me3	8	4	3	34	49	10		59
Me4	40	20	10		70	30		100
Ma1		1			1	3		4
Total	277	120	44	34	475	62	16	553
Average	34.6	15.0	5.5	4.3	59.4	7.8	2.0	69.1
(%)	(58.3)	(25.3)	(9.3)	(7.2)	(100)			
(%)	(50.1)	(21.7)	(8.0)	(6.1)	(85.9)	(11.2)	(2.9)	(100)

Some China Chinese employees, inclusive of directors, stay in Malaysia with their families. But most of them are living here alone. Unlike joint-ventures with some developed countries, where the expatriate staff's remuneration is much higher than local staff's, Chinese staff's remuneration is by no means higher, if not lower, than the locals. In some cases, Chinese staff's wages are decided and paid by the Chinese parent agents. These appear to be lower than the average Malaysian staff's wages.

6.2 Fixed Assets, Turnover and Profit

Information about fixed assets, annual turnover and annual profit is extremely limited. Available results are shown in Table 9. A Comparison with the results of the Industrial Surveys of 1989 (Table 10) (Department of Statistics, 1990(?)), though not completely accurate due to the slight time lag, indicates that, with regard to fixed assets, Chinese ventures belong to medium and large scale industries. Three ventures belong to the largest 7.9% group whose fixed assets are RM 10 million and more. It implies that, on the one hand, their production potential or capacity is big, and on the other, that these large amounts of fixed assets might possibly become a burden for the companies in future if production does not increase as expected.

No statistics of turnover are obtainable in the Industrial Survey. If we compare turnover of Table 9 and output of Table 10, it can be pointed out that Chinese ventures belong to medium scale industries again.

Table 9
ASSETS, TURNOVER AND PROFIT
(RM 1000)

Company	Fxd. Assets	Turnover	Profit
W1	(2,060)	(3,513)	(-1,809)
R1	(5,866)	2,000	(-879)
R2	(3,790)	5,550	(313)
R3	(13,247)		
R4			[500]
Me1	(565)		
Me3	21,878	6,883	2,092
Me4	16,944	10,963	474
Me5	970		
Ma1		[1,000]	

(1) Figures without parentheses stand for 1992 or 1993.

(2) Figures within parentheses stand for 1990, 91 or 92, which are quoted from the ROC files.

(3) Figures in [] are expectation for 1994.

Table 10
DISTRIBUTION OF NUMBER OF MANUFACTURING COMPANIES IN
MALAYSIA BY FIXED ASSETS AND OUTPUT 1989

Value RM M.	Fxd. Assets %	Output %
~ 1	64.5	41.4
~ 5	21.4	28.2
~ 10	6.3	9.8
~ 50	6.7	15.7
50 and more	1.2	4.8
Total	100	100

Source: Department of Statistics, 1990(?)

6.3 Procurement and Market

Table 11 shows from which country Chinese joint-ventures procure material and machinery, and to which country they sell their products.

Generally speaking, while rubber products companies obtain material, i.e. rubber, from inside Malaysia, metal and machinery companies obtain material from China. The latter might be because they intend to utilize Chinese technology, machinery, spare-parts and intermediate products of the two industries.

With regard to the market for their products, rubber products companies export to the developed countries, especially to the United States and the European Community. On the other hand, metal products and machinery are sold either locally or abroad. In general, export to ASEAN countries is also discernible.

The reason why most of the companies plan to export 80% of their products might be to comply with the government regulations for foreign capital to hold 100% equity share in respective companies.

7. Projects outside MIDA List and Bumiputera Participation therein

7.1 Projects outside MIDA List

Some more Chinese projects other than those analyzed above, not only non-manufacturing projects but also manufacturing ones, were reported by newspapers or magazines to be set up or to have been implemented in Malaysia. These are not included in the MIDA list quoted earlier. These projects are shown in Table 12. Those which were reported to be in the planning stage are not included here.

Table 11
PROCUREMENT OF MATERIAL AND MACHINERY AND
MARKET OF PRODUCTS
(%)

Company	Procurement			Market				MIDA*	
	M	C	O	M	C	ASEAN	O	Exp.	Exp.
C1	33	43	24 ¹⁾	20		60	20	80	80
C2									80
C3									90
R1	100			5			95 ⁵⁾	95	50
R2	98		2	1			99 ⁶⁾	99	
R3									40
R4				10				90 ⁷⁾	90
Me1									
Me2	5	45	25 ²⁾	10	10			90 ⁸⁾	80
Me3		80	20 ³⁾	100				0	
Me4		80	20 ³⁾	50		40	10	50	90
Ma1	25	75		80		8 ⁴⁾	12	20	
E2									80
E3									80
S1									80

M : Malaysia, C : China, O : Others, Exp. : Export

1) Hong Kong 2) Japan, 3) Russia and Poland, 4) Indonesia, 5) Hong Kong 60%, 6) United States 98%, 7) Largest importer is Singapore, 8) US 40%, EC 30%

* MIDA-1.3.

With regard to manufacturing projects, it is not known why MAC Cable, which has been operating in Tangkak, Johor, was not included in the MIDA list. Another eight manufacturing joint-ventures should appear in the MIDA list soon.

Construction projects include building hotels, houses, power stations, dams and roads and developing industrial estates. Some were implemented by joint-venture contractors and the others directly by Chinese companies. Some projects brought workers from China.

Judging from this table, China's involvement in Malaysia is much wider and deeper than supposed just from the manufacturing projects contained in the MIDA list.

7.2 Bumiputera Participation in these Projects

Of the 20 Malaysian partners listed in the column of Malaysian Company of Table 12, Petronas or National Petroleum Corporation, State Governments of Pahang and Penang, and Sarawak SEDC are government per se or government agencies.

Table 12
CHINA'S JOINT PROJECTS IN MALAYSIA: MANUFACTURING PROJECTS NOT CONTAINED IN MIDA LIST, AND NON-MANUFACTURING PROJECTS.

Ind.	Project	Joint-Venture Co.	China's Co.	Malaysian Co.	Place	Stage	Source
1 M	Copper Cable Factory	MAC Cable Corp. S. B.		Yin Fong Cosmetic S. B.	Jh	Im	BW 6.92.
2 M	Bedsheet Factory		Ningbo Bedsheet Mill	Chung Hsing Hldgs. S. B.	Sb	Ag	S 12.10.92.
3 M	Petro-Chemical Factory		China Pet. Chem. Corp.	Petronas	Tr	Ag	N 13.5.93.
4 M	Armoured Car Factory		North Inds. Corp.	Aneka Bekal S. B.		Ag	S 17.6. N 3.8.93.
5 M	Activated Carbon Factory		C. Bldg. Material Ind. Corp.	Sarawak SEDC	Sk	Ag	U.S 16.6.93.
6 M	Coconut Milk Factory	Skt. Pembgn. Fu Shin (M)	Soushin Inv. Co. Ltd.	O'Seeker Food Ind. S. B.	S1	Ag	U 23.6.93
7 M	Steel Mill		Capital Steel Corp.	Kava Group (M) S. B.		Ag	N 8.7.93.
8 M	Engineering Co.	Dialog CEC S. B.	C. National Chem. Eng. Corp.	Dialog Hldgs. S. B.		Ag	S 21.8.93.
9 M	Petrol-Refinery	Sabah Devt. Co. S. B.	C. Xin Sha Oils & Fats Co.	Asiatic Devt. Bhd.		Ac	U 24.11.93.
10 C	Contractor	Cicet (M) Corp. S. B.	Chongqing Int'l. Corp.			1991	S 8.6.92.
11 C	Water Supply (Dam)		Int'l Hydro-Power Org.	Pg. State Govt.	Pg	Ag	N 7.10.92, 7.7.93.
12 C	Mini Hydro-Power Stations					Ag	N 11.11.92.
13 C	Industrial Estate		Wuhan City Govt.	Yang Yang Pro. Devt. Bhd.	KL	Im	N 12.5.93.
14 C	Contractor	Xiang Ji Inv. Bhd.	Hunan Prov. Int'l Trust	Huan Yu Sdn. Bhd.	KL	1992	N 14.5.93
15 C	Housing Devt.	Jutrakaya Sdn. Bhd.	Zhu Kuan Group (State-own)	Wong Chik Lim Hldgs. S. B.	Lb, Sb	Im	S 23.5.93.
16 C	Power Station		C. Int'l Eng. Consult. Co.	Automan		Ag	N 16.6.93.
17 C	Contractor	Enville Sdn. Bhd.	Wei Lin Aviation Co.	Insaf Bhd	KL	1992?	N 17.21.6, 23.7.93
18 C	Housing Project					Im	N 3.10.93.
19 C	5 Contractors		C. Const. & Eng. Corp.	Miwada Devt. S. B.	S1	Im	N 30.11.93.
20 A	Sericulture		Liao Ning Prov. Govt.		NS	Ap	N 19.12.92.
21 A	Aquafarm	Graceful Vision S. B.	China Natural Chemicals	Koperasi Serbaguna S1. B	S1	Ag	S 5.7.93.
22 S	Hotel		Zhao Yucheng	Pahang State Govt.	Ph	Ag	N 1.7, 23.10.93.
23 T	Trade of Agri. Products	Gramour Shield S. B.	Jinan Iron & Steel Gen. Works	Goatrade Farming S. B.		1993	S 5.7.93.
			Four Sea Aquatic Ltd.				

(1) Industry, M; Manufacturing, C; Construction, A; Agriculture, S; Service, T; Trade.

(2) Place, Jh; Johor, KL; Kuala Lumpur, L; Labuan, NS; Negeri Sembilan, Pg; Penang, Ph; Pahang, Sb; Sabah, Sk; Sarawak, S1; Selangor, Tr; Terengganu.

(3) Stage, Ac; Acquired equity share, Ag; Agreed, Ap; Approved, Im; Implemented.

(4) Source, BW; Business World, N; Nanyang Siang Pau, S; New Straits Times, U; Utusan Malaysia.

Dialog Holdings Sdn. Bhd. is a Bumiputera company set up in 1989 and its chairman is Kamaruddin Md. Nor. Aneka Bekal Sdn. Bhd. is also assumed to be a Bumiputera company due to its type of business, a supplier of defence equipment and services. Its chairman is Datuk Hj. Muhammad Hamzah. Koperasi Serbaguna Anak-Anak Selangor Bhd. might be a bumiputera corporation, too. Bumiputeras' involvement in other companies is not available now.

8. Reciprocal Investment

According to the Chinese commercial councillor, Chen Zhixiao, as of June 1992, direct investment from Malaysia to China amounted to RM 277.77 million (US\$ 107 m.) with 128 projects. Besides this, indirect investment through their agents in Hong Kong and Macau reached RM 1.29 billion (US\$ 500 m.) and investment by Robert Kuok amounted to some RM 2.5 billion (US\$ 965 m.) (NYSP 31.12.1992, UM, NST 9.1.1993). From 1989 till September 1993, 239 projects amounting to RM 542 million have been approved (NYSP 14.11.1993).

As a result of Prime Minister Datuk Seri Dr. Mahathir's visit to China in June 1993, thirty six memoranda of understanding (MoUs), in which the total amount of the projects agreed upon reached RM 8.2 billion, were signed between Malaysian businessmen and Chinese counterparts (NYSP 7.12.1993).

Comparing these figures with China's investment in Malaysia referred to earlier, direct investment from both sides are more or less equivalent. However, if indirect investment is taken into account, investment from Malaysia should surpass the opposite flow by far. It can be clearly understood here that, in the sense of total amount, investment from both countries is reciprocal. In fact, it is reciprocal in the more strict and concrete sense as well, that is, many Malaysian partners of China's joint-ventures invest in China for themselves at the same time.

8.1 Twofold Involvement of Malaysian Investors

Several notable examples of Malaysian companies which participate in joint-ventures with China both in Malaysia and China will be briefly referred to here.

- (1) Petronas, which is listed in Table 12, signed an MoU with China Petrochemical Industry Co. in June 1993. MoU stipulates their joint projects of developing petrochemical industries (NYSP 16.6.1993).
- (2) The Menteri Besar of Pahang, Tan Sri Mohd. Khalil Yaakob, who accompanied Dr. Mahathir on his visit to China in June 1993, announced on his return that its SEDC, which is participating in Me5, would invest in a property development project in Urumuchi, Xinjiang Province (UM 24.6.1993).

- (3) Dialog Holdings Sdn. Bhd., which is contained in Table 12, plans to undertake petrochemical industries in China, too, tying up with the same partner for the Malaysian project, China National Chemical Engineering Corporation (NST 21,25.8.1993).
- (4) The Berjaya Group, a main shareholder of Me2, signed an MoU in June 1993 to jointly implement such projects in China as copper products manufacturing, property development and bridge-building (NYSP 16.6, NST 23.6.1993). The Group has also been appointed consultant-cum-project manager for social welfare lottery projects in four Chinese cities (NST, NYSP 1.10.1993).
- (5) Mycom Bhd, a listed company whose chairman is C3's director as mentioned earlier, made an agreement with Beijing Brewery to have a 60 per cent stake in the latter by investing RM 120 million (NYSP 16.6, NST 18.6.1993).
- (6) Jaya Netting Industries Bhd, a main shareholder of Mal and listed on the KLSE second board, teaming up with Goodnite Holdings Bhd. Group and an agent of Beijing city government, set up a mattress manufacturing joint venture in Beijing (UM 8.7, NYSP 30,31.7, 2.8.1993).
- (7) O'seeker Food Industries Sdn. Bhd., on the same day as it established a joint venture with China in Malaysia (See Table 12, No. 6), announced an agreement with two Chinese and one Hong Kong companies to establish a joint rice flour mill company in China (UM 23.6.1993). The agreement was signed one week later (NYSP 30.6.1993).
- (8) Yin Fong Cosmetic, which established MAC Cable Corporation Sdn. Bhd. recently (See Table 12, No. 1), had formed the first Malaysian joint venture in China much earlier, i.e. in the early 1980s. Now Yin Fong has eleven group companies all over China (Business World, No. 100, 6.1992).
- (9) Tan Sri Wong Chik Lim, owner of Wong Chik Lim Holdings Sdn. Bhd. (See Table 12, No. 15), former President of the Sabah Chinese Chambers of Commerce, and incumbent President of Labuan Chinese Chamber of Commerce, has been implementing various property development projects in China (From information obtained at Kota Kinabalu Chinese Chamber of Commerce in August, 1993).

8.2 Bumiputera Participation in Investment to China

To obtain a general view of Bumiputera participation in economic cooperation between Malaysia and China, it is necessary to examine their involvement in joint ventures in China, too. However, too many Malaysian companies have been reported to invest in China to be examined one by one. An analysis from this view point is to be conducted separately sometime in the near future. Bumiputera participation in reciprocal or twofold investment and several typical cases of unilateral or one-way investment to China will be referred to here.

Of nine entities involved in twofold investment shown above, Petronas and Pahang SEDC are government agencies and Dialog is a Bumiputera company. Chief of the Berjaya Group, Tan Sri Vincent Tan Chee Yioun, is well known for his close relations with top government leaders. On the board of directors of group's holding company, Berjaya Group Bhd., five of the ten directors are Bumiputeras. Mycom's owner, Hong Leong Group, and its leader, Quek Leng Chan, are also reported to have close relations with prominent government leaders.

Among government agencies as unilateral investors, there are Permodalan Nasional Bhd. (PNB) and the Heavy Industries Corporation of Malaysia (HICOM).

According to PNB Group chief executive Datuk Abdul Khalid, PNB had through its stakes in local companies going to China, invested or proposed to invest about RM 400 million in various joint ventures there (NST 23.11.1993). HICOM signed an MoU with China Eastern Motor Co., Chongqing Auto-engine Factory and Malaysian Mian Tai Bhd. in June 1993 to jointly develop an automobile industry (NYSP 16.6.1993).

Bumiputera companies relating to the ruling party, United Malay National Organization (UMNO), are also involved in. Renong Bhd., an UMNO related company, and Resorts World Bhd., a leisure and property related conglomerate under Tan Sri Lim Goh Tong, jointly signed an agreement with Fujian Province Government to conduct a feasibility study on a 149 kilometre highway project. If feasible, the Malaysian consortium will construct and manage the highway which is estimated to cost US\$ 800 million (RM 2 billion) (NST 16.6.1993). In July, 1993, Granite Industries Bhd., another UMNO related company, acquired a Chinese company which would install and supply slot machines in Harbin, Heilongjiang Province (NST 3.7, 4.8, NYSP 3, 28.7, 3, 4, 26.8.1993).

Lastly, the involvement of a few influential Bumiputera businessmen into business in China is described. In June 1992, UCM Industrial Corp. Bhd. set up a joint venture company in Shen Zhen to manufacture and distribute air-conditioning systems for automobiles (NST, NYSP 9.6.1992). In September 1993, Technology Resources Industries Bhd. (TRI), whose chairman is Tajuddin Ramli, established a joint venture factory in Beijing to manufacture wireless telephone systems (UM, NYSP 29.9.1993). In both UCM and TRI, a young entrepreneur Mokhzani b. Mahathir is a director. In June 1993, Mamee Double Decker Bhd. signed an MoU to set up a joint confectionery company in Suzhou (NYSP 16.6.1993). One of the five directors of Mamee is also a young entrepreneur Mirzan b. Mahathir.

9. Conclusions

Chinese joint ventures in Malaysia started in 1989. More than 20 joint venture companies have been set up so far. Judging from capital or employment size,

many of them belong to small and medium scale industries. In terms of industrial type they concentrate on rubber processing and metal products. While rubber processing companies are largely underway, many enterprises of other industries are still in a nascent stage and Chinese investment in the manufacturing sector as a whole is minimal as yet. However, if investment in other industries of Malaysia, *inter alia*, construction, and reciprocal investment by Malaysian businessmen to China are taken into consideration, China's present and future significance for the Malaysian economy can be better recognized and understood.

With regard to share holding, there is no 'one hundred percent China-owned' venture. On average, China Chinese, foreigners, Malaysian Bumiputeras and Malaysian Chinese hold 22.8%, 7.9%, 21.4% and 47.9% respectively. Most of the foreign capital besides that from China comes from Asian overseas Chinese. However, this cannot be regarded as a formation of a Chinese economic area, as the role and importance of Bumiputera institutions, including government agencies, and Bumiputera businessmen in Chinese joint ventures are not only already formidable but also expected to steadily and continually augment from now on. Bumiputeras' important role in Chinese ventures in Malaysia is evident in employment, too. More than a half of the employees are Bumiputeras now.

Together with Malaysian Chinese, Bumiputeras are also participating in investment to China. Thus, it can be noted that economic cooperation between Malaysia and China is now consolidating the relationship between Bumiputera and Malaysian Chinese businessmen in Malaysia.

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