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**Diasporic Dilemma and Economic Exigencies:
Communal Corporatization or Corporate Communalism?**

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Abstract

The 1986 upheaval in the Malaysian corporate sector, while sending shock waves across the nation, has its impact most acutely felt in its Chinese community. The unprecedented event that centred around the Multi-Purpose's misadventure and the DTC (deposit-taking cooperatives) fiasco, by close scrutiny, was linked to the community's haste to modernize its economic structure, through a "corporatization movement" that aimed at pooling the community's hitherto scattered resources, much of which idly tied up in the 4000 or so communal associations and trade guilds. As the 20th anniversary of the episode draws close, this paper reviews the unfolding of the tragedy and analyzes the role of corporatization as an ethnic revival movement. This is done in the light of the community's semi-capitalistic economic structure, which is deeply rooted in the arduous process of development of the early migrant society, stylized by clan mentality and *bang* spirit amidst a complex web of traditional guilds and associations.

Introduction: Corporatization as Ethnogenesis

If the year 2007 were to be noted as the tenth anniversary of the East Asian Financial Crisis that wrecked unprecedented havoc with Malaysian economy and politics, not as many people will note that it is also the tenth anniversary of an event that plunged the impoverished East European state of Albania into total anarchy after the collapse of a series of fraudulent pyramid schemes caused a large portion of the populace to lose their life savings. Fewer

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people will remember the basic facts of the crisis. Thousands of Albanians deposited their meager savings and money from relatives working abroad into the nine charitable foundations run by emerging Albanian businessmen, some of them having very close links with government officials. These foundations – some of the largest ones, in fact, looked like holding companies – eventually collected deposits totaled a billion US dollars, or one third Albania's gross domestic product, when the schemes collapsed en masse with as many as 700,000 Albanians in a population of merely 3.2 million losing their savings, plunging the country into political anarchy and a looming civil war.

Likewise, not many people will note that the year 2006 is the twentieth anniversary of a episode closer home that bears much similarity in various aspects to the Albanian pyramid affair – the DTC fiasco of 1986 that was unprecedented in the Malaysia, in which more than half a million mostly working-class Chinese – perhaps one in three Chinese households – lost their money, and in some cases, their entire life savings. The Malaysian government was forced to introduce the Essential (Protection of Depositors) Regulation, 1986, under the Emergency (Essential Power) Act, 1979, to give Bank Negara the necessary authority to act upon the deviating DTCs, and to come up with feasible rescue plans to help the depositors and to defuse a potentially explosive political storm in the unique ethnic democracy of Malaysia.

The upheaval, while sending shock waves across the nation, had its impact most acutely felt in the country's Chinese community. The Multi-Purpose's misadventure and the DTC fiasco, by close scrutiny, were the direct results of the community's haste to modernize its economic structure, as a response to the government's New Economic Policy promulgated in 1970, that ushered in a new era of ethnic democracy¹. The "corporatization movement" – that saw communal capital mobilization as a vehicle for reethnicization or ethno-(re)genesis² – had aimed at pooling the community's hitherto scattered resources, much of which tied up idly in the 4,000 or so traditional associations and guilds³, to set up large

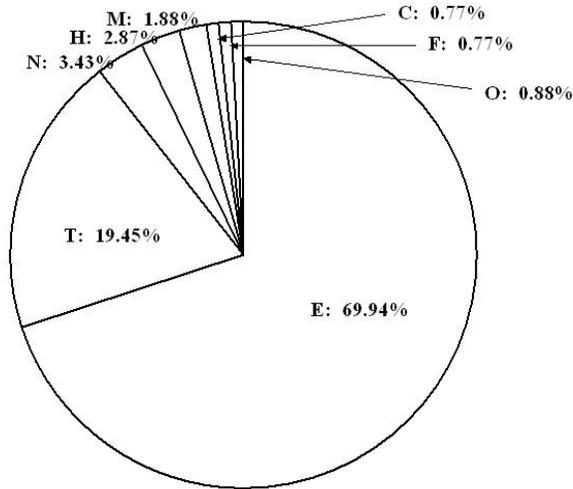
investment and holding companies, or establish multi-purpose cooperative societies, or both.

The Corporatization Movement

For an analysis of the Malaysian Chinese “economic self-strengthening movement” and the 1986 cooperative fiasco, one inevitably has to go back to the rise of the Koperatif Serbaguna Malaysia (KSM)⁴ and the success of the Multi-Purpose Holdings Berhad (MPHB)⁵ that led to the Chinese community’s acceptance of the concept of “pooling scattered funds for corporatization”. The germination of the corporatization movement must of course be traced back to the establishment of KSM and MPHB in August 1968 and May 1977 respectively. At the time when KSM began to manifest its success and prosperity, everywhere throughout the Chinese community cooperatives and holding and investment companies sprang into life. The call for corporatization echoed across the community. Much has been written over the years about KSM and MPHB. This paper will, instead, focus upon the investment companies and cooperatives set up during that period by the traditional Chinese associations⁶ and trade guilds.

Among the cooperatives set up or run by Chinese clan-regionalect⁷ associations were Komewah (by the Kheng Chew Association), Kojasa (Hokkien), Sepadu (Hakka), etc.⁸ There were also trade association-initiated cooperatives like Sakapp (Hawkers and petty traders), Koteksi (taxi trade), and the alumni association-run Wartawan⁹ (Chung Ling Alumni), and many others. Many of these cooperatives were among the 24 ill-fated DTCs hit by the 1986 crisis. To understand this unusual phenomenon one needs to go back to the Malaysian Chinese “economic self-strengthening movement” or “corporatization movement” that started it all.

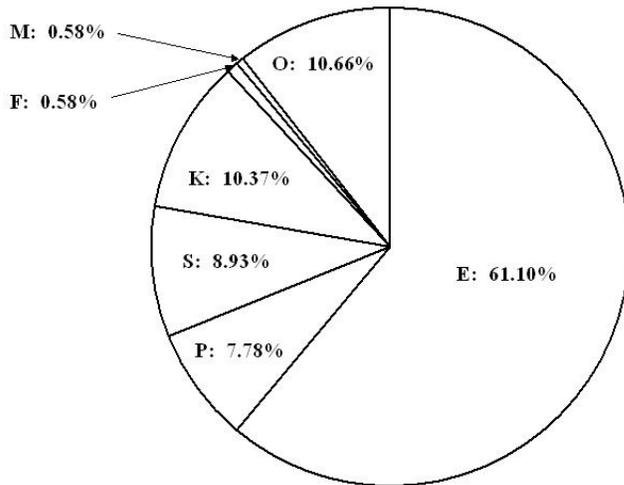
Figure 1 Major Factors of Chinese Migration to Nanyang



Chen Da's Findings

(Total number of families = 905)

- E – Economic oppression
- T – Ties and Relationships in Southeast Asia
- N – Natural Calamities
- H – Hope for career development
- M - Misdemeanour
- C – Chaotic situation
- F – Family disputes
- O – Others



Nanyang University's Findings

(Total number of families = 347)

- E – Economic difficulties
- P – Political chaos
- S – Social disturbances
- K – Kinship ties
- F – Family disputes
- M – Misdemeanour
- O - Others

Sources: Chen (1938:48); reports of the surveys conducted in 1970 by the History Department of the Nanyang University, Singapore: "Xinjiabo Huazu Cunshi Diaocha Yanjiu" (A Survey Analysis of the History of Chinese Villages in Singapore) and "Xinjiabo Huazu Hangyeshi Diaocha Yanjiu" (A Survey Analysis of the History of Chinese Occupations in Singapore), see Huang (1971).

The need for modernization of the Chinese economic structure was indeed pressing. The structural limitation existed since the beginning of the Chinese economy in British Malaya.¹⁰ The intermediary (middleman) type of commercial activities had given the economic system of the Malaysian Chinese certain important characteristics.

From the point of production and marketing, it was forced to depend upon international capitalist, and thus remained passive, restrained and unstable. The small initial capital had resulted in slow progress, if any, despite the effort a businessman might have put in for years. This limited potential was related to the low capability of capital generation and accumulation that was attributed in turn to the limitation in profitability. Hence, capital available for reinvestment was highly limited and the potential for further development was much restrained. Inevitably, this would adversely affect the potential evolution of the semi-feudal, semi-capitalist communal economic system into full-fledged capitalism.

Another obstacle on the road to capitalism lied in the very nature of its intermediary (middleman) characteristic, which was, strictly speaking, neither a primary (extracting/growing) nor secondary (processing/manufacturing) mode of production. Being tertiary (distributing) in nature, it employed no sophisticated instruments in production, thus rendering inapplicable the cultivation of the spirit of research and innovation. The lack of knowledge on the use and making of scientific instruments and skills was also attributable to the poor and primitive peasant background of the immigrants.

Furthermore, the intermediary commercial activities were also closely related to the clan/communal orientation. In terms of management, up to the 1970s, the Malaysian Chinese economic structure was intertwined very much with real or assumed ancestral relationship and the loyalty of ancestral origin. In employment, employers placed much emphasis on kinship and the link of common village/district of origin. Paternalism prevailed and unconditional loyalty

on the part of the employees was called for. All these were not constructive for the evolution into modern capitalism that emphasizes meritocracy and a contractual employer-employee relationship instead of the Chinese-style nepotism¹¹ and paternalism.

In addition, though there were very rich Chinese families with substantial ownership in rubber estates, manufacturing industries, construction and transport industries, the economic activities involved were mainly family-run businesses. They were inefficient and less profitable in comparison with modern enterprises using modern commercial practices. Nevertheless, today these family-run businesses still survive as the prevailing type of business practice in the retail trade, especially in the villages and small towns.

Another peculiarity of the Malaysian Chinese economic structure was the tendency for monopoly of particular trades by certain regionalect or district-clan groups although this has gradually been in decline in the modern era. Such a tendency could be attributed to the self-centred (“assist-only-thy-fellowmen”) or ethnocentric attitude of the regionalect/clan groups such as the Hokkien (Fujian), Cantonese (Guangdong), Hakka (Kejia), Hailam (Hainan). The result was that, for instance, the Hokkiens were more often engaged in rubber plantations and the Hainanese in coffee shop businesses (Cheng, 1985). This could be observed in the dominance of the Hainanese in the MPH and Supreme Corporation.¹²

The “semi-feudal, semi-capitalistic, semi-compradore” characteristics of the Malaysian Chinese economic structure also posed an obstacle for its sustainability. Staffing was often not based on meritocracy – i.e. the talents and capabilities of the workers – simply because the towkays could only place their trust in their own sons and other kith and kin. Ironically, many of the young generation had received western education and been acculturated with modern capitalist and individualist spirit and thus held the traditional family-run businesses in contempt. Furthermore, they might have found what they had

learned to be inapplicable in their fathers' traditional businesses. On the other hand, the semi-feudal/paternalistic nature of these traditional family-run businesses might also sow the seed of worker discontent. Table 1 below is a translation of Huang Zhilian's comparison between the structural limitations of the Malaysian Chinese economy with the pre-requisites for capitalistic industrialization (Huang, 1971:47).

Table 1 A Comparison between the Situation of the Malayan Chinese Economy and the Conditions Required for Capitalistic Industrialization

	Conditions Required for Capitalistic Industrialization	Contemporary Conditions of the Malayan Chinese Economic System
Politics	In power	Powerless
Capital	High profits and rich capital accumulation enabling reinvestment	“Intermediary” economy with low profits and slow capital accumulation resulting in inadequate conditions for reinvestment
Technology	Scientific equipments for production and ever-improving technology	Backward equipments for production and incapability in technological advancement
Management	High-level and precise division of labour and systematized, justified personnel management based on “meritocracy”	Imprecise division of labour and the predominance of clanism and <i>bangism</i> in management alienating able personnel
Marketing	Capability to a certain extent in expansion and control in the international market	“Intermediary” system of retailing activities under the constraints of international capitalism with negligible ability in expansion and control
Mentality	For long-term extensive investment activities to gain larger profits	For immediate profitability, lacking in long-term and comprehensive planning

Source: Huang (1971:47).

These structural limitations received an unprecedented attention after the success of MPH in the midst of the Chinese frustration over the impact of the NEP.¹³

The Chinese organizations referred to in this paper included the traditional guilds, clan and regional associations, religious societies and alumni associations. There were altogether some estimated 4000 such organizations in the country. Being non-profit and run by volunteers, these associations and guilds were generally cash-poor but asset-rich, said to add up to a total value of some RM9 billion.

Most of these organizations were locally run but linked to statewide organizations such as the Chinese assembly halls¹⁴, Chinese chambers of commerce¹⁵ or similar guilds and associations at the state level. The statewide organizations were often members of nationwide confederations, such as the Federation of Hokkien Associations of Malaysia¹⁶, the Malaysian Footwear Manufacturers' Association¹⁷, the Nanyang University Alumni Association of Malaysia, and the Federation of Moral Uplifting Societies in Malaysia¹⁸.

Once mainly restricted to social and cultural activities, these guilds and associations were quick to respond to the calls, made during the numerous economic conferences and seminars organized by the Chinese chambers of commerce, Chinese associations and guilds and the Malaysian Chinese Association (MCA – the major Chinese party in the Malaysian ruling coalition) in the second half of the 1970s, to restructure the Chinese economy by means of pooling individual resources for sizeable modern commercial undertakings.

It is generally believed that there were not less than 150 associations and guilds that had actually gone into planning to set up their investment holding companies or cooperative societies, or both. A conservative estimate would put the number of such investment holding companies actually organized to more than 50. The active ones, however, numbered only around 10.

Table 2 The Malaysian Chinese Chambers of Commerce

Chamber of Commerce	Date of establishment
Penang Chinese Chamber of Commerce	1903
Kuantan Chinese Chamber of Commerce	1903
Selangor Chinese Chamber of Commerce	27 March 1904
Perak Chinese Chamber of Commerce	1907
Batu Pahat Chinese Chamber of Commerce	1908
Sandakan Chinese Chamber of Commerce	1909
Raub Chinese Chamber of Commerce	1911
Kota Kinabalu Chinese Chamber of Commerce	August 1911
Kelantan Chinese Chamber of Commerce	1912
Temerloh Chinese Chamber of Commerce	1921
Miri Chinese Chamber of Commerce	1925
Baram Chinese Chamber of Commerce	1927
Kedah Chinese Chamber of Commerce	14 June 1936
Terengganu Chinese Chamber of Commerce	2 September 1945
Pahang Chinese Chamber of Commerce	1946
Gambang Chinese Chamber of Commerce	5 May 1946
Kelang Chinese Chamber of Commerce	28 May 1946
Negri Sembilan Chinese Chamber of Commerce	8 September 1946
Johor Associated Chinese Chambers of Commerce	1 August 1947
Kota Tinggi Chinese Chamber of Commerce	10 October 1947
Sibu Chinese Chamber of Commerce	1948
Sabah United Chinese Chambers of Commerce	1955
Tuaran Chinese Chamber of Commerce	22 April 1956
Pasir Mas Chinese Chamber of Commerce	1957
Semporna Chinese Chamber of Commerce	14 June 1959
Muar Chinese Chamber of Commerce	1964
Sarawak Associated Chinese Chambers of Commerce	10 April 1965
North Perak Chinese Chamber of Commerce	1966
Keluang Chinese Chamber of Commerce *	
Kudat Chinese Chamber of Commerce *	
Melaka Chinese Chamber of Commerce *	

N.B.

* Dates unavailable due to loss of records during the Second World War

Source: *Mahua Shanghui Shi (History of Chinese Chambers of Commerce of Malaysia)*, commemorative issue of the 27th anniversary of the Associated Chinese Chambers of Commerce of Malaysia, Kuala Lumpur, 1974.

Table 3 Federations of Chinese Provincial Associations in Malaysia

Bang	Federation of associations	No. of member associations	Year of establishment	
Hokkien (Fujian)	1. Federation of Hokkien Associations of Malaysia	96	1957	
	2. Associated Eng Choon Societies of Malaysia	32	1957	
	3. Federation of Foochow Associations of Malaysia	42	1966	
	4. Federation of Shing An Associations of Malaysia	27	1970	
	5. Federation of Hwee Ann Associations of Malaysia	11	1976	
	6. Federation of Chin Kang Associations of Malaysia	12	1977	
Kwangtung (Guangdong)	7. Federation of Kwang Tung Associations Malaysia	27	1947	
	8. Federation of Toishan Associations of Malaysia	11	1947	
	9. Malaysia Kochow Association	21	1949	
	10. Federation of San Shui Associations of Malaysia	-	1949	
	11. Persatuan Kwangsi Malaysia*	35	1952	
	12. Federation of Ko Kong Chow Six Districts Associations of Malaysia	28	1952	
	13. Federation of Poon Yu Associations of Malaysia	4	1952	
	14. Federation of Chung San Associations of Malaysia	7	1954	
	15. Federation of Nam Hoi Associations of Malaysia	-	1960	
	16. Malaysia Wui Ning Association	-	1973	
	17. Federation of Soon Tuck Associations of Malaysia	7	1979	
	18. Federation of Kwong Siew Associations	13	1980	
	Hakka (Kejia)	19. Federation of Ka Yin Chu Associations Malaysia	29	1950
		20. P.P. Fui Chiu Semenanjung Malaysia	12	1963
		21. Federation of Hakka Associations of Malaysia	50	1979
		22. Persekutuan Persatuan-persatuan Taipu (Chha Yong) Malaysia	18	1973
		23. Malaysia Cheng Leong Association	10	1979
	Teochew (Chaozhou)	24. Federation of Teochew Associations of Malaysia**	44	1934
Khengchew (Qiongzhou)	25. Federation of Kheng Chew Hwee Kuan of Malaysia	66	1933	
Sankiang (Sanjiang)	26. Malaysia San Kiang Association	5	1978	

N.B.* *formerly called the Federation of Oversea Kwai People's Associations in Malaysia*** *formerly called the Federation of Hang Kang Associations in Malaysia*

Although the formation of such companies outwardly seems to be a response to the call of the pioneering MPHB and its patron MCA, the actual factor behind such a change lies in the latent structural weaknesses of the traditional family-enterprises and the semi-feudal, semi-capitalistic and intermediary nature of the traditional Chinese economic activities in this country. In other words, the very weaknesses of the traditional system itself would sooner or later bring about either its own demise, or as it turned out to be, transformation with the State's discriminatory preferential policies acting as a powerful stimulant and the success of KSM and MPHB the timely push.

However, by March 1983 the number of investment companies successfully launched was only 19. Some of the larger ones organized by regionalect-based associations were Hoklian Holdings Bhd. (Hokkien), Fui Lian Holdings Bhd. (Hokkien – Fui Chiu), Ka Yin Holdings Bhd. (Hakka – Ka Yin), Holian Holdings Bhd. (Hakka – Ho Po) and Grand Ocean Development Bhd. (Hainanese – Keng Chew). While the larger holding companies did stay and grow, many others had remained dormant or faced acute losses over the years.

These community investment holding companies can be broadly grouped under 3 categories in terms of their linkages and affiliations: those linked to political parties, those linked to associations and those linked to guilds and other organizations (Table 4).

Table 4 Chinese Community Investment Companies

	Company	Organizer	Date of Incorporation	Address of Registered Office
(A) Chamber of Commerce				
1	UNICO Holdings Bhd *	Associated Chinese Chambers of Commerce and Industry of Malaysia (ACCCIM)	21-5-81	Kuala Lumpur
2	Penang Commercial & Industrial Development Bhd **	Penang Chinese Chamber of Commerce	18-4-73	Penang
3	Keat Hua Holdings (Kedah) Bhd ***	Kedah Chinese Chamber of Commerce	9-9-81	Alor Setar, Kedah
4	Chunghua Holdings Bhd****	Persatuan Perniagaan China Kuantan	1975	Kuantan, Pahang
5	Kepong Commercial Holdings (M) Bhd	Persatuan Firma-firma, Kepong	28-7-81	Kuala Lumpur
(B) Trade Guilds				
6	FOMFEIA Bhd ^	Federation of Malaysian Foundry and Engineering Industries Associations (FOMFEIA)	11-12-80	Kuala Lumpur
7	Petroleum Dealers' Holding Bhd ^^	Perak Petroleum Dealers Association	3-12-82	Ipoh, Perak
8	Funsun Holdings (M) Bhd ^^^	Federation of Hawkers and Petty Traders Associations of (West) Malaysia	23-10-81	Batu Pahat, Johor
9	United Rice Wholesalers Enterprise Bhd	Persatuan Pemborong-pemborong Beras, Semenanjung Malaysia	19-12-81	Kuala Lumpur
10	Sundry Goods Merchants Guilds (Selangor) Holdings Sdn Bhd	Selangor Teo-Chiu Sundry Goods Merchants Guild	18-12-81	Kuala Lumpur
11	Grocery and Sundry Merchants Holdings Bhd	Persatuan Kedai-kedai Runcit, Johor	24-2-82	Batu Pahat, Johor
12	Motorcycle Dealers Holdings Sdn Bhd	Selangor & Wilayah Persekutuan Motorcycle and Scooter Dealer Association	14-4-81	Kuala Lumpur

(C) Family-Clan Association				
13	United Chias' Corporation Bhd ^^^^	Chia Association of Malaysia	19-1-83	Kuala Lumpur
14	How Bee Holdings Sdn Bhd ^^^^	Penang How Bee (Teoh) Association	3-11-81	Penang
(D) Provincial-Clan Association				
15	Hoklian Holdings Bhd #	Federation of Hokkien Associations in Malaysia	5-6-80	Kuala Lumpur
16	Kwai Lian Holdings Bhd #	Persatuan Kwangsi Malaysia	9-6-83	Kuala Lumpur
(E) District-Clan Association				
17	United Teochew (Malaysia) Bhd ##	Federation of Teo Chew Associations of Malaysia	17-2-81	Kuala Lumpur
18	Teochew Holdings (Penang) Bhd	Penang Teo Chew Association	6-7-81	Penang
19	Ka Yin Holdings Bhd ###	Federation of Ka Yin Associations of Malaysia	19-2-80	Kuala Lumpur
20	Lung Yen Enterprise (Holdings) Sdn Bhd +	Federation of Lung Yen Associations of Malaysia	4-3-82	Kota Kinabalu, Sabah
21	Chin Kang Holdings + (Selangor) Berhad	Federation of Chin Kang Associations of Malaysia	1-12-81	Kuala Lumpur
22	Ann Koai Holdings Bhd +	Selangor Ann Koai Association	15-6-81	Kuala Lumpur
23	Holian Holdings Bhd ##	Persatuan Ho Po Malaysia	12-10-81	Kuala Lumpur
24	Fui Lian Holdings Bhd ##	Selangor Fui Chiu/Hui Aun Association	3-7-81	Kuala Lumpur
25	Pu-lien Holdings (M) Bhd +	Persekutuan Persatuan-persatuan Taipu (Chha Yong) Malaysia	15-2-84	Kuala Lumpur
26	Chung San Holdings (Malaysia) Bhd +	Chung San District Society, Malaysia	26-6-81	Kuala Lumpur
27	Yunglian Enterprise Bhd +	Associated Eng Choon Societies of Malaysia	3-7-82	Kuala Lumpur
28	Lung Kong Holdings Bhd +	Lung Kong Federation of Malaysia	3-10-80	Kuala Lumpur
29	Grand Ocean Development Bhd ##	Persatuan Keng Chew Selangor	4-8-80	Kuala Lumpur

(F) Alumni Associations

30	Chung Ling Holdings Bhd ⁺⁺	Chung Ling Old Boys' Association	29-4-74	Kuala Lumpur
31	Jit Sin Holdings Bhd ⁺⁺	Jit Sin School Union	19-2-81	Penang
32	Yoke Kuan Ex-pupils' Holdings Sdn Bhd ⁺⁺	Yoke Kuan Ex-pupils' Association	27-4-81	Kelang, Selangor
33	Hua Jin Holdings Bhd ⁺⁺	Persatuan Bekas Murid-murid Sekolah Menengah Hwa Jin	31-7-79	Batu Pahat, Johor

(G) Political Party

34	Multi-Purpose Holdings Bhd ⁺⁺⁺	Malaysian Chinese Association	18-8-75	Kuala Lumpur
35	Matang Holdings Bhd ⁺⁺⁺⁺	Johor M.C.A.	1978	Johor
36	Aik Hua Holdings Bhd ⁺⁺⁺⁺	Selangor M.C.A.	13-5-81	Kuala Lumpur
37	Panwa Development Bhd ⁺⁺⁺⁺	Pahang M.C.A.	14-1-81	Mentakab, Pahang
38	Peak Hua Holdings Bhd ⁺⁺⁺⁺	Perak M.C.A.	1981	Perak

Source: Identified and compiled by the author.

N.B.:

* *Unico is known as “Shanglian” in Chinese (short for “Malaixiya Huaren Gongshang Lianhehui”, i.e. the ACCCIM). Since incorporation, it had been declared to be a leader in the corporatization movement by its promoter, the ACCCIM.*

** *Penang Commercial's board of directors consisted of 7 members (besides the PCCC), who were prominent personalities in the Penang business circle: Datuk Chong Han Leong, Choot Ching Khoon, Chang Cheng Guan, Koh Pen Ting (the late father of the present Penang Chief Minister, Tan Sri Dr Koh Tsu Koon), Foo Yee Fong, Loh Boon Siew and Neoh Choo Ee. Koh Pen Ting was also on the Unico board.*

*** *“Jihua” (Keat Hua) meaning “Kedah Chinese”. Shareholdings were restricted to members of the KCCC. Its 7 directors were all from Alor Setar. One of them, Dato' Lee Seng Cheng, who was the chairman of the KCCC, was also one of the directors of Unico.*

**** *“Zhonghua” means “Chinese”. The company was at first intended to be named Syarikat Perdagangan dan Perindustrian Persatuan Perniagaan China Kuantan Bhd – quite a mouthful.*

^ *Initially named Quality Foundry and Engineering Sdn. Bhd., the company altered its name to Fomfeia Sdn. Bhd. On 9-4-83 and was subsequently converted into a public company on 27-2-84. Its name is the acronym representing its founder organization that represents the more than 5,000 basically Chinese-dominated foundries, machine shops, steel fabrication plants and precision engineering establishments in the country.*

^^ *Though the original intention was to trade in petroleum products and to operate service stations, the Perak-based Petroleum Dealers' Holdings Bhd. since its commencement of operations on 1-8-83 dealt principally in the trading of motor vehicle accessories.*

^^^ *“Fanshang” (Funsun) means “hawkers and petty traders”. The Batu Pahat-based Funsun's founder is a confederation formed by the 36 Hawkets and Petty Traders Associations in East and West Malaysia. See also note 22 below.*

- ^^^ Chia: “Xie” in Mandarin. United Chias’ had a paid-up capital of only RM18,000.
- ^^^ Teoh: “Zhang” in Mandarin. How Bee had 48 shareholders (paid-up capital: RM600,000), 79% were Teohs.
- # Hoklian (Fulian) of the Fujianese (Hokkien) – from the Chinese province (shen) of Fujian. Kwai Lian (Guilian) of the Kwangsi people – from the province of Guangxi. “Kwai” (“Gui”) is the shorter name for the Guangxi (Kwangsi) province, like “Min” for Fujian, “Yue” for Guangdong, “Shu” for Sichuan, etc.
- ## United Teochew of the Teochew (Chaozhou) people; Ka Yin (Jiaying) of the Ka Yin people – from Jiaying, known today as Meixian; Holian (Helian) of the Ho Po (Hepo) people; Fui Lian (Huilian) of the Fui Chiu/Hui Aun people – from the Chinese county (xian) of Hui Zhou/Hui’an; Grand Ocean (Dayang) of the Keng Chew (Qiongzhou) people. Grand Ocean later became a fully owned subsidiary of Grand United Holdings Bhd, a former associated company of the Grand Ocean.
- + Ann Koai (Anxi), Chin Kang (Jinjiang), Chung San (Zhongshan), Pu-lien (Pulian – set up by the Dapu/Chayang people), Yunglian (Yonglian – set up by the Yongchun people), Lung Kong (Longgang) and Lung Yen (Longyan) were the companies established by district-clan associations that remained inoperative since incorporation.
- ++ The most important company set up by alumni associations of the Chinese-based Malaysian schools (including Chinese-medium primary schools and Malay-medium “National-type” Chinese secondary schools) was the Kuala Lumpur-based Chung Ling set up by the national confederation of the Chung Ling Old Boys’ Associations, the alumni associations of the Zhongling Zhongxue (Chung Ling High School) in Penang. Others were Hua Jin established by the alumni association of the Huaren Zhongxue (Sekolah Menengah Hwa Jin) in Batu Pahat, Jit Sin by the alumni association of the Rixin Zhongxue (Jit Sin High School) in Bukit Mertajam, Penang, and Yoke Kuan Ex-pupils’ by the alumni association of the Yuqun Xiaoxue (S.R.J.K. Yoke Kuan) in Sekinchan, Selangor. The last had been inoperative since incorporation.
- +++ MPH is known in the Chinese community as Mahuà, short for Malaixiya (Malaysian) Duoyuanhua (multi-purpose). Its founder, the MCA, is known as Mahuá, short for Malaixiya (Malaysian) Huaren (Chinese) Gonghui (association).
- ++++ Apart from MPH that was formed under MCA’s first five-point programme, the party in its second five-point programme called upon every state-level MCA machinery to set up a holding company fashioned after MPH. Four states did it: Selangor with Aik Hua (“Yihua” meaning “to benefit the Chinese”), Pahang with Panwa (“Penghua” meaning “Pahang Chinese”), Johor with Matang, and Perak with Peak Hua (“Pihua” meaning “Perak Chinese”).

The Deposit-Taking Cooperatives: The Making of a Fiasco

If it had been the failure of MPH and the stagnation of the other Chinese investment holding companies that served to cool down the early zeal for economic self-strengthening and corporatization and shatter the optimism for the possible wholesale transformation of the economic structure of the Malaysian Chinese community, a final blow might have come from the DTC (deposit-taking cooperative) crisis of 1986. It was a crisis that spelt the end for most, if not all, of the major Chinese-based cooperatives, many of which were set up during the height of the self-strengthening campaign; it was also a crisis that victimized the vast lower-middle-class Chinese.

It all began in early 1986 with the collapse of Setia Timur¹⁹, a credit and leasing company that took deposits, sending shockwaves amongst the public. The confidence crisis instantly led to the subsequent large-scale withdrawal on the other DTIs (deposit-taking institutions), and in particular, the DTCs. Despite apprehension since early 1985 amongst economists, bankers and government officials that some cooperatives were having difficulties, no action was taken until June 1986, when Kosatu led the way to set off the tremors. The Koperasi Belia Bersatu Berhad (Kosatu) deserves particular attention due to its special role in the 1986 crisis. It was this cooperative that had been accused as the number one culprit in the cooperative disaster and the accusation tended to zero in on its founder-chairman Tee An Chuan. Kosatu was registered on 17th January 1977 by Tee. Under the banner of the Gerakan Belia Bersatu Malaysia (Malaysian Youth Solidarity Movement), Kosatu grew rapidly since registration into one of the cooperative giants. By 31st December 1985, its total assets had reached RM129,600,000, with 67 operating branches throughout West Malaysia. With 14,541 members, it appeared to have 19 subsidiary companies. Besides, in 1982/83 Kosatu was number eight in terms of total assets (Table 6), while KSM notably topped both the asset and membership lists (Tables 5 and 6)²⁰.

Table 5 The Top 20 Cooperatives (by Membership), 1982/83

Cooperative	Membership	
1	Koperatif Serbaguna Malaysia Berhad (KSM)	209,220
2	The Coop Central Bank Ltd. (CCB)	179,347
3	Koperasi Insurans Malaysia Berhad (MCIS)	120,222
4	Koperasi Usaha Bersatu Malaysia Berhad	95,900
5	Koperasi Angkatan Tentera Berhad	75,000
6	National Land Finance Co-operative Society Ltd.	67,248
7	Koperasi Jayadiri Malaysia Berhad (Kojadi)*	58,082
8	Koperasi Polis Diraja Malaysia Berhad	35,877
9	Syarikat Nesa Pelbagai Berhad	32,508
10	Koperasi Shamelin Berhad	28,559
11	Bank Kerjasama Rakyat Malaysia Berhad (Bank Rakyat)	28,134
12	Koperasi Pekerja Jaya Berhad	22,099
13	Koperasi Pemodalan Felda Berhad	21,196
14	Koperasi Pembangunan Ekonomi Pemuda Malaysia Berhad (Komuda)*	20,994
15	Koperasi Kewangan Perindustrian Malaysia Berhad (MIFC)*	18,612
16	Koperasi Mewah Berhad (Komewah)*	16,868
17	Koperasi Lembaga Letrik Negara Berhad	16,680
18	Koperasi Telekom Malaysia Berhad	16,242
19	Koperasi Rakyat Berhad (Korakyat)*	15,010
20	Koperasi Belia Bersatu Berhad (Kosatu)*	11,805

N.B.

* hit by the 1986 freeze

Table 6 The Top 20 Cooperatives (by Total Assets), 1982/83

Cooperative	Total Assets (RM)	
1	Koperatif Serbaguna Malaysia Berhad (KSM)	700,111,066
2	Bank Kerjasama Rakyat Malaysia Berhad (Bank Rakyat)	550,243,000
3	The Coop Central Bank Ltd. (CCB)	476,765,229
4	Koperasi Insurans Malaysia Berhad (MCIS)	263,787,957
5	National Land Finance Cooperative Society Ltd.	166,389,405
6	Koperasi Polis Diraja Malaysia Berhad	95,659,652
7	Koperasi Angkatan Tentera Berhad	68,053,325
8	Koperasi Belia Bersatu Berhad (Kosatu)*	51,614,351
9	Koperasi Mewah Berhad (Komewah)*	51,546,589
10	Koperasi Jayadiri Malaysia Berhad (Kojadi)*	47,599,606
11	Koperasi Serbaguna Kosmopolitan Berhad (Kosmopolitan)*	46,863,825
12	Koperasi Serbaguna Cuepacs Berhad	40,386,812
13	Koperasi Pekerja Jaya Berhad	36,195,376
14	Koperasi Kewangan Perindustrian Malaysia Berhad (MIFC)*	31,967,449
15	Koperasi Pegawai-pegawai Melayu Malaysia Berhad (MOCCIS)	29,489,053
16	Koperasi Usaha Bersatu Malaysia Berhad (KUB)	28,391,406
17	Koperasi Telekom Malaysia Berhad	27,411,306
18	Koperasi Lembaga Letrik Negara Berhad	26,243,534
19	Syarikat Nesa Pelbagai Berhad	25,271,004
20	Koperasi Belia Nasional Berhad (Kobena)	23,685,414

N.B.

* hit by the 1986 freeze

Earlier on, amidst the atmosphere of doubt and trepidation, in February 1986, the authorities had begun probing into some DTCs. On 8th May 1986, the Koperasi Kawalan Kredit (KKK), a regulatory body designed to oversee the DTCs, was registered. Unexpectedly, rather than strengthening the confidence of the depositors, the setting up of the KKK had brought about the exactly opposite effect of eroding the already meagre confidence. Due to the fact that not all DTCs automatically became members of KKK, there arose public misunderstanding concerning those non-members. This resulted in a further confidence crisis and a bigger run on the DTCs. By the time all DTCs were accepted as KKK members, the crisis had gone out of control. By then, Kosatu had even failed to meet normal withdrawals. In early July 1986, Kosatu, the largest cooperative with 67 branches and nearly 53,000 depositors, suspended payments. Feeling that the confidence crisis was getting out of hand, the government decided to introduce the Essential (Protection of Depositors) Regulations, 1986 – promulgated on 20th July – under the Emergency (Essential Power) Act, 1979, to give the Central Bank the necessary authority to act upon certain deviating DTCs. With these additional powers, the Central Bank launched a surprise raid on Kosatu and its subsidiaries on 23rd July 1986 and suspended their activities. It proceeded to submit a report to the Prime Minister and the Minister of Finance on 31st July 1986 on the raid on Kosatu and the financially tenuous state of the DTCs in general and informed the Registrar-General of Co-operatives on 5th August 1986 that a number of the DTCs were unable to meet deposit withdrawals and were considering closure. Nevertheless, the action against Kosatu appeared to be somewhat late in coming. Confidence was not restored, and a run on other DTCs had begun. A decision was subsequently made on 6th August 1986 that in addition to Kosatu, the activities of 23 of the 35 DTCs²¹ should also be suspended.

The Freeze

On 8th August 1986 the activities of the 23 cooperatives were suspended. The assets of 136 of their directors and main office-holders, who were also required to surrender their passports to the Director of Immigration, were frozen. Investigations were subsequently launched with the assistance of 17 accounting firms specially appointed for the purpose. Even so, by the time the assets of the 23 DTCs, in addition to Kosatu, were frozen and a full-scale investigation was launched, RM150 million had already dissipated.

Table 7 DTCs Suspended #

1	Koperatif Serbaguna Malaysia Berhad (KSM) <i>Malaixiya Duoyuanhua Hezuoshe (Mahua)</i>
2	Koperasi Pembangunan Ekonomi Pemuda Malaysia Berhad (Komuda) <i>Malaixiya Qingnian Jingji Fazhan Hezuoshe (Qingjing)</i>
3	Koperasi ENE Berhad (ENE) * <i>Wan Hezuoshe (Wan)</i>
4	Koperasi Serbaguna Fortiss Berhad (Fortiss) <i>Fuli Duoyuanhua Hezuoshe (Fuli)</i>
5	Koperasi Serbaguna Gunung Emas Berhad (KGE) <i>Jinshan Duoyuanhua Hezuoshe (Jinshan)</i>
6	Koperasi Kewangan Perindustrian Malaysia Berhad (MIFC) <i>Malaixiya Shiye Jinrong Hezuoshe (Shiye)</i>
7	Koperasi Serbaguna Kosmopolitan Berhad (Kosmopolitan) <i>Dazhong Duoyuanhua Hezuoshe (Dazhong)</i>
8	Koperasi Mewah Berhad (Komewah) <i>Meihua Hezuoshe (Meihua)</i>
9	Syarikat Kerjasama Penjaja-penjaja dan Peniaga-peniaga Kecil Selangor Berhad (Sakapp) <i>Canhe Hezuoshe (Canhe)</i>
10	Koperasi Rakyat Berhad (Korakyat) <i>Renmin Hezuoshe (Renmin)</i>
11	Koperasi Bersatu Tenaga Berhad (Kotena) <i>Malian Hezuoshe (Malian)</i>
12	Koperasi Jayadiri Malaysia Berhad (Kojadi) <i>Mahua Zili Hezuoshe (Zili)</i>
13	Koperasi Pengusaha Teksi Wilayah Berhad (Koteksi) <i>Mada Gongshang Hezuoshe (Mada)</i>

- 14 Koperasi Jasa Rakyat Berhad (Kojasa)
*Fulian Hezuoshe (Fulian) ***
- 15 Koperasi Wanijaya Malaysia Berhad (Wanijaya)
Malaixiya Funii Tuanyun Hezuoshe (Futuanyun)
- 16 Koperasi Sepadu Berhad (Sepadu)
*Huilian Hezuoshe (Huilian) ****
- 17 Koperasi Emas Pulau Pinang Berhad (KEPP)
Jinma Hezuoshe (Jinma)
- 18 Koperasi Serbaguna Leasing & Kredit Malaysia Berhad (KLK)
Malaixiya Xindai Hezuoshe (Xindai)
- 19 Koperasi Sri Maju Berhad (Komaju)
Yulong Hezuoshe (Yulong)
- 20 Koperasi Wartawan-wartawan Berhad (Wartawan)
Renren Hezuoshe (Renren)
- 21 Koperasi Pantai Kembang Berhad (Pantai Kembang)
Penglian Hezuoshe (Penglian)
- 22 Koperasi Sakthi Jaya Berhad (Sakthi Jaya)
Wanren Hezuoshe (Wanren)
- 23 Koperatif Bersatu Berhad (KBB)
Tongyi Hezuoshe (Tongyi)
- 24 Koperasi Belia Bersatu Berhad (Kosatu)
*Qingnian Tuanjie Yundong Hezuoshe (Qingtuanyun) ******

N.B.:

- # *In the Chinese community, these cooperatives were known by their Chinese names (in italic). “Hezuoshe” is a cooperative while “duoyuanhua” means “multi-purpose”. See also notes 4 and 5.*
- * *“ENE” stood for “Empat Nombor Ekor” (four-digit betting), the former name of Magnum. This cooperative was a ticket-sellers’ cooperative of Magnum.*
- ** *“Fulian” is short for “(Malaixiya) Fujian Shetuan Lianhehui” (Federation of Hokkien Associations in Malaysia). “Hoklian” as in “Hoklian Holdings Bhd.” is the pronunciation of “Fulian” in the Hokkien (Fujian) regionalect.*
- *** *“Huilian” is short for “(Malaixiya) Huizhou Shetuan Lianhehui” (Federation of Fui Chiu Associations of Malaysia). “Fui Lian” as in “Fui Lian Holdings Bhd.” is the pronunciation of “Huilian” in the Hakka (Kejia) regionalect.*
- ***** *“(Malaixiya) Qingnian Tuanjie Yundong” is Chinese for “Gerakan Belia Bersatu Malaysia” (the Malaysian Youth Solidarity Movement).*

Although not all directors, members and depositors in these DTCs were Chinese, the number of non-Chinese were relatively quite negligible. Hence the crisis could be said to be mainly a Chinese crisis, and it in particular hit those in the lower-middle- and lower-income classes. Many of these cooperatives had strong Chinese communal background, like KSM and Kojadi established by the

MCA, Komewah by the Federation of Kheng Chew Associations of Malaysia (Hainanese), Sakapp²² by the Selangor Hawkers and Petty Traders Association, Korakyat by Parti Gerakan Rakyat Malaysia, Koteksi by the Federal Territory Taxi Association, Wanijaya by the women wing of the MCA, and Kosatu, at least nominally, by the Malaysian Youth Solidarity Movement (GBBM). Komuda, set up by the Chinese-based Malaysian Youth Movement, on the other hand, was related to the MCA Youth.²³ Kojasa, though established by the Eurasian community, was later largely run by the Youth section of the Federation of Hokkien Associations of Malaysia. Wartawan, set up by the Journalists' Association, was taken over by the Chung Ling Old Boys' Association.

On the part of the DTCs, the response to the Central Bank's swingeing measures had been ambivalent. Some DTCs were clearly outraged that the suspensions forestalled their plan to establish a consortium of 26 cooperatives to save Kosatu²⁴. Anyway, time was obviously not on their side. It ran out for the Central Bank as well. Moreover, although the authorities kept emphasizing that the cooperatives were not part of the banking system, three or four finance companies were reported to have come under pressure from depositors wanting to withdraw their money. There was also much unease within the financial circles regarding some latent danger due to the volume of the DTCs' deposits with the finance companies or the amount of banks' unofficial loans to the DTCs.

The most important aspect of the crisis, however, was that more than half a million Malaysians, mostly working-class Chinese, had lost their money – in some cases, their entire life savings – in the ailing DTCs. The government's initial decision not to bail out the DTCs caused much hue and cry, including demonstrations, from the depositors, whose dearth of political leverage was probably more than compensated by their numerical strength - half a million, not counting as many as two million of their dependents.²⁵ Lim Kit Siang, leader of the Chinese-based opposition Democratic Action Party (DAP)²⁶, protested, accusing the government of evading its responsibility to the people, since in the

past, it had rescued Bank Rakyat, Bank Bumiputra and other companies that linked to the interest of the demographic majority. In early July 1987 the Central Bank at long last announced a bail-out plan, approved by the cabinet, for the DTCs with full compensation for the depositors – albeit spread over five years, either in cash or in shares of newly licensed successors to defunct companies.²⁷ This bail-out plan not only brought relief to the 588,000 people who had deposited RM592 million to RM1.5 billion into the 24 cooperatives, but also to the leaders of major Chinese political party in the ruling coalition who saw a potentially explosive political furore mitigated. As a political issue, the DTC fiasco was perfectly designed for the party's opponents both inside and outside the ruling coalition. The party's chief rival²⁸ in the coalition in fact also came up with a rescue plan²⁹ in May that contained the outlines of the bail-out plan eventually adopted. By then the beleaguered party, with its political credibility having taken a nosedive, had warn of pulling out of the ruling coalition if an immediate ringgit-for-ringgit refund was not guaranteed.³⁰

Conclusion: Communal Corporatization or Corporate Communalism?

Many of the DTCs were consummate at capitalizing on personal ties. People who were respected and trusted within the community, often teachers and retired headmasters, were appointed as managers. The managers of those DTCs connected to community associations and political parties were often community leaders or party functionaries known to a wide circle of people. As a matter of fact, politics was absolutely important in the formation and expansion of many of these Chinese-based cooperatives. After all, it was the success of KSM, which held a controlling interest in the MCA-sponsored MPH, that inspired the formation of many other cooperatives and encouraged them to think big. One of the root causes of the problems faced by the cooperatives was that, like KSM, the motivation and driving force behind their formation came from political and

community leaders and not, as should be the case with cooperatives, from the real socioeconomic needs of ordinary members.

With the 1976 amendments to the Co-operative Societies Ordinance 1948, cooperatives had more latitude to collect deposits from the public and to be involved in business and speculative activities. By using the freedom provided by the cooperatives, by tapping deep the communal sentiment and by exploiting traditional ties within the Chinese community³¹, these Chinese elites had managed to mobilize vast capital resources. They also managed to cajole or inveigle and eventually galvanize the people into investing their life savings by convincing them of the necessity to bolster the community's economic position in the face of perceived discrimination in the implementation of the NEP. While such an approach might be pragmatic, in reality it could be perilous. The emphasis on large-scale, centralized ventures was in fact against the spirit of the cooperative movement. Rather than being small decentralized units where there is maximum participation and scrutiny by members, the cooperatives developed into giant, centralized profit-seeking corporations. Their thousands of members scattered throughout the country had little say over what was being done to their money. The worst cases of fraud occurred in the DTCs where power was concentrated in the hands of just one or two individuals. These cooperatives had therefore deviated from the true spirit and framework of the cooperative movement that emphasizes democratic participation, cooperation for mutual benefit, service rather than profits, and prudent investment. Politics took precedence over professionalism in management and many management appointments in the DTCs were actually contingent on political affiliation. Many DTCs' success was in actuality also connected to the perceived political and business tycoons associated with the cooperatives. To many investors, the decision to invest hinged more on who were the people behind the companies and what were their political connexions rather than the companies' viability. Politics was so permeating that political *guanxi* rather economic workability became the criterion in making decisions on loans and investments. If political

loyalty and affiliation deprived the managers and shareholders of their perception of flaws and failings, communalism rendered them blind. The pervasion of politics and communalism through the cooperative movement led to the obfuscation of all notions of right and wrong, legal and malfeasant, as long as it was in the interest of the political party or the ethnic group. This predictably resulted in the permeation of fraud, conflict of interests and criminal breach of trust. There were, for instance, cases of loans and advances given out to the directors of cooperatives (sometimes without any form of collateral or fixed terms of payment) and to individuals related to the chairmen of the board, to relatives, employees and business associates, etc. There were also cases in which funds were embezzled by branch office managers, and land owned by directors were sold to the cooperatives at inflated prices.

In short, what we witnessed in those turbulent days of 1986 is how communal politics penetrated an economic revival movement and gave rise to a new phenomenon of corporate communalism, and how diasporic dilemma in the form of communal insecurity and vulnerability in the face of the onslaught of State-sanctioned racialist preferential policies had propelled the community to perceive capital mobilization as ethno-(re)genesis or ethnic reawakening – a foredoomed measure fraught with structural contradictions.

Notes

¹ For the “new realism” brought forth by the NEP, and the concept of “ethnic democracy” or “coercive consociationalism” as a regime type, see Yeoh (2003: 91, 96).

² Country experiences show that while government responds to challenges from ethnic community organizations that seek to influence public policy, within an inverted and complementary paradigm, ethnic communities do take shape in response to public policy stimuli, which induce a process of ethnogenesis or reethnicization that further influences public policy formulation (Yeoh, 2003: 110-112).

³ Besides the secret societies, the triumvirate of Chinese regionalect, place-of-origin (e.g. province/county/district) and family-clan (surname) associations has always constituted a distinctive feature of the organization life in Southeast Asian ethnic Chinese societies. During colonial time, even the rival secret societies were often, though not always, organized along

regionalect lines. Somers Heidhues (1974) noted the heterogeneity of the Chinese population as an important factor that have favoured the establishment of regionalect associations:

In nineteenth century Java, the almost solidly Hokkien settlements had no reason to organize by speech group; only when the Chinese minority became more heterogeneous was there an impetus to form such associations. The hui-kuan or gremio of the Chinese in Manila was transformed into a Hokkien speech group organization when the tiny Cantonese-speaking group (perhaps 5 per cent of all Chinese in Manila) formed an association of its own. Not surprisingly, the first speech and district associations came on the scene relatively early in Singapore, with its mixed bag of recent immigrants.

(Somers Heidhues, 1974:49-50)

The same, to a certain extent, can be said with regard to the formation of place-of-origin (locality) and family-clan (surname) associations. Long engaged in welfare activities, recreation, burials, ancestor worship, organization of festival processions, management of cemeteries and temples, unofficial regulation of disputes including criminal cases, and even the founding of schools, these communal associations were the overt, legal complement to the secret societies as well as the latter's competitor for power over the Chinese immigrant society. Later, with the suppression of the secret society by the colonial governments, such legal communal associations grew to assume the legitimate functions once served by these proscribed societies. More de facto than de jure, the Chinese associations had come to be the "Guardians of the Diaspora".

⁴ "*Mahua Hezuoshe*" in Chinese ("*Hezuoshe*", a cooperative. Later, the directors of the DTCs accused of corruption and breach of trust were ridiculed as "*hezuose*", alliteratively punned with the term "*hezuoshe*". "Se" is Chinese for "snake").

⁵ "*Mahua Konggu*" ("*Konggu*", a holding company. Later, the communal holding companies were ridiculed as "*tongku*" – meaning "pain, agony" – an assonantal punning with the term "*konggu*").

⁶ Apart from many small associations that are more like recreation clubs in nature – nothing more than a sort of club building at which members can spend their leisure hours, whether it be reading newspapers or playing mahjong (this is a common observation confirmed by the author's personal visit to many such associations, especially the smaller ones), Chinese associations can essentially be classified into six major varieties, viz. those based on locality/regionalect, on clan/surname, on trade/occupation (guilds), mutual help, recreational/cultural/athletic/alumni, and religious (Cheng, 1985:35). These estimated 4,000 traditional associations can be grouped for convenience into 5 types: clan associations (based on locality, regionalect, clan or surname), trade guilds (Chinese entrepreneurs), chambers of commerce (mainly with guilds and Chinese-owned business concerns as members), alumni associations and religious societies. Cheng attributed the proliferation of such associations to the need for social control, mediation, religious worship as well as welfare services, which is important in the absence of a protecting authority in the early days. T'ien (1953) said this regarding the origin of these traditional associations in Malaysia:

When a Chinese leaves his homeland and comes to this part of the world, he tends to mix with those whose speech he can understand, to travel with them and stay at hotels owned by them. He tends to serve his apprenticeship in his new country in the occupation in which a majority of his own dialect speakers are found, and having served his apprenticeship he tends to stay in the same trade all his life. When he opens a business he seeks a partner of the same dialect group, and employs his assistants likewise. He likes to marry a girl who speaks his dialect, and when he dies he is carried to the cemetery where others who spoke as he did already lie buried. ... The existence of so many organized associations in the overseas Chinese communities points to the existence of numerous social groups.

⁷ The speakers of many of the Chinese regional languages are simply too numerous for the word “dialects” to be used as an appropriate term to designate their languages. For instance, the number of speakers of either Cantonese (Yue) or Hokkien/Fujianese (Min) is larger than the number of speakers of either Polish or Ukrainian, the two East European/Slavonic languages with most numerous speakers except Russian, or the speakers of Dutch, Danish, Norwegian and Swedish combined. En passant, the modern Chinese lingua franca is Mandarin, which is actually the Western name for *Huayu*, the Chinese Standard Vernacular known in China as “*putonghua*” and in Taiwan as “*Guoyu*” (“*Kuo-yü*”). The term “Mandarin”, via Portuguese “*mandarim*”, has an obscure origin in Sanskrit “*mantrin*” (Hindi “*mantri*”, Malay “*menteri*”). It is not part of the Chinese vocabulary and often ridiculed by the Chinese as having been derived from “*Man daren*”, i.e. a “Manchurian minister”.

⁸ Such associations have a long history. The earliest ones are listed below:

The Earliest Chinese Provincial Associations in Malaysia

<i>Bang</i>	Association	Year of establishment
Hakka (Kejia)	Kar Yin Fee Kon, Penang	1801
Kwangtung (Guangdong)	Kwang Tung and Teng Chow Association, Penang	1801
Hokkien (Fujian)	Teng Chow Association, Penang	1819
Teochew (Chaozhou)	Teo Chew Hui Kuan, Malacca	1822
Khengchew (Qiongzhou)	Kheng Chiew Hoey Koan, Malacca	1869

⁹ “*Renren Hezuoshe*”.

¹⁰ The reasons for the Chinese migration had been scholarly investigated by Chen Da (1934) and Huang Zhilian (1971), the latter in two Nanyang University surveys conducted in 1970 (Figure 1). The findings of Chen Da and the Nanyang University surveys show that the most important factor of the Chinese diaspora was economic difficulties. Furthermore, the second factor in Chen Da’s findings can be rightly incorporated into the first factor since kinship or friendship ties in Nanyang (a Chinese term – though rather passé today – for Southeast Asia) might have been a motivation for those who were destitute in China to emigrate. The majority of the Chinese migrants had been in the state of unemployment or disguised unemployment, mostly as a result of illiteracy and landlessness (Huang, 1971, 1972).

¹¹ “*Qundaifeng*”, or its more modern manifestation – “*guanxi*”.

¹² Tan Koon Swan himself is a Hainanese.

¹³ Incidentally, Huang’s observations were reproduced almost verbatim in an article published in a local tabloid, the Wah Seong Press, on 20th October 1981.

¹⁴ A *zhonghua dahuitang* or *huaren dahuitang* is normally called “Chinese Assembly Hall” (in Kelantan, Terengganu, Selangor and Negeri Sembilan), but also variously known as “Chinese Association” (Perak), “Chinese Town Hall” (Penang), and “Federation of Chinese Associations” (Sarawak and Johor).

¹⁵ From the historical perspective, the Chinese chambers of commerce (*zhonghua zongshanghui*), with representatives of the traditional guilds as their members, are organizations of relatively recent origin. At the turn of the nineteenth century, the national and provincial governments in China played an active role in the promotion of chambers of commerce. Yuan Shikai, the perfidious powerbroker who later wangled his way into the first presidency of the new-born Chinese republic, suggested in 1900, while he was holding the governorship of the

Shandong province, that a chamber of commerce to be organized for the entire province. By 1915, a total of 869 chambers of commerce had been established, representing 230,431 shops. After the 1911 Republican Revolution, the Chinese Ministry of Agriculture and Commerce was given the task of supervising these commercial bodies, and in 1914, promulgated a series of regulations that defined a chamber of commerce as “a group of businessmen who are either officers of corporations, representatives of guilds, or men who are independently interested in industrial or commercial enterprises, who have not been deprived of their rights of citizenship, who have not outstanding any uncancelled decree of bankruptcy, and who are not afflicted with nervous diseases” (Burgess, 1928). The duties of these chambers of commerce were minutely prescribed by the said Ministry of Agriculture and Commerce, including such items as: consulting about industrial and commercial reforms; furnishing information to officials about commercial and industrial questions; settling industrial and commercial disputes at the request of interested parties; and, being responsible for maintaining order when there is a money panic. The establishment of the chambers of commerce greatly affected the functions and operations of the commercial guilds. In Peking (Beijing), the formerly isolated commercial guilds had become more interrelated as an inclusive group, with a larger programme and interest, while the power of the chamber of commerce steadily grew over the activities of local guilds. Taxes were paid through the chamber of commerce. Inter-guild disputes, formerly settled by informal groups of neutral guildsmen, now went to the chamber of commerce court. Contests with the officials, formerly waged by each small organization independently, were now carried out by this union of all traders of the city. In addition, the local chambers of commerce were related to the provincial and national organizations, thus resulting in the breaking up of localism and petty interests of the original commercial groups. The chamber of commerce movement was thus expanding the horizons of those involved in commerce and gradually creating among the commercial guilds a provincial and national outlook where formerly there existed only local interest.

In Malaysia, the first chamber of commerce is known to have existed since 1903. In every state of the country there is at least one chamber of commerce. When there were a number of chambers within a state, an associated chambers of commerce would normally be established. For instance, the Johor Associated Chinese Chambers of Commerce is a confederation of the Johor Bahru, Batu Pahat, Muar, Kluang, Pontian, Kota Tinggi and Mersing Chambers of Commerce. Table 2 gives a list of some of the chambers of commerce in the country with their dates of establishment arranged chronologically.

On 23rd February 1947, the Associated Chinese Chambers of Commerce of Malaya was established. Its declared objective was to establish close contact between Chinese chambers of commerce in various parts of the country in order to promote and protect commercial interests, to assist the agricultural, mining and manufacturing industries, and to maintain close liaison with the chambers of commerce of the other races with the eventual aim of achieving prosperity and enhancing public welfare. The Associated Chambers had as its members the chambers of commerce of the states and districts in Malaya, including the Singapore Chinese Chamber of Commerce, which was one of its founders. With the secession of Singapore and the birth of Malaysia, the Associated Chambers subsequently changed its name to the Associated Chinese Chambers of Commerce and Industry of Malaysia (ACCCIM), with two new members, viz. the Sarawak Associated Chinese Chambers of Commerce and the Sabah United Chinese Chambers of Commerce. Although the Singapore Chinese Chamber of Commerce left the Associated Chambers, a liaison committee of the two was formerly set up on 21st February 1970. (See the *Mahua Shanghui Shi (History of Chinese Chambers of Commerce of Malaysia)*, commemorative issue of the 27th anniversary of the Associated Chinese Chambers of Commerce of Malaysia, Kuala Lumpur, 1974, p. 9.)

¹⁶ There were sixteen such nationwide confederations of various clan-regionalect and family-name associations (see Table 3), according to the *Malaixiya Shetuan Mingce* (Directory of Malaysian Societies), Selangor Registered Guilds and Societies Staff Association, Kuala Lumpur, 1984.

¹⁷ There were nineteen such nationwide confederations of trade guilds and associations, according to the *Mingce*.

¹⁸ “Moral Uplifting Society” is the normal registered name of a *dejiaohui* (a religious mutual help society). These Dejiao Societies are the only traditional Chinese religious societies notable in Malaysia in the context of this paper. Dejiao (*de*: moral, morality; *jiao*: teaching, religion), apparently under the direct influence of the popular Dao (Taoist) religion (vis-à-vis the original contemplative Dao philosophy of Lao Zi), was founded in 1939 by Yang Ruide of the Chaoyang prefecture in China, reportedly with revelations from the deities Yang Songyun and Liu Chunfang. Dejiao’s initial functions included the propagation of traditional moral values, the provision of free medical services for the desolate Chinese folks during the war-torn epoch. This characteristic of a charity and welfare organization persists till today. Initially the religion worshipped Lao Zi (Lao-tse), the founder of the contemplative Dao (Taoist) philosophy. Later, Kong Zi (Confucius) was added. As the pantheon expanded, Dejiao gradually evolved into a syncretism of Taoism, Confucianism and Buddhism, and later even Islam and Christianity were brought into the fold. Its concept of the unity of diverse religions is in some way similar to that of the well-established religious reformist movement of Baha’ism or the Cao Dai religion of Viet Nam. However, the Dejiao religion has never been properly developed and its theology and philosophy are at best rudimentary and characterized by superstition, idolatry and the mystical practice of trances. (Cao Dai is of course much better organized than Dejiao, but its survival, like other native religions of Viet Nam such as the Phat Giao Hoa Hao, under the communist regime is doubtful.) In 1944, Dejiao adopted *Daode Yishi*, a modified version of Lao Zi’s *Daode Jing (Tao Te Ching)*, as its holy scripture, thus reaffirming the special status of Lao Zi in its pantheon. Dejiao was introduced into Malaya in 1954. Within three decades about 60 religious centers were set up in over forty towns throughout the country (Zheng, 1981). Twice, in 1967 and 1971, decisions were made to abolish the practice of trances and to secularize the Dejiao societies but to date these have yet to be implemented by all Dejiao societies (see the commemorative issues of the 24th anniversary of the establishment of the Federation of the Moral-Uplifting Societies in Malaysia, of the Malaysian Chinese dailies Sin Chew Jit Poh, 3rd January 1982, and Sin Pin Jih Poh, 9th January 1982).

¹⁹ “Dongcheng” in Chinese.

²⁰ Source of data: *Nanyang Siang Pau*, 8th July 1986.

²¹ The 35 DTCs had 1.045 million members and approximately \$4 billion in deposits.

²² Sakapp was the cooperative counterpart of the ill-fated Funsun Holdings Bhd. Nevertheless, while Funsun was mainly Johor-based, Sakapp’s membership was open to all hawkers and petty traders in Selangor. Included in its loans to members were loans to directors of Sakapp, their family, business associates of directors, companies and projects controlled by the directors of Sakapp. In particular, a total of RM11.9 million (28.1% of total assets) was due from Hew Ah Choo, a director of Sakapp and the central figure in the Sakapp scandal, his family, his business associates and company owned by Hew Ah Choo and Hew Sin Kew (a former director) and their family, as at 8th August 1986. In addition, an amount of RM1.1 million was advanced to the SANGKALA projects (owned by the director and former directors) included in other debtors. The loans granted to the nominees of Hew Ah Choo had the following defects: 10 borrowers did not have a loan agreement; 20 borrowers did not hold the required number of shares in the society; 4 borrowers could not be located; 25 borrowers did not have a guarantor although the loans were for the benefit of the Hews. Later involvement of the event would see Sakapp chairman Hew Ah Choo plead guilty to two charges of criminal breach of trust amounting to RM1,167 million. Sakapp secretary Tan Seng Soon and former Sakapp chairman and adviser Datuk Dr Tan Tiong Hong (former Deputy Minister in the Prime Minister’s Department) were charged with abetting Hew Ah Choo to commit CBT of RM1.671 million. A note on Sakapp’s holdings counterpart, Funsun Holdings (M) Bhd.: At its inception, with the assistance of its adviser Tan Koon Swan and

Honorary Chairman Datuk Lee San Choon, Funsun was allotted 500,000 MPH shares in order to be able to collect 1,000,000 shares for registration. Funsun's managing director, Ng Heng Chai (@ Eng Hang Song) was also a director of another Batu Pahat-based Grocery and Sundry Merchants Holdings Bhd. (no. 10 in Table 4). Tan Koon Swan, Datuk Choo Ching Hwa and Kee Yong Wee were the honorary advisers of the company. Ng Heng Chai later committed suicide after the debt-ridden Funsun's failure in performance. Kee Yong Wee, who was the MCA Youth Chief, was later arrested in February 1987, alleged to have committed criminal breach of trust (CBT) of RM1.9 million belonging to Komuda, following the DTC crisis of 1986. Multi-Purpose chief Tan Koon Swan, who was to become MCA president, was later sentenced to a two-year jail term in Singapore after being charged with 15 counts of financial offences involving RM21 million in the Pan-Electric scandal.

²³ MCA Youth Chief Datuk Kee Yong Wee and Deputy Minister of Culture, Youth and Sports Wang Choon Wing were arrested on 17th February 1987. Kee was Komuda chairman while Wang was the cooperative's treasurer and also an MCA Central Committee member. Also arrested were two other officials of the DTC, secretary Koh Kim Swee and vice-chairman Yeoh Yuen Chong. Their arrest came in the wake of a police report filed by Bank Negara of transactions showing a conflict of interest regarding some of Komuda's directors and 3 reports filed by depositors. The government White Paper had highlighted the fact that Komuda had entered into an agreement with Kee Chan Holdings to purchase 40 million shares in the listed Malaysian Resources Corporation Berhad (MRCB) where Kee was the chairman for RM34.36 million or 85.9 sen a share, compared with the prevailing market price then of 52 sen. Kee had joint control of Kee Chan. Komuda was also said to have given an advance of RM1 million to Tan Koon Swan to purchase shares in Grand United Holdings. The White Paper further pointed out that Komuda had given loans of RM3.35 million and RM3.07 million to Kee's brother-in-law Mah Siew Kwok and his cousin Mah Sau Cheong. The police report filed by the Komuda depositors alleged that Kee had sent out large sums of money overseas so that they were not within reach of the Malaysian authorities. They also referred to 2 occasions in which Komuda had purchased an ice-cream factory and a piece of land in Penang from companies in which Wang was alleged to have an interest. Kee, Wang and the other two officials of Komuda were charged in the Sessions Court in Kuala Lumpur on 18th February 1987 with CBT of RM3.3 million of the cooperative's funds. Their passports were also impounded by the court.

²⁴ Kosatu, the business empire of Tee An Chuan, had, at the time of the crisis, 67 operating branches throughout West Malaysia, with 14,541 members, and appeared to have 19 subsidiary companies. The cooperative, though set up in the name of the Gerakan Belia Bersatu Malaysia (GBBM – the Chinese-based Malaysian Youth Solidarity Movement), was largely a brainchild of Tee, who was the "life"-president of GBBM. Tee also manage to acquire the position of the president of the People's Progressive Party (PPP) – a minor partner in the ruling coalition, after the Neo Yee Pan faction, which he belonged, lost out in the MCA power struggle. The cooperative was principally engaged in the business of deposit-taking from members and the public at large. Deposits amounted to approximately RM156.1 million, collected from about 52,000 depositors. The Bank Negara investigators noted that the accounting records and books of Kosatu and its subsidiary companies were generally unreliable. They noted numerous instances of material discrepancies in the draft management accounts, inaccurate entries in the accounting records and significant unreconciled differences that might have to be written off. This was complicated by Tee An Chuan's involvement in various significant personal transactions with Kosatu and the apparent absolute control he had over the operations of the cooperative and its subsidiaries. Tee was chairman of the cooperative until his resignation on 17th July 1986. The investigation revealed that Kosatu loans to Tee including interest totaled RM3.1 million. In addition, Tee obtained informal interest-free advances from Kosatu accumulated to RM2.9 million through the beginning of 1986. Of this, approximately RM1.3 million appeared to have been repaid by way of personal properties injected by him. There was no evidence in the executive committee minutes of professional independent valuations or Tee's declaration of interest in those transactions. Besides, it also appeared that 17 companies were controlled by certain

directors of Kosatu. Interest-free loans and advances, with no fixed terms of repayments and no security, totaling RM3.6 million were outstanding to these companies at 23rd July 1986. Tee later pleaded guilty in the High Court on 12th November 1986 to CBT involving about RM1 billion of Kosatu's money between 2nd May and 7th October, and was sentenced to 12-years' jail.

²⁵ Patience was indeed wearing thin. Initial frustration on seeing their trust betrayed and their hard-earned savings frozen by fiat soon turned to misery and anger when depositors discovered financial shenanigans by the directors and officials had withered away their deposits. One Sakapp depositor had committed suicide because he could not get back his money. A Kosatu branch manager in Kluang fled his home to escape the wrath of depositors. A branch manager of a DTC took his own life after being accused as a swindler by depositors. Hundreds of depositors in Fortiss stormed the cooperative's headquarters in Kuala Lumpur. At least 15 of Kosatu's branch managers all over the country took shelter at the cooperative's headquarters in Kuala Lumpur for fear of abuse by the depositors (*Star*, 18th December 1986).

²⁶ "*Minzhu Xingdong Dang*" in Chinese.

²⁷ *Star*, 7th July 1987.

²⁸ Parti Gerakan Rakyat Malaysia or "*Malaixiya Minzheng Yundong*" (or "*Minzheng Dang*" in short) in Chinese. Gerakan is MCA's chief rival in the Barisan Nasional government. In an obvious attempt to remain consistent in its criticism of MCA for mixing politics and business, senior Gerakan leaders were not involved directly in the running of Korakyat, established in 1981. This was indeed a wise step by hindsight, in view of the 1986 crisis. Though Korakyat was one of the 24 DTCs suspended, Gerakan was spared the wrath of depositors. MCA was not so fortunate.

²⁹ The plan was blessed by UMNO, the dominant member of the ruling coalition, whose slow response to the problem had been criticized as being in sharp contrast with earlier calls for action to rescue troubled institutions linked to the country's demographic majority.

³⁰ It was believed that the fury simmering in the depositors engendered by this betrayed trust would eventually hit the MCA hard. It is impossible to avoid taking note that this major Chinese political party in the ruling coalition was widely perceived to be connected with the DTCs, taking into consideration the number of party leaders at all levels connected with the troubled cooperatives – from president down to branch leaders, from directors down to officials actually manning these DTCs, they were almost all from the party. Both the Bank Negara and the Ministry of Finance had been criticized for having waited more than three weeks after the initial raid on Kosatu before suspending the other 23 DTCs. The timing is interesting. A general election had been called at around that time, and nomination day was held on 24th July 1986 – one day after Bank Negara had been forced to move against Kosatu. Six of the 136 directors and office bearers who had originally been on the list of those whose assets were to be frozen stood as parliamentary or state-assembly candidates for the ruling coalition. The original list of 136 affected directors and office-bearers included such figures as MCA's deputy secretary-general and Deputy Minister of Finance Ng Cheng Kiat and fellow party heavy-weights Datuk Oon Seng Lee and Datuk Choo Ching Hwa, who were listed as directors of two cooperatives, KSM and Kojadi. Tan Koon Swan, then the party president, was also on the list as a director of Kojadi. However, he issued a statement claiming that he had resigned from that post on 28th January 1986. Bank Negara then made several deletions from the list that not only cleared Tan Koon Swan, but also Ng Cheng Kiat, the party's women's wing chairperson and Health Ministry parliamentary secretary Teng Gai Kwan, women's wing secretary-general Law Jack Yoon and the party's central committee member Wong Mook Leong. Two prominent party officials then still being investigated were former Deputy Trade and Industry Minister and MCA Youth Chief Datuk Kee Yong Wee and Deputy Youth, Sports and Culture Minister and the party's national organizing secretary, Wang Choon Wing, both having involved with Komuda. Besides KSM, Kojadi and

Komuda, the party was also involved with KEPP, headed by the former Penang state executive councillor Lee Jong Ki. Women's wing chief Teng Gaik Kwan was a director of Wanijaya. Apart from the five DTCs that had direct links to the party through their directors, a further four cooperatives were linked in news reports in March 1986 with a failed bid by Tan Koon Swan to honour his forward contracts in Singapore through an obscure subsidiary of his Grand United Holdings called Bukit Intan Realty. At least three more DTCs linked to the party, besides KSM, had been found to be financially troubled, according to the White Paper on the DTCs released by Bank Negara. They were Komuda, Koteksi and Wanijaya, the last run by some of the party's women's wing leaders. Komuda, chaired by party leader Datuk Kee Yong Wee, was said to have more than 40,000 depositors and was in the red for more than RM24 million. A case of purchase of shares in a company owned by Kee using Komuda depositors' money at a price allegedly higher than market value was documented by the White Paper. Koteksi, whose chairman, Chien Kien Chuen, was an activist in the Tan Koon Swan faction during the party's crisis, suffered a loss of RM3.1 million. There were alleged controversial loans and advances made by these cooperatives to their chairmen/directors and their relatives. Another DTC, Sepadu, chaired by former MCA Senator Dato' Yap Peng, suffered a loss of RM10.6 million. Yap – said to be a former close associate of the party's deputy president, Datuk Lee Kim Sai, and several other party leaders – was arrested twice after the freeze, facing possible CBT. Some 30% of Sepadu's loans were to directors, directly and indirectly. Tee An Chuan, the chairman of Kosatu and the president of the People's Progressive Party – a member of the ruling coalition, who was convicted of CBT in connexion with Kosatu and sentenced to 12-years' jail, was an MCA activist until the previous year, 1985. While Kosatu records showed that the single largest borrower was the Sarawak timber tycoon Tan Sri Wee Boon Ping who obtained a loan for RM6 million in January 1986, several grassroots leaders of the party also obtained loans from the cooperative. The party's former organizing secretary Madam Lim Sean Lean, who was then also a Senator, took a RM30,000 loan in 1984. She had initially serviced only the interest and Kosatu had since classified the loan as non-performing. K.L. Soong, the former Federal Territory MCA Youth leader, secured a RM200,000 loan from Kosatu in 1985. Soong later said that the loan was secured with a piece of property. The party's former central committee member Chew Chee Sun borrowed a total of RM178,000 from Kosatu on 2 occasions in 1984. Chew had repaid part of the total amount but Kosatu records showed that he still had RM98,000 outstanding as of June 1986. There were other developments involving the party. There was the case of Perak MCA chairman Chan Kit Chee being sued by investors for alleged fraud in the formation of a "holdings" company set up to tap funds from the general public for investment. Then there was this former secretary-general of the party and Deputy Minister in the Prime Minister's Department, Datuk Dr Tan Tiong Hong, under trial for alleged financial crimes. All these were in addition to the fact that the party president, Tan Koon Swan, once hailed as the "economic saviour" of the Chinese community, was in jail in Singapore on 15 counts of financial offences involving RM21 million in the Pan-Electric scandal. En passant, Chinese-based Gerakan, the party's chief rival in ruling coalition, also had an associated cooperative called Koperasi Rakyat (Korakyat) (headed by its former Perak party chief, Datuk Hew See Tong). It was noted that loans totaling RM8.2 million were made to its directors and directors of interested companies.

³¹ In the conclusion to her study of Chinese associations in Singapore, Carstens (1975) noted that the "withdrawal of the immigrants' ties from the Chinese mainland was paralleled by the growth of the clan, district, and dialect associations" and that being Chinese "has always meant being a certain kind of Chinese" (p. 23). People join associations for diverse reasons, many do so apparently for the benefit offered – be it children's scholarship, or expanding the network of personal relations for business opportunities. While it may not exactly be true that members of the community continue to join the associations for the consciousness of ethno-(re)genesis or reethnicization, the survival of these associations does show that communal organizations as such, which were once the "Guardians of the Diaspora", have remained congenial to the roles of the ethnic Chinese within the larger society.

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