

Corporate Malaysia: Ethnic Joint Venture Companies as Equitable form of Ownership

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ABSTRACT

The discourse on fairness of economic policy in Malaysia has placed focus on inter-ethnic distribution of gains and losses since the introduction of what has come to be known as the New Economic Policy of 1971 which placed emphasis on the need for affirmative action in favour of the Bumiputera community. Thus a recent report emanating from the Centre for Public Policy Studies suggesting that the policy objective of a more equitable distribution of company shares between different ethnic groups entails the promotion inter-ethnic joint venture companies, and the discontinuation of affirmative action for increasing Bumiputera ownership, has attracted attention. This paper critically examines the method adopted by CPPS for analysing the contribution of joint ventures to the above policy objective, We arrive at a less sanguine view about the development of joint ventures of the type that are advocated by CPPS as an answer to the problem for which they are proposed.

Key Words: Chinese-Bumiputra Joint Venture, Corporate Equity Distribution, Malaysia

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1. Introduction

Malaysian politics has been dominated by the question of the priority of claims by different ethnic groups comprising the state to citizenship rights since independence from British rule in 1957. There was an imbalance in wealth and income against the Bumiputeras, and the constitution bequeathed by the departing rulers was based on what has come to be known as an "ethnic bargain" over independence. The constitution conferred economic rights on residents with reference to their ethnic identity.¹

During the period of British rule in Malaysia, new economic activities began to emerge. Mines were dug and rubber plantations were developed. The dynamics of economic development characterising colonial rule bypassed the rural areas, where the bulk of the Bumiputeras lived. Workers came from India and China. The newcomers from India were mostly indentured labourers. The Chinese came of their own accord, attracted by economic prospects. They were more numerous and the descendants of some amongst them amassed large fortunes in the *laissez faire* policies that continued well until the end of the 1960s.

There were special circumstances in Malaysia. These circumstances ensured that the frustrations of the poor were articulated in terms of a demand for a larger share of the national output accruing to the ethnic Malay community, the bulk of whom was poor. The Malays in the peninsula were called the Bumipeteras, sons of the soil, in the nationalist rhetoric to emphasise their prior claims to the idea of Malaysia over those who were perceived as having arrived in the wake of colonial rule. Yet the Bumiputeras remained largely poor even after a decade following independence.

The special circumstances that led to the concentration of the poor amongst the Bumipuetara community were rooted in the nature of migration during the colonial

¹ Article 89 of the constitution empowers the government to declare Malay reservations over common land. Article 153 specifies reservations for the Malays, called the Bumipuetras, in public service appointments and educational institutions, but all pre-existing property rights for all ethnic groups are honoured without discrimination. The Malay word Bumiputera, originating from the Sankrit words Bhumi (land/soil) and Putra (son) translates into English as 'son of the soil'. In return of the acceptance by the non-Bumiputeras of the political primacy of the Bumiputeras, the Bumiputeras recognised full citizenship rights and a voice in the government of the non-Bumiputeras (pp 45-47, Snodgrass 1980).

era. Those who came from Western China in the 19th century to take part in new economic opportunities congregated mostly in urban coastal areas where these opportunities were to be found. These areas were becoming the hub of modern industry and commerce attracting immigrants, especially from China, seeking fortune. The indentured labourers from India were also set to work in these areas in mines and plantations. The three main ethnic groups remained largely segregated from each other by occupation and location at the time of independence from British rule in 1957.²

The urban dwellers had better opportunity to learn English, the language of new commerce and industry and that of the colonial government. The urban-educated people, mostly Chinese and Indians, were disproportionately dominant in the professions when the British left. The rural population remained poor, and thus poverty was more widespread amongst the Malay community. They mostly lived off the land, in the countryside. The Chinese were on the whole richer than other communities.

The poor became increasingly impatient as the government failed to reduce income disparity even after a decade following independence. The impatience culminated into anti-Chinese riots in May 1969 and Malay nationalism began to inform economic policy. A sense of national identity amongst the economically dispossessed could only be forged, according to those who wished to promote Malay nationalism, by increasing the participation of the Malay (the Bumiputera) community in the economic sphere of society through affirmative action. The corollary was to reduce the share of wealth and income accruing to the descendants of immigrants who arrived during British rule (p.668, Siddique and Suryadinata 1981). This emerging idea of redistributive policy, emphasising affirmative action, was encapsulated in the New Economic Policy of 1971.

The continuing need for affirmative action policy to increase corporate equity ownership by the Bumiputeras has recently been questioned in a report issued by the Centre for Public Policy Studies. (CPPS 2006) now that the Bumiputera share of the

² Also see Jomo (1989, 1991, and 1998) for details.

equities traded in the stock exchange has reached the 30 per cent target set by NEP. Now the policy for harmonious inter-ethnic distribution of the ownership of capital entails encouragement for the formation of a particular type of joint venture between communities that has already started to emerge.

This paper is organised as follows. Section 2 explains the origins of the New Economic Policy and its objectives. Section 3 examines the contribution of inter-ethnic, mostly Bumiputera-Chinese, joint ventures towards the goal of greater equity ownership of the Bumiputeras. Section 4 outlines the argument in the above CPPS report that affirmative action is no longer needed because of the emergence of a trend toward the formation of genuine inter-ethnic joint venture companies. Section 5 examines the evidence cited in support of the policy recommendations in that report. Section 6 suggests a different approach to analysing ownership data, based on a larger dataset that is collected for the purpose of the paper, of listed companies to examine the claims made in the CPPS report. Section 7 concludes.

2. New Economic Policy

The New Economic Policy of 1971 followed by the National Development Policy (NDP) in 1991, reserved certain economic privileges for the ethnic Bumiputra with the proclaimed intention of addressing the economic imbalance between ethnic groups, especially between the Bumiputra and the Chinese. At the initial stages there was broad support for this redistributive policy even amongst economists who might not have focussed on ethnicity because that focus was in practice a focus in favour of redistribution in favour of the poor and into the countryside. The Bumiputeras were largely poor and they mainly lived in the countryside.

Even though there was some opposition from other communities, Malaysia's handling of ethnic tension for the three decades following the 1969 riots could be considered a success (McKay 2006). The policy delivered high rates of economic growth by increasing the purchasing power amongst the poor and in the countryside and by improving the quality of the human capital by tapping into new talents by investing in the education of the hitherto-neglected pool of the majority ethnic community. Despite initial rumblings of discontent amongst some sections of the Chinese

businesses, cooperative business ventures across ethnic divide, the desirability of which was first discussed in the 1970s and is now a common feature in Malaysia (Milner 1976, Jesudason 1997)³.

However, rumblings persist, and many still see the affirmative action policy as a form of discrimination that is contrary to its objective of achieving national unity (Jomo 2004, Heng 1997, Brown 2005; Haskell 2005). More importantly, even some of those who supported the policy of redistribution along ethnic lines have begun to raise doubts about exclusive reliance on ethnic identity in the discourse on income and wealth re-distribution. Now that considerable improvements have been made in the economic and social position of the Bumiputera community and intra-ethnic inequality has increased especially in the Bumiputera community, new thinking is needed (Chakravarty and Roslan 2006). It is argued that NEP is not designed to address the new problem. For example, then Prime Minister Mahathir Mohammed wrote in 1998:

The NEP, it must be iterated, was not concerned with making all bumiputeras earn equally, or share equally, the wealth distributed amongst them. ... The intention of the NEP was to create in the bumiputera community the same division of labour and rewards as was found in the non-bumiputera communities, particularly the Chinese. ... The equitableness was not to be between individuals, but between communities (pp33-34)

A view is emerging that the very success of the NEP within its own remit of reducing inter-ethnic inequality by empowering the Bumiputeras has made the NEP now redundant. In this view, policy must now remove focus on affirmative action, recognising that increasing intra-ethnic disparity in income and wealth needs now to be addressed. Even amongst those who share this view, there is debate about the extent of the new problem, the method of addressing the problem and the consequence of ignoring the issue of intra-ethnic inequality. The report by CPPS (2006) analysed here is a contribution to this particular debate about the desirable direction of post-NEP policy.

³ Except Gomez (2005) which attempts to provide some statistics on such joint venture with limited framework.

The report is optimistic about promoting share ownership on an equitable inter-ethnic basis through joint ventures, without emphasis of the NEP for privileged share ownership for the Bumiputera community. An analysis of this report entails a description of the nature of inter-ethnic joint ventures in Malaysia.

3. Inter-ethnic joint ventures

The idea of inter-ethnic joint ventures is not new to Malaysia. It has emerged as a natural consequence of the ethnic focus of redistribution policy, and the goal of delivering the NEP target of 30 per cent share ownership by Bumiputeras. The earlier forms of such ownership structures have been faulted for allegedly creating rent seeking opportunities to the detriment of society (Jomo 2004). It was argued that Chinese-Bumiputra joint ventures were often set up to gain government favour by a small coterie of “crony capitalists”, a term coined by Jomo (1989) and elaborated upon in Gomez and Jomo (1997). A joint venture set up for the purpose of rent seeking is known as an *Ali-Baba Company*⁴. According to this sceptical view of joint ventures (Jomo 2004: iii), “[i]nter-ethnic business coalitions have become increasingly important overtime, often with an ethnic Malay partner securing rent for securing access to government-determined business opportunities, and the ethnic Chinese partner with access to capital and business acumen getting the job done”. Genuine entrepreneurial spirit is not central to this definition of joint venture. The Bumiputera’s role is mainly to advance his Chinese partner’s business opportunities with better terms and access to government contract, licences, permits, trade protection (Ritchie 2005). It is argued that this kind of ethnic joint venture is counter productive in combating income inequality within the Bumiputeras because only those in the Bumiputera community with connections -- for example with an influential member of the ruling party (UMNO), a top civil servant, a member of the royalty or a retired senior army officer -- can benefit.

There is a different view of joint ventures which emphasises the contribution of the Bumiputera partner beyond opening up opportunities for rent seeking. According to

⁴ The term refers to *Ali* - a Malay ‘*rentier capitalist*’ out to gain quick profit either by outright selling of their business or by subcontracting the business to *Baba* - a Chinese.

this view, the model of Chinese capital and Bumiputera connection may be too simplistic a description of joint ventures in modern times. Since a number of large Bumiputera trust funds have been created through the affirmative action policies of the past three decades, Bumiputeras today are less reliant on Chinese capital than they might have been in earlier times. The NEP and its successor NDP have also created a Bumiputera middle class possessing of management expertise. (Gomez 2005, Heng 1997). In this more favourable view of inter-ethnic cooperation, the role of ethnic rent may no longer be central to the success of joint venture companies (CPPS 2006, Norhashim and Abd. Aziz 2005, Gomez 2005). Consider Heng (1997:275): “Apart from being dependent on Malay political patronage, the investments of these tycoons were more closely integrated with Malay capital, an interdependent and complementary relationship which in turn has advanced the wealth of both the Chinese and Malay partners”.

4. Centre for Public Policy Studies (2006) Report on Ethnic Joint Venture Ownership

The Centre for Public Policy Studies (2006) is an independent non-governmental organisation which examines social and economic issues in Malaysia⁵. It published a report in 2006 concerning joint ventures as a way of fostering inter-ethnic cooperation in business. According to this report, affirmative action characterising the NEP has now become outmoded because of the very success of the policy in reaching the target level of Bumiputera ownership of corporate capital. The report argues that the target of 30 per cent corporate ownership by the Bumiputera community has already been surpassed and the continuation of the affirmative action policy is now in danger of becoming counter-productive even to the welfare of the Bumiputera community by discouraging corporate investment and creating a feeling of alienation amongst other ethnic communities. The report is optimistic about creating inter-ethnic joint ventures as an equitable and harmonious model of corporate ownership that should be encouraged.

⁵ as per CPPS website: http://www.cpps.org.my/sub_page.aspx?catID=1&ddlID=8

The report relies on the argument that the ethnic Bumiputeras in recent years have acquired considerable business expertise, and they now contribute to the success of many joint ventures on equal footing with their Chinese counterparts. These joint ventures are genuine partnerships across the ethnic divide (CPPS 2006: 16-17): “These business ties that are becoming increasingly inter-ethnic in nature have been established on the basis of equal competency among the partners, with both contributing to the productive development of the firm”. The new generation of Malaysians are now more open toward business cooperation that can benefit each other (Gomez 2005). There are many examples of successful inter-ethnic joint ventures (Gomez 2005), and these are cited in defence of the policy recommendations contained in the CPPS report examined here (CPPS 2006)⁶

In the identification of genuine joint ventures the CPPS report is almost similar to claims by Gomez (2005) that between 17 or 28 percent of companies listed on the stock exchange in Malaysia are genuine inter-ethnic joint ventures. This data and the analysis are presented in the following section.

5. Share ownership data informing CPPS (2006)

As mentioned before, the CPPS (2006) report takes the ownership data from *Bursa Malaysia* as is also done in Gomez (2005). The concept of a genuine partnership in a joint venture is defined and these companies are identified by reference to the ownership structures of companies listed in *Bursa Malaysia* for the year 2000.

The shareholding pattern of a joint venture company is categorised in terms of the percentage of shares held by three main groups of shareholders, identified by their ethnicity. The three groups are classified into Bumiputra (B), Other Malaysians (OM) and Foreigners (F), where the OM group is mainly Chinese. Although there are prominent Indian presence in business, the corporate ownership of Indians as an ethnic group is negligible.⁷

⁶ *MK Land Bhd* owned by Mustafa Kamal Abu Bakar and Kasi Palaniappan, *Air Asia Bhd* owned by Tony Fernandes and Kamarudin Meranun and *UMW Bhd* whose partners were Eric Chia, Mokhzani Abd. Rahim and Shamsuddin Kadir.

⁷ Corporate Ownership by ethnic Indians is around 2 percents (Fazilah 2002).

According to CPPS, a genuine joint venture is an equitable partnership between the two domestic ethnic groups, OM and B. While the rent-seeking motive is not completely discounted, the definition of a genuine (or equitable) joint venture is a joint venture where both partners have the ability to influence operational matters and strategic directions of the company to mutual benefit. The test for a genuine B-OM joint venture is based on the distribution of shares amongst the three groups, B, OM, and F. To form an equitable partnership, each of the two above two domestic groups must have a share of equity in the band of 25 to 67 percent. The rationale for that particular test of equitable ownership is questioned in this paper.

The joint ventures that are considered genuine amongst those that are listed in *Bursa Malaysia* for the year 2000 appear in Table 1 below (CPPS: 36-40). Some of the salient aspects of their ownership structure are highlighted below:

- a) The largest shareholder (owner OM) has 66.83 percent of the shares (Company 7)
- b) The smallest shareholder has (owner: B) has 24.94 percent of the shares (Company 8)
- c) The largest shareholding difference between OM (holds 65.47 per cent) and B (owns 31.29 per cent) shareholders is 34.18 percent. (Company 9)
- d) The smallest shareholding difference between OM (holds 49.46) and B (owns 49.41) shareholders is 0.05 percent. (Company 16)

*Table I: Inter-Ethnic Joint Venture Bursa Malaysia Companies, 2000
(as per CPPS Report 2006)*

	Company Name	Shareholdings			Activities (including as holding company)
		Bumiputra	Other Malaysians	Foreigners	
1.	<i>Lingkar Trans Kota Holdings</i>	42.93	47.21	9.86	Management services, toll highway operation
2.	<i>Kilang papan Seribu Daya Bhd</i>	38.08	56.02	5.9	Integrated timber activities and related products
3.	<i>GrandHoover Bhd</i>	50.35	48.98	0.68	Investment and property holding, manufacturing and trading of building materials
4.	<i>Mercury Industries Bhd</i>	44.36	44.01	11.63	Manufacturing of lacquer and paints, property development,
5.	<i>Perfect Food Industries Bhd</i>	52.87	44.94	2.19	Manufacturing and marketing of biscuits
6.	<i>Gamuda Bhd</i>	32.94	32.82	34.24	Civil engineering construction
7.	<i>TAP Resources Bhd</i>	32.89	66.83	0.28	Infrastructure earthworks, structural, architectural and manufacturing of bricks
8.	<i>Road Builder (M) Holdings Bhd</i>	43.33	24.94	31.73	Building construction, property development, manufacturing of concrete products.
9.	<i>BTM Resources Bhd</i>	31.29	65.47	3.24	Logging, sawmilling of timber and logs.
10	<i>MESB Bhd</i>	50.89	44.90	4.21	Supply of engineering equipment, tools and parts
11.	<i>Nationwide Express Courier Services Bhd</i>	49.36	48.69	1.95	Express courier service
12.	<i>Rohas-Euco Industries Bhd</i>	49.47	47.47	3.06	Manufacturing of steel parts of water tank panels and transmission towers
13.	<i>SP Setia Bhd</i>	44.42	42.84	12.74	Building contractors
14.	<i>Kuala Lumpur City Corporation Bhd</i>	52.16	43.13	4.53	Manufacturing of air-conditioning systems and related activities.
15.	<i>Rumpun Hijau Capital Bhd</i>	49.89	46.71	3.40	Manufacturer and dealer of footwear products
16.	<i>Syarikat Binaan Sawmill Bhd</i>	49.41	49.46	1.13	Trading, manufacture and sale of moulded and sawn timber and wood products.
17.	<i>United Chemical Industries Bhd</i>	44.71	49.29	6.0	Manufacture and sale of polyethylene woven bags and related products.

For a genuine or equitable joint venture to obtain, both parties must have the ability to influence decisions. A minimum requirement for a group to be able to exert influence in policy formulation is that neither party has a controlling majority. This condition is not satisfied by 41 per cent of the companies, 7 out of 17, listed in Table 1. There is a majority shareholder representing only one ethnic group is present in companies 2, 3, 5, 7, 9, 10 and 14 in Table I. The majority shareholder has operational control. In one of the above companies, a single group has 66.7 per cent of outstanding shares, thus being able to gain strategic control of the company, allowing amendments to be made to the company's articles or incorporation (constitution).

There are other problems and they lie in the way that the data is analysed. The method of testing whether a joint venture is genuine relies on the requirement that neither ethnic group should have less than a quarter or more than two thirds of the outstanding share capital. The logic of the use of a fixed percentage band for each ethnic group without reference to the distribution of shareholdings within groups is questionable. For example, a joint venture between a single ethnic Chinese shareholder and a single ethnic Bumiputra shareholder is naturally less complicated than a joint venture between three ethnic Chinese shareholders and single ethnic Bumiputra shareholder. An encompassing interest amongst the three Chinese shareholders can be difficult to articulate. Information on the number of shareholders is useful for users to gauge the ease or difficulty of forming this joint venture.⁸

Further complications arise if shares are held in very small parcels by a large number of shareholders. For example, suppose that a single person in one ethnic group holds, say 25 per cent of the shares, but a larger percentage of the shares is held by the other domestic ethnic group, but these shares are distributed amongst a very large number of individuals in very small parcels. Then the power of control of the direction of the company policy by the majority group is weakened if not removed. The transactions cost of organising a very large number of small shareholders can render it impossible for them to exercise any power in shareholder meetings, as discussed in Chakravarty and Hodgkinson (2001), and Chakravarty, Goddard and Hodgkinson and (2004).

⁸ There is a dynamic problem, especially when shares change hand. A genuine partnership can become *Ali-Baba* and vice versa even as the aggregate ownership shares between ethnic groups remains the same especially if the intra-ethnic distribution of shares change.

6. A Different Framework of Analysis

Any test by exclusive reference to the percentage of shares held by each ethnic group for an inter-ethnic joint venture being genuine is problematic because, *inter alia*, the test is predicated on the assumption that there is complete coherence of interest for all members within an ethnic group. At the very least, data on the size distribution of equities in a joint venture is needed for a richer analysis of the potential for both ethnic groups to exert influence on policy directions.

To discuss the method for analysing the size distribution of ownership data in an inter-ethnic joint venture, the minimum objectives of the parties to a joint venture needs to be identified. Following is a list of objectives and the size of shareholding blocks needed to achieve these objectives:⁹.

- i) Triggering mandatory general offer. More than 33.3 percent.
- ii) Controlling company's operation. More than 50 percent
- iii) Forming strategic coalition. More than 66.6 percent.

If a joint venture serves the objective of both parties in that venture, neither party should be able to command a large enough percentage of shares to ignore the wishes of the other party. For example, in a situation when one party already has operational control of a joint venture, then the other is disenfranchised. If two parties come into a joint venture to achieve a particular objective, the combined shareholding of the parties must be able to deliver that objective without a third party controlling a block large enough to exercise the power of veto. Furthermore, neither of the two ethnic groups in a joint venture would have to incur substantially higher transactions costs in organising shareholders in that group. To test for a genuine inter-ethnic partnership to obtain, the different winning coalitions of shareholders have to be identified from data on the size distribution of shares within each ethnic group. None of the winning coalition could be formed by members of a single ethnic group.

⁹ These are the common percentages for the objectives although percentages may vary according to company's own rules. The 33.3 percent figure however is fixed as per Malaysia Securities Commission's Takeover Code.

These ideas about testing for a genuine inter-ethnic joint venture are illustrated here. A new comprising 206 companies listed in *Bursa Malaysia* in the year ending in 2005, it is a larger dataset than the one referred to in the CPPS report, has been constructed for the purpose. The companies are selected randomly from all industries and boards following a description that ensures consistency of recording. The criteria for the inclusion of shareholders are explained below.

- a) Shareholders have significant holdings. In this study, any shareholding of more than two percent is considered as significant.
- b) All Bumiputra shareholders are considered as one single shareholder. The majority¹⁰ of companies (41 percent) have one Bumiputra shareholder.
- c) Only three largest Chinese shareholders are analysed. Analysing one Chinese shareholder will reduce to one-to-one analysis thus concealing the information on total number of Chinese shareholders required. For computational simplicity in identifying shareholder coalitions that could be formed, this study limits the maximum number of partners in a potential coalition to four, one Bumiputera and three Chinese. .

In a company with an ethnic Bumiputra and three ethnic Chinese shareholders, there are altogether seven possible coalitions¹¹. Table II illustrates the framework of analysis involving at most three largest Chinese and one Bumiputera shareholders. A company in this sample, *Attis Corporation*, has only two Chinese shareholders, and thus there are only three possible shareholding coalitions..

¹⁰ Detailed breakdown number of ethnic Bumiputra shareholders in a company is as follows; 2 shareholders 23.1%, 3 shareholders 7.9%, 4 shareholders 5.1%, 5 shareholders 5.1 percents and more than 5 shareholders 7.7 percents. The percentages are based on the 86.7 percent (39 companies) that have Bumiputra shareholders from the initial 45 companies analysed.

¹¹ i.e. $2^n - 1$

*Table II: Example - Attis Corporation
Joint Venture Objective, Number of Partners and the Effect to Ownership
Structure (All Bold Figures are in Percentage)*

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
	Present O/ship structure	O/ship structure after Chinese- Chinese JV	Ownership Structure after Joint Venture between ethnic Bumiputra and Chinese ;						
(1)	S/holders		1 st Chinese	2 nd Chinese	3 rd Chinese	1st & 2nd Chinese	1 st & 3 rd Chinese	2 nd & 3 rd Chinese	All 3 Chinese
(2)	Chinese- 1st	49.3	-	49.3	-	-			
(3)	Chinese- 2 nd	1.7	1.7	-	-	-			
(4)	Chinese- 3 rd								
(5)	Bumiputra	9.9	-	-	-	-			
(6)	Chinese- Chinese	51.0 (49.3 + 1.7)							
(7)	Chinese- Bumiputra	NR	59.2 (49.3+ 9.9)	11.6 (1.7+ 9.9)	-	60.9 (19.3+1.7+ 9.9)			
	<i>Objective achieved</i>	<i>None</i>	<i>Operational</i>	<i>Operational</i>	<i>None</i>	<i>Operational</i>			
	<i>Size of coalition (no. of s/holders)</i>		2	2		3			

There are three potential candidates for winning coalitions of which 2 are inter-ethnic, that could gain operational control of *Attis Corporation*. These are identified in columns 3, 4 and 7. In another illustration (see Table III, *Isyoda Corporation Berhad*), there are three shareholders required to form a coalition to gain operational control, and these coalitions are identified in Column 9.

*Table III: Example - Isyoda Corporation Bhd
Possible Joint Ventures and the Effect to Ownership Structure (%)*

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	
(1)	o/ship structure – present	Ownership Structure after Joint Venture between ethnic Bumiputra and;							
		1 st Chinese s/holder	2 nd Chinese s/holder	3 rd Chinese s/holder	1st & 2nd Chinese s/holder	1 st & 3 rd Chinese s/holder	2 nd & 3 rd Chinese s/holder	All Chinese s/holder	
(2)	Chinese-1 st	4.9	-	4.9	4.9	-	-	4.9	-
(3)	Chinese-2 nd	3.8	3.8	-	3.8	-	3.8	-	-
(4)	Chinese-3 rd	3.7	3.7	3.7	-	3.7	-	-	-
(5)	Bumiputra ²	39.9	-	-	-	-	-	-	-
(6)	Chinese -Bumiputra JV	NR	44.8	43.7	43.6	48.6	48.7	47.4	52.3
		(4.9+ 39.9)	(3.8+ 39.9)	(3.7+ 39.9)	(4.9+3.8 +39.9)	(4.9+3.7 +39.9)	(3.8+3.7 +39.9)	(4.9+3.8+3.7+ 39.9)	(4.9+3.8+3.7+ 39.9)
	<i>Objective achieved</i>		<i>None</i>	<i>None</i>	<i>None</i>	<i>None</i>	<i>None</i>	<i>None</i>	<i>Operational</i>
	<i>Size of coalition (no. of s/holders)</i>		-	-	-	-	-	-	4

The previous two tables only offers a glimpse of the complexity that begins to emerge in identifying potential coalitions to gain operational control when we consider intra-ethnic distribution of shares. In this preliminary analysis, Bumiputera shareholders are grouped into one for simplicity. Only the distribution amongst the Chinese shareholders is separated.

The sample is restricted by the number of companies for which sufficient details of the identity of shareholders is published in the annual accounts to determine the ethnicity of relevant blocks, those holding two percents or more of the outstanding equity. If we take the entire sample of 206 companies, joint ventures that are able to call for mandatory general offer without help of third parties comprise only 13.1 percents of the sample. Joint ventures to gain strategic control is present in 10.2 percents of the sample.

Table IV: Joint Venture Objectives and Number of Partners required

Joint Venture	Not Equitable	Equitable	Coalition Size
Objectives:			
Mandatory General offer	86.9%	13.1%	2.7
Operational Control	86.4%	13.6%	2.6
Strategic Control	89.8%	10.2%	2.5

7. Conclusions

Two stories emerge from our data. The study by CPPS may have over-estimated the emergence of inter-ethnic joint ventures in Malaysia. Even if we ignore the intra-ethnic distribution within the Bumiputera community, there are only 13.6 per cent of the companies listed on the stock exchange which satisfy one of the essential CPPS criterion for being considered a genuine joint venture, that support from the owners from both ethnic groups is needed to gain operational control. If the bar is set higher at strategic control, then only slightly over 10 per cent of the companies qualify. The CPPS report also underestimates the difficulty of forming coalitions when shareholding within ethnic groups is dispersed.

It is indeed the case that an objective of public policy in Malaysia has been to increase the ownership of corporate equity for Bumiputeras, but it remains to be seen if the underlying objective of equitable control is also in the process of being achieved through the formation of genuine partnerships across the ethnic divide to gain control of companies. Only a small percentage of companies listed in the stock exchange can be considered as inter-ethnic partnerships in that sense. There is more work needed in the first instance on the identification of such companies, an exercise for which the size distribution of shares to highlight not just inter-ethnic but also intra-ethnic distribution of equity is needed. Only ownership data enriched as proposed here can shed light on potential coalitions across the ethnic divide that could gain control of companies.

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