

**ECONOMIC CONCENTRATION IN MALAYSIA**

**- LEGAL (AND ECONOMIC) ISSUES**

by

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Fakulti Undang-Undang  
Universiti Malaya.

  
.....  
(MUSAHEMAD SHAMUD BIN MD. ABDULLAH)

September 1976.

## PREFACE

The main aim of this study is to focus the relevant Authority's attention (and also that of the public) to the problem of economic concentration in Malaysia. The problem posed here is a grave one but ironically little or no study at all has been conducted directly on it. Economists have almost totally neglected this area. In fact at least one eminent economist in this country has even made a blatant statement that the problem of economic concentration is not a feature of this country.<sup>1</sup> The statement made was obiter and presumably it was not accompanied by any empirical study.

It is sincerely hoped that the present study would pave the way for further deeper research into the subject.

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<sup>1</sup>See, V. Kanapathy, 'The Law, Commercial Banking, and Malaysia's New Economic Policy,' a revised version of the paper presented at the Second Malaysian Law Conference, 1973, p. 24, where the author said:

"Malaysia does not have a Monopolies Act as found in some other countries, nor has she instituted a Monopolies Commission. The existing situation probably does not demand such measures...."

## ACKNOWLEDGEMENT

The writer is deeply appreciative of the significant contributions made to this project paper by many persons. The writer wishes that he could list down the names of the contributors, but for reasons of confidentiality, he is forced to refrain from doing so. But the writer wishes to thank those individuals from certain government departments and employees of certain firms who have gone out of their way to provide confidential information which were highly needed for the exercise.

A special note of thanks should go to a certain foreign journalist who made available some vital information on some Malaysian company matters without which this work would not be as complete.

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The writer appreciates the partial financial help given by the Consumers' Association of Penang which transcendously aided the writer in his field works.

The writer wishes to thank Mrs. Shaikha Zakaria (the Law Librarian, University of Malaya) and Mr. Chan (the Library Clerk, University of Malaya) for their endless assistance and for providing

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## **HYPOTHESIS, RESEARCH METHODOLOGY AND LIMITATIONS**

### **General Hypothesis**

That the prevailing economic situation in Malaysia is indicative of the existence of high economic concentration that justifies the introduction of legal and extra legal means of regulating or controlling it. And that the economic concentration referred to here exists on both levels - i.e. market concentration and overall concentration.

### **Specific Hypothesis**

The above general hypothesis specifically means the following:

- (1)(a) Market dominance (commodity or service wise) by firms in their respective industries is widespread and that it has reached a level where artificial market conditions could be dictated by these firms.
- (b) Relationships between corporations such as that found in parent/subsidiary and interlocking directorship relationships are extensively used to further effect the monopolisation activities that bring about greater economic concentration. Take-overs, mergers and other reconstructions of companies are means whereby such relationships are sought to be achieved.
- (2) Concentration of wealth among the top corporations and individuals is the major aspect of economic concentration in Malaysia. This concentration

of wealth is brought about by four major reasons:

- (a) interlocking directorates;
- (b) parent/subsidiary relations;
- (c) mergers and take-overs, etc.;
- (d) loan and investment capacities of big corporations as compared to the limited capacities of smaller corporations.

(3) Due to the above concentrated structures of our economy, some economic powers in Malaysia have taken the appearance of political powers (similar with the developments found in various other countries). Due to this frequent synonymy of economic powers and political powers, a vicious circle has developed that further threatens the issue of economic concentration in Malaysia.

(4) The present legal instruments available in Malaysia do not attempt in the least to solve the problems of economic concentration. The economic laws available are indicative of the ignorance or indifference of the legislators and the government of the serious problems of economic concentration that is currently being faced.

Immediate steps should therefore be taken to draw up legislations to curb this development of economic concentration, beginning with the establishment of an Inquiry Commission to probe into the matter.

## Research Methodology

The actual research done on this paper took a total of six months of which three months were spent on field works alone.

The bulk of the field works were conducted in the form of interviews. A list of questionnaires<sup>1</sup> were prepared to facilitate the interviews with the respective firms. In carrying out the interviews, the writer found that it was more useful to conduct them with the employees of the firms rather than with the directors themselves. But where the employees were not able to furnish the information, the writer resorted to getting it from the top people in the corporations. It was also found that the employees were more frank than their employers.

The writer also sought to interview the officials of the government departments, namely those in the Bank Negara, Federal Industrial Development Authority, Economic Planning Unit of the Prime Minister's Department, Ministry of Trade and Industry, Attorney-General's Chamber and the Statistics Department. The writer did a great deal of research and interviews with the Stock Exchange of Kuala Lumpur.

It was necessary, in the writer's opinion to obtain the same information from various sources to ascertain the truth of the information. This was necessary because some firms would not give correct information and they usually underestimated the figures required.

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<sup>1</sup>See Appendix 'A'.

This was especially true in relation to production figures of the firms which the firms considered to be trade secrets.

A great bulk of the confidential information produced in this exercise came from informal sources which the writer is obliged not to reveal. A great deal of company matters need to be probed in detail using these sources which generally are made up of employees, ex-employees, journalists, competing firms and government officials acting in their informal capacity.

The writer was fortunate to have met a certain foreign journalist who had some vital information on Malaysian companies which is useful for purposes of the present exercise.

Substantial help was also obtained from the Statistics Department which made available certain unpublished data on companies. This was found to be a good source of counterchecking the truth of information.

The rest of the research was done in the various libraries namely, the University of Malaya library, the High Court library (both in Kuala Lumpur and Penang), the Bank Negara library, F.I.D.A. library, the Stock Exchange library, the Statistics Department library and others.

### Limitations

There are briefly five main limitations which the writer faced while conducting the present exercise:

(i) Difficulty in getting the relevant information:

Due to the confidentiality of most of the information needed, great hardship was encountered in overcoming them.

(ii) Public ignorance on the subject:

The subject of economic concentration (especially the laws regarding it) is totally alien to most Malaysians, including academicians. As such the writer was faced with great difficulty in trying to explain to certain people the nature of the subject before interviews could be conducted with them.

(iii) Lack of local materials:

No local materials were available directly on the subject. As such the writer had to shoulder the burden of doing the research at grass root level with the aid of overseas materials.

(iv) Finance:

This formed a major stumbling block because the study involved a great deal of money.<sup>2</sup> The writer was fortunate to get a partial financial aid from a local Consumers' Association.

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<sup>2</sup>Up to date, the writer has spent nothing less than \$200/-.

(v) Transport:

The films surveyed by the writer were dispersed all over the country. This necessitated travels and the writer was handicapped in terms of transport.

The rest of the problems faced by the writer were minor.