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To cite this article: Shakila Yaacob & Khadijah Md Khatid (2012): Adapt or Divest? The New Economic Policy and Foreign Businesses in Malaysia (1970-2000), The Journal of Imperial and Commonwealth History, 40:3, 459-462

To link to this article: http://dx.doi.org/10.1080/03086534.2012.712413

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Shakila Yacob and Khadijah Md Khalid

This study explores the interplay between state policies and business strategies of foreign firms in Malaysia during and in the aftermath of decolonisation. Drawing from newly released British and US sources, this study demonstrates that distrust of state enterprises as well as antagonism towards Chinese speculators were significant factors in shaping the business strategies of targeted British firms under the New Economic Policy (NEP) in Malaysia. In addition, the business culture of some British firms served only to harden misperceptions and strengthen the resolve of the government to implement the NEP fully. Finally, in cushioning external shocks, firms embarked on a diversification strategy not only to multiply, but also to acquire differing portfolios in developed economies. Despite this familiar framework of mistrust and tension, this paper goes on to address the real firm-specific differences in the response to the NEP. As for the other foreign firms, they were nonetheless prepared to share assets, expertise and human resources with Malaysian enterprises through joint ventures. Such a varied response demonstrated the agility of foreign businesses in responding to state policies.

Introduction

Much has been written about economic nationalism and the Malaysian economy in the post-colonial era, and the NEP’s impact on foreign and local, in particular Chinese, businesses. Indeed new terms were introduced to help explain and clarify the efforts of the Malaysian government in restructuring the economy, including 'localisation', 'Malayanisation' and later 'Malaysianisation', 'indigenisation', 'bumitisation'.

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ISSN 0308-6534 print/1743-9329 online/12/030459-24
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