

A light blue background featuring a faint white outline map of Malaysia. The two main islands, Sumatra and Borneo, are highlighted in a solid orange color. The title text is overlaid on the upper portion of the map.

# Malaysian Business IN THE New Era

Edited by

CHRIS NYLAND · WENDY SMITH  
RUSSELL SMYTH · MARIKA VICZIANY

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We dedicate this book to Professor Ishak Shari,  
whose contributions to the study of Malaysia's socio-economic  
development and whose concern for the viewpoints of all ethnic  
groups and all strata of society will be sorely missed.

# Malaysian Business in the New Era

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# Preface

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This book has developed from an international symposium on 'Malaysian Business in the New Era', which was held at Monash University's Malaysia campus in Kuala Lumpur in February 2000. The symposium was an initiative of Monash University's Faculty of Business and Economics, and in particular of the Asian Economies Research Unit, in the Department of Economics, and the International Business Research Unit, in the Department of Management, supported by the cross-university Centre for Malaysian Studies in the Monash Asia Institute.

The symposium brought together Australian and Malaysian scholars to analyse the emerging trends in the Malaysian business environment. The title of the symposium, and of this book, was chosen to focus attention on how the Malaysian business environment today differs from that of the New Economic Policy era of 1971 to 1990 and its successor, the New Development Policy of the 1990s. The impact of the 1997–99 Asian financial crisis was naturally of special and topical concern. The chapters gathered in this volume reflect the different perspectives taken by various authors but all of them deal with some aspect of the shifting nature of Malaysia's economic, business and socio-cultural situation.

The International Symposium started with a Public Policy Forum launched by the Malaysian Minister of Foreign Affairs, The Honourable Dato' Seri Syed Hamid bin Syed Jaafar Albar and the Australian High Commissioner, His Excellency Mr Peter Varghese. Representatives from many prominent Australian and Malaysian companies attended this one-day event and provided additional insights into the Malaysian business environment. One of the highlights of this Forum was a keynote address by Mr Stephen Hess, Vice President and Senior Analyst from Moody's Investors Service in New York. The Public Policy Forum was organised by Monash University in partnership with the Asian Strategy and Leadership Institute (ASLI) in Kuala Lumpur, a prominent think tank in Southeast Asia. The expertise of ASLI, together with the contributions of our colleagues from Malaysian companies and universities provided the contributors to the present volume with an important opportunity to review their data and test their arguments.

The program then turned to two days of academic seminars in which an unprecedented collection of expertise was available for presentation and discussion. Forty-two academic papers were presented by academic staff from the Malaysian and Melbourne campuses of Monash University's Faculty of Business and Economics, and by academic staff from seven other Malaysian universities: Universiti Kebangsaan Malaysia; Universiti Sarawak Malaysia; Universiti Multimedia; Universiti Putra Malaysia; Universiti Sains Malaysia; Universiti Utara Malaysia and the International Islamic University Malaysia. This volume publishes a selection of the best

academic papers from the Kuala Lumpur symposium, which have been chosen to reflect the wide range of topical and significant themes that were presented and discussed. I am especially happy to introduce this volume because it brings to a wider audience a path-breaking achievement in collaboration between Malaysian and Australian scholars. The analysis of the dynamics surrounding modern Malaysian Business is very important for our region, and I am delighted that the Faculty of Business and Economics at Monash has had the privilege of bringing together so many noted scholars in pool their analysis and research.

A handwritten signature in dark ink, appearing to read 'G. Palmer', with a stylized, flowing script.

Professor Gill Palmer

Dean, Faculty of Business and Economics, Monash University

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## Economic and social adjustment in Malaysia in the 'new' business era

Chris Nyland, Wendy Smith, Russell Smyth and Marika Vicziany

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### Introduction

This volume contains new research on a wide range of aspects of Malaysian business in the era that began with the Asian financial crisis of 1997–99. With due recognition of the period that preceded the crisis, the contributions are informed by a wish to identify what Malaysia needs to do to sustain economic growth, remain internationally competitive and further social stability in the post-crisis period. The papers recognise that while the Malaysian business environment requires further reform, especially in the areas of corporate restructuring, financial regulation and social protection, in the period of the crisis, the economic and social fundamentals of the society proved sound by contrast with a number of other states in the region. Malaysia was not compelled to seek the intervention of multilateral financial institutions and was able to sustain a high level of social stability through the crisis period. The government's bold initiatives of fixing the exchange rate of the ringgit and suspending the convertibility of the currency were initially greeted with cries of disbelief and denunciation. However, this soon gave way to congratulations with authorities such as Krugman (1999) and Eichengreen (1998) applauding Malaysia's confident response. With the passing of the crisis the IMF has acknowledged that its criticisms of Malaysia were excessive and that its own interventions not merely backfired but caused 'a bank panic that helped set off financial market declines in much of Asia' (Sanger 1998).

Malaysia's unconventional response to the crisis suggests that the community has developed a new level of confidence in its ability to adopt and sustain innovative policies even when these strategies challenge the international financial community. This confidence continues to be resented by international financiers and on occasion elicits strong criticism, as for example occurred when in February 2000 the government ordered the nation's 54 financial institutions to merge into just ten. Nevertheless, the sharpness of the recovery from the crisis has been perceived as evidence that Malaysian business has indeed entered a new era characterised by a high level of confidence in the nation's capacity to weather the external periodic shocks that are a feature of the current wave of globalisation. Whether this