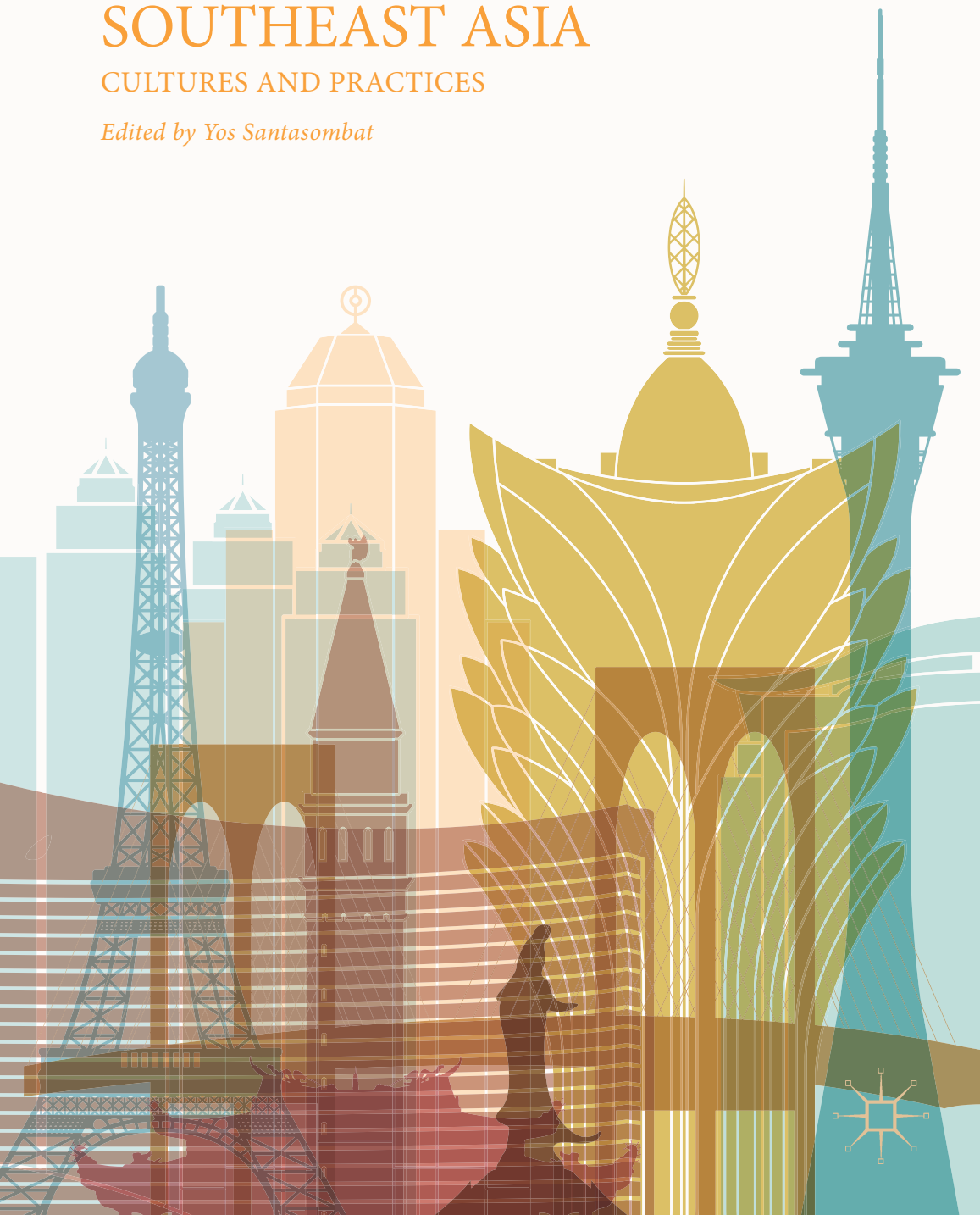


CHINESE CAPITALISM IN SOUTHEAST ASIA

CULTURES AND PRACTICES

Edited by Yos Santasombat



Chinese Capitalism in Southeast Asia

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Editor

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Cultures and Practices

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Editor

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Introduction

Yos Santasombat and Lee Kian Cheng

For many centuries, millions of overseas Chinese migrants in Southeast Asia have developed a distinctive form of economic organization through which several groups of ethnic Chinese entrepreneurs, traders, investors, financiers and their family firms, and close-knitted business networks have gradually expanded their spheres of economic practices and come to dominate the economy of their host countries. While deeply grounded in the cultures and values of traditional Chinese society, this form of economic organization has evolved, transformed and adapted to the different historical and socio-political contexts of Southeast Asian countries, the overseas Chinese later called home. In this book, we use the term “Chinese Capitalism” to refer to the historically and geographically specific form of economic organization of the overseas Chinese in Southeast Asia with special reference to Singapore, Malaysia, Indonesia, the Philippines, Vietnam, Myanmar, Laos, Cambodia and Thailand where our team members have conducted field research.

Over the past decades, Chinese Capitalism has been explained in relations to cultural norms and practices with special focus on the traditional Chinese concepts of “*guanxi*” (关系) (connection, relationship

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and network) and “*gongsi*” (公司) (company, family firm). Within the context of the growing dynamic integration of Chinese Capitalism with the global economy, it is timely that questions concerning Chinese Capitalism in Southeast Asia should move beyond cultural explanations. Among the complex interrelations between Chinese entrepreneurs, and their rapidly changing socio-economic and political environment, the process of evolution and dynamism of situated practices shift and transform with changing circumstances. In this global era, Chinese Capitalism is rapidly becoming a form of “hybrid capitalism”. This term refers to the blending of the traditional and the modern with dynamic transformation of norms, structures and institutions. Chinese Capitalism embodies the interdependence of culturally and institutionally specific dynamics at the local and regional scale, and the growing influence of flows of capital, culture, people, goods and technology on a global scale.¹ In this sense, Chinese Capitalism has evolved and adapted to dramatically different institutional contexts and politico-economic conditions in the host Southeast Asian economies. To fully understand the development of Chinese Capitalism, we need to explore the social organization and political economy of the overseas Chinese, by examining the changing dynamism of Chinese Capitalism in relation to the forces of globalization.

This book argues that an integrative and historically-grounded approach is required to contribute to a more holistic understanding of contemporary Chinese Capitalism. This approach requires a focus on key actors, primarily the local and transnational Chinese entrepreneurs in their business practices. Such a focus will broaden our understanding without fixating or homogenizing Chinese Capitalism. The integrated perspective focuses on situated practices as well as cultural, political, social and economic factors. The historical perspective will also enrich the understanding of the contexts and circumstances that give rise to the emergence and transformation of Chinese Capitalism in Southeast Asia.

This introduction provides a synthesis of our research papers within the context of growing literature on Chinese business in Southeast Asia. It is subdivided into three main themes: (1) Cultures and Practices, which discusses the evolving cultural explanations of Chinese Capitalism, the Chinese business systems, the political economy of Chinese Capitalism and the *guanxi* network; (2) Crisis, Endurance and Resiliency, which focuses on how Chinese communities, marginalized and traumatized through the violence of civil wars, rebuild their lives, their businesses and

communities; and (3) the impact of China's rise as a global economic power and the challenges of Chinese business in Southeast Asia.

CONTEMPORARY CHINESE CAPITALISM: CULTURES AND PRACTICES

The significant presence of ethnic Chinese in East and Southeast Asia has attracted scholarly interest for academic research. The economic growth of countries with predominant Chinese populations has further generated an increasing number of scholars in an attempt to offer an understanding of Chinese Capitalism. Many scholars have attempted to examine the cultural and institutional modes of economic organization that have operated in Southeast Asia for generations. The main themes underlying the ongoing debates concerning emerging Chinese entrepreneurship are divided into four groups: (1) cultural explanations; (2) the Chinese business systems; (3) the political economy of Chinese Capitalism; and (4) *guanxi* networks.

Cultural Explanation of Chinese Capitalism

Since the 1950s, many attempts have been made to link the rational economic behavior of overseas Chinese with traditional Chinese culture. G. William Skinner, a renowned American anthropologist (1957, 1958), attributes economic achievement among the Chinese Thais to an ethos that is distinctive of a Chinese cultural heritage. Skinner postulates that a certain habitus shaped by a unique form of socialization and internalization of values concerning the family responsibility are the driving factors, which explain why the Chinese are more economically successful than the Thais. In essence, Skinner proposes that a particular culture cherishes certain values more or less than another; values which are distinct from one society to another.² Similarly, Freedman who conducted research on Chinese Malaysians contends that the prosperity of the Chinese in Southeast Asia is due to:

the equipment which ordinary Chinese took with them when they went overseas in search of a livelihood. Their financial skill rested above all on three characteristics of the society in which they were raised: the respectability of the pursuit of riches, the relative immunity of surplus wealth

from confiscation by political superiors, and the legitimacy of careful and interested financial dealings between neighbours and even close kinsmen.³

Redding (1990) links Chinese economic behaviour with Confucius moral codes. He argues that the characteristics of Confucian values leading to the development of an entrepreneurial mentality have actually brought ethnic Chinese economic prosperity. Dominant traditional values such as filial piety, ancestor reverence, patriarchal authority, respect for the elderly and fear of collective dishonour have intrinsically nurtured Chinese entrepreneurialism.⁴ Redding (1990) further points out that in Chinese Capitalism, power is largely legitimized by the acceptance of paternalism and interdependence of family members. Redding argues that the spirit of Chinese capitalism is based on a “set of beliefs and values which lies behind the behaviour of Chinese businessmen”.⁵ In a similar fashion, scholars such as Haley et al. (1998), Mackie, (1998), Clarke et al. (1999), Crawford (2000, 2001) are congruent in their argument that overseas Chinese Capitalism is essentially an economic culture characterized by a unique capacity and inclination to cooperate.^{6, 7} Cultural explanations are also prominent in Zhang Weiwei’s best-selling book *The China Wave*.⁸ In his book, Zhang conceptualizes China as a “civilizational state” and explains China’s rise from the independent and endogenous nature of Chinese civilization (Zhang 2012: 56). Emphasizing the cultural significance in the Asian economic model, Zhang states:

Most East Asian countries were all once under the influence of the Chinese civilization, especially its Confucius traditions and practices, and much of this region is often called the ‘Confucian cultural sphere’... as shown in the case of the four Little Dragons (Singapore, Hong Kong, South Korea and Taiwan) which all share similar cultural backgrounds.⁹

This cultural perspective of Chinese Capitalism is reconstructed and emphasized and has become part of the best-selling literature in China.

In recent years, however, the cultural explanation of Chinese Capitalism has invited much debate and scholarly critique. The romanticized essentialist notion of culture has been questioned. For example, Henry Yeung argues, “Chinese Capitalism and its key actors cannot be *essentialized* as some static forms of cultural artefacts that resist change and transformations irrespective of their discursive and material practices.”¹⁰ Furthermore, Yeung states that culture should not be fixed

as a static artefact, rather it should be seen as a “set of practices that change with circumstances and contexts”.¹¹ Dirlik is one of Yeung’s most prominent critics, he challenges the widely-accepted argument that the spirit driving Chinese entrepreneurial behaviour is strongly associated with Confucian ethics and points to the vagueness of the notion of “*Chineseness*”.¹² Whereas to Hodder, the notion of being “Chinese” is a constructed and legitimized distinct entity which can be explained by the implicit application of laws and forces presumed to exist.¹³ Tu (1996) calls this construction the “Weberizing” of Confucianism.¹⁴ In a similar fashion, Hsing criticizes the essentialist notion by pointing out the paradoxical twist of Max Weber’s hypothesis. She argues that the “characteristics of the Chinese Confucianism, loyalty and hierarchy, in Max Weber’s work, for example, are seen as the reason for the lack of capitalism in China at the beginning of the twentieth century. But the same characteristics are seen as the reason for the economic miracle... in East Asia.”¹⁵ In their critique of the trait approach in understanding Chinese entrepreneurship, Peverelli and Song (2012) argue that the human mind has the propensity to seek and create structure through drawing categorizations. The human mind therefore has a tendency to see the classification of things as objective reality even when a certain object does not readily fit a particular category.¹⁶ The cultural perspective as a static essentialist notion is contested as it fails to explain diverse and multiple variations.

There are scholars who cast doubt on the cultural essentialism argument and perceive cultural explanation as a constructed discourse. Nathan (1993), Greenhalgh (1994), Ong (1997), Yao (1987, 1997, 2002) and Ma (2003) suggested that the cultural explanation of Chinese Capitalism is an alternative paradigm of development which is an invention of a new post-socialist and post-revolution discourse on global capitalism¹⁷ (as cited in Yeung 2004: 24). Furthermore, it is explained as relational in that “being Chinese is an inscribed relation of persons and groups to forces and processes associated with global capitalism and its *modernities*”.¹⁸ In his critical examination of the proliferation of discourse in newspaper and journal articles, books, workshops and conferences, Dirlik concludes that Chinese Capitalism is an ideological and instrumental invention. Such discourse is born out of global conditions comprising of “the retreat from socialism in mainland China and the apparent regression in Anglo-American capitalism against evidence of unprecedented growth in East and Southeast Asian societies”.¹⁹

Another reason that the cultural explanation of Chinese Capitalism is problematic lies in the inevitable consequence when ethnic Chinese is represented in universal terms. In fact, it is a popular stereotype to consider ethnic Chinese communities in Southeast Asia as homogeneous entities.²⁰ Wang argues that the Chinese communities are in fact very heterogeneous, which complicates classifications.²¹ In particular, these refer to the many different cultural, linguistic and religious practices, class habitus, lifestyles and worldviews, and are exposed to different issues.²² The homogenous perspective fails to systematically address the “eclectic culture of Chinese merchants, the heterogeneity of the Chinese societies and sub-cultures in Asia, folk religious influences and other alternative sources of ethics such as Mahayana Buddhism or Christianity, discrepancies between religio-cultural values and norms on the one side and actual behaviour on the other”.²³ In appreciating heterogeneity, scholars have considered cleavages that impair the collective unity of a Chinese identity. The limitation of homogenous cultural justification ignores identity and class, inter-generational differences and sub-ethnic groups, and affects how Chinese develop their business interests.²⁴ This leads to universalizing tendencies which fail to capture realities in heterogeneous Chinese business behaviour. This sentiment has been shared by Brubaker (2004) who brings together historical, ethnographic, institutional, interactional, political and experiential perspectives, and argues that the study of ethnicity should go beyond “groupism”, which is a tendency to reify “ethnic groups” as “internally homogeneous, externally bounded groups, even unitary collective actors with common purposes”.²⁵

Chapter 1 in this volume is a comparison of Chinese Thais in Bangkok and Udonthani. Wasana Wongsurawat presents the internally heterogeneous and dynamic nature of Chinese communities in Thailand. Wasana is rigorous in criticizing G. William Skinner’s “assimilation” concept as essentialist and anachronistic. She argues that Skinner’s generalized assumption that the Chinese in Thailand assimilate and have become indistinguishable from non-Chinese Thai over four generations is a problematic thesis because it ignores the ethnic and cultural diversity within the “Thai” people. Assimilation seems to be more about losing one’s Chinese characteristics rather than acquiring Thai ones. Wasana compares the production and reproduction of overseas Chinese history in Chinese communities and argues that in recent years there is a remarkable difference between how the Chinese Thais construct and

reconstruct their own history. She argues that, in the past, the prominent Chinese community in Thailand was intricately related with and fundamentally codependent upon the centralized state power in Bangkok. After the conclusion of the Cold War, we begin to see a drastic shift in both domestic and global contexts leading to changes in how Thai-Chinese communities situate and interpret themselves in relations to central power. In terms of domestic changes, the promulgation of the 1997 constitution paved the way towards greater degrees of decentralization and local self-determination. Regionally, China's rise as a new global economic power, and role in the Asian Financial Crisis, together with the United States' obsession with the War on Terror, have all contributed to closer relations between China and its southern neighbours. Fear of Communism began to subside as border trade between Thailand and Indochina steadily increased. These changes allowed for a more dynamic and lucrative cross-border trade and other economic transactions in the north and northeast of Thailand without having to be mediated through the central government in Bangkok. Consequently, Wasana argues, the emergent Chinese communities are significant and influential enough to deserve their own place in history beyond the patronage of the central power. Striving to assimilate and establish enduring and efficacious relations with the ruling elite in Bangkok within four generations no longer seems to be a concern for the successful provincial, ethnic Chinese, transnational entrepreneurs.

Even though the concepts of assimilation, Chinese values and other cultural explanations of Chinese Capitalism have provided a convenient avenue for scholars to explain the phenomenal growth of economies dominated by Chinese communities in Southeast Asia an increasing numbers of scholars are criticizing the underlying homogenization and essentialist notions in cultural explanations. Within the context of increasing globalization and transnationalization of Chinese Capitalism, this book proposes that the concept of "social embeddedness" has more power of explanation than the traditional concept of assimilation. This term was first employed by the renowned economic historian, Karl Polanyi (1944), who argued that the functioning of an economy could not be divorced from the social world in which it was embedded.²⁶ Mark Granovetter (1985) further elaborated the concept of embeddedness as a way of capturing the quality of being deeply integrated in place, implying the idea that the actions individuals or groups choose are importantly refracted by the social relations within which they function. Analyses using the

concept of embeddedness focus on the different conditions within which various modes of social action take place and upon which they depend.²⁷

Turning to Singapore, Liu Hong and Ren Wa, argue in Chap. 2 in this volume that the new wave of Chinese transnational entrepreneurs have been simultaneously embedded into two or more nation-states and geopolitical spheres. Integration into Singapore and transnational ties with China are not necessarily mutually exclusive. Transnational entrepreneurs do not necessarily assimilate to any particular host countries but may develop a multiple social embeddedness at the same time in their business world of diaspora. Field research among transnational Chinese entrepreneurs who migrated to Singapore in recent decades reveals that there is a strong and evolving social underpinning of new Chinese Capitalism that is characterized by deepening integration with the host country and continuing intensive transnational connections with the homeland. Within the context of globalization, rapid development of transportation and communication technology along with regional integration with global economies, Southeast Asian countries are more open to the idea of connectivity and cooperation. Dual or multiple social embeddedness in both the homeland and the host land becomes an integral part of new livelihood strategies and lifestyle choices made by transnational Chinese entrepreneurs in the pursuit of their business careers. The government policies from both countries play a crucial role in the process of social embeddedness. Liu and Ren contend that in the case of Singapore, the Chinese transnational entrepreneurs simultaneously balance between transnationalism and integration by negotiating their pragmatic socio-economic activities across borders.

Chinese Business Systems

In addition to the extensive and widely applied cultural perspective of Chinese Capitalism, another important issue relates to Chinese business systems. By business systems, we are referring to the institutional structures of particular business networks that are socially constructed over time and space. With regards to Chinese business systems, it is the role and extensive penetration of business networks that is called into question. The organization of Chinese firms has been argued as being largely shaped by institutional structures. In addition, the entrepreneurial

tendency of ethnic Chinese as an important feature of Chinese business systems is debated.

A number of scholars have shown that an important attribute of Chinese business can be found in the role and extensive penetration of business networks or “bamboo networks”. Ethnic Chinese in Southeast Asia and beyond have been characterized as those who are excellent at networking. In fact, personal relationships or *guanxi* have been deemed as a crucial mechanism in the implementation of cooperative strategies in Chinese business networks.^{28, 29} Based on kinship and trust, reputation and honour, Chinese business networks are conceived to reduce transaction costs, increase coordination and minimize risks in business ventures.^{30, 31} However, studies have shown that the reliance on personal relationships and business networks is not restricted exclusively to the business practices of the ethnic Chinese. The Indians, Arabs, Parsees, Armenians and Jews have also employed personal networks in their business ventures. These ethnic groups also played significant roles in the economic history of Southeast Asia.

Despite criticism, the literature discussing the significance of personal networks continues to focus on how the Chinese organize themselves in ethnic-oriented business systems. Kotkin (1992) and Chang (1995) attempt to show how ethnic Chinese have formed exclusive regional networks. The network of companies, clans and villages are linked by ties of blood and native place as part of the large global network of overseas Chinese.³² However, it has been shown that inter-ethnic business cooperation between entrepreneurs and indigenous capitalists and politicians is more significant.³³ This supports the argument that Chinese business networks do not necessarily operate in an ethnic-based and fixed cultural logic.

The organization of family firms is another issue of debate concerning the Chinese business system. The family firm model concentrates on the role of family, kinship and lineage in Chinese companies.³⁴ Fukayama (1995) argues that the Chinese have very little trust in those who are outside the immediate family. From the cultural perspective, Chinese family firms are rooted in Confucian values which emphasize the importance of the family and the equal distribution of family wealth among the sons. Redding and Wong (1986), Wong (1988), Redding (1990, 1995), and Whitley (1992) mention several key characteristics of Chinese family firms including the centralization of power, relatively small and simple structuring, focus on one product, lack of vertical

integration, less standardization of activities, strong overlap between ownership and control, personalized networks, sensitivity to cost, strong and informal linkage, weakness in creating large-scale market recognition, limitations of growth and organizational complexities, and a high degree of adaptability.

Kao (1993), Chen (1995), Fukuyama (1995) and Carney (1998), among others, have argued that, given the above characteristics, Chinese family firms have difficulty in the transformation from traditional business model into the modern professionally managed corporation. Wong's (1985) model has predicted and stipulated the four developmental phases involving emergence, centralization, segmentation and disintegration. In other words, this is seen as an inevitable consequence for the demise of Chinese family firms despite their initial vitality. In reality, however, the internationalization and globalization of Chinese family firms is a complex process. There is "a messy mixture of the continual domination of Chinese family firms and the rapid transformations and broadening of these family business networks to incorporate increasingly non-Chinese and non-family actors".³⁵ Tracing the transformation of Eu Yan Sang from Singapore, Wong's prediction of the rise and fall of Chinese family firms over the typical three generations in domestic settings has been refuted. Instead of following the conventional fate of disintegration in phase four, Yeung has demonstrated that Eu Yan Sang Holdings Ltd has extended to the fourth generation.³⁶ It involves the fifth phase of corporatization where there is an overlap of professionalization and family ownership. In order to maintain competitiveness in the global market, Chinese family firms embark on the professionalization of management and governance, the consolidation of core competencies and better access to global capital markets.³⁷

Danny Wong Tze Ken and Tan Miao Ing's Chap. 3 in this volume on Malaysia traces the development of Chinese Capitalism in examining how two Chinese business tycoons, and their family firms, have adapted to changes through time with different outcomes. Despite the fact that the Chinese are a minority faced with discriminating policies, Malaysian Chinese represent 20 of the top 30 business tycoons in the country. Wong argues that the success of Chinese business in overcoming the discriminating policies is due to the manner they accumulate and manage their capital. This chapter distinguishes the development of Chinese Capitalism in Malaysia in three phases: the colonial period, the transitional post-independence period and the post-1971 period.

The family firms of H.S. Lee and Robert Kuok are presented as case studies of key actors in their business world with special focus on situated practices as well as cultural, political, social and economic factors under globalization. Wong's study of Lee and Kuok demonstrates that despite origins in similar circumstances, the Lee family was unable to sustain its operation beyond the third generation while the Kuok family built an international business empire. The distinguishing factor is leveraging ties in China. H.S. Lee and his family failed to explore and exploit these ties. Whereas, the Kuok family adapted to change and developed an ability to use the Malaysian business experiences of working with the local elite, which enabled them to develop close working relations with China's elite when hindered by discriminatory economic initiatives in Malaysia.

Ellen Palanca's Chap. 4 in this volume on the Philippines experience of the Chinese entrepreneurs reveals how Philippine Chinese entrepreneurs have overtaken the traditional elite in almost all sectors over the past 3 decades. She identifies the multi-faceted factors that enabled the rapid rise of Chinese tycoons. The spectacular growth of Philippine Chinese business in recent decades suggests that Chinese Capitalism has been uniquely shaped by the Philippine economic and business environment. Palanca contends that the top Philippine Chinese corporations have remained family corporations, having adopted Western models of corporate governance and maintaining family board governance. Second-generation Chinese descendants who are educated and motivated to expand their family corporations, including joint ventures with the increasing numbers of transnational Chinese from the mainland, now run these successful businesses.

Bien Chiang and Jean Chih-yin Cheng's Chap. 5 in this volume on the ethnic Chinese enterprises in West Kalimantan, Indonesia, focuses on business operations on three different scales. From his field research, Chiang finds that the older generation of Chinese entrepreneurs were educated in Chinese language schools before the independence of Indonesia. These multi-lingual business families were involved in local Chinese associations. The younger generation of Chinese entrepreneurs, in contrast, was born and raised under prejudicial policies during the Suharto era when Chinese schools were prohibited, depriving it of a chance of formal Chinese language education. This generation is "Indonesianized" and does not take part in the affairs of local Chinese associations. Family background and affiliation, however, nourish in the younger generation of Chinese entrepreneurs both an aptitude and a

familiarity with “Chinese commodities” such as bird nest and dragon fish. From Chiang’s analysis, it is interesting to note that the Chinese small and medium enterprises have been socially embedded into the Indonesian geopolitical sphere. From their point of view, the increasing Chinese investment and development projects are welcome in the sense that they could provide opportunities for employment and joint ventures.

Comparing Danny Wong’s analysis of Malaysian Chinese, Ellen Palanca’s Filipino Chinese and Bien Chiang’s West Kalimantan Chinese, the Chinese business system is a complex process resulting from the interplay between personal, familial and institutional factors. Institutional perspectives warrant an emergent entrepreneurial nature due to prejudicial policies impeding ethnic Chinese economic behaviour. Discriminatory policies restricting land and business ownership by overseas Chinese led to entrepreneurs adapting through assimilation. Whereas Chinese entrepreneurship is affected by national discriminatory policies throughout Southeast Asia, individuals, such as Robert Kuok, go beyond domestic markets and turn to China to build regional and international corporations. At the same time, family membership on boards, as shareholders and association leaders allows for hybrid practices to compete in global markets.

Transnational entrepreneurship is a crucial topic for discussion and examination in order to fully grasp the transformation of Chinese Capitalism. The concept of transnational entrepreneurship provides a departure from the fixation of state-centric and society-centric adaptation. With the internationalization of Chinese business, people are moving away from their home countries for business opportunities. Transnational Chinese entrepreneurs are actively developing new forms of business systems whereby multiple social embeddedness becomes a new business practice.

Political Economy of Chinese Capitalism

The diversity of historical and political contexts is particularly significant in the consideration of various forms of evolution and adaptation of Chinese Capitalism in Southeast Asia. In many host countries, ethnic Chinese are faced with hostility and discrimination. These overseas Chinese adopt various politico-economic strategies to cope with their situation. A number of new studies have contested the cultural explanation

by examining the institutional dimension of the political, social and economic pressures on overseas Chinese.

Gomez and Hsiao (2004) argue that the state, society and capital are operational concepts necessary for analysis to acquire a more complete and holistic understanding. Looking through the institutional lens of the state, they contend that state policies have directly impacted ethnic communities in socio-economic sectors. In Southeast Asia, state-business linkages are common. In Malaysia, the cases of H.S. Lee and Robert Kuok demonstrate that Chinese companies with established links with government-owned enterprises have found it easier to gain access to state funds. Furthermore, through the concept of capital, family business and generational change are dealt with institutionally.³⁸ Palanca's chapter illustrates the change in Chinese family characteristics. Ethnic Chinese recognize that they need to professionalize management as family businesses expand both nationally and internationally. There is greater involvement of women in management and changing patterns of inheritance.³⁹ The concept of society contests against the essentialist arguments that culture, shared identities and value systems determine ethnic business activity. In contrast, Taiwan business in Southeast Asia reveals that while the Taiwanese and Malaysian Chinese communities share a common ethnic identity, their "Chineseness" does not guarantee smooth business cooperation.⁴⁰ The Taiwanese have demonstrated a mistrust of Malaysian Chinese.

Globalization challenges the concept that Chinese Capitalism is stagnant. Yeung (2004) asserts that globalization is "a set of dialectical processes that simultaneously create a functionally interdependent world economy and accentuate the importance of all kinds of differences in societies and space".⁴¹ Key social actors are agents of change involved in these processes. Globalization tendencies can be seen as undermining the social and institutional foundations of Chinese Capitalism and accentuating the need for transformation in traditional dimensions. Yeung has embarked on an approach beyond merely looking at cultural preconditions and institutional conditions while considering the impact of resistance and transformations from globalizing tendencies.⁴² This establishes a move away from assumptions of dichotomy between cultural and institutional perspectives.

In summary, historical, political and socio-economic dimensions are crucial to fill the gap in essentialist cultural explanations. It is helpful to understand how institutional factors play a part in the dynamics

of Chinese Capitalism. While it escapes essentialism, Chinese Capitalism narrowly situates itself in domestic conditions. With globalization tendencies impacting on institutions and traditional elements, it is crucial to consider the contingent forces generated and impacting on transnational key actors in Chinese Capitalism.

Guanxi Networks and Chinese Capitalism

Over the past decades, *guanxi* (the Chinese concept of social networking), has been examined by many scholars. Our research conceptualizes *guanxi* not as an object of inquiry but as an “analytical tool” in the understanding of transnational Chinese capitalism under globalizing conditions. This section provides a brief review of different theoretical frameworks in the study of social networks, using examples of *guanxi* networking in Southeast Asia. Particular attention is paid to different orientations from a cultural essentialist approach suggesting a multi-dimensional approach in unravelling the “mystical” phenomenon of *guanxi* networking.

Many scholars of China recognize *guanxi* as special or crucial within Chinese society and culture. The cultural essentialist view thus constitutes a major strand of literature with regard to the understanding of *guanxi*. In this perspective, *guanxi* has been conceived and perceived as an essential element of Chinese culture and a phenomenon deeply rooted in the Chinese psyche.⁴³ King (1985) argues that for Chinese, “there can be no fulfillment for the individual in isolation from his fellow men”.⁴⁴ A renowned Chinese sociologist Fei Xiaotong (1992) argues that Chinese society was composed not of discrete organizations as in the modern West, but of overlapping networks of people linked together through differentially categorized social relationships.⁴⁵ Hwang (1987) similarly proposes that *guanxi* in Chinese society at any time or place is an essential part of “China’s national character”.⁴⁶ According to Pye (1968), the “Chinese tend to see the manipulation of human relationships as the natural and normal approach for accomplishing most things in life... society as a web of human relationships and associations.”⁴⁷ Redding (1990) stresses the need of the Chinese to be part of a collectivity and to the greatest possible extent, to deal only with familiar people one can trust.⁴⁸

From the business network point of view, *guanxi* has taken root as a cultural essentialist element. Hamilton (1989) coins “*guanxi* capitalism” to describe the distinct business practice which was derived

from the Chinese kinship system.⁴⁹ In relation to the rise of Taiwan's business class, several scholars such as Kao (1991), Fields (1995), Luo (1997) and Numazaki (1992) have attributed success to the prominent role of *guanxi*. As for the predominant Overseas Chinese economies of Southeast Asia, scholars such as Kao (1993), Simons and Zielenziger (1994), Tanzer (1994) and Weidenbaum (1996) have sought to emphasize the fundamental principle of *guanxi* in business activity.⁵⁰ Several scholars, such as Gomez and Tomas (1998), Luo and Chen (1997), Tung and Worm (1997) and Ambler and Witzel (2000) have advocated *guanxi* as a skill to be mastered and applied in engaging business.

Within this cultural perspective, scholars often trace *guanxi* historically to traditional roots. For instance, Ji (1999) states that an "ancient *guanxi* network" has emerged from Chinese patriarchal bureaucracy to minimize uncertainties from the dangers in political careers.⁵¹ Scholars such as Yan (1996), Hamilton (1998), He (2000), Ma (2001) and Cao (2002) associate village life with the noble origins of *guanxi* and the platforms of its conceptualization. Perhaps, the most commonly argued linkage between *guanxi* and traditional roots is found in Confucianism. For example, Mei (1967) defines the key concept of Confucianism as "*jen* [*ren*], or human heartedness" which influences the way people are treated through self-cultivation and education.⁵² Yeung and Tung (1996), Arias (1998), Bell (2000) and Hackley and Dong (2001) have identified *guanxi* as a product of Confucianism, such as "*ren*-based *guanxi*".⁵³ Early works by Liang (1989) and Fei (1992) apply the cultural perspective in explaining people's relatedness in terms of the ethical framework of Confucianism.⁵⁴ Mayfair Yang traces China's contemporary gift economy to its Confucian origins "when a conflict between two discourses, *Rujia* (later called Confucian) and *Fajia* (or Lagalist), first took place".⁵⁵ She argues that "the implication of the *Rujia* discourse on government based on ritual is a society of social relations".⁵⁶ The Chinese modernity Yang attempts to define is one which has an added feature as "the dramatic eclipse of a long and deeply rooted kinship mode of power and discourse by the rapid expansion of state and its discourse of nationalism".⁵⁷ It is notable that Yang articulates that the art of *guanxi* arose as a way to defuse and subvert the elaborate regulations and restrictions that the state redistributive economy has imposed on everyday life.

Another major corpus of scholarship known as institutional analysis deals with a different ontological orientation in contrast with the cultural

essentialist approach. It argues that *guanxi* has emerged from a particular set of social institutions and there is fundamentally nothing Chinese about this phenomenon.⁵⁸ Andrew Walder (1986) argues that *guanxi* is a response to situations similar to other socialist economies where scarce resources are controlled by powerful officials.⁵⁹ Jean Oi (1989) argues that the behaviour of personal ties is neither inherently Chinese nor traditional through her analysis of rural politics.⁶⁰ In a similar fashion, Guthrie (1998) argues that the institutional roots for the importance of *guanxi* in Chinese society will diminish with the emergence of rational law and market economy.⁶¹ Lucian Pye (1995) situates *guanxi* firmly in specific structural causes including the lack of formal regulations and the danger-filled political environment in China.⁶² Wang (1989) and Zheng (1986) similarly argue that *guanxi* should be viewed as a coping mechanism in the absence of a formal system of laws and regulations in economy. In deconstructing the traditional conceptualization, Kipnis (1997) advocates the study of *guanxi* in the context of more than 40 years of Chinese Communist Party policy instead of a “manifestation of ancient textual tradition”.⁶³ Riley (1994) articulates that it is “certain elements of modern Chinese society that have actually increased the necessity for maintaining kin ties”.⁶⁴ A number of Chinese scholars such as Chen (1997), Peng (1996) and Zhai (1996) purport that people concentrate their energies on accumulating *guanxi* and mastering *guanxixue* as a basic strategy for survival and mobility in light of the disarray amongst institutions and values after the Cultural Revolution.⁶⁵

Over the past decade, debates between cultural and institutional frameworks have produced many interesting insights on Chinese Capitalism and entrepreneurialism. In “Practices of *Guanxi* Production and Practices of *Ganqing* Avoidance”, Kipnis (1997) argues that the definition and practices of *guanxi* are intricately intertwined. From a theoretical standpoint, Kipnis (1997) believes that a focus on practices would enable him to avoid the dualism trap where practices are a series of endless variations instead of clearly delineated objects. Besides, such an approach helps him to conceive of linguistic and extra-linguistic worlds together and to bridge the conceptual divide between “native” categories and anthropological ones.⁶⁶ The emphasis on *guanxi* as practice in current settings becomes a new approach.

Lin (2004) approaches another methodological issue, which involves the undertheorized and understudied part of *guanxi* exchanges in “third-party effects”. In operationalization, he argues that a third party

in the form of a mutual friend, an intermediary or even a competitor can bear crucial implications for how *guanxi* functions beyond dyadic social exchange. This methodological consideration proves significant insofar as it narrows the gap between social exchange theory and social network theory.⁶⁷ This is because the former focuses on dyadic interaction whereas the latter emphasizes multilateral interconnectedness among individuals and groups. It is crucial to identify and study the relational patterns faced by different actors as defined by institutions and organizations in the understanding of social mechanisms.

Chang's (2004) "*Guanxi* and Regulation in Networks" seems to resonate with Lin's work and seeks to advance methodological consideration in network analysis. Chang argues that studies on Chinese social connections are generally limited to personal interactions: "*guanxi* are essentially interpreted as relationships between persons without attention to their contacts with institutions or to relationships between the institutions themselves".⁶⁸ Chang further comments that there is a lack of analysis of transnational networks consisting of different nodes or interlocking with other institutions in response to different policies applied under various political economies. In the case of Yunnanese Chinese, Chang shows that they have gone beyond regional binding and have also depended upon institutional organizations to expand their nexus to unfamiliar Yunnanese and even to non-Yunnanese.

The issue of interconnectedness is also emphasized by Wellman, Chen and Dong (2004) in "Networking *Guanxi*". The authors point out the nature of whole networks where there are patterns of connectivity and cleavages, structurally equivalent role relationships, indirect ties between persons and organizations and personal networks.⁶⁹ Similar to Chang's argument for the need to observe *guanxi* at the interlocking institutional level, Wellman, Chen and Dong argue how ties link people, how ties link organizations and also how ties link people to organizations. People are indirectly linked to one another through their joint membership with the same organizations.⁷⁰ These authors emphasize multi-level analysis as seeking to integrate "nested data" and going beyond a single focus so as to engage on emergent properties. Similarly, Lisa Keister's (2004) "*Guanxi* in Business Groups" examines the ways that *guanxi* ties influence the economic decisions of state managers in reform-era China.⁷¹ She discovers that "managers did not manufacture social relations for the purpose of economic gain nor did they use their social ties to avoid complying with laws and regulations", while *guanxi* was important

during China's economic transition, *guanxi* practice was becoming less important. David Wank (2004) places power at the centre of his analysis and argues for the necessity of cultivating relationships with powerful state actors which were central for entrepreneurs in China's emerging private economy.⁷² Based on study of 100 jobseekers, Yanjie Bian (2004) argues that there were still many "institutional holes" in the Chinese labour market where individuals still relied on their social networks to gain advantages in the employment process.⁷³ On the other hand, Guthrie (2004) problematizes the study on *guanxi* with regards to information asymmetries in perceptions of *guanxi* exchange. Guthrie uses the example that the employee or jobseeker had no way of distinguishing between circumstances and was not privy to decision-making. Thus, it would be inaccurate to assume *guanxi* was fundamental in the procurement of jobs. Such information asymmetry is suspect to research tact.⁷⁴ Guthrie concludes by arguing that the perception of the importance of *guanxi* was "highly contingent on the structural position of the respondent providing information".⁷⁵ Amy Hansen (2004) explores the salience of *guanxi* among urban youth in China in the 1990s and argues that individuals did not rely on *guanxi* to secure jobs.⁷⁶ Similar to Guthrie, Hansen argues that while they talked about *guanxi*, they were referring to social ties for simple advice or information exchange but they neither embraced reciprocal obligation nor instrumental use of it in a gift economy.

Breaking new substantive grounds, Pittman Potter (2004) argues that as formal law emerges in China, there is a growing complementarity between formal rules of legal systems and the informal rules and norms of *guanxi* relations.⁷⁷ Scott Wilson (2004) takes us to the suburbs of Shanghai and studies the economy of gift exchanges. Wilson argues that *guanxi* is a fluid concept where instrumental and sentimental ties are not too firmly defined in the gift economy.⁷⁸ James Farrer (2004) examines another way that *guanxi* related to the norms that hold the social worlds of Chinese society together. Farrer shows through the study on gossip in an urban neighborhood that gossip is a central form by which normative behavioural codes are maintained and become a currency through which a gift economy operates in reformed China.⁷⁹

The multi-level analysis can also be found in Langenberg's (2007) "*Guanxi* and Business Strategy" where he employs methodological individualism assuming that the characteristics, interests, preferences, beliefs and eventually actions of sub-system elements are the foundation of

systemic phenomena in social structures. Through the study of actors, resources, interests and control in the analysis of *guanxi*, the author operationalizes through three-tiered strategic *guanxi*. Strategic vertical *guanxi* refers to the strategic potential for creating value in the primary functions of inbound logistics, marketing and sales, outbound logistics and (after-sales) services, and in the secondary activity of procurement. Next, strategic horizontal *guanxi* creates value in procurement and logistics, marketing and sales as well as in the secondary processes of human resources and technology and development. This refers to implicit collusion through price-fixing meetings among rivals in harmony to prevent adverse price level situations. Finally, strategic lateral *guanxi* refers to cultivating relationships with personnel in the state administration and party executives. In fact, *guanxi* with government-related institutions is needed to secure the many mandatory licences, permits and even quality certificates.⁸⁰

Over the years, scholars of Chinese business systems have used different terms to express the complexity of *guanxi* such as “disentangling *guanxi*”⁸¹ or the “ubiquitous phenomenon of *guanxi*”⁸² Wellman, Chen and Dong (2004) argue how “China’s experience in the transition era is far from unique among developing societies, research in this area should be part of research on general social processes rather than on Chinese society per se.”⁸³ In concurrence with Chung and Hamilton (2002), Langenberg believes that *guanxi* is not so much a cultural logic but a structural system of repeated interactions based on ongoing exchanges.⁸⁴ In the end, Langenberg concludes that many features of *guanxi* phenomenon are not uniquely Chinese but actually exist in cultures all over the world. Therefore, it will not be surprising to see how *guanxi* takes on different forms in different politico-socio-economic settings.

Several chapters in this volume employ the *guanxi* concept to elucidate the cognitive mechanism of business networking and dynamism of cultural construction. In particular, Lee Kian Cheng’s Chap. 6 in this volume on the Thai Yunnanese transnational entrepreneurs in Chiang Mai argues that the Thai Yunnanese transnational entrepreneurs engage *guanxi* as political economy in their quest to accumulate different forms of “capital” (Bourdieu 1986) for upward mobility. Many Thai Yunnanese transnational entrepreneurs have struggled to mitigate political marginality since Yunnanese in northern Thailand were derogatorily stigmatized as drug traffickers. Many of them, however, are not passive receptors of

this condescending attitude but seek to reinvent new and positive images through transnational entrepreneurship. Lee's chapter focuses on how key actors employ a multiplicity of strategies through *guanxi* and exhibit different repertoires of entrepreneurial practices in their accumulation and conversion of capital into symbolic power for class mobility and elevation. In this light, *guanxi* is no longer a static form of cultural patterns but an "analytical tool" which renders better clarity in the elucidation of class mobility among the Thai Yunnanese transnational entrepreneurs in Chiang Mai, Thailand.

From our literature review and empirical research, it can be argued that the concept of *guanxi* is still useful and any attempt to understand the dynamism of Chinese capitalism in Southeast Asia should employ a *guanxi* networking framework with the principles of situated cultural logic in transnational context as an analytical approach. "Cultural logics" can be defined as "dynamic, shared predispositions that inform behavior and thought".⁸⁵ This concept is built on constructivist theories seeking to elucidate cognitive mechanisms of improvisation and proactive cultural construction. It is the "conscious and unconscious dialectical reconciliation of received cultural logics and changing real world circumstances that both reproduces and alters cultural patterns"⁸⁶ In the era of transnational capitalism, there is a need to situate cultural logic according to different localities where business activities are carried out. As Ong (1999) states, "transnational processes are situated cultural processes" and we should focus on how culture as a process evolves and morphs itself in situated contexts. Ong and Nonini (1997) argue that there are new developments of "family" and *guanxi* particularist relations from the accumulation strategies of transnational Chinese who employ flexible tactics of accumulation as they put their family and *guanxi* networks in subcontracting positions throughout Asia Pacific and beyond.⁸⁷ Such flexibility also gives rise to different cultural dispositions. In "Factory Regimes of Chinese Capitalism: Different Cultural Logics in Labor Control" Lee (1997) demonstrates the importance of cultural logics underlying specific forms of domination over labour. By studying the cultural processes of two factory regimes under the same ownership, the author shows how the management invoked, incorporated and recreated workers' identities and pre-existing networks in controlling labour. The author argues how transnational Chinese capitalists deployed different kinds of social networks—networks that existed among workers and those between themselves and state officials.⁸⁸ This case illustrates clearly

how the situational analysis of cultural logics are alive and applicable despite globalizing conditions.

CHINESE CAPITALISM: CRISIS, ENDURANCE AND RESILIENCY

In Cambodia, Laos, Myanmar and Vietnam, collectively referred to as CLMV countries within Southeast Asia, the Chinese communities have invariably gone through social upheavals, crisis and discriminating policies. This section attempts to explain the endurance and resiliency of Chinese communities in these countries, which at times, have been marginalized and/or faced the trauma of civil wars, but somehow manage to rebuild their lives, businesses and communities with the strength of their entrepreneurial practices.

For centuries, Chinese migrants and their descendants have been an important part of the Khmer economy. Wilmoot (1967) contends that the Chinese communities play a crucial role in trade, tax collection, rubber plantations and mining before and during the French administration.⁸⁹ Chinese communities, schools and clan associations thrived in Phnom Penh and various provinces until Lon Nol staged a coup in 1970 and issued a number of prejudicial policies against the Chinese. With increasing pressure from the authoritarian regime, many Khmer-Chinese students fled urban areas and took up arms with the Khmer Rouge resistance guerillas in the forest. However, when the Khmer Rouge took over the country in 1975 the Chinese were once again victims of discrimination and labelled as corrupt “capitalists”. During the brief Khmer Rouge regime, 2 million Cambodians died from forced displacement, execution, starvation and diseases. The ethnic Chinese population was reduced in half from 400,000 in 1975 to 200,000 in 1979. The discrimination against the Khmer Chinese continued until the early 1990s when it began to subside with the establishment of the Kingdom of Cambodia and the gradual improvement in diplomatic and economic ties with China.

Siphat Touch’s Chap. 7 in this volume describes how the Khmer Chinese picked up the pieces after several decades of violence and civil war. During the Khmer Rouge regime, many Chinese fled to the Thai-Cambodia border and started a lucrative border trade in food items, utensils, clothes, electronic appliances and other consumer goods. After the Vietnamese liberation of Phnom Penh, Khmer Chinese returned to urban areas and re-established their entrepreneurial practices as

shop keepers, traders and middlemen. In 1991, the Khmer Chinese Association was re-established and has since then played a crucial role in the political and economic affairs of the kingdom including the growing economic collaboration with China's state owned enterprises and private companies. In addition to the traditional family businesses of shopkeepers and traders, there emerged a number of powerful business groups with close ties with the ruling elite. Some of these new business groups made their fortune from lucrative border trade in the 1980s. Chief Executive Officers of these Chinese companies formed a council of "*Oknha*" (powerful tycoons) establishing a close-knit network of mutual interest with political leaders. In addition, the past decade also witnessed the emergence of young professional Khmer Chinese descendants. This emerging group members generally started their own businesses after brief working experience with private companies. Within the context of increasing regionalization, these young professional-cum-entrepreneurs are transforming traditional family businesses into a more standard corporate business culture in Cambodia.

Wasana La-orngplew's Chap. 8 in this volume discusses the domination of *Luuik Jean* (Chinese descendants) over the Lao economy and its sudden decline under the tight control of the Socialist government from 1976–1980. The number of Chinese decreased from 100,000 before 1975 to 10,000 in the 1990s. Those who remained in Laos were pressured to limit their entrepreneurial activities and close down most of their businesses. In Pakse, Laos where Wasana conducted her research, the majority of Chinese entrepreneurs fled to Thailand. Those who remained were unable to continue with their enterprises resulting in a shortage of food and other commodities in the country. As in other provinces in Lao, Pakse relied heavily on a subversive economy and black market which the government was unable to control. Many Sino-Lao entrepreneurs in Pakse found a lucrative business in the black market by smuggling food, fuel, consumer goods, spare parts, construction materials and all kinds of basic necessities across the border from Thailand. A few years later, when the Lao PDR government adopted a "new imagination" policy, which led to a relaxation of economic control, most Chinese entrepreneurs changed from the black market and smuggling to legalized cross-border trade, even though quite a few were still heavily involved in the subversive economy. Since the 1990s, ethnic Chinese businesses have begun to pick up the pieces and rebuild their businesses. But the economic landscape of Pakse, and Laos in general, has changed.

Sino-Lao entrepreneurs now find themselves not in full control of the local economy. Instead, they are in competition with the Vietnamese, Thai and new Chinese businesses.

Wasana contends that the revitalization of Sino-Lao businesses in Pakse is based upon three main strategies. First, it is the adaptability of the ethnic Chinese entrepreneurs to changing political conditions. The Sino-Lao businesses work well under both the Socialist centralized economy and the market economy. Second, it is the ability to establish connections with political leaders and government officials. Third it is the capacity to reproduce linkages with Sino-Laos who fled the country in order to establish joint ventures and new investments. Similar to the Cambodian situation, we also witness in Laos a tendency for the younger generation of ethnic Chinese entrepreneurs to overlook family business systems and prefer a more market-driven, standard corporate business culture.

In Myanmar, even though the ethnic Chinese entrepreneurs did not suffer the crisis and social upheavals the same way their Cambodian counterparts did, they still had to face prejudicial policies imposed by successive military governments and, over the past 2 decades, increasing tension with the new waves of Chinese migrants flowing into various urban centres in Myanmar. Khine Tuns' Chap. 9 in this volume focuses on Chinese domination over Myanmar's economy especially after the coup of 1988 when the Tatmadaw government became more and more dependent on China for trade and investment. Since then, new waves of overland Chinese migrants started to move in from Lashio to Mandalay, Yangon and other major urban areas. Mandalay, the second largest city in Myanmar, has witnessed a steady increase of new Chinese migrants. It is now estimated that half of the urban population in the main city area is new Chinese migrants.

The ethnic Chinese entrepreneurs in Myanmar have over the generations been deeply embedded and integrated into Burmese society and culture. They have built various reputable businesses and have earned the trust of local people. The newcomers, on the contrary, have brought a large amount of money to invest and have developed good relations with the military and corrupt officials to get Myanmar citizenship and work permits. They make huge investments and profits in real estate, hotels, guesthouses, restaurants, gold and jewellery shops, medical clinics, mobile-phone sale centres and all kinds of commercial activities. These business ventures seldom employ local people. To the locals, the

new Chinese entrepreneurs are only “chasing profit” with little concern for Burmese customs, language and culture. Anti-Chinese sentiments are growing in various parts of Myanmar and could potentially stir up Burmese nationalism and violence against the newcomers. Khine Tun argues that the Myanmar people consider the ethnic Chinese population as part of their society and the new Chinese as foreign elements. It might not come as a surprise if the newly elected Myanmar government subsequently introduces regulations and policies to restrict new Chinese economic activities and reduce their economic strength, thus pressuring them to seek more cooperation with the ethnic Chinese.

Of all the CLMV countries the resiliency of Sino-Vietnamese entrepreneurs is the most impressive. Nguyen Van Chinh’s Chap. 10 in this volume on the revitalization of ethnic Chinese business in Vietnam focuses on the downfall and revival of Sino-Vietnamese business in Ho Chi Minh City from an historical, economic and socio-cultural perspective. Nguyen argues that the family business, trust-based networks, ethnic association, patronage arrangements and other cultural practices have contributed to the resiliency and revitalization of ethnic Chinese businesses in Vietnam over the past few decades even though Chinese businesses have now become more diverse than ever before.

From the colonial period to the 1970s, before the fall of Saigon, the ethnic Chinese population in Vietnam, especially in the South, was the largest in Indochina with an estimated 1.55 million. The development of Cho Lon on the west bank of the Saigon River in 1889 can be regarded as a great landmark, being the largest Chinatown in Southeast Asia and the most significant rise of Chinese business in Vietnam. The rapid expansion of Cho Lon began with the rice trade to include rice mills, money lending, fishing, food processing and textile industries. Nguyen Van Chinh meticulously traces the development of Chinese Capitalism in Ho Chi Minh City before and during the French and American domination over the Republic of Vietnam. Chinese entrepreneurs were increasingly pressured by prejudicial policies to become naturalized citizens of Vietnam in order to maintain their economic activities and continue to control the economy of South Vietnam.

The end of civil war and reunification in 1975 marked the beginning of a new crisis for Chinese businesses in South Vietnam. Sino-Vietnamese were regarded as “comprador bourgeoisie” by the Socialist Hanoi government. They were accused of manipulating the Vietnamese market and therefore were an enemy of socialist revolution who must

be eradicated. It was estimated that at least 100 Chinese factories were inventoried, 250 Chinese entrepreneurs were arrested and some committed suicide from fear of arrest. The assets of those who fled the country were confiscated. Owners of big companies were sent to re-education camps and their assets nationalized. All Chinese associations were handed over to the military, their social institutions and hospitals were transferred to local administration. Chinese newspapers were banned. The reunification of the country also required a common currency. The limit put on the amount of money that could be exchanged was another severe blow to the wealth of Chinese entrepreneurs. In addition, all commercial establishments of small traders were confiscated through compulsory purchase by the government. The crisis in South Vietnam worsened China-Vietnam relations when the Peoples Republic of China (PRC) announced that China would protect all overseas Chinese. A massive wave of repatriation of the Chinese in Vietnam was launched, creating what seemed to be the total destruction of Chinese Capitalism in Vietnam.

Nguyen Van Chinh traces the revitalization of ethnic Chinese business and finds that Chinese family firms in Ho Chi Minh City strongly developed again in minor commodity production and wholesale markets, beginning in the early 1990s. These family business firms are run by Chinese descendants who were born in the late 1950s and early 1960s and had almost no relationship with the previous generation of Chinese entrepreneurs. Some family firms producing footwear, plastics and food processing have developed into leading business groups in Vietnam over the past 2 decades. Nguyen argues that apart from family business systems and cultural values, there are three more factors that have contributed to the revitalization of Chinese Capitalism in Vietnam: the role of Chinese Association, the formation of transnational business networks and the remaking of the Chinese identity. Along with the rapid revitalization of Chinese business in Vietnam, the ethnic Chinese are still facing a new dilemma. On the one hand, the rapid growth of Chinese Capitalism in Vietnam and its over-representation in transnational business networks implies that the Chinese entrepreneurs are becoming a significant force of socio-economic change. On the other, reservations about ethnic Chinese ties with the PRC, their lack of integration into Vietnam's mainstream society, and recently emerging anti-Chinese sentiments are interwoven with the centuries-old fear of China as an external threat. In the near future, the situation of Chinese entrepreneurs in Vietnam might

become even more complicated due to the PRC's increasing military modernization and unresolved disputes over the South China Sea. The continuous tension between Vietnam and China may also lead to the ethnic Chinese being subjected to discrimination and nationalism resulting in increasing geopolitical anxiety that in turn enhances their reliance on family-based actors rather than Vietnamese institutions to coordinate their social and economic activities.

In countries where the Chinese communities have gone through social upheavals, crisis and civil wars, ethnic Chinese managed to rebuild their lives, businesses and communities with the strength of their entrepreneurial practices starting with border trade, the black market, and basic commodity production and trade. However, continuing territorial disputes and tension with China have increased the ethnic Chinese's geopolitical anxiety that in turn enhances their reliance on family-based actors, traditional business networks and Chinese associations rather than institutional structures to coordinate their social and economic activities. In this case, the lack of relations between Chinese Capitalism and state structures and policies is largely explained by the key role of social actors and their geopolitical anxiety caused by the perceived risk a business investment's return could suffer as a result of political change or instability in the host country.

CHALLENGES OF CHINESE CAPITALISM IN SOUTHEAST ASIA: THE CHINA FACTOR

Over the past decades, the world has witnessed three significant economic changes: the increasing connectivity between continents and countries resulting from "globalization", the spread of neo-liberalism, and the rise of China as a major economic power. China's rise exerts a profound and complex impact on the political, security and economic contexts of Southeast Asia. A growing amount of financial aid from, and trade and investment with, China provides a powerful impetus for the increasing tendency of ASEAN economies to gravitate around their northern neighbour. Since the 1997 Asian financial crisis, a process of economic centralization with China as the epicentre has evolved and Southeast Asia now moves to the rhythm of China's economic growth.

Hsing-Chou Sung's Chap. 11 in this volume on China's geo-economic strategy in Southeast Asia describes Xi Jinping's "Chinese Dream" as a

new vision of China's policy toward economic centralization. Xi proposes that the reconstruction of the "New Silk Road" is an ambitious vision for expanding China's transregional economic connections, integrating Central Asia, Southeast Asia, South Asia and the Middle East. Over the past 2 decades, China has already established cordial economic relations with the countries along this route, but President Xi hopes to strengthen the transportation infrastructure and create new regional hubs and massive industrial parks. Sung contends that this geo-economic strategy is based on Chinese State Capitalism and aims to enhance connections with and influences on countries along the route. Southeast Asia will be the first choice of the mighty state owned enterprises (SOEs that play a decisive role in increasing China's political and economic power. The Asian Infrastructure Investment Bank (AIIB) is expected to play a constructive role in providing funds to ASEAN's major transboundary infrastructure projects including highway networks, railways and maritime transport.

Within the context of increasing connectivity under a new regionalism of ASEAN Economic Community (AEC), a crucial question is whether the economic centralization scheme will enhance or mitigate the favourable environment for ethnic Chinese business networks in Southeast Asia. On the one hand, the Chinese government can increase cooperation between SOEs and ethnic Chinese in the region through positive and appropriate policies directed towards the Southeast Asian Chinese. Ethnic Chinese could serve as a bridge between China and the region. Expanding relations between overseas Chinese entrepreneurs and China's SOEs and private companies could strengthen the networks and allow the Chinese newcomers to overcome the barriers to entering new markets, reduce the risk, and expand Chinese business and investment in Southeast Asia. On the other hand, while the impact of China's rise as an economic power and expanding business networks in the region could be regarded as a win-win situation for big overseas Chinese transnational corporations, the impact of expanding business networks on the local Chinese communities and small and medium-sized enterprises (SMEs) may not be equally positive.

The impact of China's rise as a global economic power on ethnic Chinese businesses vary from one group to another. While large ethnic Chinese conglomerates benefit from joint ventures, lucrative investment and expansion of trade with China, small ethnic Chinese businesses may lose out to the increasing competition with new Chinese migrants.

The fate of ethnic Chinese SMEs in Southeast Asia may be linked to their ability to adapt within the increasing transnational world of business. This is one of the most important and interesting issues about the impact of China's rise on Chinese Capitalism in Southeast Asia.

CONCLUDING REMARKS

Chinese Capitalism refers to the historically and geographically specific form of economic organization that has evolved, transformed and adapted to the different historical and socio-political contexts of Southeast Asian countries. The fundamental characteristics of contemporary Chinese Capitalism are the blending of the traditional and the modern in the formation of hybrid capitalism with dynamic transformation of norms, structures and institutions. Chinese economic organizations are therefore very heterogeneous with different cultural, linguistics, class habitus and business practices.

A focus on the complex interrelations between Chinese entrepreneurs and their rapidly changing political and socio-economic environment enables us to reconfirm that there is a mixture of continual domination of Chinese family firms with an actor-centred unit of economic decision-making and the rapid transformation and broadening of these family networks to incorporate increasingly professional non-family actors. The ability of contemporary family firms to adapt to the demands of transnational corporate practices by recruiting professional business managers and develop close working relations with China's elite has been found in Singapore, Malaysia, Thailand and the Philippines. Ethnic Chinese entrepreneurs go beyond their domestic grounds into transnational domains and transform themselves with their ability to apply skills and practices to a situated multiple embeddedness with both the host land and China. In this sense, the spirit of Chinese Capitalism is not only based on a set of beliefs and values but is now strongly associated with an ability to develop multiple social embeddedness and balance between transnationalism and integration by negotiating pragmatic socio-economic activities, in adopted nations and with China. The capacity of Chinese entrepreneurs to transcend territorial boundaries enables them to exploit inherent advantages embedded in different contexts and geographical settings. Transnational Chinese entrepreneurs are actively developing new forms of business systems whereby multiple social embeddedness becomes a new business practice.

NOTES

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Rise of the Red Capitalists: PRC Influence and the New Challenge of the Royalist-Chinese Business Alliance in Thailand

Wasana Wongsurawat

The ethnic Chinese in Thailand are not homogenous in their economic relationship with the state. There is clear distinction between the ethnic Chinese in Bangkok, who rely on alliances with the central Thai elite, and the ethnic Chinese in the northeastern provinces who rely on networks with business and cross-border trade with ASEAN countries and China. Some ethnic Chinese who settled in urban areas beyond Bangkok maintain relationships with the governing powers in Bangkok, for example north central provinces Nakhon Sawan and Suphanburi, and southern provinces Hat Yai and Phuket.¹ Chinese businesses in the northeast are less dependent on influential networks of the ruling political elite in central Thailand.² Factors strengthening economic independence in the northeast include the 1997 Thai Constitution and the PRC increasing economic influence in Southeast Asia. Furthermore, ASEAN trade

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and investment in the north and northeast regions of Thailand led to economic independence from the central government in Bangkok.³ An example of this is seen among the ethnic Chinese business elite in the northeast province Udonthani who maintain their identity and economic ties with the Peoples Republic of China (PRC). This chapter compares the cultural heritage of the Chinese Capitalists in Bangkok and Udonthani to demonstrate differing trajectories of ethnic and political identity in Thailand.

William Skinner's *Chinese Society in Thailand: An Analytical History*⁴ hypothesis is that ethnic Chinese will fully assimilate in Thailand. This assumption is supported by recent publications as seen in Jeffrey Sng's *A History of the Thai-Chinese*.⁵ Skinner argues that within four generations Chinese will no longer be distinguishable from non-Chinese Thais. This definition of "Thainess" ignores diversity and implies that losing Chinese characteristics is a condition of becoming Thai.⁶ The Skinnerian argument is based on mutually beneficial alliances between the Sino-Thai and Thai where economic success is attributed to establishing and maintaining relationships with the political ruling class in central Thailand.⁷ Challenging Skinner's thesis is the resistance to Thai assimilation among the ethnic Chinese in northeastern Thailand who demonstrate stronger economic and political alliance to the PRC.

The economic influence of the PRC in the Greater Mekong subregion has allowed ethnic Chinese regional business groups to prosper. A case study of Thai-Chinese in Udonthani demonstrates economic prosperity despite not having close ties with the central ruling political elite. This would not be possible prior to the decentralization of political power provided by the Thai Constitution of 1997 that decentralized state power and enabled locally elected government officials to have a greater degree of autonomy from central Bangkok.⁸ The flexibility and ability to adjust, adapt and take advantage of new sources of capital investment in the post-Cold War era would appear to provide the Udon Chinese capitalists with an advantage over mainstream Bangkok Chinese capitalists who remain steadfastly connected to the traditional centralized political powers. This not only allows for a new non-centralized narrative of the ethnic Chinese in Thailand outside of the long-standing Skinnerian paradigm, but also attests to the capitalistic flexibility of new China, as outlined in Dickson's analysis in *Red Capitalists*, in reaching out to influence the Southeast Asian local markets through non-traditional and non-state agents.⁹

The political and economic structure of both Thailand and the PRC, as well as the global context, have transformed drastically since the conclusion of the Cold War and continue to move forward in novel directions as we move into the twenty-first century. To understand this dynamic, it is imperative to find new ways in which to understand the development of the relationship and negotiation of power and influence between Thailand and the PRC as it affects the Chinese community in Thailand.

PRODUCTION AND REPRODUCTION OF OVERSEAS CHINESE HISTORY IN THAILAND

To fully understand the extent to which the four-generation paradigm of Skinner has become obsolete, it is necessary to first understand the production and reproduction process of mainstream overseas Chinese history in Thailand. The epitome of such a process could be observed at the Yaowarat Chinatown Heritage Centre which is the largest, most comprehensive, celebrated, and visited ethnic Chinese museum in Bangkok Chinatown.

The Yaowarat Chinatown Heritage Centre is a private establishment that operates largely on donations. Yet, it reproduces and reiterates much of the mainstream statist propaganda narrative concerning the history of the overseas Chinese in Thailand and their close and cordial relationship with the conservative Thai ruling class. Of the six main installations that make up the core of the museum's exhibition, at least four emphasize different aspects of this theme most prominently. The sense of loyalty and adoration towards the Thai monarch is pervasive throughout the museum. One could conclude that the sole history of the overseas Chinese in Thailand is due to a special relationship with the ruling dynasty.

This museum is housed on the second floor of *Phra Maha Mondop* building within one of the most important Buddhist temples in the Chinatown area, *Wat Traimit Wittayaram*. The temple was allegedly built by three Chinese friends (the temple's original name was *Sam jin* which means three Chinese and was later changed to *Trai mit*, meaning three friends) long before Bangkok was established as the capital city at the end of the eighteenth century. The Golden Buddha was discovered in 1955 as the temple's largest Buddha image was being relocated

to a new building and rough handling caused some of the cement surface of the sculpture to chip. *Wat Trai mit* became known as the Temple of the Golden Buddha, referring to the 5.5 tons of gold that was found in the form of a Sukhothai style Buddha image. The *Phra Maha Mondop* building was built primarily to house the Golden Buddha, called *Phra Buddha Maha Suwanna Patimakorn*. This four-storey building, in traditional Thai architectural design, was completed and consecrated in 2007 in celebration of King Bhumibol Adulyadej Rama IX's eightieth birthday. Since then, the Golden Buddha has been kept in the magnificent pavilion on the top level of *Phra Maha Mondop*. At the third level, there is a museum dedicated to preserving the history of the Golden Buddha. The history includes the story of how the Buddha image came to be at *Wat Trai mit*, and how the gold was discovered. A rather impressive collection of artwork inspired by this grand religious treasure accompanies the Buddha. The second floor of the *Phra Maha Mondop* houses the Yaowarat Chinatown Heritage Centre and the ground floor is a grand meeting hall for religious and community conventions and activities.

The Yaowarat Chinatown Heritage Centre narrates the history of the overseas Chinese community in Thailand beginning with the emergence of Bangkok Chinatown around the same time as the establishment of the ruling Chakri Dynasty and Bangkok as the capital city in 1782. The history recounted in the museum follows very closely the mainstream state-sanctioned version. The harmonious historical account does not acknowledge the tumultuous political upheavals both in Thailand and China during this time.

The historical narrative presented states that since the end of the eighteenth century, China began to deteriorate as a global superpower in trade and politics. Chinese people started to experience great hardship, especially in the southern provinces with dense population, unemployment and scarce arable land. Political unrest followed along with floods, droughts and famine. Subsequently, a large number of Chinese southerners migrated overseas to find employment so as to save themselves and their families from the dire situation back home. The majority of these Chinese sojourners came to Southeast Asia and a large number among them settled in Thailand, known as the Kingdom of Siam up to 1939. Siam was an ideal place for the overseas Chinese to settle for many reasons. The land was fertile and the climate was moderate. Moreover, the native people were kind, gentle and welcoming of settlers from China. Most importantly, Siam was ruled by the benevolent Chakri Dynasty,

perceived as monarchs who are wise and merciful. The overseas Chinese were welcomed and able to prosper through their hard work and honesty. For this, the overseas Chinese community often expresses gratitude and is loyal to the monarchs of the Chakri Dynasty. They aim to return kindness and generosity by being good citizens and contribute to the prosperity of the Thai nation through their business ventures, commerce and industries. Six major installations demonstrate this narrative:

1. **Growing up under Royal Benevolence** is a hologram skit about a grandfather recounting his childhood experience of waiting on the side of Yaowarat Street to receive King Ananda Mahidol Rama VII and HRH Prince Bhumibol (at present, King Bhumibol Adulyadej Rama IX) on the day they visited Chinatown in 1946. The grandfather concluded that because of the benevolence of the Chakri monarchs, together with their ancestors' industriousness, honesty and loyalty, the overseas Chinese have flourished and prospered in this land.
2. **Emergence of Bangkok Chinatown (1782–1851)** installation provides a virtual experience of the horrors of the treacherous journey from China to Siam in a red-bow junk. The lush, green, peaceful and prosperous ports of Bangkok welcomed the newly arrived Chinese migrants. They settled in the bustling business district of *Sampheng*, the plot of land designated especially for the Chinese by King Yodfa Rama I at the time of the establishment of the Chakri Dynasty and Bangkok as the new capital.
3. **Towards a Golden Age (1851–1957)** installation presents a model of Chinatown as one of the most modernized areas in the capital during the era of modernization during the reign of King Chulalongkorn Rama V. Yaowarat Street was constructed and, at the time, was one of the longest modern roads in the capital. Chinatown continued to flourish as the capital's centre for business and commerce. By the end of the World War II, Bangkok Chinatown had become the main district for modern entertainment in Bangkok. In 1957, three of the tallest buildings in the kingdom were situated in Chinatown.
4. **Great Legends** installation is Chinatown's hall of fame that presents the rag-to-riches life stories of all the leading personalities of the Chinese community. These exemplary overseas Chinese are admired for their great success in business and their generous

philanthropy. They are honoured for relieving compatriots in the ancestral homeland from plights of poverty, war and natural disasters, and for their contribution to His Majesty's Kingdom through social work and donations.

5. **His Majesty the King's Compassion** installation highlights royal activities in Chinatown and the royals' close and cordial relationship with the government of the PRC.
6. **Yaowarat Today** installation is an interactive tour of present day Chinatown. The installation provides comprehensive information on businesses and services available in Chinatown, including restaurants, gold shops, traditional medicine, Chinese healthcare, clothing and accessory stores.

None of these exhibits present difficult aspects of the historical relationship between the Thai state and the ethnic Chinese community. For example, there is no explanation that Rama I allotted the land in *Sampheng* to the overseas Chinese only after he banished them from their original settlement further upstream across the river from the grand palace of King Taksin who reigned from 1767 to 1782. King Taksin was deposed following a military coup by his chief lieutenant who subsequently enabled the Chakri Dynasty established with King Rama I. Taksin himself was of Chinese descent and had loyal supporters among a large majority of the overseas Chinese in Siam. Rama I was especially suspicious of the community that settled closest to Taksin's residence and, therefore, chose to banish them downstream to the swampland of *Sampheng* on the pretext of needing to build his own grand palace on the site of the former Chinese settlement. Another major period of conflict omitted from the museum installations was the Thai government's anti-Chinese policies during the World War II and throughout much of the Cold War. Among the most strikingly absent are the two Chinatown riots in September 1945 and July 1974.¹⁰ The unknowing visitor may therefore conclude that the Chinese community in Thailand enjoys the closest, most cordial, and mutually beneficial relationship with the ruling class during the rule of the current dynasty.

The brief history in the exhibitions in the Yaowarat Chinatown Heritage Centre is also extremely telling of the institution's economic backing and political leaning. Unlike the newly emerging narrative of ethnic Chinese communities during the post-Cold War, displays in the Yaowarat Chinatown Heritage Centre give away very little about

the forces behind the establishment of the museum. The museum was established with funding from the Crown Property Bureau and the Samphanthawong Business Community. The actual design and construction of displays and installations were carried out by Rakluke Edutex Co. Ltd., the same company commissioned to design and construct many of Bangkok Metropolitan's local museums.¹¹ The royalist conservative tone of the Yaowarat Chinatown Heritage Centre instillations reflects the royalist historical narrative.

The illustrious history of overseas Chinese presented in the Yaowarat Chinatown Heritage Centre is narrated in the superior and omnipotent voice of the establishment. The stories told are of those who have succeeded the state-endorsed industrious and fiercely loyal ethnic Chinese tycoons. The Hall of Fame is filled with established surnames that had long been transformed from Chinese to Thai, most of which have served in high-ranking positions in the courts and governments for generations.¹²

RISING ALTERNATIVE TO THE ROYALIST CHINESE

The Chinese community's pragmatic alliance with the conservative ruling elite during the establishment of the Bangkok capital in 1782 until the signing of the Bowring Treaty in 1855 was due to the royal monopoly of international trade. Most lucrative among foreign trade during this era was trade with the Qing Empire through the tribute system. The most influential and prosperous among the Chinese community of Siam were the court-appointed leaders of the Chinese community who also served as court agents in trade with China.¹³ Close connections with the monarch and the aristocratic class during this era provided business advantages including construction and service contracts and lucrative taxed agriculture. The Bowring Treaty that brought an end to the Siamese court's monopoly of international trade, combined with the Treaty of Nanjing, effectively ceased the Chinese tribute trade system. During the mid-nineteenth century, close connections with the court could still enhance one's chances of obtaining profitable government contracts and ensure a stable and friendly political climate for business and trade, both domestic and international. Later, following the Siamese Revolution of 1932, that transformed the kingdom from an absolute monarchy to become a constitutional monarchy, royalist connections continued to be a fairly reliable insurance for most business endeavours involving the government and/or the military. Since 1932, a majority of

Thai premiers were military dictators of one form or other maintaining the paternalistic client list system.¹⁴ This propelled overseas Chinese to high economic status with the advent of the Chakri dynastic rule.¹⁵

Throughout much of the twentieth century, with state monopoly of international trade and the abolishment of the absolute monarch, much of the foreign capital investment continued to be channelled into the kingdom through the powerful and enduring alliance between ethnic Chinese entrepreneurs and the conservative ruling elite, be it military or royalty. Throughout much of the Cold War era, there was essentially only one main political power core that could allow economic growth and financial gain to such a degree. Therefore, the only way an overseas Chinese business could become a rag-to-riches success story at the national level was to forge an alliance with the elite who held central governing power in Bangkok.

The next section of this chapter questions Skinner's hypothesis that ethnic Chinese will completely assimilate within four generations. During the twentieth century the ethnic Chinese community living beyond the Chao Phraya River Delta of central Thailand began to see less benefit in forging alliances with the conservative ruling elite. As foreign investment and trade became less dependent on the central political ruling powers in Bangkok, new business and trade centres emerged in the provinces.

During the 1990s, the expansion of Chinese investments in the Greater Mekong subregion coinciding with the Thai Constitution of 1997 enabled economic growth beyond the control of the central capital. During the 2000s, the ASEAN Economic Community bolstered independent trade and economic prosperity. Udonthani is one of the emerging provincial cities in north-eastern Thailand benefiting from these policies and rapidly became a regional hub of trade and commerce with trade networks expanding to Laos, Cambodia, Vietnam and China.¹⁶ The Udonthani Thai-Chinese Cultural Centre provides an example of the transformation in power relations between the ethnic Chinese community and the Thai state.

The Udonthani Thai-Chinese Cultural Centre opened on 6 January 2013 with the main purpose of preserving, presenting and promoting pride in the local Chinese identity and heritage of the Udon community. The Udonthani museum is distinctly different, in both presentation and content, from the Yaowarat Chinatown Heritage Centre in Bangkok. Aside from a very brief mention of Princess Bajarakitiyabha, the Royal Granddaughter, present for the grand opening, there is hardly any

mention of royalist connections. The Udonthani Thai-Chinese Cultural Centre is established and presents itself more along the lines of a lineage association. The lineage is not based on family connections, rather it is an imaginary ethnic network that connects all Udon residents of Chinese descent together in a shared history and value system that is preserved and presented in this museum.

The Thai-Chinese Cultural Centre was constructed, initially, as an extension of an ancestral shrine representing the biggest and most well-known and respected ethnic Chinese shrine in Udonthani. The Shrine is attributed to the ancestor deities who represent the unifying primordial couple who were the founders of the Chinese community in Udonthani province. The Shrine functioned as the first provincial Chinese Association and Chamber of Commerce. Therefore, not surprisingly, the associated foundation (PUYA Foundation) became the main sponsor of the Cultural Centre. The Udonthani Thai-Chinese Cultural Centre must therefore be considered within its historical connection with the Ancestral Shrine to better understand the logic and content of the Cultural Centre installations.

There are four main components to the exhibitions at the Udonthani Thai-Chinese Cultural Centre. The first and outermost part is the “Garden of Thousand-Year Old Morality”. In the middle of the garden is a majestic lotus pond, appropriately populated with a healthy school of emperor carp. There is a life-size statue of Confucius made of white stone standing in the centre of the pond. Surrounding the pond are various auspicious plants and 24 slabs of stone with bas-reliefs depicting the stories of the Twenty-Four Filial Exemplars (*Er shi si xiao*) complete with captions in Thai and Chinese. At the bottom of each of these piety slabs, the name of the person, family or business enterprise that sponsored its production is prominently displayed in big bold gold letters on a black granite surface.

On the left of the main entrance is the largest building within the Udonthani Thai-Chinese Cultural Centre, the Preecha Chairat Meeting Hall. This building takes its name from one of the richest and most influential characters in Udonthani’s business circles, the sugar tycoon, Preecha Chairat, who is also the fifty-ninth Chairman of the PUYA Foundation at the time of the initiation of the Udonthani Thai-Chinese Cultural Centre project. The meeting hall is mainly used for rehearsals and recitals of the Udonthani Chinese Orchestra, the first complete and the largest Chinese orchestra in Thailand, which is also supported by the foundation of the

Ancestral Shrine. Across from the meeting hall, is the Learning Centre, which is a smaller building used as the centre's canteen as well as a practice space for other cultural activities connected to the Ancestral Shrine, the PUYA Foundation and the Udonthani Thai-Chinese Cultural Centre.

The two-storey Chinese Cultural Museum building is next to the Learning Centre and houses two exhibitions clearly divided into two seemingly unconnected parts. Upon entering the Chinese Cultural Museum, the uninformed visitor might not be sure how the two separate exhibitions in the two levels of the building could fit in the same narrative. Yet, after a quick walk through all the installations, it becomes obvious that the sponsors of the museum, primarily important leaders of the Udon Chinese community as represented in the shrine committee, have attempted to legitimize their successful and influential position in both regional economy and politics through their alleged connections with the great sage and his teachings. The message is that the Chinese of Udonthani are rich and successful because they are also most virtuous and loyal disciples of Confucius.

The following is a brief summary of the exhibition on the top level, which consists of four main installations:

1. **History of the Chinese community of Udonthani**—This section of the museum recounts the history of how the Chinese community came to settle in Udonthani since the late nineteenth century during the reign of King Chulalongkorn Rama V. Most of the initial settlers were overseas migrants who disembarked in Bangkok and then made their way up to the northeast with the expansion of roads and railroads during the era of modernization in the late-nineteenth to early-twentieth century.
2. **History of the Ancestral Shrine**—This section tells the story of how the shrine was first established in Udonthani and how it became the heart and soul of the Chinese community in this province and eventually became the main sponsor of the Thai-Chinese Cultural Centre. This section is equipped with a small movie theatre where a 3D 15-min documentary on the history of the Ancestral Shrine is shown twice a day.
3. **Leading personalities of the Udonthani Chinese community and the PUYA Foundation**—This section is similar to the Yaowarat Chinatown Heritage Centre's Hall of Fame. In the Udon

museum, however, only two individuals are honoured with detailed biographies, Preecha Chairat and Komen Tansiriwattanapan, who was Preecha's predecessor as chairman of the PUYA Foundation and initiator of the Thai-Chinese Cultural Centre in Udonthani. The rest of this section presents the achievements of the various committees of the shrine foundation chronologically and collectively.

4. **Eight important Chinese festivals**—This section provides general information on the eight important Chinese festivals in each calendar year, when each festival takes place, the historical and mythological background of each festival, cultural practices for each event and, most importantly, the activities of the Chinese community in Udonthani for each of these events.

The lower level of the museum holds another permanent display on the life and teachings of Confucius. This part of the exhibition is divided, roughly, into three main sections:

1. **The life of Confucius**—This section recounts the life story of the great sage according to legend, what was referred to or could be implied from recordings of his teachings and the little that remains in terms of historical sources. Aside from a life-size, life-like wax image of Confucius—the image looks suspiciously like Chow Yun-fat who played the character in the 2010 movie *Confucius*—this section also includes the life stories of his disciples and depictions of important events in the sage's life.
2. **The teachings of Confucius**—This section provides a general overview and brief explanation of the major works attributed to Confucius. There are also virtual re-enactments of important conversations, discussions and preaching between Confucius and his disciples. These significant scenes are presented as video clips on six separate screens installed at the end of the section.
3. **Confucius in the contemporary world**—This section shows images and replicas of sites and artefacts related to the life and teachings of Confucius that still exist today. Most of the images of the important historical sites relate to the life of Confucius—mostly in the PRC—including pictures of visits by leading members of the Udon Chinese community and committee members of the Ancestral Shrine.

The ambiance of the Udonthani Thai-Chinese Cultural Centre is drastically different from that of the Yaowarat Chinatown Heritage Centre in that the presence of the organizers and sponsors as well as the living community surrounding the Udon museum is almost as pervasive as the reference to the royal family in the Yaowarat installations. While we do not see any mention of the Crown Property Bureau and the Samphanthawong Business Community, visitors can hardly find an installation in the Udonthani Thai-Chinese Cultural Centre that does not have the name, or several names, of sponsors prominently displayed on it. From the name of the meeting hall, to the bas-relief plaques of filial piety, down to every walkway, pavilion, even garden rocks in the vicinity of the museum and the Ancestral Shrine are all stamped with names of donors. The museum, therefore, serves as a monument of “who is who” in Udonthani’s vibrant economic scene. The design of the presentations appears to be far more traditional than professional. Most of the installations are simple placards densely covered with printed material narrating the history and culture of the community. The presence of the living Chinese community is most prominent in the exhibitions of the Udonthani Thai-Chinese Cultural Centre. The Eight Important Chinese Festivals section displays photographs of various members of the community participating in major cultural events through the years, such as boys in dragon and lion dances, girls in dancing troops, young musicians in the Chinese orchestra and adult members joining parades on festive occasions. Visitors are meant to get the sense that such a Chinese way of life continues to go on in the Udonthani Chinese community even to this day and that they too could have their picture as part of the museum’s display if they were to be an active member of the community.

UDON-CHINESE SUCCESS STORY: PREECHA CHAIRAT

While the Yaowarat Chinatown Heritage Centre provides a pantheon of successful ethnic Chinese in the Bangkok Chinatown community, the Thai-Chinese Cultural Centre of Udonthani provides a fairly clear prototype of the Udon-Chinese success stories. However, legendary figures of the two Chinese communities differ in quite a few aspects. As mentioned earlier, the greatest among Bangkok Chinatown heroes are almost always connected to the central ruling power of the Chakri Dynasty as feudal farmers, trade agents of the court or philanthropic entrepreneurs who donate generously in support of various royal projects. On the other

hand, the Udon-Chinese success story follows a very different narrative. The life and accomplishments of Preecha Chairat and his clan is probably the best example.

Preecha Chairat is the eldest son of Ngoen Chairat, an ethnic Chinese pioneer from Nakhon Pathom who relocated to establish the first sugar production industry in Udonthani in 1949.¹⁷ The business success of the Chairat clan of Ngoen's generation was impressive in local terms but still rather limited when compared with the leading Chinese businesses in Bangkok during this time. Ngoen's Rerm-udom sugar factory managed to grow continuously with the support of an extensive network of ethnic Chinese entrepreneurs and industrialists in Udonthani and surrounding provinces. The sugar industry in Udon began to take off as one of the leading national agro-industries when Preecha took over as general manager on his father's retirement in 1976. Preecha imported new technology to improve the production capacity of his family's business and gradually expanded his trade network throughout the northeast region and into neighbouring countries. By the late-1980s, Rerm-udom had become one of the nation's leading sugar producers and Preecha was one of the most influential entrepreneurs in the region.

By the 1990s, Preecha Chairat demonstrates Chaiyon and Chainarong's model of single faction dominance in the Udon economy.¹⁸ He expanded the family business into several other major sectors, including the establishment of Preecha Market (one of Udon's largest market places located on prime property right next to the provincial train station) and PC Ranch a major cattle ranch in neighbouring Nongbua Lamphu province which is one of Thailand's most successful horse racing stables.¹⁹ Preecha's influence in Udonthnai extends far beyond the success of his various businesses into the realm of politics and civil society. His business empire is established with a solid foundation within the ethnic Chinese business community in Udon with networks that extend across the north-eastern region all the way into neighbouring Laos and Cambodia. His ascension to the prestigious position of Chairman of the PUYA Foundation in 2008, and his initiative that led to the establishment of the Thai-Chinese Cultural Centre 5 years later, not only helped consolidate his position as a crucial pillar of the community but also allowed him to be recognized as one of the key contributors to the growing socio-cultural and economic ties between the Thai-Chinese business community and the PRC in the late twenty-first century. Recognition of his prominence is manifest in the main recital

hall of the internationally acclaimed Udon Chinese Orchestra, located in the grounds of the Thai-Chinese Cultural Centre, which is named after him. He is recognized for his influence in the Thai-Chinese business community of northeast Thailand and his visibility as a major contributor to the growing Sino-Thai trade and cultural ties.

During the political turmoil arising from the 2006 Military Coup in Thailand, Preecha has come under scrutiny for his extensive connections to local politicians with close ties to the political “red shirts”. Yet it appears that his solid ties with the local business community as well as excellent standing vis-à-vis leading mainland Chinese investors has allowed him to survive the purge of red shirt leaders more or less unscathed.

YAOWARAT TO UDONTHANI: DIFFERENCES, SIMILARITIES AND IMPLICATIONS

From the point of view of an observer, an historian of the overseas Chinese in Thailand, there is one main difference and one major similarity between the installations in the Yaowarat Chinatown Heritage Centre and the Udonthani Thai-Chinese Cultural Centre. The major difference is related to the issue of assimilation raised at the beginning of this chapter. As argued above, the author perceives the alliance between the Chinese community and the conservative central power in Bangkok, as embodied most explicitly in the institution of the monarchy and the royal family, to be the most obvious aspect of assimilation. While this alliance is overtly presented throughout the exhibitions in the Yaowarat Chinatown Heritage Centre, it is hardly observable in the presentations of the Udonthani Thai-Chinese Cultural Centre.

The justification for the Bangkok Chinese dominance in the economy of Thailand appears to be drawn from their own industriousness, their contribution to the local community and, most importantly, their loyalty and long-standing close and cordial relationship with the Chakri Dynasty. Whereas the Chinese of Udonthani seem to justify their dominance both in political and economic terms by their connections to the Ancestral Shrine. The Ancestral Shrine Foundation (PUYA Foundation) committee appears to serve as the Chinese Udonthani Chamber of Commerce comprised of many elite members of the official Udonthani Chamber of Commerce. The Ancestral Shrine of Udonthani appears to

function like a Chinese lineage association. Association with the PUYA Foundation, cooperation with other businesses related to the shrine, and support for the shrine's various activities and projects are perceived and presented as a worthy form of filial piety. The Chinese elite of Udonthani, therefore, associate themselves with the legend and the teachings of Confucius, highlighting filial piety as the highest form of virtue, rather than with the Bangkok elite.

Unlike the elite Chinese in Bangkok, the Udon Chinese rely on their connections and networks with other regional Chinese businesses, including cross-border investments to and from ASEAN neighbouring countries and, perhaps more importantly, from the PRC. The rise in financial power and economic dominance of Udonthani, a new trans-national hub of ASEAN trade and industry, has serious implications and influence on the economic dominance of the Bangkok Chinese. Politically, Udonthani has been dubbed the "Red-Shirt Capital" due to the rise of independent red capitalists in Thailand's northeast region following the ousting of Prime Minister Thaksin Shinawatra in 2006. These political events coincided with rapid economic growth in the region.

In 2000, Udonthani ranked sixth in the northeastern region, and 62 out of 67 in national per capita GPP.²⁰ By 2013, Udon's GPP leaped to twenty-third nationwide and to fourth in the northeast.²¹ Indicative of this growth, the large shopping mall, Central Plaza Udonthani, opened for business in 2009 and became the largest department store in the northeast. By 2012, 40% of Udonthani's major retail customers came from neighbouring provinces and up to 20% were travelling daily from bordering Lao PDR.²² Foreign investments have also been on the rise, especially from the PRC and Japan. There has been increasing interest in investing in Udonthani's rich mineral resources, especially its potash deposits, which are estimated to yield up to 300 million.²³ Udonthani Industrial Estate is anticipated to be one of the largest production sites for multiple/multinational investors across the Asia-Pacific region, including the PRC, Japan and Malaysia. Among the major expanding industries, rubber and automobile industries are believed to lead this new wave of development. There is a strong possibility that once the Udonthani Industrial Estate is open it will soon overtake existing competitors and become the largest production and exporting site for automobile tyres in the world.²⁴

The rise of Udonthani in the national and regional economic arena comes with significant political implications that affect the political

position of the Chinese community in Bangkok. It is well known that the Bangkok Chinatown districts Samphanthawong, Pomprabsatrupai and Bangrakhave, have long been strongholds of the Democrat Party and the Bangkok Chinese business community has been a strong supporter of the People's Alliance for Democracy (PAD), commonly known as "yellow shirts", who led the popular movement in support of the overthrow of Prime Minister Thaksin Shinawatra. The Chinese community, which made up much of the urban educated middle-class of Bangkok, supported the People's Democratic Reform Committee (PDRC). The PDRC was formed from remnants of PAD together with Democrat MPs who had resigned in protest against Prime Minister Yingluck Shinawatra's election in 2011. The military coup of 2014 ousted Shinawatra for the second time. With the support and patronage of the military, it appears that the "yellow" faction of the Chinese community, namely, the Bangkok and southern Chinese, have managed to remain dominant in national politics since the coup.

Since the coup in 2014, the military junta have launched widespread and rather violent purges of pro-Shinawatra political and economic entities, most effectively through the draconian *lèse-majesté* laws. This has forced the Chinese community of Udonthani to adjust so as to safeguard their economic dominance in northeast Thailand and the ASEAN Mekong corridor. Notable is the more pronounced reference to Princess Bajarakitiyabha, the only member of the royal family to have officially visited the Udonthani Thai-Chinese Cultural Centre, with an entire chamber dedicated in honour of Her Royal Highness. Photos from her previous visits to and her various activities in Udonthani are now on permanent display. This installation is a far cry from the display of every member of the royal family and their activities in Bangkok Chinatown displayed most prominently in the Yaowarat Chinatown Heritage Centre.

Despite the fact that conservative royalist politics have managed to put pressure on the expressed political views of the Chinese community in Udonthani, the centralized alliance of the conservative militarist government and the conservative Chinese business sector in Bangkok could not stop the growing potential of Udonthani as the new trans-national/trans-regional hub for trade and commerce across the Asia-Pacific region. With the emergence of the PRC as the dominant force in the global economic arena of the twenty-first century and the much anticipated breakthrough of the ASEAN Economic Community) by the end of 2015, the Bangkok-centric Chinese community runs a risk of losing ground in the

regional and global economic arena if it continues to rely solely upon political connections with the conservative political factions. Increasingly, the Bangkok Chinese community are displaying alliance to the PRC.

Both the Yaowarat Chinatown Heritage Centre and the Udon Chinese community through the Udonthani Thai-Chinese Cultural Centre claim connection and alliance with the PRC. The Yaowarat museum makes this claim quite overtly by claiming a royal connection in the fifth installation, His Majesty the King's Compassion, where the visits and activities of the monarch and members of the royal family to Chinatown are exhibited along one side of the hallway while the royal family's visits to the PRC as well as visits from high-ranking officials of the Chinese government to Thailand are exhibited along the opposite side of the hallway. Most prominently, in the middle of the hallway is a large portrait of King Bhumibol Adulyadej Rama IX. This display demonstrates that the Chinese in Thailand have a long-standing, close and cordial relationship with the royal family. It also demonstrates cordial relations with the Chinese state. One could surmise that the Chinese in Thailand are increasingly an extension of the Chinese state connecting the Thai royal family to the PRC.

The Udonthani Thai-Chinese Cultural Centre, on the other hand, claims connection and alliance with the PRC through cultural heritage, namely Confucius and the Udonthani Chinese Orchestra. The Udonthani Chinese Orchestra is the first Chinese orchestra in Thailand. It won the grand prize in the Chinese International Instrumental Music Art Festival of 2012 and was invited to perform in the welcoming ceremony of Prime Minister Wen Jiabao's visit to Thailand in the same year. Among the most iconic images presented in the Udon museum is that of its Chinese orchestra performing on the Great Wall of China. The subtler claim of alliance is the museum's presentation of the life and teachings of Confucius. It is not a coincidence that both the Chinese community of Udonthani and the PRC government have both chosen the great sage as their icon of cultural diplomacy. Right at the front of the exhibition on the life and teachings of Confucius is a large placard presenting and promoting the activities of the Confucius Institute in Thailand. This includes, most importantly, the teaching of the Chinese language (*putonghua*) and support for various cultural activities, especially the eight festivals prominently presented as the most important cultural activity of the Shrine committee in the upper level exhibition. Confucius is the PRC's icon of cultural diplomacy; the Chinese of Udon therefore identify with

Confucius and his teachings as a demonstration of Chinese global cultural and political alliance.

THE CHANGING FACE OF THE ETHNIC CHINESE AND END OF THE CHINESE DIASPORA

One similarity between the Yaowarat Chinatown Heritage Centre and the Udonthani Thai-Chinese Cultural Centre is that the great cultural diversity of the overseas Chinese community in terms of dialect groups, hometown associations, secret societies and sworn brotherhoods are nearly non-existent in both museums. The Chinese, both in the community in Bangkok and Udonthani, are presented as homogenous in relation to the PRC rather than having a diverse cultural heritage. The Chinese diaspora in many Southeast Asian countries continues to identify with specific linguist groups that reinforce economic and political alliance and trans-national networks.

CONCLUSION

During the twenty-first century, the Chinese in Thailand have had complex assimilations beyond Skinner's four-generation framework. The case of the Udonthani shows that Chinese communities in Thailand no longer need only to rely on close relations with the central power in Bangkok to gain economic and political dominance. The Udon Chinese Capitalists leveraged the decentralization of political power following the promulgation of the 1997 Constitution, expansion of PRC investments in ASEAN and alliance with the Chinese elite in political "red shirts" in northeast Thailand. Contemporary Chinese communities in Thailand increasingly accept and align with PRC hegemony. In Thailand, it would appear that ethnic Chinese communities are being transformed into an extension of the Chinese nation-state. They are more connected to political personalities in the Chinese government rather than their fellow ethnic Chinese in central Thailand. One example of this is the use of the standard Chinese language according to the Confucius Institute instead of the dialects of their ancestors.

From a global perspective, this phenomenon could be viewed as the unstoppable spread of PRC cultural hegemony and the deterioration of resilience and diversity that once characterized the trans-national culture

of the Chinese diaspora. With the rise of the PRC as a superpower in the world economy and politics of the twenty-first century, ethnic Chinese communities around the world, including perhaps starting with Southeast Asia, knowingly and unknowingly start to forgo their unique hometown and dialect identity so as to join the hegemonic powers of the Chinese nation. Yet, from the perspective of domestic politics, it is also possible to understand this phenomenon as a desperate attempt by local power to manipulate an alliance at the national level. In a similar fashion, we can understand the Cold War in Asia as a series of civil wars where superpowers were dragged in to settle the scores of local mafias.²⁵ The increasing presence and influence of the PRC in the representation of the ethnic Chinese communities in Bangkok and Udonthani could also be viewed as an attempt by both central and regional Chinese Capitalists to gain the upper hand in this epic national struggle between the royalist conservatives and the decentralized followers of the political red shirts. It is difficult to determine which side of local politics could ultimately benefit from this sort of power play. The identity of the “diaspora” is one without the benefit of state power. However, once the diaspora attempts to partake in the dominance of a state power over other diasporic groups, the state-aligned party might ultimately gain dominance, but only at the high price of its diasporic nature.

NOTES

1. G. William Skinner. *The Chinese Society in Thailand: An Analytical History* (Ithaca: Cornell University Press, 1957), pp. 322–345.
2. Ran Guanyu. “Outside of the Old Enclave: A New Chinese Immigration Neighborhood in Huai Khwang, Bangkok” (MA thesis, MAIDS, Faculty of Political Science, Chulalongkorn University, 2015), pp. 56–58.
3. In quite a few cases, the central government in Bangkok even appears to be pressured into allowing major development projects in the provinces (especially in the cases that relate to the present argument, in the north and northeastern regions of the country) so as to facilitate the grand scheme of industrial development and investment of the PRC in Southeast Asia. Two among the most obvious and controversial examples are the potash mining project, see: Michael Sainsbury, “Government hopes potash will revive sector,” *Nikkei Asian Review* (2015) and the Udon Thani Industrial Estate which will be open for investment and development from 2018, see: “Industrial estate sales on target,” *Bangkok Post*, 15 May 2014.

4. Skinner, G. William. *Chinese Society in Thailand: An Analytical History* (Ithaca: Cornell University Press, 1957).
5. Jeffery Sng and Pimraphai Bisalputra, *A History of the Thai-Chinese* (Singapore: EDM, 2015).
6. Skinner, G. William. "Chinese Assimilation in Thai Politics," in *The Journal of Asian Studies*. Vol. 16, no. 2 (Feb., 1957), pp. 237–250.
7. Bualek, Punnee. *Laksana naithun thai nai chuang rawang poso 2457–2482* (Bangkok: Phanthakit, 2002), pp. 1–69.
8. There has been quite extensive research on the impact of the decentralization of political power in Thailand following the promulgation of the 1997 constitution. Most research is in the field of political science, but there appear also to be a few crucial pieces in political economics. For the political economic take on a similar argument to the one presented in this article, see: *Unequal Thailand: Aspects of Income, Wealth and Power*, ed. Pasuk Phongpaichit and Chris Baker (Singapore: NUS Press, 2016), especially the chapters by Chaiyon Praditsil and Chainarong Khruenuan, "Inequalities of Local Power and Profit: The Changing Structure of Provincial Power," and Ukrist Pathamanand's "Network Thaksin: Structure, Roles and Reaction." The general idea of this line of argument is that political decentralization allowed for the rise of a new class of local political elite who came to exercise much more influence in national politics as well and in driving economic policies at both the local and national level. This resulted in the major expansion of capital and financial power of local businesses related to the said local political elite.
9. Bruce J. Dickson, *Red Capitalists in China: The Party, Private Entrepreneurs and Prospects for Political Change* Cambridge (Cambridge: Cambridge University Press, 2003). The use of "Red Capitalists" in this chapter is a reference to Bruce J. Dickson's use of the term in *Red Capitalists in China: The Party, Private Entrepreneurs and Prospects for Political Change* rather than a reference to the "Red Shirts" in Thai domestic politics. The term "Red Capitalists" in Dickson's analysis denotes, quite significantly, a substantial and influential connection with political powers within the Chinese Communist Party (CCP). The ethnic Chinese capitalists of Udonthani do not appear to enjoy the benefit of such connections. None of them, to this author's knowledge, have gained membership in the CCP.
10. Wasana Wongsurawat, "From Yaowaraj to Plaplachai: The Thai State and Ethnic Chinese in Thailand during the Cold War," ed. Vu Tuang and Wasana Wongsurawat (New York: Palgrave Macmillan, 2010), pp. 165–185.
11. Sattha Sukchu, "Yon adit yan mangkon na sun prawattisat yaowarat," in *Manager 360*, March 2009, <http://info.gotomanager.com/news/print-news.aspx?id=78033>.

12. Jeffery Sng and Pimraphai Bisalputra, *A History of the Thai-Chinese*, pp. 360–395.
13. Sarasin Viraphol. *Tribute and Profit: Sino-Siamese Trade, 1652–1853*. Chiang Mai: Silkworm, 2014, pp. 172–180.
14. Thak Chaloeontiarana, *Thailand: The Politics of Despotic Paternalism* (Ithaca: Cornell Southeast Asia Program, 2007), pp. 43–48.
15. Punnee Bualek, *Laksana khong naithun thai, 2457–2482 BE* (Bangkok: Phanthakit, 2002).
16. An impressive study on Udonthani’s potential to become the centre for trade and investment of the Greater Mekong subregion (especially in the event that Laos, Cambodia and Vietnam become more economically integrated into the ASEAN community) can be found in Malai Kornkuewsomneuk, “The Roles and Development Trends of Muang Udon Thani as a Centre for Trade and Investment” (MA thesis., Department of Urban and Regional Planning, Chulalongkorn University, 1997).
17. Rerm Udom Sugar Factor Webpage, history section, <http://118.174.37.214/about.html>, accessed 15 December 2016.
18. Chaiyon Praditsil and Chainarong Khruenuan, “Inequalities of Local Power and Profit: The Changing Structure of Provincial Power,” in *Unequal Thailand: Aspects of Income, Wealth and Power*, ed. Pasuk Phongpaichit and Chris Baker (Singapore: NUS Press, 2016).
19. Kanlayanawisut, Seksan. *Komchadluek*, 8 February 2016, <http://www.komchadluek.net/detail/20160208/221991.html>.
20. National Statistical Office, *Statistical Reports of Changwat Udonthani*, 2003 edition.
21. Ministry of Industry. *Industrial and Economic Report of Changwat Udonthani, 2014*, www.industry.go.th/udonthani.
22. Ibid.
23. Concessions have recently been awarded, in December 2014, to Asia Pacific Potash Corporation Co. Ltd. (APPC), which is 90% owned by ITD group and 10% by the Thai government. The concession is 25 years long and it is expected that the mines could yield up to THB20 billion annually.
24. “Two new industrial estates approved,” *Bangkok Post*, 14 March 2014.
25. *Dynamics of the Cold War in Asia: Ideology, Identity, and Culture*, ed Vu Tuang and Wasana Wongsurawat. (New York: Palgrave Macmillan, 2010) pp. 1–16.

Transnational Social Underpinnings of New Chinese Capitalism: Immigrant Entrepreneurship in Singapore

Liu Hong and Ren Na

INTRODUCTION

Studies on transnationalism have made significant inroads into research on international migration and entrepreneurship. The present empirical studies on transnationalism and transnational entrepreneurship, however, are predominantly limited to examples in North America and Europe.¹ In his study of Chinese business in Asia, Henry Yeung argues that Chinese Capitalism is a form of *hybrid capitalism* that is “open and fluid in nature” and it simultaneously converges toward “certain norms and rules in Anglo-American capitalism and, yet, diverges from its key institutions and structures, reflecting context-specific dynamics and the uneven impact of global flows of capital, information, discourses and technologies”.² Despite the abundance of research on the wider phenomenon of diasporic Chinese business transnationalism, little attention has been given to new Chinese immigrants in an intra-Asian context and

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their specific brand of capitalism, especially against the backdrop of the accelerated pace of globalization and the rise of China as the second largest economy in the world.³ According to recent statistics, new Chinese migrants—those who have emigrated since the late seventies when China started its reform and opening-up policy—are numbered at 9.3 million, of which approximately 4 million are intra-Asian migrants. An increasingly significant proportion of these intra-Asian regional migrants are professional and entrepreneurial migrants.⁴ This chapter focuses on new Chinese immigrant entrepreneurs in Singapore, a major destination for Chinese immigrants in Asia. To examine the interaction of new Chinese migrant entrepreneurs between transnationalism and integration, this chapter will focus primarily on the immigrant entrepreneurs' point of view, their social behaviour, and their social organizations that help sustain their economic activities. Three perspectives will be adopted: business management, socio-economic activities, and entrepreneurship orientation. We attempt to address the following questions in this chapter: what factors help forge the dual embeddedness of new Chinese immigrant entrepreneurs in both host and home societies? How does the dual process of integration and transnationalism reflect on entrepreneurs' business management, specifically addressing issues such as business ownership and marketing strategies? How does transnational social underpinning play a part in facilitating the development of new Chinese immigrant capitalism in Singapore?

Dual embeddedness is adopted as a conceptual framework in this chapter to describe the involvement of immigrant entrepreneurs in both origin and settlement societies. In this theory, all economic activities are embedded in social relations and institutions. Human psychology, cultural values, moral concerns, politics, religion and social structure all play a significant role in people's economic decision-making.⁵ While this theory has been mostly applied to research within the framework of the nation-state, it has seldom been explored from the perspective of transnationalism, let alone ethnic entrepreneurship.⁶ Our study proves the possibility of dual embeddedness in the host land and homeland with evidence from the practice of new Chinese immigrant entrepreneurs in Singapore. In other words, we argue that the embeddedness of immigrant entrepreneurs' socio-economic activities can take place transnationally in two (or more) nation-states. This dual embeddedness, furthermore, has been bolstered by the organized form of transnational social underpinnings. Integration emphasizes both sides' (migrants' and the locals') acceptance

of each other: it focuses on migrants' full participation in the labour market and their formal citizenship, but left matters of social membership and cultural preferences open to personal choice.⁷ In this regard, the term integration is adopted here rather than "localization" or "incorporation". This is consistent with the use of the term "embeddedness" in this chapter to describe the migrants who set deep roots in the social structures of the home and host countries and are affected by value and cultures from both societies.

Based upon empirical studies—in-depth interviews, focus groups, participatory observations, and data analysis—on new Chinese migrant entrepreneurs in Singapore, this chapter argues that these transnational immigrant entrepreneurs are simultaneously dually embedded into two or more nation-states. Transnational ties and integration have been construed as a mutually reinforcing strategy in new immigrants' efforts to accumulate economic and social capital in both the host country and the homeland. We further argue that transnational social organizations established and sustained by new Chinese immigrant entrepreneurs significantly facilitate their business activities in both countries.

The remaining portions of this chapter will proceed with, firstly, a brief overview of new Chinese immigrant society and entrepreneurs in Singapore and the methodologies adopted in our fieldwork. Secondly, it will examine the contextual factors and characteristics of the new Chinese immigrant entrepreneurs' simultaneous embeddedness process of transnationalism and integration. The mechanism of dual embeddedness will be analyzed from the perspectives of transnational conversion of economic and social capital, in part through their social organizations. Finally, this chapter concludes by outlining the main arguments and theoretical implications of the findings for migrant studies and Chinese Capitalism in Southeast Asia.

METHODOLOGY AND EMPIRICAL DATA

The key data utilized in this chapter was derived from our fieldwork in Singapore carried out mainly from November 2013 to September 2014. This data was supplemented by further fieldwork from early 2015 till early 2016. During our fieldwork, in addition to the collection of a variety of statistics and reports from newspapers, magazines and other resources including online data, a qualitative research approach was adopted. This was comprised of in-depth face-to-face interviews

with more than three dozen new Chinese immigrant entrepreneurs in Singapore, focus groups and participatory observations. Basic profile data for each company owner was gathered, such as ownership, industrial sector, number of top management staff and their nationalities, number of employees and local employees, along with profile information on the entrepreneurs, including gender, age, education, citizenship and leadership positions taken in social organizations. Our representative entrepreneurs come from different sectors. We also investigated their motives for migration and reasons for starting business with a semi-structured interview guide. Participatory observation is a complementary method for interview. Through visiting and attending interviewees' enterprises and social activities, some missing information and important observational data was collected and some misunderstandings from interviews were identified and corrected.

For the selection of new Chinese immigrant entrepreneurs, we focused on those from small to medium-sized enterprises (SMEs). Currently, 99% of all enterprises in Singapore are SMEs and contribute nearly half of the nation's gross domestic product (GDP), and hire seven out every 10 workers. As such, SMEs are dubbed as the engine of Singapore's economy.⁸ Immigrant entrepreneurs from SMEs can therefore be representative and reveal issues about the new Chinese immigrant society in general and Chinese Capitalism in particular. Due to potential sensitivities and privacy issues with investigating new Chinese business owners, who have suffered from an increasingly hostile environment in Singapore, personal access to prominent new Chinese entrepreneurs could have been problematic.⁹ To overcome these difficulties, 10 interviewees came from our own local networks and the rest were introduced through friends.

These interviews are supplemented by participatory observations of other entrepreneurs and their activities, such as the Outstanding New Immigrant Award organized by the Huayuan Association in early 2014, Tianfu Association's 15th Establishment Anniversary in January 2015, and these new migrant entrepreneurs' formal reception for and forum with the delegation led by Party Secretary Yu Quan of Fujian Province on a visit to Singapore in April 2016, and published and unpublished data. In order to increase the variation of entrepreneur participants and minimize sample bias in our study, we paid special attention to the referrals. We tried to sample diverse business sectors and other entrepreneurs' indicators to enhance the generalization of our research findings.

NEW CHINESE IMMIGRANT ENTREPRENEURS IN SINGAPORE

Most new Chinese immigrants arrived in Singapore after 1990 when Singapore and China established their diplomatic relations. There are no official statistics available for the number of new Chinese migrants, but it was estimated that the number of migrants grew from 300,000 in 2004 to 700,000–800,000 in 2011.¹⁰ The large flow of Chinese immigrants into Singapore is closely related to Singapore's liberalization of its immigration rules and China's loosening of emigration controls in the mid-eighties. The growing number of Chinese immigrants to Singapore has caused significant anxieties among local-born Singaporeans who are concerned about competition for jobs, housing and other resources.¹¹

Immigrant entrepreneurs make up a large part of the new Chinese immigrant population. They mainly consist of two types of immigrants: already affluent Chinese coming to Singapore as investors to start their own companies, and Chinese immigrants who either worked or studied in Singapore first and later established their own companies. With regard to the exact number and constitution of new Chinese immigrant entrepreneurs in Singapore, again, there are no reliable statistics. But we can obtain a general idea by looking at the membership of the Singapore Tianfu Association—a new Chinese immigrant association. Tianfu Hui (Tianfu Association) was established in February 2000 and initially consisted of new immigrants mainly from Sichuan province. In just 16 years, the Association has seen an increase in membership numbers, from an initial membership of 600 to 2300, and has developed into a non-locality centred organization. It no longer focuses solely on Sichuan and 30% of its members are from other parts of China.¹² The committee consists of 60 members, of which 45 own their own companies (75% of the committee members). This data suggests that entrepreneurs play an active and dynamic role in the new Chinese immigrant society of Singapore. Comparable data can be found from other similar new migrant associations such as the Singapore Huayuan Association and Tianjin Chamber of Commerce.¹³

Many new immigrant entrepreneurs consider both Singapore and China as their “homes” to which they are simultaneously tied. The president of the Hua Yuan Association likened it to a married woman's *po-jia* (mother-in-law's home) and *niang-jia* (mother's home). He remarked, “To new Chinese immigrants, Singapore is like their *po-jia* and China, their *niang-jia*. They can only benefit from good relations between *po-jia* and *niang-jia* and prosperities in both ‘homes.’”¹⁴

The Singapore Hua Yuan Association—later renamed Hua Yuan General Association of New Immigrants from China—was founded in 2001 by China-born professionals. Hua Yuan’s membership includes those who have become Singaporean citizens or permanent residents, as well as those who are on long-term employment passes and student visas. It also has extensive branches in China, divided according to major regions such as North China, Central China, South China, etc. The association’s main missions include: to assist members in better integrating into the multiethnic society of Singapore, to facilitate information exchange and communication between associations, and to promote commercial and trade relationships and develop business platform between Singapore and China.¹⁵ Hua Yuan is a transnational organization, with branches in major regions in the People’s Republic of China (PRC). Its honorary advisor is the current Singapore Minister of Health and the majority of its honorary chairmen and advisors are local born prominent Singaporeans, demonstrating its intention to bridge the local and new migrants.

New immigrant entrepreneurs face two simultaneous social processes: transnationalization and localization. This differs for old migrants who, historically, usually experienced the process of localization first, often initially cut off from their homeland due to historical reasons, then followed by a re-establishment of transnational activities after a period of exclusive localization.¹⁶

CONTEXT OF TRANSNATIONAL SOCIAL UNDERPINNINGS

To examine the context and dynamics of new Chinese immigrant entrepreneurs’ dual embeddedness and their transnational social underpinnings, we explore the issues that arise in the nation-state and for individuals. We will present a review of the evolution of migration policy of both the host and homeland and also the general characteristics of new Chinese immigrant entrepreneurs.

DYNAMICS FROM SINGAPORE AND CHINA

The political context in both settlement and origin countries importantly affects migrants’ development and behaviour.¹⁷ In Singapore, there are two strands pushing entrepreneurs to integrate into local society.

One is Singapore's relatively liberal immigration policies and the other is the government's active measures to integrate immigrants.

Being an immigrant country, Singapore has been constantly receiving immigrants for the past 200 years, including during the immediate post-World War II era.¹⁸ To overcome the challenges posed by Singaporeans' persistent low fertility rate (1.2 children per married couple in 2013), the government has implemented a plethora of measures aimed at increasing the local fertility rate, but also aimed at attracting immigrants from other countries. In 1997 the government implemented a "foreign talent" policy to attract global talent from around the world.¹⁹ The government, through the Economic Development Board and the Ministry of Manpower, in 1998 established "Contact Singapore" as the biggest national head-hunter. The two institutions work together to attract global experts and professionals to work, invest and live in Singapore. "Contact Singapore" set up offices in Europe, North America, China and in other countries. Singapore's generous immigration policy increased the Singaporean population dramatically from 3.5 million in 1990 to more than 5.5 million in 2015.²⁰

With the fast-growing immigrant population and the appearance of significant social tension between immigrants and local Singaporeans, the Singapore government accelerated plans to integrate new immigrants into local society. The National Integration Council was established in 2009 to "bond citizens with permanent residents and new citizens" with the latter groups expected "to share commonalities, values and experiences with fellow Singaporeans".²¹ Community Centres and other social organizations from grassroots society were encouraged to hold various activities to facilitate and strengthen the contact and communication between immigrants and locals. For instance, in a Singapore clan association *Jinjiang Huiquan*, new immigrants take one-third of the seats on the committee.²² Additionally, the government tried to weaken ethnic and cultural differences between immigrants and Singaporeans by forging and strengthening the immigrants' national identity. For example, to encourage new immigrants to stay and settle in Singapore permanently, the government took measures to widen the economic advantages between citizens and permanent residents in school fees, health care and public housing, etc. New immigrants are also urged to integrate and develop a shared identity, by learning English, interacting with locals, joining in community activities, and adopting four key values that define

the Singaporean identity: dedication to national service, upholding law and order, embracing multiculturalism, and meritocracy.²³

Besides the overt pushing from the government to integrate new immigrants into Singapore, China's changing policies since the nineties have played an important role as well. In the nineties, China's emigration policy was to encourage the Chinese to study overseas and then return to China. But over the past 20 years, with an increase in global mobility, the policy has changed from an emphasis on "returning to China to make a contribution" to "contributing to China from overseas", which de-emphasizes the importance of immigrants' physical location. At the same time, the Chinese government encourages diasporic Chinese to integrate into local society, socially, culturally and politically (if they are citizens of resident countries).²⁴

If the above discussion explains the process of Chinese immigrants' integration in the host society, then what factors contribute to their transnational activities with China? Apart from new immigrants' cultural and sentimental attachment to their homeland and Singapore's transparent and flexible immigration policy which makes it convenient for some immigrants—like entrepreneurs—to remain mobile and transnational, there are three key factors that allow new Chinese immigrant entrepreneurs' to simultaneously embed in China. First, there are close political and geographical links. Singapore and China have been building their formal diplomatic relations since 1990 thanks to geographical proximity and advanced transportation—it is only a 6-h flight from Singapore to Beijing and there are more than 590 flights a week between Singapore and different cities in China. The ease of communication and transportation is convenient for entrepreneurs to commute between the two countries. Besides this, with the rise of China as the second largest economy in the world, it is understandable that new immigrant entrepreneurs will seek to take advantage of their Chinese background and convenient transportation links to look for business resources and opportunities while still keeping in commercial touch with the country of their birth.

Second, the rapid growth of the economic relationship between Singapore and China is an important factor for the formation of dual embeddedness. By January 2013, 140 Chinese companies were listed on the Singapore stock exchange, with a market capitalization of around SGD32 billion.²⁵ In 2013, bilateral trade between Singapore and China reached SGD115.2 billion (US\$91.4 billion), whereas the two-way trade was only US\$2.8 billion in 1990.²⁶ There is no doubt that the extensive

economic atmosphere is greatly conducive for entrepreneurs seeking to keep a strong relationship with China.²⁷

Last but not least, to help keep in touch with diasporic Chinese, the Chinese government has made direct efforts. First, various government leaders give public talks to welcome overseas Chinese to do business in China. Second, government delegates are sent to visit overseas Chinese and their associations regularly to solicit investment and other business ties. Finally, some programmes have been designed to provide convenient long-term stays in China. For example, long-term visas (1–5 years) are provided to some overseas Chinese “talents”. More recently, a new policy named *Huayika* (ethnic Chinese card) has been introduced in some major cities with the aim of facilitating diasporic Chinese talents’ systemic connections with the homeland.²⁸

INDIVIDUALS AND THEIR SOCIAL ORGANIZATIONS

Chinese migrant entrepreneurs have their own characteristics. Our investigations found that their common backgrounds and characteristics give them the willingness and ability to integrate into the host society and at the same time keep transnational linkages with their home society, which in turn greatly contributes to the formation of dual embeddedness in Singapore and China.

First, the acquisition of Singaporean citizenship serves as a foundation for dual embeddedness. One study of immigrant entrepreneurs “Transnational Entrepreneurs: An Alternative Form of Immigrant Economic Adaptation” also showed that transnational entrepreneurs in the USA were more likely to be naturalized Americans.²⁹ In our investigation, 90% of the interviewees had become Singapore citizens. However, naturalization is a more practical and pragmatic issue.³⁰ The acquisition of Singaporean citizenship should not be considered a definitive demonstration of the entrepreneurs’ integration into Singapore society as the convenience that a Singapore passport provides—it allows entry into more than 150 countries, including China, without a visa—has become an instrumental reason for immigrants to acquire Singaporean citizenship. In fact, two-thirds of our interviewees confirmed that this was the reason behind seeking naturalization. On the other hand, taking up Singaporean citizenship is doubtless a sign of their positive affiliation with the new land. Entrepreneur B told us, “I have been a Singapore citizen for 16 years. I have regarded myself as

Singaporean in spite of my Chinese educational and cultural background. I love Singapore. But I still have lots of family members and friends in China, which means I keep an intimate relationship with China.”³¹

Second, an advanced educational background provides an indispensable means for their double engagement. Education level is usually positively associated with transnational entrepreneurship.³² Ninety per cent of our interviewees hold a university degree. This indicator identifies that advanced, university and above, educational background equips the immigrant entrepreneurs with knowledge, for example technical skills and bilingual ability, and certain positive characteristics, such as openness, flexibility and a global vision that help them adapt to their host society. On the other hand, however, it makes them members of the immigrant elite group that the Chinese government targets and tries to keep a close relationship with for China’s socio-economic and cultural development. All of our interviewees expressed their strong linkages and a confidence endowed by their education in China and Singapore that makes them continually active in the two countries.

Third, local knowledge enhances their capacity to be dually embedded in both countries. The gain of local knowledge is related to the time they have spent in the receiving country. The longer they have stayed, the more local knowledge they have acquired. This encourages them to engage in economic and social interactions locally or transnationally.³³

This local knowledge includes interactions with Singaporeans, social skills, local culture etc. The entrepreneurs interviewed, typically reflected the importance of local knowledge for their embeddedness in Singaporean society:

During the early stages of my company’s development, I spent most of my time with my [Singaporean] employees. We worked together and ate together. From this experience I learned some local customs and knew how to get along with them.³⁴

Fourth, Chinese entrepreneurship constitutes a key dynamic of transnational embeddedness. Entrepreneurship itself is not a characteristic directly associated with dual social embeddedness. In order to control company costs relating to materials, workforce, marketing or technology, the entrepreneurs take advantage of their dual social background and networks from Singapore and China to seek resources from the two countries. Thus, culturally-oriented Chinese entrepreneurship plays a

significant role in enabling them to be active in both societies. One of our interviewees put it clearly:

For a better life and a bigger space to develop my career, I gave up my good job (in other people's eyes) in a company under the central [Chinese] government and came to Singapore. ...I established my own company not a long time ago. I think I have confidence to make it. Why? There are two reasons. I have worked in Singapore for many years and I am familiar with the local resources and rules. I came from China and understand Chinese culture. So I also know how to find and develop the market there. ³⁵

In sum, the liberal migration policies of Singapore and China and the friendly economic atmosphere between the two countries created a dynamic environment for the formation of dual embeddedness. Similarly, entrepreneurs' cultural and psychological predispositions equip them with the capacity to embed themselves in the process of integration and transnationalism.

CHARACTERISTICS OF DUAL EMBEDDEDNESS

This section of the chapter explores the characteristics associated with new Chinese immigrant entrepreneurs' dual embeddedness in the process of integration and transnationalism from three dimensions: business management, socio-economic ties and commercial value orientation.

Three key factors of business management are closely related to the integration and transnationalism of the entrepreneurs. The first is joint ownership with locals. By sharing both risks and profits, this is usually a quick way for immigrant entrepreneurs to gain access to local business resources. Joint ownership has two important benefits for immigrant owners. One is to help companies quickly improve their competitive edge, including access to the local market resources and mature business networks. The other is that immigrant entrepreneurs can quickly and easily transit from "outsiders" to "insiders". In our investigations, six out of 10 company owners have a partnership with local Singaporeans. This confirms the general pattern of Chinese new migrants' linkages with local-born Singaporean entrepreneurs.³⁶ The benefits from localized ownership are commonly reflected in our interviews. Entrepreneur D said:

In 2004 I brought to Singapore some advertising materials from China. At that time, there were few advertising companies in Singapore that used materials from China. Through half a years' trial, I found that the materials

from China were acceptable to the local market. As a result, I decided to import the materials from China and sell them to local companies. In order to enter into local market quickly, I established a company with two Singaporeans who have wide local business networks. In just 7 months the company made an unexpected big profit.³⁷

Entrepreneur C's experience is representative too:

In 1999 I established a company with some Singaporeans and a Taiwanese. Through purchasing from other shareholders, I currently own 70% of the shares and 30% are owned by a Singapore partner. The two of us have very clear and different responsibilities. My background is in engineering. So I am in charge of manufacturing, supervising product quality and backup service. He is rich in local marketing resources. So he is mainly responsible for marketing and orders. Now our company is doing very well.³⁸

The second factor is that the workforce mainly comes from the host country. Engaging local employees usually entails three main benefits. First, it helps reduce the cost of hiring expatriates from China. Second, locals can take advantage of their better position to help companies overcome language barriers and penetrate into local markets quickly through their local personal networks and business contacts. Third, successful integration of human resources can also promote the image of the company in the local society through job offers and word of mouth. Seven out of the 10 companies we studied have at least one Singaporean manager and in four of the five labour-intensive companies more than 50% of their total employees are local Singaporeans. This data suggests that immigrant entrepreneurs have realized the importance of localization of human resources for a company's success.

The third characteristic is multisite business strategies. In contrast to the localization of ownership and employees, new Chinese immigrant entrepreneurs display strong transnational characteristics in their business strategies. Most of our interviewees indicated that their Chinese backgrounds and personal networks are their biggest advantages after moving to Singapore and starting their business. These benefits in a corporate setting are usually transformed into a China-centred marketing strategy and multisite cooperative operations. That the Chinese market takes a big percentage in marketing share is quite a common characteristic among our interviewees. Transnational economic and social ties with China are an important determinant for the formation of a China-centred marketing strategy.

SOCIO-ECONOMIC LINKS

A wider perspective of socio-economic links is helpful to understand immigrant entrepreneurs' dual embeddedness and transnational underpinnings in the origin and host societies. Our study finds that two channels play an important role in establishing new immigrant entrepreneurs' socio-economic links locally with Singapore and transnationally with China.

The first channel is an institutionalized one. Immigrant entrepreneurs embed themselves in both origin and host societies by participating in and taking up leadership positions in multiple social organizations both in China and Singapore. The institutionalized linkages usually manifest in the form of social networks, which as a dynamic enforcing power imposes an important impact on the process of the entrepreneurs' dual embeddedness. Nine out of our 10 interviewees simultaneously participate in organizations from both Singapore and China and take leadership positions in at least one organization from Singapore or China. Here we take the life story and experience of one of our interviewee, Tony Du, as a detailed example to elaborate how new Chinese immigrant entrepreneurs are dually embedded into two societies through institutionalized socio-economic linkages.

Born in Sichuan in the mid-fifties, Du was a cadre in the local government of Chengdu. He migrated to Singapore in 1992 and became naturalized 2 years later. His first job in Singapore was as a factory director of a chicken slaughter house, in which he worked more than 10 h a day and performed all kinds of chores. He set up his own company in Singapore and China in 1993, named Asia-Link Technology. The business focus was on business activities linking China and Singapore. In China, a large number of individuals wanted to go to Singapore, either as students or labourers, while many government officials and business people were eager to witness personally the development experience of the city-state. In Singapore, on the other hand, there was a consensus in the business sector that investment in China, especially in inland provinces such as Sichuan, could be more effectively executed with the help of those who understand China and with valuable local connections. Du's company served mainly as an agent in six types of business services: as an agency for international students to study in Singapore, labour employment, international migration, international investment, international trade, and international business tourism. The company

has brought in several thousand professionals and labourers to work and settle in Singapore and helped Singaporean firms to invest in Sichuan and Guangdong.³⁹

Some of the organizations Du affiliates with are associated with the governments, such as the Sichuan Committee of CPPCC (associated with the Chinese government), and some are from grassroots and community organizations, such as the Tianfu Association and Jinghua International Lion Association (Singapore), which exhibit the political and social space in his integration and transnational practice. To further illustrate new migrant entrepreneurs' transnational linkages, we use Tianfu Association as an example. As the Founder and Chairman of a new Chinese immigrant organization, Tianfu Association, Du obtained more opportunities to contact and establish close and strong links with government officials from both China and Singapore. The Tianfu Association is often contacted by Chinese official agencies to receive visiting officials from China. According to his description, to date Du has received over 100 Chinese government officials and 30 Mayor delegations on behalf of the Tianfu Association, six officials from the Chinese central government, 12 officials from provincial governments and more than 70 from local governments. Likewise, in Singapore, government officials are frequently invited to attend Tianfu activities. For instance, the Singapore Minister of Social, Family Development and the Minister of State for the Ministry of Education were both present at the 15th Establishment Anniversary of Tianfu Association held in January 2015. Through the local organizations and activities that he has been involved in, Du gets to know, and is also known by, local political and commercial elites. He told us:

Many people get to know me through the organizations I have joined rather than through my company. When people know I am an Association leader and was granted awards from the Singapore government and reported on by the local media, I am easily trusted by my customers and local Singaporeans. Through participation in organizations I got to know many Singaporean elites in politics and business and was also known to them. I am the first new Chinese immigrant to be invited to join 'Business China' as a committee member. I also invited some Singaporean elites to be consultants or honorary chairmen of our Association. Currently there are twenty consultants and honorary chairmen in the Tianfu Association, eleven of them are Singaporeans, including a former Singapore parliament member and a former university president.⁴⁰

Besides the above-mentioned institutionalized links, personalized networks are also an important part of interviewees' socio-economic links with both societies. All our interviewees expressed sentiment for the homeland and they still keep in close touch with their classmates, friends and colleagues from China. These personal networks are an essential bridge when they seek business opportunities in China. To sustain transnational networks and friendships, one entrepreneur told us that every time he goes back to China, he visits friends and contacts and often invites them for dinner. For the host land, personal relationships with local-born Singaporeans is a measure of personal social links with the local society. All the entrepreneurs we interviewed have a good number of local friends. Entrepreneur E told us that 60% of his friends are locals. One of the entrepreneurs interviewed is the founding president of the Singapore chapter of the alumni association of a prominent university in China, which helped connections with both the alma mater and its extensive global alumni network.

It is worthwhile noting that the characteristics of engaging institutionalized and personal networking in a bi-cultural setting appear to have been passed on to the young generation of new Chinese immigrant entrepreneurs. Du's son, for example, came to Singapore at the age of eight and attended local schools as well as doing National Service, just like all other Singaporeans, experiencing the process "from boys to men"⁴¹ He went on to pursue his studies at the University of Michigan and did his internship in the Canadian parliament before returning to Singapore and working in his father's human resource company, thus obtaining a more global outlook in addition to a firm grounding as a "happy Singaporean" who has a bi-cultural sensibility and bi-lingual capacity.⁴² In brief, the institutionalized and personalized links as two significant strands keep the immigrant entrepreneurs' base in the two societies and sustain the process of dual embeddedness in both the homeland and the host land.

Business culture orientation is another indicator of new Chinese immigrant entrepreneurs' dual embeddedness in Singapore and China. They have displayed two "faces" in their business culture. One is a "Singaporean face" and the other is a "Chinese face".

The Singapore face The Singapore face emphasizes differences in the ways of thinking, customs and business practice that exist between Singaporeans and Chinese and highlights Singapore's Western heritage in terms of business practice and political governance. Lee Kuan Yew, the former Prime Minister of Singapore, once described this "East-West"

divide: “We found that although we are Chinese and speak Mandarin, we are different in our work methods and mental make-up. We are westernized in our system and working style. We do not depend on ‘*guanxi*’ or relationships. Our standards and attitudes to the rule of law are completely different.”⁴³

The emphasis on rules, laws and procedures of doing business in Singapore are widely appreciated by the new Chinese immigrant entrepreneurs in our investigation, and the entrepreneurs exhibit a legalistic and technical attitude in localizing their business culture. For example, they employ local staff and enact clear administrative and management rules within their companies. All these behaviours expose their Singapore face. All of the interviewees expressed their appreciation of Singaporean commercial/cultural values, particularly efficiency, fairness in commercial competition and social mobility, simple social relationships, absence of corruption, and the supremacy of meritocracy, which, to some of them, was actually an initial motivation to migrate to Singapore.

The Chinese face. In opposition to the Singapore face, the Chinese face highlights the crucial importance of *guanxi*, *renqing* (favour) and *mianzi* (face) in business practice instead of laws and rules.⁴⁴ Despite the appreciation and identification with Singapore business culture, new Chinese immigrant entrepreneurs simultaneously displayed a typical “Chinese face” in their business culture. As the first generation of immigrants growing up and socializing in China, they are familiar with Chinese culture and have well-cultivated social networks in China. Compared with “outsiders”, they have better social knowledge and are good at utilizing personal *guanxi* in doing business in China. They feel more adapted and can easily handle “Chinese style” business issues and problems. Their Chinese background even becomes a major benefit for them in some competitive environments, which reinforces their Chinese identity. One interviewee told us that one of the crucial reasons behind his job offer in Singapore was mainly because of his Chinese background. The company needed a person with a Chinese background with a deep cultural understanding of China to deal with customers and related issues coming from China.

In most of circumstances, the two faces co-exist peacefully and there is no difficulty in the “auto-switch” between the two different business cultures for new Chinese immigrant entrepreneurs. New Chinese immigrant entrepreneurs’ bilingual and bicultural capabilities and backgrounds endow in them the ability to reconcile and make these faces switches

easily according to different social situations, which contributes to their dual embeddedness in the two different social value systems.

To sum up, the above discussion of business management, socio-economic links and the orientation of business culture demonstrates that new Chinese immigrant entrepreneurs are dually embedded in three spaces: economic, social and cultural. The three spaces are not mutually independent. Instead, they are closely connected and consequently together they build the mechanism of dual embeddedness in the process of integration and transnationalism.

MECHANISMS OF TRANSNATIONAL SOCIAL ENGAGEMENT

Our study provides further evidence for the co-existence of immigrants' integration in the host country and transnationalism with the home country, which has been sporadically described in the current literature. However, what is the mechanism of dual embeddedness? How do integration and transnationalism interact with each other? What theoretical frameworks can be applied to explain the relationship of the two simultaneous processes? We will explore these questions in the subsequent section.

The evidence from our case studies suggests that transnationalism and integration as a dually embedded process has been constructed as a mutually reinforcing strategy in the new immigrants' efforts to accumulate economic and social resources in both the host land and the homeland.

First, integration and transnationalism are part of the immigrant entrepreneurs' survival strategies to accumulate economic and social resources in both the host land and the homeland. Related studies of ethnic entrepreneurs have shown that the ethnic economy has experienced a shift spatially or socially from intra-enclaves to inter-ethnics,⁴⁵ and from the local field to both the local and transnational field.⁴⁶

When immigrant entrepreneurs move to a new country without much personal socio-economic accumulation in the receiving society, seeking business opportunities is their first task. Their second task, utilizing resources from their origin countries and at the same time obtaining local resources, is key to enable them to survive and thrive in the host society. Our analysis of new Chinese immigrant entrepreneurs in Singapore indicates that transnationalism is a socio-economic process in which the entrepreneurs sustain and make full use of economic and social capital from the home country. Compared to locals, this transnational economic and social resource from China such as business information,

markets and social ties, becomes the immigrant entrepreneurs' advantage in helping them to survive and become established in Singapore's competitive environment. The above discussed multisite strategy in their business-management Chinese face displayed in their business cultural orientation and active participation in Chinese social organizations are all strategies employed by entrepreneurs to utilize and enhance their transnational economic and social capital from China. However, transnationalism only with their home country is not enough to establish immigrant entrepreneurs in the host country. Transnational ethnic embeddedness has some downsides as well: the exclusion of out-group members, restriction on individual freedoms and increasing ethnic internal competition. Therefore, integration into the settlement society and a desire to take advantage of local resources are the other simultaneous strategies of immigrant entrepreneurs, alongside transnationalism.

Integration is a process in which the immigrant entrepreneurs cultivate and accumulate economic and social resources within the host society. A common pathway for entrepreneurs to gain local economic resources is to localize their business ownership, company employees and business culture. In this way they can embed their business into the local society both economically and socially. Further, by active participation and by taking leadership positions in local social organizations the immigrants seek opportunities to accumulate local social capital, particularly personal relationship networks and enhanced levels of trust and reputation.⁴⁷ There are four types of economic and social interaction or transformation occurring.

The first type is that integration and transnationalism reinforce each other by the mutual enhancement of transnational social resources in their home society and local social resources in their host society. For example, entrepreneur B's background and working experience in China gained him social capital in China, particularly as he developed social networks with Chinese government officials. When he migrated to Singapore, these transnational ties with China became a critical resource that he could draw upon to increase his local social capital. By leveraging his Chinese human resources he could more rapidly establish his business in Singapore and consequently increase his embeddedness in the local society. The fact that he was the first new Chinese immigrant to be invited to join "Business China"—which was established by Lee Kuan Yew as a semi-official organization primarily concerned with deepening business links with China—is undoubtedly related to his strong links with China.

Meanwhile, his active involvement in Singaporean social organizations helps him accumulate local social resources, especially personal reputation and networks, thus making him a popular reception host when Chinese government officials visit Singapore. This in turn acts as a positive feedback loop to strengthen his transnational linkages with China.

The second type of interaction is that integration and transnationalism synergize to improve each other by mutually supporting the growth of transnational economic resources in the home society and local economic resources in the host society. For example, in the multisite coordinated business strategies employed by the new Chinese immigrant entrepreneurs, critical business information that the entrepreneurs gain from their Chinese links (transnational economic resources) is helpful to attract investment from local business partners and develop their local economic resources (economic integration). Simultaneously the entrepreneurs take advantage of Singapore's conducive business environment and outward looking global vision commonly prevalent in Singaporean businesses (local economic resources) and use these advantages to expand their business and investment in China (transnational economic resources).

The third interaction is that integration and transnationalism enhance each other through the conversion of local social capital into transnational economic resources and vice versa. In our empirical work, the expansion into China of entrepreneur H's company (transnational economic resources) was partially attributed to her positive reputation and wide networking in Singapore (local social capital), which significantly increased her social trust in China, one of the important determinants of her business growth. This point has been proved by Portes' study, "The Study of Transnationalism: Pitfalls and Promise of an Emergent Research Field" as well: those with higher levels of social capital in the settlement society are more likely to establish transnational linkages than those with less capital.⁴⁸ At the same time, her business growth in China (transnational economic resources) improves her financial power to be more actively involved in Singaporean social activities and so strengthens her networks in the local society (local social capital). For this causal relation, some researchers claimed that a sense of ethnic pride or self-esteem that immigrants obtained from increased transnationalism is also closely related to their active engagement into the host society.⁴⁹

The last type of interaction between integration and transnationalism is through a mutual reinforcement of local economic resources and

transnational social resources. The people who integrated into the local economic mainstream or acquired more economic resources from local society are more likely to engage in positively reinforcing transnationalism.⁵⁰ In the Chinese immigrant community, business success in the host society is an important prerequisite for entrepreneurs to develop their transnational social resources or capital in the home society. For example, entrepreneur B, as the owner of one of the 10 biggest human resources companies in Singapore, was invited to take leadership positions in social organizations in China (transnational social capital) and this is undoubtedly related to his successful business in Singapore (local economic resources). The more transnational social involvement in China, the more resources he can gain through transnationalism, and as a result the more resources or capital he will have to invest in the host society to improve his economic status.⁵¹ Entrepreneur B's growing transnational social networks with China (transnational social capital) simultaneously provides more commercial opportunities or resources for his rapid business growth in Singapore (local economic resources). These transnational links remain crucial for his company: China is his main market and 60% of his customers are from several provinces where most of his social networks exist.

From the above discussion, our case study shows that new Chinese immigrant entrepreneurs are simultaneously taking advantages of economic and social resources from both the sending and receiving societies, which results in their dual embeddedness in both societies. The analysis of the mechanism of dual embeddedness reveals that transnationalism and integration, as two social processes, continue to interact and reinforce each other in an ongoing process of enhancement and transformation between economic and social resources, and from the transnational field to the local sphere and vice versa.

CONCLUSION

We hope that this case study of new Chinese immigrant entrepreneurs in Singapore enriches the current empirical research on the social process of transnational entrepreneurship in the wider context of Chinese Capitalism in Southeast Asia. Previous literature is primarily situated within a European and North-American context. This chapter focuses on the movement of migrants from the intra-Asian perspective. Singapore, as one of the main Asian destinations for Chinese migrants, has a strong

Chinese-derived culture. Despite these similarities Singapore is still a very distinct country from China, thanks to the strong influence of Western, Malayan and Indian cultures and systems. When new Chinese immigrants arrive in Singapore it still takes time for them to adapt to the local society. Our evidence suggests not only the co-existence of transnationalism and integration as two livelihood strategies of new Chinese immigrant entrepreneurs but also the mutually-reinforcing interaction between transnationalism and integration. This dual embeddedness in turn gives an edge to new migrant entrepreneurs who have access to political connections, capital, markets, workforce and knowledge in both countries.⁵²

Furthermore, this chapter has explored the interactions between transnationalism and integration. Several scholars have examined this relationship in different ways, including from a historical and changing perspective.⁵³ Despite differences in categorization of the relationships between transnationalism and integration, these studies share the same point of view: at the interface between transnationalism and integration there are positive or optimistic relationships and negative or pessimistic relationships. Based on the above categorization, our study in Singapore mainly focuses on the positive relationships and explores in depth how the two interact in a positive way. We identify four kinds of resource conversion occurring as the mechanism for positive interaction between transnationalism and integration. Transformation and integration are regarded as Chinese immigrant entrepreneurs' livelihood strategies to obtain economic and social resources from both the home and host societies. Transnational economic or social resources in the home society can be converted into local economic or social resources in the host society and vice versa. In addition, transnational economic resources can be transformed into local social resources and vice versa; transnational social resources can be transformed into local economic resources and vice versa. These four inter-conversions finally lead to a positive relationship occurring in the social process of dual embeddedness. Therefore, we suggest that, not only should how immigrants' transnationalism and integration affect each other be analyzed, but also issues such as the mechanism by which immigrants forge a positive or negative interaction between transnationalism and integration or any type of relationship be incorporated into the current theoretical studies. This will help us further understand the complexity and characteristics of dual embeddedness.

To conclude, we would like to highlight three main points from this chapter and how we can gain a better understanding of immigrants'

transnationalism and integration in the home and host societies, especially from the perspective of ethnic Chinese Capitalism in Southeast Asia. First, the understanding of immigrants' transnationalism and integration as a dual embedded social process should be placed within the larger context of globalization. With the rapid development of transportation and communication technology and the fast integration of regional and global economies, people's transnational mobility has dramatically increased. Nation-states are more open to the idea of cooperation, rather than exclusive isolation, particularly in sharing economic resources and in socio-cultural development. In the accelerating process of globalization, dual embeddedness in both the homeland and the host land—as one of the models of global resource combination or integration—becomes a key livelihood strategy and lifestyle choice to accumulate economic and social resources for immigrants to survive and develop their careers.

Second, compared to embeddedness within a nation, dual embeddedness in two countries is a more complicated process which is shaped by contextual factors from both host and home societies. Being transnational immigrants, new Chinese entrepreneurs in Singapore engage in economic activities with a more global outlook rather than in a separate and distinct sphere. The homeland where they are from and the host land where they currently settle usually become two main arenas for the entrepreneurs' economic and social activities. The government policies from both the origin and settlement countries and the transnational sphere created by the social system and culture from the two countries plays a critical role in the process of dual embeddedness.

Third, immigrant entrepreneurs' dual embeddedness is further shaped by the individuals' transnational abilities and their social organizations. Chinese Capitalism, therefore, is supported by transnational social underpinnings in a globalizing Asia. It is apparent that not every immigrant entrepreneur can undertake his/her social and economic activities transnationally. To sustain a dual transnational, and yet simultaneously localized, life, certain characteristics are desirable, particularly the ability to keep active in two or more societies, being bi-lingual, bi-national, bi-cultural (being familiar with the socio-cultural obligations, norms and values of both societies), financial stability, wide human and social resources and transnational entrepreneurship. In this dually embedded social process, the Chinese immigrant entrepreneurs simultaneously balance between transnationalism and integration by negotiating their pragmatic socio-economic strategies with the homeland and the host country.

NOTES

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The Development of Chinese Capitalism in Malaysia: The Cases of H.S. Lee and Robert Kuok

Danny Wong Tze Ken and Tan Miao Ing

INTRODUCTION

This chapter examines Chinese business success in Malaysia in the context of competition and discrimination. The authors argue that the manner in which the Chinese accumulate, own and manage capital enables them to overcome discriminatory policies. The authors analyse the development of Chinese capitalism in Malaysia in the context of three phases of development, namely: (1) Independence after 1957, (2) the transitional period, and (3) post-1971 New Economic Policy (NEP).

Yeung's four characteristics of Chinese Capitalism serve as guiding principles to analyse the three eras of the development in Malaysia.¹ Yeung defines the four characteristics of Chinese Capitalism as: (1) for market production driven by enterprising individuals for the purpose of making a profit, (2) not a mode of economic organization bound within specific territorial boundaries of nation-states, (3) a degree of structural

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coherence and rationality that in turn legitimizes its very socio-economic behaviour, and (4) actor-centred rather than institution-specific.²

AN OVERVIEW OF THE DEVELOPMENT OF CHINESE CAPITALISM IN MALAYSIA

As of 2010, ethnic Chinese represent 24% of the national population, a gradual decline since 1957 after Malaysian Independence. In 1971, the NEP aimed at eradicating poverty and addressing imbalances in the economy by giving indigenous Malay (*Bumiputera*) preferential treatment in all economic sectors. The policy set quotas on civil servant employment and institutions of higher education. Despite these reforms, Chinese equity in the public listed companies rose to 40% and continued to play significant role in the country's economy. By 2004, the ethnic Chinese represented 20 of the 30 top capitalists in the country.

Chinese business, with its own economic sector, in Malaysia began almost immediately with the arrival of Chinese labourers and traders during the nineteenth century. For many years, Chinese businessmen built their base in the Straits Settlements. Early Chinese businesses emerged in the Straits Settlements of Penang (1786), Singapore (1819) and Melaka (1824). From there, they ventured into the Malay States into new urban settlements that eventually emerged as the major towns of each of the Malay States. In the same way, Chinese businesses were established in Sarawak, newly taken over by a White Rajah. In North Borneo, Chinese traders and businessmen began to pour into the state with the establishment of Labuan in 1846, and later, into North Borneo's townships of Sandakan, Kudat and Jesselton. Many of these early Chinese businesses were very small and focused mainly on trade and retail. Many relied on the influx of Chinese migrants into their respective townships and settlements where the accumulation of capital had a slower pace. Many of these firms were stationed not only in the towns or major settlements, but also in rural areas or places closer to plantations or mines. Others were closer to timber yards or simply at strategic places where jungle produce could be collected. Beginning with the British intervention in 1874, Chinese business began to venture further into the Malay States. Business ranged from retail shops, services and contractors.

Large joint ventures focused on investing in plantations or mining. Many of the firms were extensions of already established businesses in either China or Hong Kong. These firms hinged on the accumulation of

greater capital and the spreading of risk from uncertainty due to a China continuously threatened by instability and wars. The extension of businesses to Malaysia helped to mitigate against the effect and possibility of family firms suffering losses due to such instability. Many of these firms operated on a much larger scale compared to those who owned small family businesses. Some small family businesses developed later into large companies.

In the context of Yeung's framework, the development of Chinese Capitalism in Malaysia is characterized by the accumulation of capital by Chinese businessmen who maintained cordial ties with colonial administrators and local indigenous rulers. This was an important component in the business world when personal connections and goodwill were extremely important to success. Chinese businessmen worked in tandem with colonial administrators and, sometimes, local rulers or chieftains. Chinese businessmen would work with colonial officials or local rulers in order to gain favour for economic benefit. Colonial administrators, and in some cases local rulers, made it easier for these individuals to obtain licences or favour in winning tenders or contracts. Chinese business was driven by the patriarch or founder of the company. These patriarchs maintained control until they retired and passed it on to the next generation. Furthermore, Chinese business brought local brands to international markets.³

The 12 years of the Malayan Emergency from 1948 to 1960 and the quest for independence provided new impetus for Chinese business development. While the Emergency saw the Malayan Communist Party (MCP) taking up arms against the colonial government and later, after 1957, against a Malayan Government, the communists threatened to sabotage and disrupt tin and rubber production. After 1960 the withdrawal of British colonial government led to a new power structure led by the indigenous Malay (*Bumiputera*). During the colonial era, Chinese businesses were favoured by the colonial administrators. The Malaysian government implemented new power structures with majority control in the hands of indigenous Malay. Many Chinese Capitalists pledged their support for the change albeit being mindful of the economic threats and new competitive opportunities.

The racial riots in May 1969, following a hard-fought general election, resulted in massive destruction and loss of life. This caused the government to rethink and review its policies. The NEP was introduced in 1971 to address the distribution imbalance. The new policy calls for affirmative action that privileges the indigenous Malay, *Bumiputera*.

The NEP was introduced to eradicate poverty by restructuring society to increase equity for the *Bumiputera* within 20 years. In 1991, NEP was replaced by a New Development Policy (NDP) and in 2000 replaced again by the New Vision Policy (NVP). The introduction of new initiatives aimed at achieving the goals of the NEP came with regulatory efforts that made it harder for Chinese companies to compete. These measures were seen by many Chinese as increasingly less conducive to doing business and accumulating capital.

Chinese-owned businesses began to look at diversifying their scope as a basis for survival. They looked to international markets which became paramount for survival taking on a form of trans-national capitalism. Chinese businesses, under the leadership of founding patriarchs and their successors, adjusted to the post-NEP era to become international players. This gradually diminished the role of the patriarch. Personal networks and family control were replaced with corporate management and regulations. Examples of the transition and change by these business are seen in two family firms. These empirical case studies demonstrate how Chinese Capitalism evolved in Malaysia.

THE LEE FAMILY FIRM OF KUM LUN TAI

Lee Hau Sik (commonly known as H.S. Lee) became the first Finance Minister of independent Malaysia. In 1921, he arrived in Malaysia and joined the family business of Kum Lun Tai started by his father Lee Kwai Lam, a native of Xinyi in Guangzhou, China. At the turn of the century the influx of Japanese silk affected demand for the Hangzhou-Suzhou silk. This caused Lee Kwai Lam to look elsewhere for business opportunities and led him to Kuala Lumpur in 1903. He started a branch of Kum Lun Tai in Kuala Lumpur to sell Chinese silk to a market that still demanded Hangzhou-Suzhou silk.

Shortly after the establishment of Kum Lun Tai, Lee Kwai Lam ventured into the tin mining business by taking over a working tin mine at Salak South (Salak Selatan) on the outskirts of Kuala Lumpur. Lee named the mine, Tai Yau, which served as the family's flagship company in Kuala Lumpur. The mining business was a success. It brought in a handsome profit which allowed Lee to open mines in other parts of Kuala Lumpur. It was a time when the tin mining industry and rubber plantations were thriving in Malaysia's economy but suffered from a severe shortage of labour. The colonial government encouraged the

tin miners and planters to bring in workers from China and India. Lee decided that instead of simply asking labour agents to look for workers, he would take it upon himself to recruit 20,000 workers from his home town in Gaozhou.⁴ Lee Kwai Lam was a man of foresight. He saw opportunity to earn from the remittances that labourers sent back to China. He observed that many of the Chinese workers could not read thus established letter-writing services. The service of writing letters and remittances soon became a lucrative business that involved the setting up of agencies in both China and Malaysia. Kum Lun Tai's services helped to create a company brand that acquired the reputation of being a company with strong capital and a huge business network.

Lee Kwai Lam was active in public life and service. He was a member of the Selangor Chinese Chamber of Commerce and donated generously to the Lee Association in Kuala Lumpur. Despite spending most of his time in Malaysia, he was not ignorant of the political situation in China. In Hong Kong, Lee was a member of the Tong Meng Hui led by the Chinese revolutionist, Dr. Sun Yat Sen who espoused a political philosophy of Three Principles of the People (*San Min Chu Yi*). Lee was supportive of the 1911 Chinese Revolution that overthrew the Manchu government. For his role in supporting the revolution, he was appointed secretary to the Civil Administration Department of Guangdong Province and made advisor to the Municipality of Guangdong. But when Yuan Shih Kai took power in 1912 and revoked the power of the provincial and municipal governments, Lee Kwai Lam returned to Malaysia. After Yuan passed away in 1916, followed by China plunging into a decade of civil war, Lee joined the new revolutionary government set up by Dr. Sun Yat Sen in Guangdong. The new government aimed at defeating the warlords to unify China. In 1919, Lee Kwai Lam was appointed a member of the Provincial Assembly. He took pride in having a role in the future of China. Shortly after, Dr. Sun and his government was pushed out from Guangzhou and Lee decided to return to business.

Lee Kwai Lam's business venture is demonstrative of a pioneering Chinese businessman in British Malaysia. He was able to ensure that the family business was dedicated to capital accumulation while at the same time he had the foresight to diversify and venture into lucrative transnational businesses. Beginning as a textile and silk merchant, Lee's business expanded to include tin mining, remittance agency houses, guest houses, emigration agents and more. This ensured that the company's profit sustained the political and economic turbulence in both Malaysia and China.

Lee Kwai Lam had hoped to turn the firm over to his eldest son, Lee Hau Sik, known as H.S. Lee. Born in 1900 in Hong Kong, H.S. Lee lived a privileged life. He was initially sent to a mission school, known as the Lingnan Mission School, before completing his secondary school education at St. John's College and Queen's College in Hong Kong. He went on to read economics at Cambridge University in 1921. Upon returning to China, H.S. Lee was nominated as Commissioner of Customs on Hainan Island. The job came at the recommendation of his uncle who was then the Governor of Guangdong Province. He later left to work for the P&O Bank.⁵ When his marriage failed in 1924, under family pressure H.S. Lee decided to join his father, Lee Kwai Lam, in Malaysia.

What was supposed to be a short trip to Kuala Lumpur in 1924, turned out to be a permanent stay for H.S. Lee.⁶ In Kuala Lumpur, he was asked to assist in the tin mining and management of the guest houses started by his father. Within weeks of his arrival, he met a broker who offered for sale tin mining land in Kepong outside of Kuala Lumpur. As the mine was already fitted with equipment, he decided to buy the property for the sum of \$30,000.⁷ This led to settling in Malaysia to run the tin mining business. The *Directory of Malaya* of 1928 listed H.S. Lee as the resident manager of Tai Yau Kongsi, which owned three mines, one each in Pudu, Kepong and Salak South. Lee's father was creditor of the mines. H.S. Lee then leased out part of the land to other tin miners or western tin mining companies.⁸

After his father's death in 1938, H.S. Lee began to lease mines under his own name. During his management global tin prices fluctuated, with an opportune booming market from 1924–1928.⁹ His profits were made during these golden years as tin was essential in the automobile industry with peak production from 1929–1930. However, this was abruptly halted by the Great Depression.¹⁰ During the difficult year of 1931, one of the mines was shut down, leaving only two mines in operation from 1931–1938. Demand for tin resumed in 1939 and reached a peak in 1941 just before the outbreak of the Pacific War.

H.S. Lee played an active role in determining the future of the tin industry. In 1930, following the crash in commodity prices, he joined the Selangor Miners' Association where he was able to make his presence felt with important contributions to ensure government policy would not strangle the industry. In 1933, he was elected President of the Selangor Miners' Association. In 1936, he was nominated by the Association to the Federated Malay States Mines Chamber of Commerce. H.S. Lee

began to move into public service leveraging his leadership in the Chinese community and, as an upcoming businessman, he became Executive Committee member of the influential Selangor Chinese Chamber of Commerce of which the family firm had already been a member since 1918. The Chamber served as the intermediary between the government and Chinese businesses and held an arbitration court to settle commercial differences making it an extremely influential organization.

H.S. Lee's influence and public service reached beyond the Chinese community. He was invited by the government to sit on a 'Patriotic War Fund' Committee for Selangor that was responsible for helping to raise funds for the war effort.¹¹ Along with Low Kee Boo, H.S. Lee was invited to be representative of the Chinese community. During the Japanese occupation, H.S. Lee had his family evacuated to India where they spent the entire period of World War II. Lee, however, continued to actively support the Chinese government war effort and was made an honorary colonel. He was also active in assisting the British efforts in retaking Malaysia. After the war, Lee and his family returned to Malaysia. But the country he returned to was distinctly different from one which he had left behind. The rise of the MCP and the Malay radical leftist political parties was highly politicized leading to a racially-polarized country. The declining prestige of the British colonial government resulted in the initial defeat of the British forces to the Japanese Army in February 1942. H.S. Lee would soon be involved in this development after addressing more pressing matters in his family business.

Upon returning to a war-torn Malaysia, H.S. Lee's immediate task was to revive his family business. The family firm of Kum Lun Tai mines and plantations was intact but had suffered from neglect and damage. Lee estimated his losses in tin mines at over \$330,000.¹² In order to rehabilitate the industry, the British government decided to provide a long-term loan at a low interest rate to Chinese and European mining companies. The fund provided was limited and over 70% went to European mining companies. The Chinese Tin Miners Rehabilitation Loan Board was set up and Lee became part of the committee. Due to the shortage of funds Lee had difficulty in obtaining sufficient support to rehabilitate his mines. It was not until July 1950 that all of Lee's three mines were operating at full capacity. During this period, Lee invested in two new mines in Ampang. This was an important move as even while the industry was undergoing rehabilitation, the shortage of supplies throughout the world pushed tin prices to an unprecedented level.

H.S. Lee's involvement with the War Damage Compensation Claims Commission was through his capacity as the representative of the All Malaya Chinese Mining Association. Through his intervention, the Federal Legislative Council was able to agree to the proposal that borrowers using the rehabilitation loan were allowed to defer payment until their claims were settled against the War Damage Compensation Claims Commission. This allowed precious breathing space for miners strained in terms of resources.

The immediate post-war years saw Malaysia's political scene turning more radical when leftist parties mounted serious challenge to legitimacy. Anti-colonialism was gaining momentum, especially with the MCP becoming more militant. The MCP tried to put forward its claims to legitimacy for its role in leading the Malayan People's Anti-Japanese Army during occupation. As matters came to a head, with the murder of British plantation owners, the British government declared a State of Emergency which saw the introduction of the Emergency Regulations Ordinance of 1948 allowing detention without trial. At this time, a national debate on independence began.

Even though much of H.S. Lee's focus and energy was on reviving his tin mining business, he was dragged into the State of Emergency, standing on the side of the government as staunchly anti-communist. When the State of Emergency was declared, H.S. Lee was abroad. Upon returning to Malaysia, he advocated that the squatter problem be tackled before gaining a military solution.¹³ Chinese leaders were recruited to work on various schemes aimed at containing the MCP. In June 1950, Lee was invited with others to help recruit more Chinese in the regular police and special constables, and the Chinese Affairs Officers helped the government reach the rural population.¹⁴ Lee was instrumental in getting the Chinese organized into Home Guards and the Chinese tin miners in Kinta District in Perak organized into the Kinta Valley Home Guards.¹⁵ Throughout the Emergency, H.S. Lee served in the Advisory Committee to the Federal War Council.

Between 1949 and 1957, H.S. Lee began to take an active part in the political processes that would change the face of the political landscape in Malaysia. Lee had a very important role in bringing together the different political parties working together to demand independence from Britain. As the leader of the Malayan Chinese Association (MCA), Lee was instrumental in bringing MCA and the United Malay National Organization (UMNO) to work together in the Kuala

Lumpur Municipal Elections of 1951. The result was a resounding success that led the two parties to formally come together to form the Alliance Party, which began to demand independence from the British government. The two-party alliance was later joined by the Malayan Indian Association (MIC) to form the Alliance Party that represented the majority of the races in Malaysia. Throughout this process, Lee had to divide his time between running his business and playing an active part in the political process. With the fall of China to the Chinese Communist Party, he became more bound to Malaysia. H.S. Lee's background and his links with Tunku Abdul Rahman, the leader of UMNO—both being alumni of Cambridge—made him an integral part of the independence movement. In becoming a close ally of Tunku, Lee was later able to join the Alliance delegation to negotiate with the British government for independence for Malaysia in 1957.

H. S. Lee as Finance Minister

Immediately upon the Malaysia agreement, H.S. Lee was appointed the first Finance Minister of independent Malaysia. It was deemed that, despite his enthusiasm, the Prime Minister designate, Tunku, was “aïve” in matters relating to finance. Lee, on the other hand, was described as, “the ablest and most realistic man in Abdul Rahman’s Government”.¹⁶ There was also the fact that the British government was worried that the new Malayan government may be influenced by other newly independent nations that used their political power to nationalize British-owned enterprises.¹⁷ The feeling was that H.S. Lee would not do so and the economic policy formulated by him would not affect British economic interests.

When the first national budget was presented in 1957, it was obvious that it was going to be a deficit budget. Despite H.S. Lee's efforts in raising taxes, making him unpopular, the extra spending on the State of Emergency and new development projects made a deficit inevitable.¹⁸ Despite his explanation, Lee was severely criticized and was called a robber in disguise.¹⁹ In 1959, Lee suddenly resigned as Finance Minister of Malaysia.²⁰ He was caught in a situation where the Chinese leaders in the MCA were separated into two broad categories based on their educational background. The first, were those who were English educated and the second those who were Chinese educated. The Bank of China was closed in 1959 and Lee found himself in disagreement with Tunku and

his colleagues, including those from the MCA. Lee felt that the Bank of China should be kept open to accommodate small holders²¹ and ensure that trade between China and Malaysia would not be jeopardized.²² Lee was obviously disappointed with this decision.

There were many reasons as to why H.S. Lee decided to resign from the finance portfolio. Apart from the issue of the Bank of China, he was at odds with many of his MCA party members. Lee was unsuccessful in trying to capture the position of the President of the MCA. While there were efforts aimed at resolving differences, he made the decision to leave the cabinet on 13 July 1959 citing health reasons in his letter to the Prime Minister.

Returning as a Corporate Figure

Upon his resignation, Lee returned to the job he knew best—the tin mining business. With the end of the State of Emergency in July 1960, Lee opened three new tin mines, two in Selangor and one in Kampar, Perak. Using the mining industry as the basis of his family business, he began to look elsewhere for business opportunities. He also realized that the tin mining industry was a sunset industry that was no longer sustainable in the long run. He then turned to banking, initially invited to serve as advisor and vice-president of the Golden Castle Finance Corporation Ltd.²³ However, he decided to start his own bank which was formally opened to the public on 10 December 1966 with its first branch in Kuala Lumpur.²⁴ Seven branches were opened and in 1971 a branch in Sandakan, east Malaysia. The establishment of a second subsidiary came to fruition in October 1974 when D&C Nomura Merchant Bankers Berhad was established. This was a joint venture between D&C Bank, the Nomura Securities Co. Ltd, the Mitsui Bank of Japan, and the National Bank of Australia. D&C held a total of 51% equity while the rest was shared by its partners.²⁵ H.S. Lee had a central role in the bank until 1977 when O.P. Chan, the General Manager, retired after suffering from a stroke and his position was taken over by H.S. Lee's youngest son, Alex Lee.²⁶ This marked the next generation's direct involvement in the banking business. Today, the bank is increasingly under corporate management under Alex Lee's management.

In 1981, Syed Kecek planned to take over D&C Bank through a partnership with Khoo Kay Peng, of the Magnum Corporation, and Lee Loy Seng, another important Chinese businessman in Kuala Lumpur. They confided this attempt to Alex Lee saying that they were planning to

sell their shares and that of Wong Shee Fun's original shares. It was with this information that Alex was able to prevent the takeover and secure the family's position in the bank. But increasingly, Alex Lee realized that it was very difficult for him and his family to maintain their position as it would require a massive capital injection of funds using the family assets. What Alex Lee was doing by resisting the takeover by Syed Kecek was also partly in response to the requirement of the NEP. Finally, in 1983, Alex Lee decided to put the bank on the stock market. But the Lee family lost control of D&C Bank owing to the NEP and several poor decisions made by Alex Lee. As a result, H.S. Lee's position as Executive Chairman of the bank came to an end.²⁷

By the time H.S. Lee stepped down as Chairman, the bank was the fifth largest in Malaysia with 28 branches throughout the country.²⁸ The Lee family fortune went into decline after losing control of D&C Bank. Alex Lee went into politics and became an important member of the MCA leadership. He contested in the General Elections and won a seat in Parliament before being appointed a Deputy Minister. H.S. Lee passed away on 22 June 1988. The family let go of everything they had in major corporations except for a few businesses, including, Kum Lun Tai, founded by the family's patriarch, Lee Kwai Lam.

ROBERT KUOK

Similar to H.S. Lee, Robert Kuok is the son of a businessman. The family originated from Fuzhou in the province of Fujian, China. Kuok's father, Kuok Keng Kang, arrived in Johor Bahru in 1908. He started a trading company, Tong Seng and Company, which dealt in rice and sugar. From the beginning, it was a family business as Keng Kang was assisted by his two brothers and three nephews.²⁹ Unlike most Chinese businessmen who stayed separate from the local indigenous elites, the Kuok family cultivated very strong friendship with the Johor Royal family. Keng Kang was particularly close to Sultan Ibrahim (1895–1959) and through this friendship was given contracts to operate concessions. This set him apart from the Chinese businessmen who were less inclined to have anything to do with the state and local elite, laying the foundation of the Kuok family's *modus operandi*: work closely with the state and elites to ensure the family business survives and thrives. The ties with the palace gave the Kuok children a different social standing from their peers. According to Lee Kam Hing, "it was this background that

enabled Kuok and his brother Philip to build friendships with Malays who later became powerful and important to their business. Philip served as Malaysia's ambassador to Germany, while Kuok in his early business ventures, partnered state corporations with leading Malays".³⁰

Robert Kuok was born in 1923 and educated at the English College of Johor Bahru. The college was the top learning institution in the state strengthening Kuok's ties with the Malayan and Indian elites and intellectuals.³¹ He was an excellent student who later won a place in the prestigious Raffles College. The outbreak of the war and Japanese invasion cut his studies short. With the college closed for the duration of the war, Kuok returned to Johor Bahru and found employment with the Mitsubishi Company granted a monopoly of rice imports into Johor.³² Kuok worked hard and rose to become the head of Mitsubishi's rice department. This gave him invaluable experience working with the Japanese leveraged later when they returned to Southeast Asia in the 1960s. The experience of working with the Japanese and the British helped to strengthen Robert Kuok's business network. Immediately after the war, Tong Seng Company won a contract to supply fresh provision to 50,000 Japanese prisoners of war and later appointed was distributor of essential foodstuff for South Johor.

In 1948, when Kuok's father passed away, he worked with his brother, Philip, to set up Kuok Brothers Ltd, which took over the business of Tong Seng. The new company began to venture into sugar, a sector without an established Chinese network. Most of the sugar trade was in the hands of foreign business, including Guthries, on behalf of Tate and Lyle, the largest British sugar company. The decision to venture into the sugar trade was a strategic decision that shifted from the company's original mainstay of the rice trade, a very competitive and congested sector controlled by Teochew traders. With the lack of Chinese rivalry in the sugar industry, the Kuok Brothers were able to make strong inroads and flourish. In competing against Guthries, Tate and Lyle, the Kuok Brothers imported cheaper sugar from India and Cuba. This undermined the competitiveness of the British prices. The Kuok Brothers replaced Guthries as the main importer and distributor of sugar in Malaysia after independence.

When Japanese firms began to return to Southeast Asia, Kuok was able to establish joint ventures beginning with a sugar refinery at Prai opposite Penang Island. The Kuok Brothers worked with Mitsui Bussan Kaisha and the Nissin Sugar Refinery. With this joint venture in operation, Kuok not only acquired Japanese technology for sugar refining

but also access to a large Japanese market for sugar exports.³³ The Kuok Brothers became one of the most influential in the industry, monopolizing the sugar trade in Malaysia and branching out to the rest of Asia, setting the foundation for Kuok to become a business magnate.

It is important to examine the factors that helped Robert Kuok and his family business prosper. Notably, the Kuok family were Fuzhou, considered a minority within the larger Chinese community. This allowed them to detach themselves from the dialect group network of the larger Cantonese, Teochew and Hokkien business circles enabling them to be free to move into different sectors of society. Another factor was Kuok's ability to dabble in the English speaking world where his education and language allowed him to work with the British as well as with the local elite. With many Chinese businessmen schooled in Chinese they were at a disadvantage.³⁴ Kuok's ties with the elites were crucial to ensure mutual acceptance and non-interference in business. These ties became even more important during Malaysia's independence. The Kuok brother's international outlook distinguished them from other Chinese businessmen. Their company was more able to subject itself to international standards and receptive to change, adapting well to global opportunities.

Lee Kam Hing suggests that the Kuok family business is different from other Chinese businesses in the manner in which they engage family members.³⁵ While the H.S. Lee family had similar practices, the Kuok family practices were more cohesive and expansive. This began with the inclusion of their mother, Tang Moh Lan, who held shares in the Kuok Brothers Company, to Philip Kuok who at one point was Chairman, as well as nephews and in-laws who were all given major positions in the company. The family was tight and practised a strong sense of filial piety. Robert Kuok acknowledged that his mother inculcated him in values that became important in his life and he consulted her on major decisions.³⁶ Kuok made it a point to be inclusive, including children of Philip Kuok and his cousins.

Between 1957 and the introduction of the NEP in 1971 Kuok developed his businesses by capitalizing on his work with the local elites in government. He was able to appreciate the opportunities offered by the Pioneer Industries Ordinance of 1958 aimed at promoting investment in Malaysia by giving attractive incentives to local and foreign investors, included tax relief for capital investment for 5 years with possibility of renewal. Kuok was able to obtain pioneer status for his Malayan Sugar

Manufacturing established in partnership with the Japanese and Federal Flour Mills.

Kuok was able to capitalize on his personal ties with many Malay elites who are now the new leaders of the new nation of Malaya and Malaysia. His relationship with Dr. Ismail Abdul Rahman, and his friendship with Tun Abdul Razak, gave the perception that he was accepted as a partner in the state's efforts in promoting economic and business ventures. For example, in 1968, the Malaysian International Shipping Corporation (MISC) was established with the help of Kuok Brothers who acquired shares in the company with Robert Kuok its first Chairman.³⁷

Another state agency which Robert Kuok entered into collaboration with was the Lembaga Urusan dan Tabung Haji (the Pilgrims' Trust Board) established at the suggestion of Ungku Aziz, his old classmate from English College Johor Bahru. The Lembaga Tabung Haji also owned major shares in Federal Flour Mills Berhad. He worked with Frank Tsao of Hong Kong who owned International Maritime Carriers Ltd. Kuok supplemented his sugar trade by strengthening its source through the establishment of Perlis Plantation in 1968. The plantation supplied sugar cane to the refinery. The initiative was with the Perlis Government to become Robert Kuok's flagship business in Malaysia.³⁸ The Perlis Plantation was also in partnership with Federal Land Development Authority (FELDA).

After independence, Robert Kuok was able to expand his business empire as one of the largest private businesses in the country with interests in shipping, plantation and notary. As Malaysia's sugar king, Kuok's position was unassailable. In almost every business that he was engaged in, Robert Kuok was seen to be working in league with the Malays. His operations were branded as cronyism capitalism relying on government patronage.³⁹ Whilst it is true that Kuok had benefited from his ties with the Malay elites and the state, he had to negotiate his way through the difficult transitional years when the state required quotas to create jobs for *Bumiputera* and stimulate the economy. Robert Kuok had an advantage among Chinese businessmen in his personal and family ties with the Johor Malay elites which ensured favour with the state-run companies and initiatives. By the eve of the NEP, Robert Kuok and his business empire had expanded in influence and benefited from important relationships with Malays. He would continue to build his business, at the same time setting his sights elsewhere as a way to mitigate risk. He navigated between discriminating measures introduced through the NEP while at the same time responded to China's rise in influence.

Robert Kuok's China Ventures

In comparison to H.S. Lee's dynasty that fell with his death and did not sustain growth beyond the third generation, Robert Kuok's business empire continued to grow during the NEP era and beyond. He was able to acquire business ventures that were making money and to turn them into even more profitable international companies. In Malaysia, the Kuok Brothers acquired and built the Shangri-la Hotels (a collaboration between Kuok Brothers and Peremba, the investment arms of the Urban Development Authority), Malaysian Bulk Carriers, Jerneh Insurance, and the Transmile Group.

The overseas ventures of the Kuok Brothers began in 1955 with the acquisition of Rickwood, a trading company in Singapore that was made into Kuok Brothers Singapore in 1965. In 1977, Kuok acquired Kerry Holdings and restructured it into Kerry Properties which became Kuok's main property outfit in Hong Kong and later in China.⁴⁰ In 1983, he acquired the *South China Morning Post*, the most influential newspaper in Hong Kong, which was at that time the main window for the rest of the world into China. As China continued to rise, Kuok's investment augmented when he acquired the Coca-Cola franchise for China. Kuok moved his operation to Hong Kong, using the small conclave port as his operational base. The visionary Kuok could see the opportunities presented by the rise of China.

Kuok was one of the pioneering Chinese overseas businessmen who started investing in China at a time when many were still inhibited by the ideological and legal constraints imposed by a newly opened China trying to find its way in international business. This pioneering status made him many friends among the top echelons of China's leadership who frequently sought his advice. When the Asian financial crisis broke in 1997, Kuok was able to rely on the profits gained from China to mitigate his loss in other businesses.

In 2009, Kuok began to let go of most of his Malaysian-based businesses including MSM and Perlis Plantation Berhad. This came as a surprise to many and questions were asked, including whether he was a victim of the government's acquisition efforts. Lee Kam Hing suggests that he probably found the business environment in Malaysia small and that the sugar industry, being government controlled, could only grow by 2% a year. Lee argues that Kuok's decision was more of a business decision and not politically inspired.⁴¹ The Kuok family had learned to adapt to changes and new environments, subsequently emerging even stronger during the most unfavourable periods in the business environment.

CONCLUSION

This chapter defines the manner Chinese Capitalism developed in Malaysia by outlining three stages in Malaysian history and analysing two business families in the context of characteristics proposed by Yeung. The H.S. Lee family's fortune was in many ways tied to the ebb and flow of history. By examining the Lee family's fortune, first through Kum Lun Tai, later through Tai Yau and more recently through the D&C Bank, we provide empirical examples that contribute to understanding the manner in which Chinese Capitalism has developed. In contrast, the Kuok Brothers were able to adapt to and build alliances with the Malay elite. Both families had similar origins and built business empires in their adopted homeland. Whereas the Lee family prospered for three generations, the Kuok family continues to adapt and succeed in international business. The ability of the Kuok family to adapt insulated them from the challenges posed by the rising indigenous economic initiatives supported by the state. Whereas H.S. Lee engaged in public service and made decisions according to his alliances and belief. Both families maintained strong networks in China allowing them to explore and exploit opportunities.

NOTES

1. Henry Wai-Chung Yeung, *Chinese Capitalism in a Global Era: Towards a Hybrid Capitalism* (London, Routledge, 2003).
2. Yeung argues that there are four characteristics associated with Chinese Capitalism, with Chinese ownership or with Chinese character or distinct with profit generation as main activities. The four characteristics are: Capitalism is production for a market by enterprising individuals or combines with the purpose of making a profit; Chinese capitalism is not a mode of economic organization bound within the specific territorial boundaries of nation-states; Chinese Capitalism has achieved some degree of structural coherence and rationality that in turn legitimizes its very socio-economic behaviour; and Chinese capitalism is actor-centred rather than institution-specific.
3. 高州市地方志编纂委员会, 《高州县志》 Volume 2, Gaozhou: 中华书局, 2006, p. 1073.
4. According to the local *Gazette of Maoming*, up till 1926, the total number of Chinese brought by Kum Lun Tai to Malaysia, numbered around 20,000.
5. *Malaysian Business*, July 1980.

6. At the time of his arrival, British Malaya was enjoying some of the best years. Not severely affected by the First World War, Malaysia was reaping the fruits of its past investments and enjoying a lasting peace. It was also flushed with signs of prosperity. The family firm of Kum Lun Tai and the mining business of Tai Yau, were thriving and making handsome profits.
7. Lee's activities upon arrival in Kuala Lumpur may be seen through Ng Poh Tip, *The Amazing Tun Sir Henry H.S. Lee, Malaysian Business*, July 1980, pp. 89–97.
8. *The Directory of Malaya, 1928–1941*
9. Over the 5 years of 1924–1928, the London tin market was priced at £264 a ton. The highest was at £321 a ton, while the lowest was at £201 per ton. Even at its lowest, the price was still bringing very good returns for H.S. Lee and Tai Yau Mines.
10. When the Great Depression began, measures were proposed to ensure that tin mining production was still sustainable. The proposal called for the introduction of limitations on production. When voluntary measures at limiting production were introduced, a Tin Control Scheme was introduced, aimed at restricting exports by quota.
11. *The Straits Times*, 1 January 1942.
12. HSL 105 file 3 Letter from HSL to Inspector of mines dated 30th July 1946.
13. Proceedings of the Federal Legislative Council, 3rd Session, February 1950 to January 1951, p. 116.
14. *The Straits Times*, 5 June 1950.
15. HSL 14.4/7, HS Lee to Li Chin, 20 February 1951.
16. Letter from Overseas & Foreign Office to Cunner, Parrons and Sir George Bolton, 29 February 1956, OV 65/4.
17. Nicholas J. White, *Business, Government and the End of Empire, 1942-1957* (Kuala Lumpur: Oxford University Press, 1996) pp. 138–145.
18. Legislative Council Debates: Official Report of the Second Legislative Council (Second Session) October 1956 to August 1957, p. 1687.
19. *The Straits Times*, 10 November 1956.
20. J.M. Gullick, *Malaya*, 2nd Ed., (London: Ernest Benn Limited, 1963) p. 137.
21. *The Straits Times*, 29 November 1958 & 1 December 1958.
22. John Wong, *The Political Economy of Malaysia's Trade Relations with China* (Singapore: Institute of Southeast Asian Studies, 1974), p. 6.
23. The bank was established by his friend Wong Shee Fun. The bank was incorporated in June 1964, and within a few months, branches were established in Ipoh, Kuala Lumpur and Kampar, all mining areas.
24. At that time, there were many initiatives aimed at starting private banks in a new nation. Between 1960 and 1959, at least six banks were established. They are United Malayan Banking (1959), Malayan Banking

- Berhad (1960), Pacific Bank (1963), Southern Bank (1965), Bank Bumiputra Malaysia Berhad (1965) and Public Bank Berhad (1966).
25. Annual Report D&C Bank 1973, HSL 139.1/102.
 26. Chairman's speeches at D&C Bank managers' conference 1978, 19 February 1978, HSL 44.
 27. *Ibid.*: 118.
 28. The original paid-up capital of M\$5.3 million in 1966, had grown to be M\$113 million in 1984. From total assets of M\$10 million in 1966, the bank owned M\$4,154 million in assets by 1984. Total deposits rose from M\$4.3 million in 1966 to M\$3 billion in 1984.
 29. Robert Kuok, *The Malaysia Incorporated Concept: a Key Strategy in Achieving Vision 2020*. Proceedings of a National Seminar Towards a Developed and Industrialized Society: Understanding the Concept, Implications and Challenges of Vision 2020, 6–7 December, Genting Highlands, 1991, pp. 459–463.
 30. Lee Kam Hing, Cheong Kee Cheok and Lee Poh Ping, "Robert Kuok: Family, Dialect, and State in the Making of a Malaysian Magnate," *Australian Economic History Review*, Vol. 53, No. 3, November 2013, p. 272.
 31. Kuok's classmates included Hussein Onn, who became the third Prime Minister of Malaysia, Ungku Aziz, University of Malaya's first Malaysian Vice-Chancellor, Ismail Ibrahim who became the Armed Forces Chief of Staff, and Sujak Rahiman, Director of the Institute of Literature and Language. Kuok was also had friends such as Dr. Ismail Abdul Rahman, a Deputy Prime Minister and James Puthuchearu, an intellectual.
 32. Kuok, Malaysia Incorporated.
 33. Heng Pek Koon, Robert Kuok and the Chinese Business Network in Eastern Asia: a study in Sino-Capitalism in T. Brook and H.V. Luong, (eds.), *Culture and Economy: The Shaping of Capitalism in Eastern Asia* (Ann Arbor: University of Michigan Press, 1997), pp. 155–185.
 34. This was stated in Kuok (Singapore)'s website.
 35. Lee Kam Hing, Cheong Kee Cheok & Lee Poh Ping, *Robert Kuok*, pp. 274–275.
 36. Lee Kam Hing et al., *Robert Kuok*, p. 275; see also Chua S.A., Kuok Brothers to buy out Jerneh Asia, *The Edge*, 1 November 2011.
 37. Taipan of Perlis, Kerry Properties Limited, *Malaysian Business*, No. 1, 2012.
 38. Lee Kam Hing et al., *Robert Kuok*, p. 279.
 39. Searle, *Riddle of Malaysian Capitalism*.
 40. See Kerry Holdings website.
 41. Lee Kam Hing et al., *Robert Kuok*, p. 284.

Politics, Policy, Culture and China:
The Growth of the Top Ethnic Chinese
Businesses in the Philippines
Since the 1990s

Ellen Huang Palanca

INTRODUCTION

When *Forbes* Magazine started to publish the yearly list of the wealthiest Filipino individuals in 2008, in the top 10 positions, for the past 7 years, six to seven have been distinctively Chinese Filipinos. Henry Sy, Sr. tops the latest list, worth \$14.4 billion. He is also in the list of the 100 richest in the world. Other Chinese billionaires in the list of wealthiest Filipinos are John Gokongwei, Lucio Tan, George Ty, Andrew Tan, and Tony Tan Caktiong. Spanish-descent families, which have controlled the Philippine economy for centuries, are left with only one family in the list: the Ayalas.¹

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In the Southeast Asia region, the ethnic Chinese have dominated business in their respective countries.² In the Philippines, although the Chinese have always been ubiquitous in business, it was only in the past 3 decades that Chinese business has overtaken the traditional elite, in almost all sectors, occupying a dominant position in many industries. Aside from the ethnic Chinese tycoons, the country's new Chinese migrants are also active in business, and have contributed to the growth of Chinese Capitalism in the Philippines.

This spectacular growth of Philippine Chinese business in recent decades suggests that while ethnicity and culture have a role to play, economic and business factors—determined by politics, institutions, policy and globalization—are important. Chinese business has benefited from the emergence of the Peoples Republic of China (PRC) and its growing economic power. While Chinese business culture continues to be instilled, imbibed and transmitted across generations, despite integration in the local culture,³ culture and traditions are not sufficient determinants to explain the stellar rise of ethnic Chinese business in the Philippines. Scholars of Chinese business have emphasized looking into historical and socio-economic factors.⁴ The success of Chinese business in the Philippines should be considered and observed in its particular social and historical context.⁵ Institutional factors of community, families, networks, organizations and connections are considered as elements of resilience in the face of challenge and opportunity. Other factors examined are macroeconomic and business environments within and outside the country that offer stimulus to business opportunities.

This chapter takes into consideration all these factors, including cultural factors. It traces developments in the country's political economy and policies from the dictatorial regime of Ferdinand Marcos (1972–1986) to important events in its aftermath including the return of the pre-Martial Law political economy, the economic policies of liberalization and deregulation, the trend of rapid globalization, China's open door policy and economic growth, and the influx of new migrants. Cultural traits and values, as well as institutional factors, help explain how the Chinese responded to these multifaceted changes and developments.

The study employs both primary and secondary data. Primary data mainly includes interviews with selected top Chinese-Filipino entrepreneurs, their second and third generation descendants, academics, journalists and experts. Secondary data is the result of analyses of corporate reports including the General Information Sheet (GIS) of the selected

corporations and business reports and the lists of top corporations from the Securities and Exchange Commission, the Bangko Sentral ng Pilipinas (Philippine Central Bank), Forbes Philippines, and *Business World*, as well as published and unpublished studies and articles.

The focus is on the top-ranking tycoons and their companies. Select case studies are presented to illustrate models of development that were employed in past decades. In addition, an introduction to the business interests among the new Chinese who immigrated to the Philippines after 1985 is considered.

THE PHILIPPINE CHINESE COMMUNITY: A BRIEF INTRODUCTION

The present Chinese community in the Philippines consists of a mix of old and new migrants and their descendants,⁶ comprising around 2% of the total population.⁷ The old migrants mostly came from the Minnan area, which means that they and their descendants belong to only one dialect group, *Hokkien*.⁸ The new migrants make up around 10% of the total Chinese population.⁹ They can be further distinguished into two categories: (1) those who migrated to the Philippines during the 1980s to be with relatives belonging to the *Hokkien* and maintained trade ties with China, and (2) “new migrants” who arrived in the early 2000s, in response to China’s “Going Out” policy, with origins from other regions in China. This second group includes entrepreneurs, professionals and expatriates of multinational corporations, Chinese-owned companies and Chinese government agencies.

The descendants of the first wave of Chinese migrants, who are now third and fourth generation, have integrated and assimilated into Philippine society. On the other hand, the descendants of the new migrants have a stronger Chinese cultural orientation and closer ties with China. This second group is assimilating with local culture and is now fluent in English and Tagalog as well as in Mandarin and Hokkien. This creates tension between established ethnic Chinese who are less open to international ventures and risk and the new migrants.

Since the turn of the twentieth century, the Chinese community established institutions such as, schools, newspapers and associations in the Philippines.¹⁰ The community members have maintained links to their hometown relatives in China even in the first few decades of Communist rule in China when China was closed to the outside world.¹¹

There are an estimated 227 town/village associations and 70 family/clan associations in the Philippines. The numbers have increased with the presence of the new migrants.¹² The largest and most active chamber of commerce is the Federation of Filipino Chinese Chambers of Commerce and Industry established by the old migrants in 1954. New migrants also set up their own business associations, for example the Migrant Chamber of Commerce and Industry created by retailers in 2007, and the Philippine Chinese Chamber of Commerce and Industry created by the larger enterprises in the same year.

As mentioned, the ethnic Chinese in the Philippines have maintained ties with their hometowns. In the fifties and sixties when their hometown relatives suffered economic hardship, the Philippine Chinese remitted money to help them through difficult times.¹³ After 1975, when diplomatic bilateral relations were established between the two countries, towns in China began to raise resources from overseas Chinese. Investors became motivated by attractive returns more so than loyalty or patriotism. The overseas Chinese now take advantage of their connections with people on the mainland to invest in their towns'/villages' business projects.¹⁴ China has made great efforts to connect with the Chinese overseas and their networks since "opening up". In the Philippines, Qiaoban has also been able to provide support to the new migrants in connecting with their "motherland".¹⁵

Available statistics on the amounts invested in Jinjiang county by ethnic Chinese all over the world between 1984 and 1997 show that the Philippines ranks second, after Hong Kong. The figure for the Philippines is probably understated as some of the investments from the Philippines could have been classified under Hong Kong, since by the 1990s, a few Philippine tycoons already had conglomerates based in Hong Kong.¹⁶ In addition, although the data is the aggregate of several years, there are indications of China becoming more attractive as an investment destination from the early nineties as Deng Xiaoping's policy of reform and opening-up began to take form. The Philippine Central Bank reported an increase of 434% in capital outflow for the first 6 months of 1993 compared to the previous years. Several factors may have contributed to this development: it was at this time when China began its economic ascent; moreover, a spate of kidnappings of Chinese-Filipinos and a series of regular power shortages affected the Philippines.¹⁷

*Colonial Political Economy: Powerful Landowning
Elites (1571–1946)*

In the Philippines, the colonial past created a political economy such that there was a powerful elite class that monopolized the country's politics and economy. Moreover, the political culture was based strongly on patrimonialism and interpersonal relations. For centuries since the colonial period, much of the wealth of the economy had been in the hands of the traditional oligarchs, who were the landowning families—mostly mixed Spanish or Chinese Filipinos. This colonial legacy has its effect even up to the present day as these families still wield much economic and political power, and have been blamed for perpetuating the political greed and corruption of the country.¹⁸

During the Spanish colonial period, the Chinese were either traders or artisans.¹⁹ By the early twentieth century, under the American occupation, artisans and other professions diminished in number due to the American Chinese Exclusion Law that allowed only merchants, students and teachers to migrate to the Philippines.²⁰ This resulted in Chinese Filipinos becoming engaged in trade, primarily as hawkers or neighbourhood storekeepers. There were a few manufacturing activities but most of them were of the “household” type.²¹ A few prominent enterprises existed²² but, aside from being few in number, they were no match for the businesses of the Spanish and American capitalists or the Spanish and Chinese mestizos' landowners who benefited immensely from the agriculture export trade boom at that time. Hence, while the Chinese in other Southeast Asian countries dominated trade in primary products such as rice, sugar, tin and rubber, the Chinese in the Philippines played little role in such trade.

Post-war Independence: Nationalism (1946–1972)

After gaining independence in 1946, with a greater sense of nationalism, the government added new industries to the string of industries being nationalized. The 1954 Republic Act 1180 (Retail Trade Nationalization Act) restricted the retail sector to Philippine nationals. With 80% of Filipino Chinese engaged in retail trade, this had a severe effect. Many people maintained their Chinese citizenship despite having lived in the Philippines most of their lives due to the difficult requirements of obtaining Philippine citizenship. Later, the 1975 Mass Naturalization Law would dramatically alter this landscape.

The industrialization strategies policies launched the import-substitution industrialization programme which protected consumer goods and manufacturing industries by providing credit and foreign exchange subsidies. This resulted in windfall gains to the industrialists. Chinese who were disturbed by the Retail Trade Nationalization Law had a new opportunity although only those who had capital and political connections benefited. The strategy eventually failed because subsidized industrial production was limited by the size of the domestic market. Moreover, the protected industries, mostly light manufacturing activities, did not provide industrial linkages and economic transformation. The import-substitution industrialization programme did not develop real industrialists; rather it developed capitalists, or what Yoshihara called “ersatz capitalists”.²³ The incentive system of the programme attracted those with means and connections to go into manufacturing. Fortunes were amassed because of the protection on manufacturing. This led to the creation of capitalists in the country, especially amongst the Chinese.

Martial Law (1972–1986)

The next major change in the political and economic setting was in 1972 when President Ferdinand Marcos declared Martial Law. Patrimonialism was now centralized under the dictatorship. Major industries and corporations, such as airlines, energy, coconut and sugar, were nationalized or given to Marcos’s cronies. The traditional oligarchs lost power between 1972 and 1984 and the number of state-owned enterprises increased from 70 to 245, excluding companies taken over by state-owned banks through default.²⁴ These companies had preferential access to loans. Due to rampant corruption and poor management, aggravated by the price decline in copper, gold and coconut, with a higher interest rate imposed by the International Monetary Fund in 1980, these businesses, held mostly by ethnic Filipinos, started to fail.²⁵ The lack of confidence in the economy led to capital outflow, and the economy ended up in shambles.

Marcos’s crackdown on the oligarchs allowed the Chinese to gain a more equal footing with the traditional business elite, many of who left the country with their wealth. The 1974 policy of liberalizing naturalization provided the ethnic Chinese equal legal status with all Filipinos. As citizens, they could own land and engage in trade activities. The citizenship allowed them to practice professions such as doctors, accountants and engineers, in which only citizens could take licensed exams.

Another major policy change implemented under Marcos was switching the country's Chinese diplomacy from Taiwan to China. The easing of the naturalization process was a prelude to opening diplomatic ties with China in June 1975. China's Open-Up Policy a few years later made contacts even easier and opened up opportunities for the Chinese overseas.

*Return to Democracy and Economic
Liberalization (1986–Present)*

In February 1986, what is known as a People Power revolution toppled President Marcos and installed President Corazon Aquino. Drastic changes were made to move the country towards a democratic system. Economic reforms included trade liberalization, business deregulation and dismantling of monopolies especially those in agriculture which were owned by Marcos's cronies. The Asset Privatization Trust was set up in 1987 to sell government-owned enterprises—many of them already bankrupt—and the non-performing assets of government banks. However, the country's political and economic situation was marked by instability for several years after the end of Marcos's dictatorial rule, as the new government encountered several attempted *coups d'état*.

The business environment became more liberalized and deregulated. Eventually, the pre-Martial Law political economy returned. The traditional elites regained power and once again enjoyed favours of patronage, although many took a “wait and see” attitude in getting back to business. The attitude of the traditional elites created a vacuum that was filled by the ethnic Chinese who stayed in the country and continued with business. Because of their activism in business, willingness to take risk amidst the instability of the country and increased wealth accumulation, the Chinese, who were by then quite assimilated and integrated, gained economic standing. In effect, they became part of the country's economic elite.

President Aquino's successor, President Fidel Ramos, reinforced Aquino's legacy of liberalization and further levelled the business playing field. In Habito's *Presidential Economic Legacies*, Ramos is noted for when he “liberalized the telecoms and banking industries; deregulated oil; opened up and decartelized interisland shipping; and privatized water, power generation, transmission and distribution”.²⁶ Another industry that was deregulated was air transportation. Pressure to liberalize the economy also came externally, due to globalization. Ramos responded by further intensifying trade liberalization with more import

tariff reductions. The country joined the ASEAN Free Trade Agreement in 1992 and the World Trade Organization in 1995. Except for the return of cronyism during the brief 3-year regime of President Estrada, reforms towards greater economic liberalization continued with the next presidents: Gloria Macapagal Arroyo and Benigno Aquino III.

RISE OF CHINESE BUSINESS

The Philippine ethnic Chinese have always been active in business. However, the dominance of the traditional elites in both politics and economics, coupled with the general anti-Chinese and nationalistic sentiments among Filipinos before and after independence, made it difficult for the Chinese to be on top in business. Up till the seventies, the country's large businesses belonged mostly to Americans and ethnic Spanish. A 1995 study shows that the ethnic Chinese owned only a fourth of the top 100 firms in 1990. By 2014, this grew to 41%, at the expense of all the other categories. One prominent example is Henry Sy and Lucio (Andrew) Tan. In 2014, Andrew Tan is listed as fourth of the 10 richest Filipinos. He came to the Philippines in the late sixties as a teenager and started his business empire in the late 1980s.²⁷

From 1990 the Philippines has witnessed a significant growth of Chinese Filipino firms. Government-owned corporations declined from nine to two, while non-Chinese Filipino firms declined from 27 to 22. Foreign-owned corporations declined from 39 to 35 and were accompanied by a shift in the distribution by nationality. The number of Chinese Filipino corporations rose from 25 to 41.²⁸

The increasing role of the ethnic Chinese firms in the Philippine economy is more clearly seen in their growing share of total gross revenue. In 1990, nine government-owned firms were responsible for about 33% of the total revenue. Due to privatization by 2014, government-owned firms declined to two and accounted only for 1.4% of total revenue. Whereas, ethnic Chinese-owned firms were relatively small in 1990: 25% accounting for 13% of the total gross revenue. By 2014, although the Chinese-Filipino owned companies only numbered 41, they were contributing almost 50% of total revenue.

At present, the ethnic Chinese-owned conglomerates are in almost every major industry including banking and finance, manufacturing, real estate development, power generation, airlines, malls, retail and fast-food chains. Except for the retail trade, many of the other non-manufacturing

industries are new for the ethnic Chinese as most had been government run or oligarch monopolies. In 30 years, however, these industries have become dominated by the ethnic Chinese.

Three case studies are presented to illustrate the ascendancy of the Chinese in Philippine business. The first is the story of how an ethnic Chinese man took over the helm of the largest conglomerate in the country, San Miguel Corporation. The second, demonstrates the role of the ethnic Chinese in the Philippine banking sector. The third focuses on the growth of the ethnic Chinese in the real estate and development industry.

The Mechanic and the San Miguel Corporation (SMC)

San Miguel Corporation (SMC) is one of the country's oldest and largest enterprises and the first to be listed publicly. It was founded in 1890 by a Hispanic family as a beer brewery (La Fabrica de Cervesa de San Miguel), with capital from a grant by the then colonial Spanish government. Business diversified, securing the rights to bottles and Coca-Cola distribution in the Philippines. By 1948, it had established overseas investments including becoming the first local brewer in Hong Kong. San Miguel became one of the world's most recognized Filipino brands. For almost a century, San Miguel was a monopoly in the food and beverage industry.²⁹ It continues to dominate the industry but has since extended its business to many other industries, such as infrastructure and power generation, and expansion under Ramon Ang, who is ethnic Chinese.

During the 1970s and 1980s, the Soriano family, descendants of the founding family and majority stockholder of SMC, suffered a major setback from the political machinations and anti-oligarchic approach of the Marcos dictatorship. By 1983, the company was eventually in the hands of a Marcos crony, Eduardo (Danding) Cojuangco, Jr., who took over chairmanship of SMC's board. The Soriano clan resumed the company's chairmanship when President Marcos was replaced by President Corazon Aquino in 1986. In 1988, Cojuangco, President Joseph Estrada's drinking buddy, regained the chairmanship when President Estrada got elected. External political turbulence and internal management issues led to the end of the founding family's control.

Under Cojuangco's leadership, the company became one of the most profitable corporations in the Philippines. Contributing to Cojuangco's

success was a very loyal and trustworthy apprentice and friend, Ramon Ang (ethnic Chinese), who started out as Cojuangco's auto-mechanic. It was said that Cojuangco, who was exiled with President Marcos in 1986, entrusted a significant portion of his assets to this young protégé who then returned everything in mint-condition when Cojuangco returned to the country. In 1998, when Cojuangco regained chairmanship of the company, Ang was elected vice chairman. This paved the way for Ang to be appointed president and chief operating officer by 2002.

By 2008, SMC has become the country's largest Philippine conglomerate according to key indicators including gross revenue, net sales and net income. Ang was considered the chief architect of the diversification of the conglomerate across major growth industries.³⁰ In 2012 Cojuangco sold his controlling share in the company to Ang, giving him full control of SMC.

While the presence of Ramon Ang in the company may be incidental, the performance he has been able to deliver demonstrates business and management acumen, aggressiveness, willingness to take risks and strategic vision. These were the same traits exemplified by other successful ethnic Chinese during the post-Martial Law period.

The case illustrates the strong linkage between Philippine business and politics. On more than one occasion, the chairmanship of the corporation was manoeuvred to serve the interest of the country's president. As of 2009, the government still controls about 27% of the company and is authorized to name five nominees to the company's board out of the 15-member board. The directorships are often filled by political appointees as patronage rewards.

Selected Ethnic Chinese-Owned Banks in the Philippine Banking Sector

The second narrative is about the role of ethnic Chinese in the Philippine banking sector. Today, ethnic Chinese own six out of the top 10 Philippine banks. These six banks control 63% of the total assets of the top 10 banks. The remaining banks are government owned or owned by families of Hispanic descent.³¹

The China Banking Corporation (CBC), established in 1920, is the first privately owned local commercial bank in the Philippines, and the first ethnic Chinese-owned bank. At that time, financial institutions were

dominated by Westerners. The banking needs of the Chinese, for example remittances to their families in China, were met by small trade cooperatives and semi-banking operations. CBC was founded by the directors of the Chinese Chamber of Commerce headed by Dee C. Chuan, a young lumber entrepreneur. Albino Sycip, a law graduate from the U.S., was made the general manager, while American professional bankers were hired. Today, Henry Sy's family owns the biggest share of CBC and placed the chairmanship under one of the family members. However, the bank continues to be run professionally by the Dee family and ranks eighth among the top ten Philippine banks.³²

Another bank owned by an ethnic Chinese is Metrobank, presently the second biggest bank in the Philippines. Established in 1962 by George Ty, Metrobank not only survived the financial crisis of 1983–1985 during which several ethnic Chinese banks closed down,³³ but topped all the private domestic banks in total resources by 1983, surpassing even the Philippines' oldest, most stable bank—Bank of Philippine Islands (BPI) founded in 1851.

Banco de Oro, more popularly known as BDO, is now the largest bank in the country in terms of assets, loans and deposits. That the bank is owned by the richest man in the Philippines may help explain how it became number one in unprecedented time—considering that banking was not an area the family had been engaged in, the dynamic role of the owner is difficult to discount.³⁴

This number one bank started as a small thrift bank named Acme Savings Bank. The family acquired it in late 1978 and renamed it Banco de Oro Savings and Mortgage Bank. By December 1994, it became a commercial bank and was renamed Banco de Oro Commercial Bank (BDO), becoming a universal bank two years later. By 2004, it was the fifth largest bank in the country. The company however aimed to be number one.³⁵

To achieve this, it adopted the strategy of merging with a larger bank – PCIB-Equitable Bank³⁶—a bank three times the size of BDO in assets, but retained the name of BDO. It took 5 years (2001–2006) of planning and negotiations before BDO was able to clinch the deal. After a year, BDO leapfrogged to the number two position. In 2008, BDO dislodged the perennial top Metrobank and has been number one ever since.³⁷

The above discussion of three ethnic Chinese banks shows how they have evolved from catering mainly to the Chinese to servicing the needs

of the general population which catapulted them to success. The Chinese banks have surpassed the foreign and oligarch-owned banks through the intense drive and strategic business acumen of their owners.

Instead of benefiting from political patronage or connections per se, the success of BDO highlights the cultural trait of being able to take advantage of whatever the situation. One reason BDO has been able to leapfrog over its competitors was by actively seeking out mergers and acquisitions which the *Bangko Sentral ng Pilipinas* (Philippine Central Bank) encourages for all the players in the industry.³⁸

Similarly, Lucio Tan was able to buy into—and eventually gain control of—the Philippine National Bank (PNB). Starting as a government-owned banking institution in 1916, the privatization of the bank started in 1989, under President Cory Aquino, allowed Tan to enter into the picture as a minor equityholder. Years later, when the government-managed bank experienced a liquidity problem, Tan made a substantial cash infusion. Through almost two decades of patient resolve and political maneuvering, Tan eventually wrest full control of the bank in 2007 when the government made a full exit. In 2013, Tan merged PNB with his own smaller bank, Allied Bank, and propelled PNB to become one of the top 10 banks in the country.

Two of the Philippine Chinese bankers, George Ty of Metrobank and Lucio Tan of PNB/Allied Bank, have capitalized on China's economic rise for their offshore expansion. Ty established the first Philippine bank in Shanghai and the first foreign bank headquartered in Nanjing while Lucio Tan has set up banking services in Xiamen.

Real Estate Development and “Mall” Industry

The real estate property sector, reserved by the Constitution for Filipino citizens, was another sector that used to be largely dominated by traditional non-ethnic Chinese landed elites. Massive land acquisition by the ethnic Chinese only started during the transition from the dictatorship to a democratic government in the eighties. At that time instability plagued politics and the economy, and caused many traditional elites to divest and migrate to other countries. Land prices were hence at an all-time low. Having gained citizenship during the Martial Law period, this allowed many of the ethnic Chinese to invest in real estate.

Since 1990, many of the large-scale real estate development outfits are owned by ethnic Chinese and non-ethnic Chinese alike. They compete

head-on with each other, gobbling up the remaining strategic locations where the prices have soared to very high levels, amidst the present day real estate boom.

A business area related to property development is the “mall” industry and the retail trade that goes with it. The top Chinese tycoons who are also property developers own most of the large malls in the country. Owning and operating malls is, however, different from general retail business in that it involves renting out of spaces, which has more to do with real estate business than retail trading.³⁹

The following narrative shows the impressive building up of the SM property and “mall” business from the eighties to the nineties despite political instability during that period, and how it continues to maintain its dominance in the industry.

Henry Sy Sr., who came to the Philippines when he was 12 years old, started to build his first mall in 1983 amidst a declining economy experiencing a debt moratorium and hyperinflation to be aggravated further by the assassination of Ninoy Aquino. Although he already had a few department stores and shoe stores at that time, many bankers refused to support his grand ambition. With sheer determination and optimism, he opened SM North Edsa in 1985, SM Sta. Mesa in 1990 and SM Megamall in 1991. The last one would be the largest mall in the country for the next 17 years, until he out-did himself by opening the SM Mall of Asia complex in 2006. It was also during Cory Aquino’s administration that Sy started land banking in the Manila Bay area (real estate prices were very low at the time due to investors’ lack of confidence in the Philippine economy), where the Complex would later stand on 42 ha of reclaimed land. This would transform the company from developing mere malls to “super-malls” and later mix-used commercial-residential mini-cities.

The long-term vision of the patriarch went beyond carrying out property and mall business in Metro Manila. Sy was also quietly purchasing land in the countryside. In 1992, despite private and public objections he won the bid for a 34,528 squaremetre prime lot at the Luneta Hill in Baguio City from the government—it would take a decade before the mall would open its doors. During the intermediary years, Sy shifted focus on more business friendly Cebu City where the first shopping mall outside of Metro Manila was built in 1993. SM currently owns 57 malls located across the country.

A recent investment is the SM Aura, located in the metropolitan’s newest upscale location. Its inauguration in 2013 even had a famous

Hollywood personality in attendance. This latest development is significant because it marks the first foray of SM (traditionally known as a mass-market oriented company) into the premium mass-market, highlighting its ability to continually transform itself. The construction of this mall was however embroiled in public controversy highlighting the growing battle for prime real estate in the crowded but profitable metropolitan area. The site was originally allocated for civic and not commercial use. The local government initially went into discussions with the Ayala Group to build a civic centre. The entry of SM reinforced the growing rivalry between its erstwhile competitor, Ayala Land (owned by the Ayala family, and reputed to be the country's "biggest land developer"). Ultimately, however, SM ended up with the prime lot and built its forty-seventh and most upscale mall.

In summary, during the Martial Law and post-Martial Law periods the ethnic Chinese started to acquire land, filling in the gap in the real estate industry created by the exodus of the traditional elites. The past couple of decades saw real estate development continuing to grow in full swing. At present, despite high land prices, real estate developers continue to gobble up land in Metro Manila and other urban areas to develop. Real estate development companies belonging to the top ethnic Chinese tycoons include SMDC of the Sy family, Robinsons Land of the Gokongwei, Megaworld of Andrew Tan, and Filinvest of the Gotianun. The youngest of the 40 richest Filipinos in the Forbes list, Edgar "Injap" Sia II, who is a college dropout, has recently established DoubleDragon Properties to build community malls in areas that may not be suitable for the larger mall. These Chinese tycoons have outperformed those belonging to the traditional land-owning elite families: the Ayala (est. 1834), the Lopez (est. 1859), the Ortigas (est. 1924), and the Araneta (est. 1946).

REASONS FOR THE RISE OF PHILIPPINE CHINESE BUSINESS

The factors that led to the surge of Philippine Chinese capitalism in the last couple of decades include the political and macro-economic factors that provided the general business environment. Moreover, Chinese cultural traits and values, manifested in business acumen and strategic characteristics, enabled entrepreneurs to seize the opportunities that unfolded and facilitated the growth of their businesses. Inevitably, political connections and the opening of China's economy also contributed in the rise of some Chinese entrepreneurs.

Politics and Policies

The previous section summarized the political context faced by the Chinese since colonial time. Up to the seventies, Chinese business faced a strong and powerful land-owning elite who dominated most areas of business, as well as nationalistic policies which banned the Chinese from engaging in certain industries. For example, being banned from the retail industry that comprised up to 80% of Chinese economic activity in the fifties and sixties was especially damaging for the Chinese. However, they nevertheless benefited from the industrialization strategy implemented by the government, at about the same time, to reboot the fledgling economy, which protected light manufacturers of import-substitution consumer goods involving little capital and technology. Windfall profits were realized due to subsidies such as lower tariffs on inputs and import quota allowances. The initial wealth of tycoons could be traced to manufacturing which they started during this period: for instance, John Gokongwei and Carlos Chan, who were both active in the cornstarch trade and later went into the manufacture of snack foods, and Lucio Tan, who was active in cigarette manufacturing.

The success of the Chinese businessman is a function of his ability to navigate and adjust to the development of government policies and the environment in which he operates. Marcos's authoritarian rule from 1972 to 1986 had significant effects on the Philippine ethnic Chinese. Marcos's anti-oligarch approach and decree liberalizing naturalization gave the ethnic Chinese a more level playing field *vis-à-vis* the Spanish and indigenous Filipinos, while the opening up of ties with China provided the ethnic Chinese with easier contacts with China and hence greater business opportunities. A few ethnic Chinese also benefited from their connections with Marcos during this period.⁴⁰

With the end of the dictatorship, the country regained democracy. However, the old political economy, wherein the traditional oligarchs controlled politics and the economy, returned.⁴¹ This political economy used to work against Chinese businessmen due to their lack of clout and connections. After Martial Law, however, the top ethnic Chinese business families had become quite integrated⁴² into mainstream Philippine society and eventually accumulate wealth levels comparable to, if not surpassing, the traditional elites. For example, the empowered Chinese-Filipinos at that time, finally recognized as Filipino citizens, were able to take advantage of the opening in real estate industry that was created

by the exodus of traditional elites as the economy went into tatters. The banking sector, which was reserved for Filipino citizens, has also opened up and became more dynamic with the infusion of new players. The meteoric rise of BDO is one manifestation of this. Today in just 2 or 3 decades of growth, Chinese-Filipinos now possessed oligarchic power which has also enabled them to exploit the country's political economy set-up from the top. These tycoons had finally joined the elite class of Philippine society.

Amidst the backdrop of the growing dynamism of the international political economy, the country embarked on economic reforms towards increasing liberalization and regional integration. Such efforts necessitate the Philippine industry elites to recalibrate their business organizations and strategies, as the country prepares for the full implementation of the ASEAN Economic Community, starting in 2016. The traditional family-oriented businesses of the ethnic Chinese are being forced to consolidate and adopt Western business models in order to be big enough yet professionally managed to be able to compete in the wider market. For example, the top five Philippine banks' resources combined are still lower than the top Malaysian bank and only half the size of the top Singaporean bank. The regional integration also requires the Philippine government to remove restrictions on ASEAN financial institutions from setting up in the country, which will steepen competition for the local players.

Cultural Traits and Values

The role of culture in economic success has been much debated and discussed since Weber's Protestant ethic thesis. This thesis was used to show that the centuries of backwardness of China and the small and non-corporate Southeast Asian Chinese businesses had been due to Confucianism.⁴³ In contrast, Confucianism was also used to explain the rise of the newly industrialized economies (NIEs), Hong Kong, Singapore and South Korea, where the culture of Confucianism is predominant.⁴⁴

The culture paradigm could not fully explain why for centuries the Chinese-Filipinos failed to rise above the traditional elites. However, such a paradigm is necessary to complement the paradigm of politics and institutions in explaining the rise of Philippine ethnic Chinese capitalism in the past 30 years. For example, the ethnic Chinese tycoons displayed Chinese cultural traits, such as patience, diligence, ambitious

yet low-profile, strategic business acumen, and willingness to take risks and start from the bottom rank, in their response to post-Marcos political crises, when investment opportunities abounded but the risks were very high. The transition from Marcos's dictatorship to the reinstatement of a democratic system was extremely volatile. Businessmen and investors had little confidence in the country which faced coups and bankruptcy. Several severe natural disasters—an earthquake, volcanic eruption and tsunami—also added to the economic devastation. The traditional elites and the middle class took a “wait and see” attitude even though the country had regained international recognition. Many continued to migrate abroad. The Chinese, however, despite the high political risk, “remained at home and expanded their businesses”.⁴⁵ They saw the investment opportunities during this highly turbulent and unstable period: real estates at rock bottom prices and government assets ripe for privatization. Such investments were not without risk, however. Andrew Tan, now a very successful real estate tycoon, started his real estate development business during the Aquino administration. Two weeks after he launched the first Megaworld project in 1989, the bloodiest coup threatened the government of Cory Aquino. “Considering that Megaworld then was a start-up, the decision to pursue this project was one of the toughest I made.”⁴⁶ It was also during this period when Lucio Tan bought Philippine Airlines and Philippine National Bank, both of which were in very bad financial shape when purchased, but are now doing well. The confidence of the Chinese in the Philippines during the period of high uncertainty paid off richly in terms of the wealth and capital they were able to create for themselves.

Patronage and Cronyism

Lucio Tan, a Chinese tycoon, is known to be a crony of both Presidents Marcos and Estrada. Marcos, who was in power for more than 20 years, gave his cronies (most of them indigenous Filipinos) control over major industries such as airlines, banking, auto manufacturing, agricultural monopolies (sugar and coconuts), and other national enterprises.⁴⁷ Tan was the most notable Chinese crony who was given special tax deals for his tobacco business and other business concessions. Estrada became president 12 years after Marcos was ousted. He had many Chinese friends from his days as the mayor of San Juan municipality (now a city), and they swarmed around him when he became the country's

president.⁴⁸ Tan also became a crony of Estrada and received several favours in the short time Estrada was in power. Among the favours he got was an airport built exclusively for his airline, Philippine Airlines. Another significant favour was to have the tax evasion case against him by the Aquino and Ramos governments dropped on the basis of a minor technical issue.⁴⁹ Another Chinese crony of Estrada was Lucio Co, who was given the concession to run duty-free stores. From duty-free stores, he and his wife extended their business to large-scale retail.⁵⁰ The couple have been accused of big-time smuggling.⁵¹ However, Lucio Co has been able to transform his “informal” businesses into a formal sprawling retail enterprise and in 2012 appeared in the Forbes List of Top Richest Filipinos with a \$1.2 billion wealth value. So far, for both Lucio Tan and Lucio Co, their power and wealth have kept them from being indicted.

Cronies or not, with their new wealth levels, the Chinese tycoons can now easily get their way when doing business. Several purchases of properties by SM Development Corporation for its real estate development have been controversial, as the deals were viewed as having evaded the proper procedure.⁵² When asked in an interview by a foreign reporter about how SM business faces the corruption system in the country, Teresita Sy-Coson replied that businesses must see this system “as a given”.⁵³ The onus is on the business leader to figure out how to navigate it.

Connections with China

When China opened up, the ethnic Chinese were its easiest and most direct link to the outside.⁵⁴ With many Chinese going overseas since the eighties, China made an effort to strengthen the ties of overseas Chinese with their “motherland” through the reactivated State Council Overseas Chinese Affairs Office (Qiaoban).

Facilitated by the “hometown” and “clan” associations, direct investments in hometowns take place through informal agreements with hometown relatives, as has been noted in the substantial Filipino Chinese investments made in Jinjiang—the hometown of 90% of the Chinese-descent Filipinos. This also facilitated investments of the new Chinese migrants in the Philippines, most of who are engaged in retail trade all over the country, including the far-flung provinces where the older generation Chinese are less likely to venture.

The investments of the rich tycoons in China traditionally went to Jinjiang and Xiamen. Henry Sy has supermalls in both of these cities.

In Xiamen, Lucio Tan built a 30-storey Bank Centre where his Xiamen Commercial Bank is housed. A few significant investments are also being made outside of the Minnan area. Sy's supermalls can be found in Chengdu, Suzhou and Chongqing. George Ty set up a Metrobank branch in Shanghai in 1993, the first Philippine bank in China, and in 2010 established its China headquarters in Nanjing—the first foreign bank to open its headquarters in Nanjing. However, for the tycoons, their primary business interests are in the Philippines; investments in China are a minute part of their portfolios.

The exception is Carlos Chan, who was a pioneer when he began to invest in China in the early nineties. Since then he has focused on China as a whole as a target market for his investments. His business manufactures snack foods and drinks, under the brand Oishi (or Shang Hao Jia in Chinese). With the first factory built in Shanghai, Chan now has 15 factories all over China, reaching as far as Urumqi, Xinjiang Province, which also serves the needs of neighbouring countries like Kazakhstan. It is noteworthy that his Chinese factories import Philippine-made machines and also employ Filipinos.

As mentioned, the Filipino tycoons' investments in China are small relative to their local investments. The older Chinese have always been apprehensive that they might be seen as disloyal to the Philippines.⁵⁵ The younger generation ethnic Chinese, on the other hand, are generally very assimilated in Philippine society, and have little interest in China. Most importantly, they are more sanguine about doing business in the Philippines.⁵⁶

Aside from their continuing confidence in the Philippine economy,⁵⁷ the ethnic Chinese also opt to place their financial resources in the Philippines rather than in China because the maturing Chinese market has become very competitive while the domestic market is growing in dynamism with its consumer-driven market and a young demographic, coupled with the activities surrounding the ASEAN Economic Community. In a World Economic Forum interview, Teresita Sy-Coson, the daughter and heir of the Philippines' richest man, shared that although the company looks globally, it continues to focus on expanding business locally and building partnerships with ASEAN companies in fulfilling the market needs of the many untapped development needs of the country.⁵⁸

The new migrants also see the Philippines as providing more opportunities to grow their capital. While most of the new migrants are in

the retail business, some have now entered into small to medium-scale property development in the Philippines as the property prices in China have soared.

Economic linkages with China are no longer limited to ethnic Chinese transactions as non-ethnic Chinese are also benefiting from China's economy. For example, the Ayala family (eighth in the local Forbes List), under its Integrated Micro-Electronics company, has six factories in China providing electronics manufacturing services to global companies, and Razon (fifth in the same list) operates a port in Shandong Province. Such connections with China also highlight the Philippines's role in the global supply chain.

Increasingly, large Chinese-funded enterprises, both private and government, are also establishing operations in the Philippines as the country is experiencing better than average economic growth in recent years as well as its position in the global supply chain.

Although the Philippines and China are currently embroiled in the South China Sea conflict, the conflict has had minimal effect on Filipino-owned businesses in China, especially the businesses connected to the global supply chain. On the other hand, large-scale Chinese investments to the Philippines were curtailed.⁵⁹ The Philippines received one of the biggest Chinese Official Development Assistance (ODA) amounts in Southeast Asia during President Arroyo's administration, which decreased substantially after the previous projects were mired in corruption-related scandals, and the political bilateral impasse that emerged during President Aquino's term did not help. Interestingly, Chinese tourism to the Philippines grew by almost 70% in 2012 and 2013, even amidst Beijing's imposition of a travel warning on the Philippines—perhaps a clear sign that the forces of globalization can no longer be bounded. Overall trade continues to increase annually, although growth fluctuated in some years particularly during the 2008 Global Financial Crisis.⁶⁰ It is difficult to determine how much of the bilateral trade relations between the two countries is related to the South China Sea conflict and how much to the global dynamics including the overall slowdown of the Chinese economy and residual effects of the 2008 Global Financial Crisis among others. The new government in mid-2016, under President Rodrigo Duterte, has signalled its intentions to re-establish better ties with China.

CONCLUSION

Philippine Chinese business has made a big surge in the past 2–3 decades. Its share in the top 100 corporations has jumped from 25% in 1990 to 41% in 2014, while contributions to total gross revenue jumped from 13 to 49% over the same period. A reflection of this rise can be seen in the recent leadership role of Chinese-descent entrepreneurs in the Philippines Chamber of Commerce and Industry. The country's largest business organization was founded by Spanish businessmen in the nineteenth century and historically has been headed by prominent businessmen of Spanish and Filipino descent. This organization is quite nationalistic and has close links to government economic institutions. It was therefore historic when, in 2010, an ethnic Chinese man was elected president. Since then two more ethnic Chinese presidents have been elected. This is evidence not only that the Chinese are now part of the elite, but also that their contribution to the development of the Philippine economy is being recognized. Ethnic Chinese businesses are ubiquitous in the Philippines and their brands have become household names. They also include national flag carrier Philippine Airlines, former national bank Philippine National Bank, and formerly state-owned heritage hotel, the Manila Hotel.

Apart from Chinese business traits, culture and values system, historical and political factors have been central in the evolution of ethnic Chinese business in the Philippine economy. Despite astute business culture, decades after national independence, Philippine Chinese Capitalism had lagged behind businesses of Spanish-descent and indigenous elites. Nationalist policies and the political patronage culture that favoured the elites restricted Chinese business activities. The post-Marcos era saw the return of the traditional political economy where power was privatized and concentrated in the hands of the elite. The ethnic Chinese, now more socially integrated and accepted, and with their higher wealth levels, also became part of this elite sector. With such status combined with a dynamic environment, they have the advantage and competitive edge to grow exponentially. Dominance in most major industries has been made possible through their ability to outbid and to monopolize. Social divide in the country is no longer along ethnic lines, but along economic class.

The post-Marcos period also coincided with global developments that provided significant business and investment opportunities. Economic

globalization was in full swing, and privatization and liberalization were the norm. The opening of China in 1978 added to the growth and vibrancy of international trade. This added pressure to the domestic efforts to undertake economic liberalization reforms and increased the domestic as well as international competition.

The China factor has not been a major element for the building of Chinese capital among the tycoons in the Philippines. The opening up of China and its spectacular economic growth have presented economic opportunities for ethnic Chinese and the new immigrants, as well as the non-Chinese Filipinos. Many new immigrants, most of who are engaged in business, have settled in the country. While most are thriving, their businesses have not reached the same high level of success as the businesses of the old immigrants.

Culture as a factor in wealth accumulation is confirmed in this study. Culture has a distinct role when the risk opportunity trade-offs are high. It explains why after the restoration of democracy, faced with the same opportunities, the ethnic Chinese elite group performed better when compared with the traditional elite and indigenous elite groups. This transmission of culture perpetuates entrepreneurship and business to their descendants. Ethnic Chinese are trained to maintain a low-key profile in their business dealings and shun the limelight. Going into business seems to be the first or inevitable option considered for the young Chinese. Study of the present young generation involved in business reveals that, despite the Western and Filipino cultures, the Chinese Filipinos have imbibed and are exposed to the entrepreneurial culture of their ancestors. Parents instill the importance of business and entrepreneurship as well as the work ethic in their children.

The research also reveals that the top ethnic Chinese corporations have remained family corporations, even as they have adopted Western models of corporate governance such as recruiting professionals in top management and instituting boards of directors with one or more family members continuing to be involved in the firm. The Chinese continue to influence via their managerial or board participation, their ownership control, the strategic placement of shareholders, and the culture and values family shareholders impart to the enterprise. The top Chinese conglomerates are relatively young, and in most cases, the founders remain influential. A new trend is beginning with the next generation taking the helm. This generation, after seeing how their parents struggled, are also hardworking and aggressive without the entitlement or extravagant

luxury that family wealth can provide. The question remains, how will the third generation of Chinese Philippine businesses build their family corporations?⁶¹ They may follow their family legacy or adopt modern management and succession structures to ensure continuity and growth, similar to others in the region.

NOTES

1. Recently two Spanish-descent elites, Enrique Razon and the Aboitiz family, have joined the list of top 10 richest Filipinos. They are engaged in the logistics businesses, gaming, entertainment, power and many others.
2. Annabelle Gambe, *Overseas Chinese Entrepreneurship and Capitalist Development in Southeast Asia* (Palgrave Macmillan, 2000).
3. This research has confirmed such transmission of values and culture with interviews with the younger generation of the wealthy Chinese Filipinos.
4. See: McVey 1992; Brown 1995; Voon 2003.
5. Ruth McVey, "The Materialization of the Southeast Asian Entrepreneur," in *Southeast Asian Capitalists* (New York, Cornell University, 1992) 7–34.
6. The term "Chinese migrants" is used loosely here. It refers to the Chinese living in the Philippines whose intention of being there is anything other than being tourists.
7. "Today, ethnic (or pure) Chinese comprise about 1.35 million of the population while Filipinos with Chinese descent comprise 22.8 million of the population in the Philippines." See: Senate (2013). "Senate declares Chinese New Year as special working holiday". January 21. http://www.senate.gov.ph/press_release/2013/0121_prib1.asp.
8. In a study of Chinese 335 tomb sites all over the Philippines which showed the place of birth of the deceased, it was revealed that out of 30,637 tombs, 27,373 (89.26%) indicated Fujian as the place of birth (See: Ang See 2015).
9. James K Chin, "Chinese Transnational Migration in the Region: An Update" Brief Report Prepared for the NTS-Asia Annual Convention. Singapore, November 3–4, 2009 (Unpublished).
10. Grutu Zhuang and Huayu Chen, *History of Chinese in the Philippines* (in Chinese) (Xiamen University Press, 2012) 676.
11. The estimate made by Qiaoban shows that between 1949 and 1995, 53% of all remittances from abroad received in the Jinjiang county (hometown of the majority Philippine ethnic Chinese) came from the Philippines (Zhuang and Chen, 711).
12. Zhuang and Chen, 685.

13. Despite the closure of diplomatic ties between the two countries, the contacts between Manila and Fujian did not stop. Remittances, investment and migration were mostly made through Hong Kong (particularly the North Point district) where “a substantial number of Hokkiens Fujianese settled since the 1950s” (Wickberg 2006, 194).
14. Zhuang and Chen, 706.
15. China revived its State Council Overseas Chinese Affairs Office, or Qiaoban (the Chinese acronym), in 1978. This institution, which can be traced to the Qing Dynasty, connects China with Chinese all over the world. (Based on the *jus sanguinis* principle of Chinese citizenship, China/Taiwan claims all overseas Chinese, including “foreigners with Chinese origin” to be part of its people.) The KMT was able to, through this institution and an amity agreement with the Philippines, have a very strong influence on the education and politics of the Philippine ethnic Chinese when the Philippine Chinese diplomatic tie was with Taiwan. Marcos made sure that such interference by China would not be present when Chinese diplomacy shifted from Taiwan to China by “Filipinizing” the Chinese schools and allowing mass naturalization so that China would not have direct influence on the ethnic Chinese through education (based on an interview with Ateneo De Manila Professor Benito Lim).
16. Zhuang and Chen, 708.
17. Ang Teresia, *The Chinese in the Philippines: Problems and Perspectives* (Manila: Kaisa Para Sa Kaunlaran, 1990).
18. Carmen Pedrosa, “Benevolent Assimilation.” *Philippine Star*, February 15, 2009. <http://www.philstar.com/opinion/440187/benevolent-assimilation>.
19. Zhuang and Chen, 231.
20. In 1898 this first major law restricting immigration to the United States was applied to the newly occupied territories, of which the Philippines was one. The responsibility of enforcement was entrusted to the Philippine Department of Customs (See Alejandrino 2003).
21. Kwok-Chu Wong, *Chinese in the Philippine Economy, 1898–1941*. Ph.D. Dissertation, Australian National University, 1995.
22. The prominent ones were the distilleries of Carlos Palanca and Limtuaco, the sawmill owned by Dee C. Chuan, and trading firms such as the hardware business of the Yutivo family.
23. Kunio Yoshihara, *Philippine Industrialization: Foreign and Domestic Capital* (Ateneo de Manila University Press, 1985).
24. Stephen Haggard, 1988, “The Philippines: Picking Up After Marcos,” in *The Promise of Privatization*, Ray Vernon (ed.). Washington D.C.: Council on Foreign Relations, 91–121.
25. Haggard, 99.

26. Wallace. "Credit Where Credit Is Due", quoted in Cielito Habito, "Presidential Economic Legacies," *Philippine Daily Inquirer*, November 3, 2015.
27. Ellen Palanca, "The Economic Position of the Chinese in the Philippines." *Philippine Studies* 25, First Quarter 1977, 80–94. "The 1990 Top Corporations in the Philippines". *Philippine Studies*, 43(4), 47–574. Also appears in "An Analysis of the Top Corporations in the Philippines." In *China, Taiwan, and the Ethnic Chinese in the Philippines*, edited by Ellen Palanca. Philippine Association of Chinese Studies (PACS), 47–84; 2006. "Public Policy, Political Culture, and Ethnic Chinese Businesses in the Philippines." In *Southeast Asia's Chinese Businesses in an Era of Globalization*, edited by Leo Suryadinata. Institute of Southeast Asian Studies, 258–287; 2013. "New Chinese Migrants in the Philippines: Their Changing Profiles." Paper presented at the 8th International ISSCO Conference, *Local, Regional and Transnational, Chinese Overseas Reconsidered*. Kuala Lumpur, 17–19 August. Unpublished.
28. The analysis looked at each company as a sole entity and local knowledge of actual ownership of the selected companies. Conglomerates have been known to register their affiliates or subsidiaries as a separate entity. In addition, it is alleged that some are using local dummies as fronts to skirt the country's Constitutional provisions on foreign-ownership in several restricted sectors.
29. By the 1960s, the company had to contend with competition when the ethnic Chinese went into food manufacturing, in response to the incentives of the import-substitution industrialization strategy. Lucio Tan established Asia Brewery, Gokongwei founded Universal Foods, and Alfredo Yao introduced Zesto drinks.
30. Presently SMC is engaged in the following industries: food and beverages, packaging, fuel and energy, power, infrastructure, telecommunications, and property. The combined gross revenue of these firms alone constitute 22% of the total gross revenue of the top 100 Philippine corporations. From 2008 to 2013, the company's assets grew 3.45 times, sales rose by 4.32 times, equity expanded by 2.2 times, and annual profits increased by 5.8 times. It is currently Southeast Asia's largest publicly-listed food, beverage and packaging company. Some subsidiaries and affiliates include San Miguel Brewery, Inc.; San Miguel Pure Foods Company, Inc.; SMC Global Power Holdings Corporation; Ginebra San Miguel Inc.; and Petron Corporation (see Lopez 2014).
31. Data from *Ranking as of Total Assets* (2016).
32. Chinabank. "History 2016." China Bank website. http://www.chinabank.ph/about_china_bank.aspx?title=History.

33. Bon Juan Go, "Ethnic Chinese in Philippine Banking," in *China, Taiwan, and the Ethnic Chinese in the Philippines*, edited by Ellen Palanca. Philippine Association for Chinese Studies, 1995; 85–91.
34. A lot of the credit for the rise of the family conglomerate is given to daughter Teresita Sy-Coson, eldest child of Henry Sy, Sr. She was the one who led the transformation of BDO to become the top bank in unprecedented time—at that time, an industry dominated by men. The leadership success of the daughter epitomizes the patriarch's successful training of the next generation.
35. It has been said that the patriarch's dream is "always to be No. 1 in whatever endeavor he undertakes" (Lee Flores 2006).
36. The Philippine Commercial and Industrial Bank (PCIB) and Equitable Bank merged and became PCIB-Equitable in 1999. It was a rare big business deal between a traditional elite-owned enterprise (PCIB) with one owned by an ethnic Chinese family (Equitable Bank).
37. Anchored in the Sy-owned malls, BDO was able to expand its client services as it extended operating hours and even opened on Saturdays, a business practice unheard of before.
38. Bangko Sentral ng Pilipinas (Philippine Central Bank) issued a policy calling for merger and acquisition among local banks in order to strengthen the Philippine banking sector for the regional integration brought about by the incoming ASEAN Economic Community.
39. The presence of the Chinese in retail trade has also grown dramatically from the then-neighbourhood convenience stores and department stores to the present shopping centres, supermalls and mixed residential-commercial mini-cities popping up all over the country.
40. It must be noted, however, that given the few Chinese cronies who were prominent during this period and were able to grow their enterprises through this relationship, many of the cronies were also indigenous Filipinos.
41. Corazon Aquino, who took over the presidency after Marcos, herself belonged to a landed oligarch family. During her term she worked for the exemption of her family hacienda from land reform.
42. Marriage with Filipinos had become more common and more Chinese now practised professions other than business, e.g., medical and teaching professions. Mergers between traditional elite enterprise and Chinese businesses started later.
43. McVey, 7–34.
44. S. Gordon Redding, *The Spirit of Chinese Capitalism* (New York: Walter de Gruyter, 1993).
45. Roberto Tiglao, "Gung-Ho in Manila." *Far Eastern Economic Review*, February 15, 1990; 68–71.

46. Wilson Lee Flores, "Henry Sy's Climb Up to His Personal Mt. Everest." *Philippine Star* June 5, 2006. <http://www.philstar.com/business-life/338085/henry-sy%C2%92s-climb-his-personal-mt-everest>. And "The New Billionaire on the Block." *Megaworld website*. 2015 <http://megaworldempireeastproperties.weebly.com/andrew-tan-ceo.html>.
47. Temario Rivera, "The leading Chinese-Filipino business families in post-Marcos Philippines," in *Ethnic Business Chinese Capitalism in Southeast Asia*, K.S. Jomo and B. Folk (ed.), 2014; 91–103.
48. An investigative study of Estrada's cronies shows that there were many Chinese among them (Chua et al. 2000). Estrada was in office for only half a term (3 years) as he suffered the same fate as Marcos: he was ousted from office by a second People Power Revolution. Among other things, he was accused of having a midnight "cabinet", referring to his buddies who drank with him in the evenings.
50. The husband and wife team started out with one hypermarket in 1998. They would introduce the price club type supermarkets and now own 300 Puregold Price Club stores, making them the country's second-largest food retailer (see Forbes 2016. "#11 Lucio and Susan Co". <http://www.forbes.com/profile/lucio-and-susan-co/>).
51. See Romero, Paolo and Mendez Christina. 2001. "Lacson's dream: To arrest Lucio Co". Philstar, January 16. <http://www.philstar.com/news-feature/91557/lacsos-dream-arrest-lucio-co>. And, Arangkada Philippines. 2015. "Supermarket owner tied to "lost" cargo containers," <http://www.investphilippines.info/arangkada/supermarket-owner-tied-to-%E2%80%98lost%E2%80%99-cargo-containers/>.
52. The construction of the "Blue" condominium near the Ateneo de Manila University has caused the ire of administrators and faculty of the university who felt that the city government gave approval for construction without any consultation with nearby institutions.
53. Maria Ressa, "SMIC's Tessie Sy-Coson: Keeping it local in a globalized world." *Rappler.com*, May 24, 2014. <http://www.rappler.com/business/special-report/world-economic-forum/2014/58811-smic-teresita-sy-coson-wef-asean>.
54. It was the investments of the ethnic Chinese from Taiwan, Hong Kong and Southeast Asia that gave China the initial growth push (Quinlan 2007).
55. Carlos Chan eliminated such an image by acting as a bridge between the two peoples. He has taken upon himself to promote better understanding between the Filipinos and Chinese by personally taking Filipino public officials and media people to visit China several times in a year. He was thus named the Philippine Special Envoy to China by the three consecutive Philippine Presidents.

56. The Philippine economy has been growing faster than most countries in the region in the last couple of decades. Remittances of the overseas Filipino workers and the influx of business processing offices support much of the consumption of the growing population.
57. As revealed in interviews carried out for this study.
58. Ressa, *ibid.*
59. Approved investment applications by Chinese nationals in the Philippines saw a decrease as political relations deteriorated. Aside from the Philippine government imposing stricter requirements, Chinese investors also became wary of investing in large-scale projects and found alternatives in other ASEAN countries which had begun to open up economically.
60. Trade and investment decisions of the private sector are based on profitability, and do not seem to be affected by politics. Governments can however curb such momentum. In 2012, China rejected imports of Philippine bananas citing failure to meet its sanitary and phytosanitary inspections. This was lifted in mid-2016 under the new government of President Duterte.
61. Inquirer Academy, "The Chinese Succession Model: A Precarious." *Philippine Daily Inquirer*, October 19, 2015. <http://business.inquirer.net/200945/the-chinese-succession-model-a-precarious-event>.

Ethnic Chinese Enterprises in Indonesia: A Case Study of West Kalimantan

Bien Chiang and Jean Chih-yin Cheng

INTRODUCTION

This chapter focuses on the economic activities of ethnic Chinese in Pontianak, West Kalimantan, as a case study of Chinese Capitalism in Indonesia. Indonesian military and government policies have shaped the economic interests of Chinese business today. The rise of the People's Republic of China (PRC) in the region, and subsequent economic and geo-political influence in Indonesia, has bolstered the Sino-Indonesian conglomerates. West Kalimantan ethnic Chinese have withstood decades of turbulence maintaining settlements dating back to the eighteenth century.¹ Today they serve as local and provincial government officials and invest in natural resource industries. This is due, in part, to the relative tranquility of ethnic relations during recent social and ethnic unrest.

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CHINESE IN INDONESIA: A BRIEF HISTORY

According to statistics from Taiwan, the population of 8,360,000 ethnic Chinese in Indonesia constitutes one of the largest overseas populations in the world.² The population is concentrated in Jakarta (1.6 million) followed by north Sumatra and west Kalimantan, each with a population of under a half million.³ Beginning in the 1950s, the Sino-Indonesian or *Orang Tionghoa*(「中華」) ethnic Chinese with Indonesian citizenship were distinguished from the “Chinese-Indonesian” who maintained Chinese citizenship.⁴ Government economic nationalism or affirmative-action oriented policies highlighted in Government Decree No. 10 in 1959 banned all retail trade by “aliens” in rural areas, targeting the ethnic Chinese. Although technically the policies and government regulations were aimed at encouraging the growth of indigenous Indonesian businesses, the unspoken goal was to eliminate small business operations owned by Chinese. The Decree has never been fully or successfully implemented as it was soon apparent that the resultant disruptions to economic life in the rural areas affected the indigenous Indonesians. The issuing of the Decree had, however, triggered a massive internal migration from rural areas to the cities along with a repatriation operation of more than 100,000 ethnic Chinese back to China.⁵

The downfall of President Sukarno in 1967 brought an end to the New Order government that steered the country in a direction of rapid economic development. Suharto encouraged the active participation of the ethnic Chinese business community in the building of the country. The Suharto regime fostered the emergence of Chinese conglomerates while at the same time implementing a rather strict policy banning Chinese cultural institutions, such as schools, and newspapers, publications and signboards in public.⁶ These pro-assimilation policies extended to mandating the change of Chinese personal and family names into more “Indonesian sounding” ones and abolishing ethnic identity on identification cards.

After two decades of Suharto rule, in 1998, President Habibie lifted the ban on ethnic Chinese cultural expression. The East Asia Analytical Unit of the Department of Foreign Affairs and Trade of the Australian government issued a publication entitled *Overseas Chinese Business Networks in Asia* that states that in 1997 Sino-Indonesians represented 3.5% of the Indonesian population who control over 70% of listed firms by capitalization, and represent the top 300 conglomerates in nine out of

10 top private sectors.⁷ This statement was quoted widely by the media and considered one of the catalysts of the pervasive anti-Chinese sentiment in the country. Human rights observers questioned the assumption of ethnic Chinese domination by pointing out the fact that many companies were not listed in the report, including government and multinational companies.⁸ The Australian report, and subsequent provocative reiterations by media, implied that Chinese Indonesians were seeking control or to dominate the economy of the country. This led to brutal riots in 1998.

Overlooked in this assumption are the intricate patron-client relationships between major Chinese-owned conglomerates and the various high-level, *Pribumi* (indigenous Indonesian), politico-military elites.⁹ The nature of the economic domination of this elite cohort of Chinese-*Pribumi* in Indonesia is complicated. The report failed to differentiate between big conglomerates connected with the top bureaucratic officials, and village or neighbourhood shops and small peddlers with amicable local ties. It was the latter category that suffered the most during the 1998 riots as attacks were based on an assumption that Chinese are homogenous in Southeast Asia.¹⁰

THE RISE OF THE SINO-INDONESIA CONGLOMERATES

As a legacy of Suharto's pro-economic growth policy, in 1993, nine out of 10 top Indonesian conglomerates were owned by Sino-Indonesian. Following the years of the Asian Financial Crisis (1997–1998) and riots, many Sino-Indonesians who owned conglomerates chose to relocate, restructure or move abroad. Also gone was the favouritism some of the conglomerates enjoyed during the Suharto era. However, even with the increase in the number of the *Pribumi* business groups, the percentage of Sino-Indonesian founded businesses remained in the top 10. Fifteen years later, in 2009, a list of the top 10 Indonesian businesses (see Table 6.1) demonstrates the resilience of Sino-Indonesian conglomerates.¹¹

The most significant factor contributing to the rise of Sino-Indonesian conglomerates is their close connections with *Pribumi* politico-military elites. It is well known that the founder of the Salim Group, Liem Sioe Liong, established a long-term friendship with President Suharto when the latter was a lieutenant colonel and head of brigade in Semarang during the National Revolution (1945–1949). Liem served as the major supplier of provision and medicine for the brigade and established

Table 6.1 Indonesia's top-10 business groups (as of 2009 by gross assets)

<i>Company</i>	<i>Revenue (US\$ millions)</i>	<i>Activities</i>	<i>Ethnicity (founding)</i>
ASTRA (part of Jardine Matheson)	10,200	Automotive, diversified	Sino-Indonesian
Salim Group	9100	Diversified	Sino-Indonesian
Sinar Mas Group	5200	Diversified	Sino-Indonesian
Djarum Group	4900	Tobacco, diversified	Sino-Indonesian
Bakrie Group	4400	Mining, diversified	<i>Pribumi</i>
Gudang Garam	3900	Tobacco	Sino-Indonesian
Lippo Group	3300	Finance, property	Sino-Indonesian
Raja Garuda Mas	2900	Paper, palm oil, construction and energy	Sino-Indonesian
Triputra Group	2700	Finance	Sino-Indonesian
Para Group	2000	Finance, media	<i>Pribumi</i>

an unshakable trust with Suharto, a relationship that lasted until his resignation in 1998. Liem's relationship with the Indonesian National Armed Forces (TNI) predated his partnership with Suharto. At one point early in the revolution, his family provided refuge for General Sukarno's father-in-law.¹² There was no doubt that during Suharto's presidency Liem's business expanded drastically. His business included the government-granted monopoly for the importation of cloves for cigarettes and flour. In addition to Salim Group, Sinar Mas Group was a supplier to the TNI in the 1950s. Bob Hasan, group founder of the Kian Seng, was a godson of the late general Gatot Subroto; Gunung Sewu Group had close ties with the Indonesian Bureau of Logistic (BULOG) and was once the only authorized importer of rice and sugar for the government. In fact, Gunung Agung Group's founder Tjio Wie Tay met President Sukarno and became the designated distributor of Sukarno's book *Dibawah Bendera Revolusi*.¹³

These elite politico-military connections should be considered as one of the many factors that contributed to the Sino-Indonesian business success. The necessary condition for their achievements still lies in their established and acknowledged business acumen and trustworthiness, the qualities that were deemed by the *Pribumi* politico-military elites to be useful or even indispensable for the accomplishment of their respective missions. These business skills and capacities are not qualities exclusive to successful big businesses, they are qualities possessed by many small and medium Sino-Indonesian enterprises: "being trustworthy and reliable" (誠實可靠) and "always accommodating the customer's needs" (以客為尊) and "betting on the right power figures on the rise" (押對寶) are all popular proverbs in Chinese business circles.

The high concentration of small and medium enterprises (SMEs) owned by ethnic Chinese is observed throughout Indonesia.¹⁴ Since there is no specified quota system in Indonesia, and since the implementation of the name-changing policy mentioned above, there is no solid legal mechanism to discriminate against ethnic Chinese in government, economics, labour or education. Learning from the experience of the 1998 riots, many Chinese Indonesians adopt a more pro-active attitude to working together with different *Pribumi* groups in political, economic and social spheres.

THE ETHNIC CHINESE COMMUNITY IN WEST KALIMANTAN

In the decades to follow, Indonesia became a major trade partner with the PRC within the ASEAN block where Indonesia ranks fourth behind Malaysia, Singapore and Thailand.¹⁵ In 2009, the United Nations Conference on Trade and Development (UNCTAD) reports China's foreign direct investment (FDI) in Indonesia at US\$226.09 million, the third largest recipient in the region following Singapore and Myanmar.¹⁶ In 2010, bilateral trade between the PRC and Indonesia was US\$36.1 billion making the PRC the second-largest trading partner with Indonesia after Japan. The distribution of FDI within national borders varies according to province. According to the Indonesia Investment Coordinating Board (BKPM) West Java received the largest amount of FDI while Gorontalo in northern Sulawesi the smallest. West Kalimantan ranked tenth among 34 provinces.¹⁷ West Kalimantan does not receive favourable investment despite a large ethnic Chinese population and abundant natural resources rich in rubber and oil palm plantations, bauxite mining and timber processing.¹⁸

West Kalimantan has a relatively high percentage of ethnic Chinese (9.62% totalling 314,000). Historically, the area from Pontianak, the provincial capital, northward along the coast toward Sambas and the Sarawak border was designated as Chinese Districts.¹⁹ During the eighteenth century, Chinese migrants arrived to work in the gold mines and subsequently organized into three major companies known as *kongsi*: Fosjoen, Lanfang and Samtiaokioe. Towards the end of the nineteenth century, before the Dutch ordered their dissolution, these *kongsi* had developed into powerful and autonomous politico-economic entities. The *kongsi* had control over mining as well as the import-export of workers' provisions, recruiting and organizing of workers, territorial security and dealing with local sultans and the indigenous communities. They built their own harbour facilities and roadways, receiving permits from local rulers to whom they contributed revenue. The founder and leader of the Lanfang Kongsi, Luo Fangbo, was later deified by the local ethnic Chinese and had a number of temples dedicated to him in the area. The Lanfang Kongsi is often designated as "Lanfang Republic" in later literature, a transliteration that indicates its remarkable scale and might for that time.²⁰ Members of the Lanfang Kongsi were almost exclusively of *Hakka* origin.

Another historical incident that left its mark on the human geography of West Kalimantan is the forced expulsion of ethnic Chinese, suspected of being sympathizers and supporters of the communist guerillas, from the interior of the province in 1966 and 1967. The forced military evacuation disrupted a relative harmony with the local Dayak communities that had lasted for generations. Ethnic conflicts between the Chinese and the Dayak were instigated and hundreds of Chinese were killed. More than 50,000 Chinese fled from the interior and took refuge in the cities and market towns closer to the coastal areas.²¹

Previously there were two major dialect groups of ethnic Chinese in West Kalimantan: the *Teochew* and the *Hakka*. The *Teochew* are mostly urban dwellers, plantation workers, shopkeeper and traders while the *Hakka* were mostly rural dwellers, miners, farmers and small traders. After the forced migration of the 1960s, mostly of *Hakka*, the pattern was compromised. *Teochew* were relatively better off and were longtime residents in the city, and so *Teochew* gradually became the common spoken language for both *Teochew* and *Hakka*.

Because of population size, a long history of settlements and the peripheral location from Jakarta, the ethnic Chinese of West Kalimantan managed to retain more Chinese cultural traits and distinct social organizations even during the Suharto era. Post-Suharto, a number of government positions in the province were filled by people of Chinese descent. Among these positions were the vice governor of West Kalimantan, mayor of Singkawan, and the chair of Pontianak City Council. Today, enthusiasm for political participation is on the rise among the younger and middle-aged Chinese community leaders.

CHINESE BUSINESS IN WEST KALIMANTAN

Much has been said about the reasons behind the general business success of the Chinese in Southeast Asia. As Mackie aptly put it in his article entitled "Overseas Chinese Entrepreneurship" distinct characteristics among immigrants and their descendants, with personal rather than institutional ties in the neo-Confucian culture, were further influenced by political and class factors.²² He describes the characteristics of large-scale conglomerates in Southeast Asia during the late twentieth century and promotes a combination of the importance of political connections and state policy links between Confucian values, structural factors and the economic behaviour of Chinese firms.²³ It is not the goal of this chapter

to identify the sole or synthesized reason behind the success of ethnic Chinese business operations in Indonesia: however, Mackie's proposal is useful in the sense that it highlights the elements as well as their inter-relatedness that are inspiring to the observation of ethnic Chinese business in the Pontianak area of West Kalimantan.

In the following section we present five case studies of these business operations focusing on the profiles of their proprietors. These five case studies are grouped into three categories. The first category consists of extremely small-scale individual and family operations in semi-rural areas (Cases 1 and 2); the emphasis of this category is on their deep, local, social connectedness. The second category consists of SMEs in the city setting (Cases 3 and 4); the emphasis is on the business know-how that is required in dealing in culturally invested commodities that are specifically targeting the greater Chinese consumer market. The third category consists of a long-established medium-sized agro-pharmaceutical import company (Case 5); the emphasis is on the proprietor's educational background since the late colonial period and his adherence to Chinese and Confucian values.

Case 1: Mr. HL²⁴ (Age 76, Grocery Store Proprietor, Ambawang River District)

Mr. HL speaks Mandarin, though with some effort, because he attended local Chinese school. Both of his parents came from China but he was born in Indonesia. His parents started the retail business selling *sembago*, including rice, sugar, salt, coffee etc. After the implementation of the Government Decree No. 10 in 1959, and the following expulsion of all ethnic Chinese from the interior in 1966, they were officially forced out of business. The family came up with two strategies to cope with the situation: (1) they started the process of naturalization and applied for Indonesian citizenship, and (2) they borrowed the name of a *Pribumi* friend for business registration. Despite these coping strategies, their business was unavoidably disrupted so they resorted to vegetable growing and rubber tapping to survive hardship. After the New Order regime came to an end, they were able to resume their retail business. Currently Mr. HL and his three sons own an approximately 300 m² shop-cum-residence. Although the wooden building is a little shabby, the shop is tidy and very well stocked. Commenting on his shop, Mr. HL says, somewhat apologetically, "No progress, unlike those new shop-houses,

and unlike Taiwan.” At present, one of his sons is married and most likely will continue the operation of the store.

Case 2: Ms. L (Age 76+, Retail and Bird Nests, Ambawang River)

Ms. L's parents came from China and she was born in Ambawang. Her parents had four sons and four daughters; three of the sons died. She married a neighbour Dayak man, AS, who later served for 15 years as provincial councilman and died 5 years ago. They have five sons and two daughters; all except one of the children are school teachers. Ms. L's parents settled down in Ambawang and sold foodstuffs. Ms. L started to learn about business through helping her parents. Currently she lives in Pontianak, with one daughter and son-in-law, but she frequently travels back to Ambawang where one of her sons lives and takes care of the old family estate. She still has a large group of relatives and acquaintances in Ambawang. Ms. L has a very keen memory of the clothes sizes and favourite items of almost every one of her relations. Every time she makes the trip back to Ambawang, she will bring along merchandise and clothes to be sold in her hometown. The first time we joined her on the homecoming trip, we thought that she had brought a lot of gifts but she explained to us that it was merchandise, the only difference being that when she stocked her goods she already had in mind the prospective customer for each item. The family owns a house and attached to the house are 6 ha of land. The land is the common property of all the children. Four years ago, the siblings entrusted the second eldest brother to manage all the land that their father had left them. This trustee-brother sold some of the father's land for cash and invested in the remaining 6 ha of land. Since land in this area was not suitable for rice, he planted palm oil, rubber trees, some agarwood trees and cassava. He also built a four-storey birdhouse on the land to attract bird's nest producing swiftlets. Nowadays, once a birdhouse is built, people use digital sound devices to attract swiftlets to build nests.²⁵ The secret of the effectiveness in attracting swiftlets lies primarily in

the sounds, which are numerous and can be bought in shops, but it also depends on whether or not there is enough food in the surroundings for the swiftlets. Too much chemical fertilizer or insecticide in the soil drives swiftlets away from the area. Presently, one kilogram of top quality bird's nest can fetch eight million rupiah. The smaller birdhouse owners, such as Ms. L's second son, usually do not carry their harvest into the city to sell. Middlemen come to collect and purchase the nests from the farmers and transport them to the wholesalers in the city. While rubber and oil palm are two of the most common plantation crops and are not limited to a particular ethnic group, the growing and harvesting of agarwood and bird's nest are more ethnic specific. The family need better social connections to obtain know-how and to sell their products through a trustworthy and reliable channel after they have been harvested. Ms. L's meticulous and personal way of conducting business and her son's diversified tactics of managing the plantation are typical of Chinese family enterprise in the area.

Case 3: Mr. KL (Age Mid-40 s, Timber and Bird's Nest Businesses, Pontianak)

Mr. KL can speak both *Hakka* and *Teochew* dialects. He was born and raised in Pontianak. His father was in the timber business and used to own a sawmill outside of the city. He inherited his father's business that included logging and sawmilling with around 20 workers. Because of the government restriction on logging, he closed down the lumberjack section. Now he only deals with processed timber for which he hires seven workers who are Madurese, Malay and Dayak. According to Mr. KL, there is no problem with workers of different ethnic groups working together. They get along with each other rather well. He began to notice the prospects for edible bird's nests in the 1980s but only started to take part in it around 2010. About 20 years ago, there were *Aerodamus fuciphagus* nests in caves 800 km outside of Pontianak. These caves were owned and guarded by the nearby villagers. The entire village participated in the

harvesting and guarding of the cave. Different villagers harvested the nests in different months. Today there are very few cave nests to be collected and dealers have mostly turned to house nests.

The house nest business in Pontianak began with a fire that burnt down a house near the Saint Joseph Catholic Cathedral. After a while someone wanted to buy the land round the damaged house and found that there were numerous swiftlets building nests in it. This prompted many local ethnic Chinese to build houses or to add attics to attract the swiftlets to come and build nests. In many cases people also converted their upper floor into “birdhouses”. House nests are cleaner and easier for quality control than the cave nests; they are also easy to harvest.²⁶ Buyers would come from Jakarta to collect bird’s nests from Mr. KL. According to Mr. KL, once a bird-house is built the owner needs to use sound devices to attract the swiftlets to come. Afterward there is almost no cost in maintenance since the swiftlets fly out to feed themselves and return in the evening to build nests. When more people enter the business and more birdhouses are built, competition prompts them to use newer and different sound and scent devices to keep the swiftlets from moving to other houses. Today there are no longer birdhouses in the city of Pontianak as they have been moved to suburban areas. Combining the profits generated from the timber and bird’s nest businesses, Mr. KL is rather content with his life and feels no remorse in transforming his father’s larger timber business into a smaller operation while at the same time diversifying into other area.

Case 4: Mr. SH (Age 32, Dragon Fish Export and Land Clearing, Pontianak)

Mr. SH currently lives in a rented house with his wife and children as he builds his own house. At his age, he is evidently a successful businessman living an affluent life. His family arrived in Indonesia four generations ago. His parents moved from Pontianak to Samarinda, East Kalimantan and built a successful business as retailer of *sembago* and dry goods. He has one twin brother, one older sister and a younger brother. The brothers have bird’s

nest businesses in Sangatt near Samarinda. The family's dialect is *Teochew* but Mr. SH can speak a little Mandarin because he needs to do business with buyers from China. He attended school in Australia for 2 years. The business of breeding dragon fish started in Pontianak about 25 years ago. Mr. SH became interested in this business 10 years ago when he was in his early twenties. He took a personal interest in the breeding and handling of dragon fish. Dragon fish are considered an auspicious symbol in Chinese business circles. A fish tank with a dragon fish swimming in it facing the entrance of a shop or office is considered good for *fengshui*. Nowadays, there is a sizable market in the PRC, Taiwan, Hong Kong, Vietnam, Japan, Korea and India. The fish is native to West Kalimantan and has no food value to the indigenous population. According to Mr. SH, 10 years ago, when he joined the dragon fish business, a grown fish was worth five million rupiah but the price has dropped since. Once mature, the fish can live for about 20 years. Nowadays, almost no dragon fish can be found in their natural habitat in Pontianak. Mr. SH buys fry [baby fish] from fish farms operated by ethnic Chinese in the surrounding areas of Pontianak. Mr. SH raises them for three months until they grow to around 20 cm in length and are ready for sale. A microchip is implanted into each fish when it is 17 cm long to make it eligible for sale and legal export. In the beginning, Mr. SH sold his fish to dealers in Kuching, Sarawak. After a while the Kuching dealers brought buyers from Senzhen and Guangzhou to Pontianak. Mr. SH then started to receive orders directly from China. Nowadays, the shipping of dragon fish needs to go through Jakarta and then to China. The real secret of the trade is in the way the fish are packaged with an adequate oxygen supply and low temperature for the eight-hour journey. Mr. SH gains knowledge through experience, trade organization meetings and Internet chat rooms. According to Mr. SH, in the dragon fish supply chain of West Kalimantan, the Malay can only play the role of up-stream suppliers because buyers from China trust only ethnic Chinese in Indonesia to handle the shipping. Mr. SH's other business is in land clearing, levelling and preparing land for oil palm plantations. Unlike his dragon fish breeding, which he handles by himself, for the land clearance business he hires 20 workers from different ethnic groups.

DRAGON FISH FARMS BY THE SUNGAI LANDAK

There are several dragon fish farms along the Landak River next to Ambawang River District. A fish farm needs large quantities of fresh water. The farms are protected with security, surrounded by solid walls with watch towers on all four corners. There was also a small Chinese style temple in one of the corners of the compound. The temple did not have a deity statue but only a plate behind the incense pot with the names of three deities written in a style similar to Small Seal Script.²⁷ Farms have several outdoor ponds and a main building for the workers' quarters and an area for the fry's nursing tanks. This farm had four workers who guarded and took care of chores. Large farms can have 30 or more ponds and are owned by foreigners, such as Singaporeans.

Case 5: Mr. XF (Age 82, Insecticide Importer)

Mr. XF, a *Hakka* and Mandarin speaker, was born in Benmanga, 200 km north of Pontianak in 1932. He attended Chinese elementary school in Penmanga and graduated from Dutch vocational school in 1954. He taught himself English and Bahasa Indonesian. Mr. XF's great grandfather came to West Kalimantan from Mei Xien, Guangdong Province, and worked as a blacksmith. He married a half-Chinese, half-Dayak woman and had five sons and five daughters. Mr. XF's grandfather was the eldest of the siblings and with the help of his father became a grower of gambir for export to Singapore. The grandfather later became a village head (*lotai*) under the Dutch and Mr. XF took over after his father. Mr. XF's father insisted that, according to certain Chinese traditional folk beliefs, there should be no more than three consecutive generations in the family business. Mr. XF was therefore trained to become a professional. After graduating from vocational school in 1954, he found employment. In the 1950s, when he first came to Pontianak, he could not speak the local *Teochew* dialect and had to fall back on sign language when dealing with vendors in the street. He tried to communicate with the *Teochew* in Dutch and was called a "Dutch dog". From 1971 to 1978, he established an import-export company with a friend. Then he became an authorized dealer of several brands of insecticide. West Kalimantan was logging and exporting wood and the harbor in Pontianak was not big enough for a ship

over 10,000 tons, so the timber could only be loaded onto the bigger vessels by rafts. Insecticides that prevent the timbers from being eaten by termites were therefore in high demand. Mr. XF is now reputed to be one of the richest men in Pontianak. He is active in the affairs of an Association and financially supports the local fire fighter squad financed by the ethnic Chinese community. In 2008, Mr. XF wrote a book, *Aneka Budaya Tionghjoa, Kalimantan Barat* (“Various Chinese Cultures of West Kalimantan”), in Bahasa Indonesia. In this 160-page book he introduces the practices and meanings of Chinese annual festivals and life-cycle rituals with a historical account of early Chinese immigration to West Kalimantan. Mr. XF explains that while the ethnic Chinese now have the freedom to practise their custom openly in public, it is more important to introduce Chinese cultural traditions to other ethnic groups in order to enhance mutual understanding and to promote harmonious ethnic relationship in the future.

Among the five case studies presented above, Mr. KL and Mr. SH belong to the younger generation of ethnic Chinese entrepreneurs in Indonesia. They were born or grew up during the Suharto era and were not provided with a formal Chinese language education in elementary school. In terms of identity and life style, they are Indonesianized. Both follow the Catholic faith and do not take part in the affairs of the Chinese associations. However, family background and affiliations nourish them and they maintain an aptitude and familiarity with Chinese commodities such as edible bird’s nest and dragon fish. Both took advantage of being Chinese to gain access to markets.

Mr. XF, on the other hand, belongs to the older generation Chinese Indonesian. His father and grandfather served under the Dutch administration and he himself finished secondary education before the independence of Indonesia. He is multilingual and fully involved in the affairs of the ethnic Chinese community. Mr. XF resembles a typical “Confucian Merchant” (「儒商」) depicted in Chinese Classics. The term refers to that special cohort of merchants who uphold a high ethical standard, have a strong sense of social responsibility and enjoy elements of fine culture including the authoring books. For Mr. XF, his Chineseness is shown in his life style and his social participation in community affairs, but not in his choice of business.

The first two cases, Mr. HL and Ms. L, belong to the older generation of ethnic Chinese. They were born before independence and educated in the Chinese school system. Both resort to their long-term relationships with the indigenous community to overcome the anti-Chinese environment created by the government. They either inherited or learnt from the family business when they were young. Ms. L further infuses her meticulous personal concerns for old relationships into her peddler-style operation. This practice, judging from her current age and family economic security, is most likely for her own entertainment than business, representing the spirit of embedding business in social networks.

PRC INVESTMENTS IN WEST KALIMANTAN

West Kalimantan has received less investment from PRC than Java and Sumatra. The currently documented Chinese business establishments in Pontianak are listed in Table 6.2.

The PRC sees Indonesia as part of its “Going Out” (「走出去」) and “One Belt, One Route” (「一帶一路」) strategies. Primary resource extraction experienced a major disruption recently when President Joko Widodo announced a ban on the export of raw bauxite. The goal of this policy is for value-added production in the local industry. Some time in early 2015, piles of bauxite were seen on the banks of the Kapuas River and the Indonesian government built bauxite processing factories next to Chinese companies.

PRC investment in West Kalimantan industry faces local barriers. One example is when, on 13 December 2013, 19 Chinese citizens were arrested for illegal logging and mining in Tanjung Boyan Subdistrict. They claimed that PT Cosmo Inti Persada, a mining company based in Jakarta, hired them but failed to present official permits. The PT Cosmo Inti Persada is an Indonesian company that had recently sold 95% of its stake to a foreign company.²⁸ In November 2014, the 11 The arrested Chinese citizens were each sentenced to 2 years in prison with a fine of one billion rupiah. However, at that time, the registered owner of the company, a certain Mr. Lee, was out of the country and became a wanted person by Interpol.²⁹ The incident caused demonstrations by the Dayak communities outside the courthouse demanding better governmental protection of native land rights.

It is not uncommon nowadays to see adverts in Pontianak local newspapers recruiting workers, especially language translators, for PRC

Table 6.2 Chinese business establishments in Pontianak

<i>Company name</i>	<i>Product</i>	<i>Value</i>	<i>Activities</i>	<i>Remarks</i>	<i>Source</i>
Anhui Conch Cement Company	Cement	US\$600 million	<ul style="list-style-type: none"> To build cement factories with daily production of 10 thousand tons, one in West Kalimantan and one in Papua Both factories will be equipped with their own power station, harbour and other supporting facilities 	The biggest cement company in PRC	http://indonesia.sinchew.com.my/nodc/25176
Aluminum Corporation of China Limited (HK)	Bauxite	US\$1 billion	In cooperation with INDONUSA	To be the largest bauxite mine in Indonesia. West Kalimantan has 92% of Indonesia's 30 million tons of bauxite deposit.	http://china.todayir.com.cn/tc/press_pop.php?id=3147&lang=1&type=1 http://www.kitco.cn/hk/news/base-metals/shyousewang/201209/268809.htm
Sinochem Inter-national	Rubber		On 15 May 2015, the company acquires a factory in Pontianak, which has the capacity to produce 25,000 tons of rubber per year		http://www.sinochemintl.com/Business/REnterpriseDetails/71
Senzhen Carcall Group	Bauxite		Invested in Kubu Raya bauxite mining, an area of 65,000 hectares		http://careallgroup.com/Industry_show.aspx?TypeId=17&Fid=14

(continued)

Table 6.2 (continued)

<i>Company name</i>	<i>Product</i>	<i>Value</i>	<i>Activities</i>	<i>Remarks</i>	<i>Source</i>
Hebei Yida Construction and Development Co., Ltd.	铸敏矿区		<ul style="list-style-type: none"> In July 2009, it joined the Lippo Group establishing Yida Titanium Steel (Indonesia) Co., Ltd, for mining survey Now the company has invested in Sekadau and Sintang for srilankite mining, with a land area of 1300 ha 	Hebei Yida was established on 28 April 2004	http://company.zhaopin.com/CC356131210.htm
Julong Group Ltd.	Palm oil		China's first oversea oil palm plantation (2006) and first palm oil processing factory (2011). Currently the company has planted 50,000 hectares worth of oil palm and has on reserve 140,000 hectares of future plantation land.	Julong Group Indonesia (Jakarta, Banjarmasin and Pontianak)	http://www.julongchina.com/company.asp?g=1 http://sldq.sh.ganji.com/jianli/966899130x.htm
Guangdong Guangken Rubber Group (Pontianak) Co., Ltd.	Rubber	US\$26.6 million	The company was established in 2010 in West Kalimantan, with joint stock from ethnic Chinese-Indonesian businesses. The annual production capacity is 40,000 tons		http://baike.jianso.com/doc-view-1617.html

Continued

Table 6.2 (continued)

<i>Company name</i>	<i>Product</i>	<i>Value</i>	<i>Activities</i>	<i>Remarks</i>	<i>Source</i>
China North Industries Corporation, China State Construction Engineering, Zhongtai Construction Group and Engineering and Design Corporation of Northeastern University	Aluminum oxide	US\$500 million	To build an aluminum oxide factory in Kbu Raya	Indopura Resources announced that it will join Chinese and Singaporean companies to build an aluminum oxide factory. The construction started in 2014 and production will start in 2017. The land area for the facility will be 224 hectares	http://www.shangbaoundonesia.com/breaking-news
Energy China	Parit Baru coal power station		Building a coal power station in Karimunting Village, Sungai Raya Kepulauan Sub-regency, Bangkayang Regency.	The first coal power station by Energy China in Indonesia.	http://www.chinca.org:8080/cms/html/main/col12/2013-09/14/20130914102843489156697_1.html

companies. When industrial and business representatives from the PRC come to explore the prospects for joint ventures, West Kalimantan provincial officers of Chinese descent receive them and are visible in the media. Both sides resort to a common Chineseness during these events. Almost all the ethnic Chinese business proprietors we interviewed, regardless of the scale of their operations, see China as a positive benefit to the local economy. The possible abuses, such as the incident in Tanjung Boyan, are not viewed as posing a serious threat to the social and ethnic tranquility of the province. Facing the expansion of Chinese business into West Kalimantan, most of the ethnic Chinese Indonesians make it clear that they welcome the opportunities but strongly emphasize that they are siding with the benefits to the local economy and the wellbeing of their local communities. Aside from economic influence, the PRC government is highly pro-active in assisting Indonesian Chinese schools to revive their curriculum by providing textbooks and subsidize the hiring of teachers. A growing Chinese market and learning the Chinese language gives ethnic Chinese Indonesians a cultural confidence in the relaxed social and political atmosphere. However, the older generation interviewees usually repeat the assertion that they are loyal to Indonesia and that their loyalty should, in no circumstances, be compromised.

CONCLUSION

The ethnic identity and cultural visibility of the Chinese Indonesians has been transformed through historical events ranging from the oppressive New Order era to a more open and relaxed government policy supporting an inter-ethnic social atmosphere today. Many ethnic Chinese in West Kalimantan would not hesitate to tell you about the ethnic tension and strife they endured during the anti-communist campaign of the late 1960s. Despite this, they generally enjoy a friendly relationship with the local Dayak while managing a generally peaceful but sometimes uneasy co-existence with the Muslim groups. The pro-assimilation policy of the Suharto regime effectively eliminated the formal and legal discrimination of the ethnic Chinese. Banning Chinese schools created a whole generation of ethnic Chinese who had no Chinese language ability aside from the dialects they spoke at home. Furthermore, the removal of legal ethnic categorization had the effect of stifling any official attempt to curb the reputed ethnic Chinese economic domination.

In the course of our fieldwork, there was no difficulty for people to identify as ethnic Chinese (*Orang Tionghoa*). It is common knowledge that in West Kalimantan almost all sizable businesses are owned by *Orang Tionghoa*. Chineseness has a different degree of significance to people. Among the five case studies of business proprietors, all came from families with different socio-economic backgrounds and manage different types of businesses today. Mr. XF, Mr. HL and Ms. L all maintain a more traditional Southeast Asian Chinese way of social existence. Whereas, Mr. SH and Mr. KL have both inherited the family business tradition but are not part of Pontianak's more traditionally defined ethnic Chinese community. They have demonstrated their family business acumen and managed to diversify and adapt new technologies to culturally invested products, such as bird's nest and dragon fish, thus taking advantage of networks to export to Chinese markets.

The PRC is a fast-growing economy with a huge population with high demand for natural resources. West Kalimantan is rich in rubber, palm oil and bauxite, attracting the attention of Chinese investors. The large ethnic Chinese population of West Kalimantan, along with the visibility of its high officials with an ethnic Chinese background, has provided the province with extra appeal in the eyes of prospective investors from China despite a relatively low FDI. Natural resource extraction is particularly prone to abuse, with hiring illegal labour and selling or subletting land concession permits, where government enforcement is less than adequate. From the point of view of the ethnic Chinese community in West Kalimantan, Chinese investment and development projects are welcome in the sense that they provide opportunities for joint venture and employment. At the same time, there are efforts to ensure joint ventures are in the interests of West Kalimantan and Indonesia, not the PRC.

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 24. All personal names in this section are pseudonyms.
 25. After a birdhouse is built, the owner and keepers have to keep an eye on the temperature. When the temperature exceeds 30 °C indoors, the sound device should be turned off so the swiftlets can fly out of the house and not be harmed by the heat. And conversely, when it cools down, the sound device should be turned on again to lure the swiftlets back. To harvest the nest discreetly by observing the proper interval period and to harvest only those nests without eggs in them is also good practice.
 26. Bird's nest can be classified into three grades. Grade A is called *bol* in local terminology and can fetch six million rupiah per kilogram; grade B is called *sudud* (corner) and can fetch four million rupiah per kilogram; grade C is not worth collecting.

27. The Small Seal script is a classic calligraphic style not commonly seen even in the major in-service temples in contemporary Chinese societies. In this context the appearance of this calligraphic style stands for two things: that there are calligraphers in the area, most likely in Pontianak, who can write in this style, and that either the fish farm proprietor or the calligrapher is in a “showing-off” mood.
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Political Economy of *Guanxi*: Thai Yunnanese Transnational Entrepreneurs in Chiang Mai City

Lee Kian Cheng

INTRODUCTION

This chapter argues that Thai Yunnanese transnational entrepreneurs engage *guanxi* as political economy in their quest for upward class mobility in Chiang Mai, Thailand. This chapter challenges the homogenization assumption and examines what really constitutes Chinese Capitalism by questioning the role of overland Chinese in the formation of heterogeneous economies. The chapter decries generalization through a situated depiction of Thai Yunnanese capitalism. Through a political economy lens, strategic socio-economic initiatives are derived to mitigate political marginality by business practices employed by Yunnanese since their arrival in northern Thailand. As individuals born in poor living conditions without citizenship, Yunnanese in Chiang Mai City have experienced a stigmatized ethnic identity often associated with drug trafficking and criminal activities. Yet, they are neither docile nor passive in

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accepting their plight. On the contrary, they seek to reinvent themselves through transnational entrepreneurship. This chapter uses a Bourdieun analysis to understand the multiplicity of strategies employed through *guanxi* by the Thai Yunnanese transnational entrepreneurs in their accumulation and conversion of capital. This accumulated social, cultural and economic capital provides currency for the articulation of symbolic power which ultimately elevates them both individually and collectively in the eyes of the wider world. The case of Mr. Li Ren Jie, founder of Standard Tour Company Ltd., provides a non-exhaustive illustration of charisma as symbolic capital and upward class mobility.

SITUATING THAI YUNNANESE IN CHINESE CAPITALISM

Chinese in East and Southeast Asia have attracted scholarly interest due to their domination of a flourishing economic landscape.¹ Scholars emphasize Taiwan, Hong Kong and Singapore in explaining Chinese Capitalism. For instance, Yeung mainly drew his empirical data from Singapore and Hong Kong in his work on *Chinese Capitalism in the Global Era*.² However, this is an incomplete picture. Gomez and Hsiao cautioned against a homogenizing perspective by including Malaysia, Thailand, The Philippines and Indonesia in their book, *Chinese Business in Southeast Asia: Contesting Cultural Explanations, Researching Entrepreneurship*.³ Nonetheless, while they have sought to expand the country focus, their study is limiting Chinese Capitalism as defined by the major groups of Hokkien, Cantonese, Hakka, Teochew and Hainanese.

In Thailand, analysis of Chinese Capitalism has challenged homogenous conceptualization. For example, Skinner's *Chinese Society in Thailand*⁴ argued complete assimilation of Chinese immigrants in Thai society yet failed to account for Yunnanese immigrants in transnational entrepreneurship. The diversity of Chinese immigrants is demonstrated among Thai Yunnanese. Given their differentiated socio-economic context, they are not homogeneously confined within the majority Chinese.⁵ In contrast to the extensive studies on overseas or maritime Chinese, this chapter resonates with Wen-Chin Chang's *Beyond Borders* and seeks to contribute to the paucity of studies on overland Yunnanese.⁶ Scholars of overland Yunnanese provide a different analysis of the migration process.⁷ Ying Duan reveals intrinsic elements and the retention of culture.⁸ Ann Hill examines the conceptualization of ethnic roles and categories.⁹ Susan Blum explores conception of self with the external world.¹⁰

Whereas, Shui Min Huang studies the interaction of livelihood, religion and culture.¹¹ A third group of literature examines Yunnanese economic practices within a particular political context.¹² Collectively, these scholarly works delve into identity negotiation of Yunnanese in northern Thailand which is heavily intertwined with the complex political, economic and social conditions. Most crucially, however, there remains a dearth of updated research focusing on Thai Yunnanese within the field of Chinese Capitalism. Therefore, this chapter builds from this body of work in a contemporary context through case studies of Thai Yunnanese transnational entrepreneurs in Chiang Mai city, northern Thailand.

HISTORICAL CONTEXT OF THAI YUNNANESE

From a historical perspective, Thai Yunnanese have experienced many political, social and cultural challenges. Set against a historical experiential marginality, their engagement of multiple economic and non-economic resources in transnational entrepreneurial activities provides a more nuanced and acute sense in understanding Chinese Capitalism.

As far back as 2000 years ago, mule caravan trade existed between Yunnan and upper mainland Southeast Asia.¹³ During the Ming dynasty (1368–1644 CE), the Han Chinese were the major ethnic group in both size and political power due to massive Chinese resettlement at the border.¹⁴ Subsequently, Yunnanese turned to Burma in their search for economic returns and political asylum.¹⁵ With British and French colonization of upland Southeast Asia during the nineteenth century, there was an increasing flow of goods and people between Yunnan and Burma.¹⁶ Caravan trade became a prominent economic activity and survived two world wars. Precipitated by the Communist takeover of China in 1949, there was an unprecedented scale of Yunnanese who took flight into Burma.¹⁷

Wen Chin Chang asserts that the Yunnanese in Thailand can be understood in three historical phases: war refugees (1943–1961), resettlement in northern Thailand since the 1960s, and the outflow of youth as new migratory changes since the 1980s.¹⁸ In the first phase, thousands from Yunnan fled southwest to Burma after 1949 when the Kuomintang (KMT) government lost to the Communists. In the early 1960s, many were compelled to flee from Burma to northern Thailand. For the next 2 decades, the troops of General Li and General Duan escorted an estimated 10,000 Yunnanese refugees from Burma to northern Thailand. Their two major sources of revenue were from drug trafficking and trade

in precious stones.¹⁹ The United States and Thailand exerted increasing pressure and condemned the Yunnanese opium trade.²⁰ By the end of 1971, the Thai government offered \$1,850,000 to buy up their total stock of opium.²¹ In response, the generals handed over 26 tons of opium, which was publicly burned on 7 March 1972.²² However, a small amount of drug trafficking still continued.²³ The troops helped to establish villages to accommodate the refugees. For the next 2 decades, up until the 1980s, they won several important battles against the Communist insurgents in Thailand. As a result, the refugee troops gained legal status and many were assisted in resettlement.²⁴ Eventually many soldiers retired and the trade in opium and gems ceased as well as a weakening of anti-communism. Following the disbandment of the armies, the KMT villages gradually integrated into the local Thai administrative system.

The next phase began in the 1980s with immigration of youth to the cities in search of a more promising future. The youth normally do not reveal their origin owing to a prevalent negative Thai perception of the KMT Yunnanese's association with military activities and drug trafficking.²⁵ The Thai government has correspondingly tightened national security and border control leading to aggravating marginalization.²⁶ The upward class mobility of Thai Yunnanese in northern Thailand is an attempt to escape from village life and the stigmatization associated with refugee status.²⁷ Case studies demonstrate how transnational entrepreneurial activities and cultural resources enable this upward mobility.

GUANXI AND BOURDIEU'S CAPITAL INTERACTION AS CONCEPTUAL APPARATUS

Anthropologists often have a dualistic assumption about market exchange and reciprocity.²⁸ This has influenced the assumption that Chinese Capitalism is either cultural or institutional. Contemporary scholars criticize this assumption as static, discursive and homogenizing, dismissing the heterogeneous studies of overseas Chinese studies.^{29, 30, 31} There is a need to overcome the dichotomies of the economic and noneconomic notions without neglecting the cultural dimension of market exchange.³² In response, this chapter is poised to challenge the dichotomy through the lens of Chinese economic cultures. Throughout the Asia Pacific and beyond, Chinese transnationals have employed flexible tactics of wealth accumulation.³³ Such flexibility has given rise to different cultural dispositions, which are further expressed in multiple Chinese economic cultures, such as *guanxi*. *Guanxi* refers to the Chinese

concept of social networking. The existing approaches to *guanxi* are critiqued as static, rigid, over-simplified and neglecting critical cultural considerations as a focal point of research.³⁴ Ziaoying Qi researched 214 journal articles published from 1999 to 2009 and discovered that the concept of *guanxi* was predominantly treated as a mere object of study.³⁵ Such obsession not only mystically enshrines *guanxi* as a conceptual idol, it delimits its potential as a heuristic device. This chapter furthers this challenge by taking a radical departure in using *guanxi* as an analytic device using Bourdieu's theoretical concept of capital interaction for class mobility elucidation.

Pierre Bourdieu, argues that culture is an inescapable aspect in business where "one's chance of objectifying the true nature of the game is to objectify as fully as possible the very operation which one is obliged to use".³⁶ *Guanxi*, therefore, can be understood as the operations which are actively used in the objectification of the game. Going beyond economic theory, Bourdieu reintroduced capital in all its forms including economic, cultural and social, as relational in nature through accumulation, conversion and transmission.³⁷ In business, *guanxi* becomes operative in accumulating social capital since access to the actual and potential resource of a durable network is not a natural given. Similarly, *guanxi* is operative in the accumulation of cultural capital, which according to Bourdieu, includes embodied, objectified and institutionalized forms.³⁸ From a class mobility perspective, these multiple forms of capital can be converted into symbolic capital, which agents can utilize in struggles for monopoly of "imposition of the legitimate vision of the social world".³⁹ Santasombat argues that cultural producers "mediate the relationship between culture and class, between infrastructure and superstructure, by constituting cultural markets or fields that are vested with their own particular interests".⁴⁰ Such mediation takes place in an intersubjective reflection where symbolic capital is constructed in the "eyes of others" in an ideological and concealing taken-for-granted nature.⁴¹ By examining how Thai Yunnanese transnational entrepreneurs engage *guanxi* heterogeneously, the accumulation of multiple forms of capital are converted into symbolic capital expressed in power relations for upward mobility. The case studies presented here explicate the political economy of *guanxi* as particularistic to Chinese economic cultures exploited by Thai Yunnanese transnational entrepreneurs for upward mobility in Chiang Mai city.

This qualitative research study with in-depth interviews of transnational entrepreneurs in Chiang Mai demonstrates the heterogeneous nature of Chinese Capitalism beyond assumptions of globalization.⁴²

Roger Brubaker's argument of ethnicity as categories rather than groups is used to understand the Chinese community.⁴³ Yunnanese Chinese have been called Ho, Haw, Chin Ho or Chin Haw leading to an assumption that they are closely associated with the Muslim caravan traders.⁴⁴ Other terms such as Yunnan Chinese, Nationalist Chinese or Yunnan Chinese diaspora deny the Thai naturalization and assimilation.⁴⁵ For this study, distinction is drawn between Thai Yunnanese who are Thai citizens of Yunnanese heritage versus Yunnanese non-Thai citizens. Transnational entrepreneurs refers to respondents who started their own businesses either as sole proprietors or by affiliation through embedded relations. Affiliation here refers to heritage and networks such as with Taiwan. Historically, Chiang Mai Province is one of the two areas of settlement where the Yunnanese migrants first settled in Thailand.⁴⁶ The five case studies are recommended by the Chiang Mai Yunnan Association and represent the diverse business sectors listed in Table 7.1.⁴⁷

Table 7.1 Characteristics of the study group

<i>Name</i>	<i>Age</i>	<i>Business</i>	<i>Transnational presence</i>
Songwit Itthipattanakan Mr. Li Ren Jie (李人杰)	56	Managing Director Standard Tour Company Ltd.	China, Malaysia, Singapore, Taiwan
Chamnong Amornjatuporn Mr. Jiang Zhong Bing (蒋忠秉)	47	Director AMC (Amornchai), YCF (Yuan Cheng Fresh) Company Ltd. Import-export fresh and dry fruit	China, Indonesia, Philippines, Vietnam
Bancha Natheekirikarn Mr. Zhou Zhen Jie (周振解)	58	Director Phatthanakit Bee Farm Ltd. Manufacture and sale of honey, royal jelly and bee pollen	China, Malaysia, Taiwan
Sanguan Reungsiri Mr. Yang Sheng Qing (杨盛清)	64	Managing Director Fora Bee Chiangmai Healthy Product Company Ltd.	China, Germany, Indonesia, Japan, Malaysia, Saudi Arabia, Singapore, Taiwan, UAE
Suraphon Saema Mr. Ma Wen Po (马文坡)	44	Managing Director Home City Company Ltd.	China, Malaysia, Russia, Singapore, Taiwan

TRANSFORMING THE LANDSCAPE OF THAI YUNNANESE ENTREPRENEURIALISM

Since the 1980s, Thai Yunnanese have played a major role in the jade business of Chiang Mai.⁴⁸ Businessmen purchased jade from Burma to sell to Hong Kong's market. The demonetization of Burmese currency between 1985 and 1987 led to bankruptcy for some while others transitioned into restaurants and hospitality.⁴⁹ Many Thai Yunnanese also owned longan and lychee orchards or restaurants and shops.⁵⁰ With the security of citizenship, many sought to produce tropical fruit in orchards for export.⁵¹ The case studies that follow demonstrate business adaptation to changing socio-economic contexts.

Agriculture to Export.

Mr. Jiang Zhong Bing's family owned a lychee orchard. At the age of 17, he helped his parents and was involved in small-scale trading. When he took over the business from his parents, poor market conditions required travel to distant markets. Transnational connections allowed him to develop and expand his business. In 2004, at the age of 36, Mr. Jiang became the Founder and Director of Yuan Cheng Fresh Company Ltd., one of the leading import-export companies in Thailand. The company exports durian, mangosteen, and dried longan to Taiwan, China and Indonesia.

Family Orchard to International Tourism.

Mr. Li Ren Jie first started in the tour industry in the 1980s but did not give up his orchard immediately. At that time, he had a lychee orchard spanning an area of more than 160,000 m² located at the rural mountainous areas of Chiang Mai Province. Mr. Li described how he personally cleared the entire plot of land and invested large sums of money. Hence, when a tour guide, he would often return to check on his orchard. With lack of investment, Mr. Li reckoned that it would not be easy to develop the agricultural business. So, after two weeks of serious consideration, he finally decided to sell it off. In 1990, Mr. Li became the Founder and

Managing Director of Standard Tour Company Ltd. headquartered in the centre of Chiang Mai city with over 200 well-trained staff offering tours in Thai, English, Mandarin and Japanese. The company offers in- and out-bound tours, airline tickets, and MICE events. It now boasts a branch office in Bangkok and representative offices in Shanghai, Taipei, Kaohsiun, Kuala Lumpur and Singapore.⁵² Mr. Li has found success beyond agriculture despite his initial reluctance.

The following two case studies demonstrate success and innovation in industries new to the host county. Both are first generation Yunnanese who have found great success beyond their expected role in agriculture. They demonstrate finding a niche in emergent international markets leveraging their networks and adapting to a changing socio-economic context.

Self-made International Trade.

Mr. Yang Sheng Qing was a first generation child born in Chiang Rai after the Cultural Revolution. He had overseas experience in Taiwan and the United Kingdom. Beginning his career in a canned mushroom company, he became interested in bees through self-study and experimentation. Gradually, this developed into a fully-fledged business. At the age of 24, Mr. Yang became the Founder and Managing Director of Fora Bee, Chiang Mai Healthy Product Company Ltd. in 1975. Since then, the company has evolved from a small apiary with four bee hives into today's largest honey exporter and trader in Thailand.⁵³ Based in Chiang Mai, the company manufactures honey, royal jelly, beeswax and beekeeping equipment. With an international marketing strategy, the company clientele is 60% international in Asian countries, namely, Indonesia, Malaysia, China, Singapore, Macau, Taiwan and Japan. He is extending markets into Saudi Arabia, the UAE and Germany.

Innovation in local production.

Mr. Zhou Zhen Jie is a first generation Yunnanese born in Thailand. His family was very poor and he barely received an education. When his father died at an early age, Mr. Zhou had to work as an employee for others rearing bees. It was later that he managed to start his own business with assistance from friends and relatives. At the age of 30, Mr. Zhou founded and became the Director of Phatthanakit Bee Farm Ltd, established in 1987 in Chiang Mai. Moving the bee hives around northern Thailand, their bees have produced honey from many different kinds of flowers. At present, the company handles both direct production and distribution for domestic sales and export. The annual production includes 5000 kg of royal jelly and many tons of hygienically safe honey from different types of flowers, bee pollen and beeswax.

The above-mentioned cases capture the dynamic nature of Thai Yunnanese entrepreneurs. In an interview with Mr. Phairoj Kullavanijaya, Director at the Office of Commercial Affairs, Chiang Mai Province, he said: "Tourism is the lifeblood of Chiang Mai."⁵⁴ This orientation generates opportunities for transnational business that Thai Yunnanese entrepreneurs benefit from.

Other examples include transnational real estate, such as Mr. Ma Wen Po, Founder and CEO of Home City Company Ltd., with an authorized reported capital of 134 million baht and projects targeting local and foreign customers. Others are successful in business sectors that include food, beverages and education. Thai Yunnanese in Chiang Mai city have demonstrated a nuanced transformative and emergent entrepreneurial spirit building transnational business and trade.

GUANXI IN SOCIAL CAPITAL ACCUMULATION

Social capital can mobilize resources within networks. However, the existence of a network is not always pre-disposed but is also a result of investment strategies aimed at establishing or reproducing social relationships.⁵⁵ Through the lens of multi-dimensional *guanxi*, this research explores strategies in establishing, maintaining and reproducing

social relationships with the accumulation of social capital through interpersonal, interinstitutional and morality-oriented forms of *guanxi*.

Interpersonal social capital is crucial for access to individual resources and transnational business. Thai Yunnanese entrepreneurs engage *guanxi* to build social capital for short- and long-term gain in new networks. Mr. Jiang utilized *guanxi* to develop social capital with a Hong Kong businessman despite not being in the same linguistic group. Jiang explains:

All of us need *guanxi* and fate. So let's talk about the reasons behind *guanxi*. It was crucial to find someone in the fruit-trading business. I saw someone from Hong Kong. So I introduced myself and tried to engage in conversation. Although the man couldn't speak Chinese, he could understand me and reciprocated greetings. I asked for his name. I was selling lychees and they wanted whole truck loads. I could only speak a few words but still opened a relationship.⁵⁶

Since meeting this Hong Kong businessman, Mr. Jiang became his broker and introduced him to Thai connections with connections to China. When Hong Kong was handed back to China in 1997, this Hong Kong businessman was a little fearful of China and migrated to Canada. Supplies were needed from Thai suppliers to meet demand in China. With *guanxi* established, the Hong Kong businessman told Mr. Jiang to take over his business connections in China. Mr. Jiang began to deal directly with Chinese merchants, which led him to establish his own company. Mr. Jiang did not terminate his *guanxi* with the Hong Kong businessman despite having built a direct link with the Chinese merchants. *Guanxi* allowed future dealings with the same Hong Kong businessman when his business resumed. This provides an example of interpersonal social capital; *guanxi* being a mechanism rather than political capital. Mr. Jiang's business relationships were resilient to political and temporal challenges.

Social capital involves institutional dimensions where companies can draw corporate or governmental resources. As an example, Mr. Zhou applies *guanxi* to build long-term inter-institutional capital. Mr. Zhou's company conducts career talks for students from ASEAN countries as well as the international community. For instance, on 29 July 2014, his company hosted a programme for students from Cambodia, China, Indonesia, Malaysia, Myanmar, Vietnam and other countries who were studying veterinary medicine. Approximately once or twice a year, the Ministry of Public Health would contact his company and request such

talks. Upon receiving formal letters of notification, Mr. Zhou's company prepares career talks. These counselling-oriented sessions touch on practical situations. They also involve sharing Mr. Zhou's entrepreneurial experience and life perspectives with a view to helping potential graduates to find jobs and build future careers. From an extended longitudinal perspective, Mr. Zhou expressed the benefits of this inter-institutional social capital accumulated through inter-institutional activities:

After attending our talks, participants would act on the positive things I have shared which are beneficial for their lives. They shared their experience and knowledge and I recounted how I have grown through life in this way. Hence, although I am situated at my home, my good reputation is shared and spread widely... My name has become famous. This should be considered as a kind of *guanxi*.⁵⁷

In the case of Mr. Zhou, inter-institutional social capital has the capacity to cross transnational borders beyond geographical boundaries. It allows his contribution to further others' well-being and his good reputation.

There are times when Thai Yunnanese transnational entrepreneurs engage *guanxi* to accumulate morality-oriented social capital. Mr. Yang engaged *guanxi* to accumulate morality-oriented social capital through his ethical position and with his product knowledge. With a growing interest in organic honey, Mr. Yang determined that there are many myths and gimmicks associated with the subject. He explained that there is no way to control the way bees collect honey and feed on organic sources. Mr. Yang disagreed that consumers have to pay more for organic products. He felt that suppliers who offer organic honey are not sincere. Mr. Yang's morality-oriented stance in building *guanxi* has implicitly generated confidence in his company's product. This became strategic, as expressed when he discussed the issue with researchers. With an ethical reputation, his customer base grew due to the power of morality-oriented social capital.

GUANXI IN CULTURAL CAPITAL ACCUMULATION

According to Bourdieu, cultural capital emerges in embodied states, for example values, skills and knowledge, in objectified states, like books and tools, and in institutionalized states, such as educational degrees and professional titles.⁵⁸ Beyond social capital, *guanxi* as an analytic lens can also illuminate the accumulation of these three forms of cultural capital.

Embodied State Through Training and Development

The embodied state of cultural capital can be understood as the “long standing dispositions and habits acquired in the socialization process”.⁵⁹ The accumulation of embodied cultural capital involves a labour of inculcation and assimilation which costs personally invested time.⁶⁰ Thai Yunnanese transnational entrepreneurs have employed the multi-dimensionality of *guanxi* in the socialization process of embodying training development, education and language as incorporated cultural capital.

Mr. Jiang places emphasis on training and developing his staff. Out of his own pocket, he funds the training by inviting experts to conduct modular courses. He views it as necessary to develop the talent in his company so as to increase productivity. To him, a trained employee can produce work equivalent to two or three untrained ones. Though there is a risk staff will leave him after training, Mr. Jiang has never worried about this. He does not require his staff to sign any contract with him so they could still leave if they wanted to. On the contrary, many of his employees have chosen to remain as they have benefited from Mr. Jiang’s investment. This shows Mr. Jiang’s *guanxi* strategy in providing training and development as cultural capital accumulation for his staff.

Objectified State Through Accessorization, Aestheticization and Business Niche

According to Bourdieu, “cultural capital objectified in material objects and media, such as writings, paintings, monuments, instruments, etc., is transmissible in materiality”.⁶¹ In this research, this materiality involves lifestyle accessorization, company’s aestheticization and business niche marketing.

According to Bourdieu, a lifestyle can be understood as a system of classified and classifying practices and distinctive signs: “Lifestyles are thus the systematic products of habitus, which, perceived in their mutual relations through the schemes of the habitus, become sign systems that are socially qualified as distinguished, vulgar, etc.”⁶² The author has coined the term “lifestyle accessorization” to refer to the habitus schemes of Thai Yunnanese transnational entrepreneurs in employing various “accessories” to create sign systems. Take for instance Mr. Yang, who has been working a half-day week as he plans to retire. More than just preparing for retirement, Mr. Yang accessorizes his daily routine with playing golf. Every afternoon, Mr. Yang plays golf with significant people

in his social world including retired military officials, politicians and professors. Both the nature of the game as well as the social status of his co-players portray the distinction of his social position. In addition, an informant who knows him said that Mr. Yang enjoys playing mahjong with other successful business people where any loser will treat the rest to a meal in some high-class restaurant. In this sense, both golf and mahjong are like sports. Yet, it is crucial to appreciate that different sporting tastes are not caused by mere material divisions.⁶³ As an accessorized habitus, sports are a subtle embodiment of organizational superiority, which includes belonging to the right group and understanding relevant information.⁶⁴ In short, Mr. Yang's lifestyle accessorization reflects a form of objectified cultural capital accumulation he has embarked on to articulate his newly-acquired social taste.

Company's Aestheticization

In addition to personal dimension, Thai Yunnanese transnational entrepreneurs aestheticize their company in accumulating objectified cultural capital. In an increasingly sophisticated world of consumerism, companies engage aesthetic economy to accentuate their cultural distinction and enhance business *guanxi* with customers. Aesthetic economy in this research refers to Entwistle's "idea that aesthetics is rendered calculable within a market".⁶⁵ As an example, Mr. Yang's company offers a splendid example in aestheticization as objectified cultural capital. The company offers the widest range of bee-related products in Thailand.⁶⁶ These products are well-researched, designed and packaged. As part of aestheticization, the range of products and services includes unique bee-keeping equipment and coaching. The staff explained that many retired foreigners residing in Chiang Mai are interested in keeping bees as a hobby. The company has equipment and specialized staff who can coach others in rearing bees as a hobby. Most distinctively, the company's aestheticization has gone to a whole new level when they built a museum located next to the showroom headquarters. The honey bee museum comprises 17 stations that provide bee-related information and shows the company's historical development with artistic and elaborate displays. It seeks to cater to the aesthetic economy for both tourists and locals alike.

Business Niche Marketing

Consumers in today's complex world are constantly looking for niche commodities that cater to their specific, peculiar and fetishized tastes.

According to Bourdieu, niche consumption embeds a strong and biased classifying notion of taste.⁶⁷ Conversely, companies in production and distribution make themselves classified as they offer options through business niche marketing strategies. As marketing strategies, niche creations provide a distinctive and conspicuous attraction for consumers. According to Poniewozik, the diversity of preferences is mandatory where the “market has created reasons for us to be finicky and dissatisfied about anything... Through niche media, niche foods, niche hobbies, we fashion niche lives”.⁶⁸ Thai Yunnanese transnational entrepreneurs have applied niche marketing strategies. For example, Mr. Ma pitches to the upper market who loves the combination of the warmth of nature as well as city life. In addition, he pitches to the upper-class bosses and friends who have strong financial means. Sharing his new expansion into building hotel-resorts, Mr. Ma explained, “We don’t build large but focus on making it exquisite for you and your friends who are here for holidays and enjoyment.”⁶⁹ Through niche marketing, Mr. Ma accumulates an objectified form of cultural capital that sets his company and thus himself apart.

Institutionalized State Through Positions in Associations and Certification

The institutionalized state of cultural capital neutralizes the biological limits embodied in its bearer.⁷⁰ Thai Yunnanese transnational entrepreneurs accumulate institutionalized cultural capital in the form of socially-recognized positions in various associations as well as professional certificates which reflect their companies’ standards. For example, Mr. Zhou serves in associations with official positions. He has been involved in government organizations and trade-related and ethnic-related associations. He revealed that he served as Board Member at the Honey Association, Bee Association, Taiwan Association, Chinese Business Association and Yunnan Association. Mr. Zhou said that joining these associations require spending money, which suggests a classic acquisition of the institutionalized form of cultural capital through economic capital.

In addition, Thai Yunnanese transnational entrepreneurs use professional certificates as part of institutionalizing cultural capital. Mr. Yang’s company believes strongly in the accumulation of institutionalized cultural capital through the acquisition of professional certificates. From a professional perspective, the company has acquired certification to ensure quality, safety and health standards through the Food and Drug

Administration (FDA). This includes Goods Manufacturing Practice (GMP) and Hazard Analysis Critical Control Point (HACCP) on production processes. They have also received Thai Halal and Malaysia Halal certificates. Pertaining to their latest effort at professionalization, Mr. Yang revealed that they are in the costly process of acquiring ISO2008 which allows them to penetrate into America. These certificates will concretely cement the company's commitment to communicate their standards as well as their cultural capital position to society.

CHARISMA AS SYMBOLIC CAPITAL

The vested interest in all action, according to Bourdieu, curiously posits an inherent transformation of all capital into an accumulation of a subtle form of capital symbolic in nature.⁷¹ Symbolic capital rests on three forms of capital: economic, cultural and social capital. Albeit multiple permutative interactions, these three forms of capital compositely transform into a symbolic form, which metamorphosizes currencies for social distinction and differentiation. Conversely, without symbolic capital, it can be argued that illegitimacy takes place where social, cultural and economic capital are relegated to illegally appropriated and stigmatized forms, which lead to ill-desired outcomes. In other words, there is a symbiotic relationship between social, cultural and economic capital, and symbolic capital. As symbolic capital, charisma serves to legitimize positions of power through its former accumulation and routinisation.⁷² It is an "accumulated prestige or honor".⁷³ In order to unravel the accumulation of charisma as symbolic capital, the following section illustrates the multiple conversions of social, cultural and economic capital into symbolic capital via the case study of Mr. Li.

Mr. Li has come from humble beginnings. Without any citizenship for the first 28 years of his life, Mr. Li considers himself someone who has started from "below zero". Mr. Li accumulated trust as social capital. An example of interpersonal trust as social capital accumulation can be found in his *guanxi* initiation with a tour manager from Bangkok. Initially, as a stranger, Mr. Li came to the aid of this tour manager when the latter brought a tour group to visit Chiang Mai. As a result, Mr. Li was invited to work in Bangkok at a time when the market needed talented people who could speak Chinese. Although Mr. Li indicated that he did not have an identity card to the tour manager, he was given a job in the company. On the first day, the company had to display welcome

signs both at the airport as well as on the coaches. Though someone was assigned to write and display them, the person was too busy to do so. Assessing the situation, Mr. Li volunteered to write. In response, the tour manager was very stunned saying, “You can write!” It turned out well and Mr. Li went on to work there as a tour guide.

The illustration above serves as a microcosm of a larger social reality where Mr. Li’s accumulation of interpersonal social capital gradually develops into a collective trust. With multiple individuals’ recognition of trust, he gradually gained collective trust at the institutional level. In this process, he acquired cultural capital in an institutionalized form through titles and positions, which further transformed into charisma as symbolic capital. Informants have expressed that only those with credible records in business achievements, social standing and a reliable character can be selected as chairmen of associations. In the case of Mr. Li, he has held various positions in different associations over many years. At the age of 30, when his company was just established, he was appointed as the Chairman of an Islamic religious school, which was newly built in Yang Village. At 38, Mr. Li became the President at Chiang Mai Yunnan Association and he served there for three terms after which he served for a term at Bangkok Yunnan Association. When he was 45, people from Chiang Mai tourism industry approached him and he subsequently served as the President of the Chiang Mai Tourism Union for the maximum stretch of two terms. Mr. Li was then appointed as Vice Chairman of the National Tourism Alliance for two terms. Thereafter, the Chiang Mai Chinese Chamber of Commerce approached him and he served there for two terms. Mr. Li enjoyed engaging in social activities. He saw these activities as a form of social obligation and voluntary service as a public servant. Yet, noticeably, these appointments span across religious, ethnic and business fields at the local, regional and national levels. Mr. Li’s symbolic capital is formidably accumulated through the conversion of extensive institutionalized cultural capital in varied fields. As a result, Mr. Li is fondly known amongst the Thai Yunnanese as their chief leader or literally “dragon head” (龙头, *longtou*).

Mr. Li’s accumulation of symbolic capital as social distinction has also been manifested through the conversion of objectified cultural capital in lifestyle accessorization and business niche marketing. As tourism as his main business focus, Mr. Li takes a specific interest in air travel. Mr. Li took his first overseas trip 2 years after he received his identity card at 28. Since then, Mr. Li has travelled to more than 80 countries

and he confessed that he is someone passionately in love with travel. Metaphorically, in Bourdieu's terms, travelling is "a dream of social flying, a desperate effort to defy the gravity of the social field".⁷⁴ Mr. Li's frequent travelling has broadened his perspective, which has allowed him to enhance his business model as well as his standing as an international man. Besides this, according to an informant, Mr. Li is meticulous in projecting a good public image through his clothing, housing, cars and dining. He lives in a huge mansion with a swimming pool. He wears branded clothes and drives expensive cars. According to a childhood friend who knows him well, Mr. Li loves seafood and has spent up to 10,000 baht for a sumptuous BBQ seafood meal with his friends. Mr. Li's lifestyle accessorization extends to his children. He has sent his three children overseas for high school and tertiary education. He sent his eldest son to America and his two younger daughters to New Zealand. An informant told me that sending Mr. Li's son to America, which is a renowned education destination of distinctive class significance, is a strategic choice. Mr. Li is keenly aware of the wider dimension beyond the cultural capital his children will accumulate. Not only will they thrive given opportunities, but his entire family will also be honoured.

Another distinctive example of the conversion of objectified cultural capital into symbolic capital can be found in Mr. Li's business expansion strategies. To begin with, he developed his own means of transportation, "Once we had coaches, we began to expand slowly ... it is crucial for us to have our own fleet during the peak season This is because if we were stranded without transport means then it would be impossible to work."⁷⁵ Next, he developed his centralized mega-ticketing facilities. He currently has links with more than 80 airlines for which his company is authorized to issue tickets. As a wholesaler, his company needs to purchase at least 30 million tickets per month, requiring substantial capital. In so doing, this business strategy not only widens his repertoire of services but also provides a greater interface between Mr. Li and his several, relatively minor, competitors. Through meeting the ticketing needs of these smaller travel companies, Mr. Li cultivates a symbolic presence of importance. This move has created a sense of indispensability and symbolically raised the stature of Mr. Li and his company. Furthermore, Mr. Li has developed his own hotel industry. Considering the future development of the company, Mr. Li saw the need to have his own product and brand, so decided to develop in the hotel industry. By 2015, his first hotel was already complete and his second, a four-star hotel, is already

being constructed. He hopes to build another three or four hotels before he turns 60. To him, the hotel industry is a real estate investment, one in constant ascending economic value.. This initiative, according to both Thai Yunnanese and other Thai Chinese business circles in Chiang Mai, has sealed Mr. Li's indelible reputation in niche marketing. With his own series of hotels, Mr. Li has elevated his position beyond the level of a service provider into a mega owner of property and entertainment expertise. This is a significant transformation of cultural capital into symbolic capital. First, Mr. Li's physical properties display his massive economic capital in a concrete and visible form, literally. Second, his widening expertise augments the viability and sustainability of his business approach.

Apart from social and cultural capital, Mr. Li has also used economic means to accumulate charisma as symbolic capital. Mr. Phairoj Kullavanijaya specifically highlighted Mr. Li's success and influence. During an interview, he mentioned that Mr. Li is the wealthy owner of Standard Tour who has sent money to help the needy in China during times of crisis such as floods. According to Mr. Li, the purpose behind his charitable giving is symbolic in expressing a sense of belonging in the eyes of the PRC. After another natural disaster, Mr. Li contributed financially as well as appealed to others for assistance:

In the recent earthquake at Yunnan, I urged everyone to donate some money. You might say, what could 200,000 yuan do for China? But this token amount of money is just an expression of our hearts. It is to symbolize that we value and pay attention to China. Today, regardless of whether China's official, the Consulate General, the leadership of Yunnan Province, or the disaster victims, they will feel that we as overseas Chinese are concerned about China. This is the purpose.⁷⁶

Mr. Li was seeking to accumulate symbolic capital beyond the local, while extending into the transnational dimension through economic capital. Mr. Li has represented the Chinese Chamber of Commerce in making a public speech during the celebration of China's National Day in recent years. This is key symbolic capital accumulation as it is recognized by local Thais, Thai Chinese as well as the Consul-General from the PRC stationed in Chiang Mai. Another example of symbolic capital accumulation from economic capital through institutionalized cultural capital can be seen in the acquisition of professional certification. Mr. Li has recently dealt with the ISO (International Standard Organization) as

part of his efforts to acquire professional certification that confirms his products and services conform to international standards. His company is among only three or four Thai travel companies that have ISO professional certification. From a symbolic capital perspective, it further propels the company's reputation from being a local entity into the internationally-recognized domain.

In summary, this section has demonstrated the process of upward mobility through the accumulation of charisma as symbolic capital. The case of Mr. Li demonstrates symbolic capital accumulated through the conversion from social, cultural and economic capital. First, Mr. Li's collective trust gained through his accumulative interpersonal social capital enabled him to acquire institutionalized cultural capital. His charisma is formidably forged as symbolic power through his many recognized titles and positions at several associations in various fields situated at local, regional and national levels. Second, symbolic capital is accumulated when objectified cultural capital in the form of lifestyle accessorization and business niche marketing are converted into personal, family, visible and sustainable dimensions. Finally, transnational and internationally-recognized symbolic capital is accumulated from economic capital through charitable donation and institutionalized professional certification. There are multiple forms of symbolic capital accumulation from social, cultural and economic capital. In other words, in upward class mobility, successful respondents, like Mr. Li, did not merely place a value on accumulating economic capital but emphasized accumulating symbolic capital as well. Mr. Li is an exemplar par excellence for the Thai Yunnanese in their quest for upward class mobility. This has been inter-subjectively attested by the Thai Yunnanese, Thai Chinese, Thais and PRC nationals, as well as international community members. In the latest thirty-second *Anniversary Special Issue of Chiang Mai Yunnan Association*, Mr. Li was described as harmonious, steady in managing issues, friendly, sharp in discernment, bold and charitable towards society.⁷⁷ It was reported, during Mr. Li's presidency at the Chiang Mai Yunnan Association, that he had a passion for Chinese education and would visit the villages to help and encourage the teachers who struggle to provide education.⁷⁸ Collectively, these actions constituted a powerful statement of symbolic capital for him. Such symbolic power has allowed Mr. Li to shed the historical marginality he experienced as well as to articulate a representative voice for the Thai Yunnanese community.

CONCLUSION

Class mobility experienced by the Thai Yunnanese transnational entrepreneurs is by no means unilinear. In reality, some of the interviewees the author met demonstrated horizontal or even downward trajectories. Nonetheless, in spite of the multiplicity of class mobility, this chapter argues that *guanxi* has shed light on the interested actions of multi-dimensional capital accumulation and their conversion into symbolic power as a form of political economy. Marked by historical marginality, Thai Yunnanese transnational entrepreneurs have successfully shed their past stigma, albeit in varying degrees. Moreover, they have contributed to the formation of a new socio-economic landscape of Chinese capitalism in Chiang Mai, Thailand.

By employing a situated perspective, this chapter captures the diversity of *guanxi* as engaged by the respondents with neither generalization nor fixation. From an epistemological contribution perspective, *guanxi* as an analytic lens succinctly fills the gap where Bourdieu is lacking in the account of micro-processes of cognition in the world of practice.⁷⁹ The Thai Yunnanese transnational entrepreneurs have skillfully adopted cultural resources to achieve their contemporary ends in symbolic articulation through generating new *guanxi* strategies as economic cultures.⁸⁰ Unravelling *guanxi* as a form of “implicit protocol of social etiquette”⁸¹ informs the “cognizing powers of internalized cultural functions” missing in Bourdieu’s opaque body automatism.⁸² The complementarity between *guanxi* and Bourdieu’s capital interaction as a double analytic lens has rendered greater clarity in the elucidation of class mobility among the Thai Yunnanese transnational entrepreneurs in Chiang Mai city.

NOTES

1. Henry Wai-chung Yeung, *Chinese capitalism in a Global Era: Towards a Hybrid Capitalism* (USA and Canada: Routledge 2004), 15.
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Chinese Capitalism in Cambodian Sociopolitical Contexts: The Role of Ethnic Chinese in the Cambodian Economy

Touch Siphat

INTRODUCTION

Chinese migrants primarily arrived in the Kingdom of Cambodia between the seventeenth and twentieth centuries settling as communities in urban areas.¹ The migrants made their living through trading and later became well integrated into Khmer society and culture whilst preserving their traditional culture and belief system. Over time, Chinese migrants were able to become influential in the economic sector of the Kingdom.

Many Chinese migrants to Cambodia came from southern China. They were entrepreneurs, traders and financiers in closely-knit networks of family members and friends.² Their economic success was not built overnight but over a long period of time achieved through family businesses, the cultural values of hard work, thrift, filial piety and solidarity, and risk taking and social structures. The networks within their business communities have become linked to state power. Some argue that

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their economic dominance is also due to an absence of competition from indigenous Cambodians since the decline of the Angkor era in the fifteenth century.³ Business activities are recognized as symbolic of Chinese Cambodians who maintain and reclaim their identity in all social and political sectors of Cambodia.

Chinese Cambodians are not homogenous and not all are business oriented. However, nearly all are involved in business activities, ranging from small family-based shops to large companies. The traditional family business culture is divided into distinctive groups: (1) family entrepreneur group who are retail shop owners who convert their homes into street-side stores or have small market stalls or produce handicrafts, and (2) powerful entrepreneur groups particularly influential in the Cambodian import-export and banking sectors holding hotel, media, telecom, construction and land concessions as well as being connected to state power. In the early 2000s, a third group emerged consisting of young entrepreneurs committed to doing business according to global corporate culture. This business culture is controlling the domestic economy but the older business elite maintains power through its networks of state officials leveraging financial capital.

This chapter will first review the history of Chinese migration to Cambodia and how this changed in the different political context of Cambodia. Second, entrepreneurship is explained in the context of Cambodian Chinese domination in the economy, especially by the business elite with the new generation transforming to a corporate culture. Finally, the chapter concludes with a discussion of the characters of Chinese Capitalism in Cambodia.

CHINESE IMMIGRANTS

As the Chinese people began to migrate to Cambodia they married Khmer women to increase their business opportunities.⁴ In 1296, a Chinese visitor, Zhou Daguan, arrived at Angkor city with a diplomatic mission. He described in his memoirs that there were only a few Chinese groups settled and adopted in the new country. The bulk of Chinese arrived in the Kingdom after the Angkor Era.⁵ In 1644, the Ming dynasty was overthrown by the barbarian Manchus and the Qing dynasty was born. The loyalist Ming generals began to struggle and rebel against the newly established dynasty. Later, in 1679, they understood that the struggle was fruitless. Thus, with soldiers and families, they decided

to migrate to Cambodia. Some of them tried to get political asylum in the Dai Viet state (nowadays the northern part of Vietnam, Tonkin). They were allowed to cross and to travel south in what remained of the Kingdom of Champa and into the Khmer Kingdom. Some used junks to travel up the Mekong delta and many of them settled in what today are known as the Takeo and Kampot areas and many places along the Mekong and Bassac rivers of Cambodia. The Chinese kept coming from all over China, resulting in them congregating—in specific ethno-linguistic groups.⁶

In the early 1900s, many Chinese left their country because of poverty, starvation and the Japanese troops' cruelty towards them. These Chinese immigrants were generally poor farmers who were poorly educated and only spoke their dialect. Some escaped from war and hunger in their homeland to seek settlement in the Southeast Asian neighbouring countries, including Cambodia. Many of them were from the south-east provinces of China. Kov Ar, a man of Teocheu dialect, arrived in Cambodia in 1938 from Guangdong province. He was born in 1922 and grew up in Hor Peng village, Toecheu or Toe Eav District. Kov came to Cambodia with the help of his older cousin. He left his village to go to Sor Thov port and took a French boat to Prey Norkor (presently known as Ho Chi Minh City, Vietnam), then travelled by road to Cambodia. Kov said that on the same boat he saw a hundred Chinese who were escaping.⁷

Although large numbers of Chinese have entered Cambodia since the 1920s, Chinese immigration to Cambodia ceased following Cambodian independence in 1953.⁸ During the Khmer Rouge regime China offered the largest aid package ever, totalling \$1 billion, and thousands of Chinese advisers poured into Cambodia.⁹ In 1993, the first wave of migration took place and many temporary Chinese migrants stayed in Cambodia only returning to China on business and family trips. Some educated Chinese returned with funds and began business ventures in Cambodia due to Chinese overseas economic expansion and China's friendly political relations with Cambodia. The economic interaction between China and Cambodia, particularly the increasing bilateral trade, encouraged Chinese investment and contracted projects in Cambodia. These can be seen as factors encouraging new Chinese labour and business migrants to Cambodia. These new Chinese migrants generally worked for Chinese investment businesses and projects or set up their own businesses. The National Bureau of Statistics of China shows that the number of Chinese

technicians and labourers introduced to Cambodia from 1995 to 2005 was 43,070.¹⁰

CHINESE IDENTITY AND POPULATION

There are five different ethno-linguistic groups among Khmer-Chinese, including Te Chew, Cantonese, Hokkien, Hakka and Hainanese. A majority have Teochew ethnicity. The first ethnic Chinese to settle in Cambodia were known as the Hokkiens, while the Cantonese and the Hainanese arrived towards the end of the seventeenth century. They were followed in the nineteenth and twentieth century by the Teochew and Hakka/Khe. During the beginning of the French protectorate, the largest Chinese groups were the Hokkiens and Cantonese. By the mid-twentieth century, the Teochiu had become the largest group. All of these ethnic groups are recognized as minority groups and, as Cambodian citizens, have full freedom in practising their culture and religious beliefs and in participating in social, economic and political activities. At present, most Chinese ethnic groups generally admit that they feel Khmer, not Chinese, due to their parents being from Cambodia.

Chinese immigrants and their descendants born in Cambodia have been recognized as Khmer-Chinese (*Khmer-Chen* in Khmer) and hold Khmer citizenship. *Khmer Chen* can be referred to as “Raw Chinese/Original Chinese” [*Chen Chboav*, ចិនចាស់] in Khmer, “Chinese descendants” [*Kon Chaov Chen*, កងចិនចាស់] in Khmer and mixed Khmer-Chinese [*Kon Kat Chen*, កងកាតចិន]. There are five different ethno-linguistic groups among Khmer-Chinese but they are generally called “Chinese” [ចិន] in Cambodian society regardless of their ethnic dialect.

Commonly, Cambodian people recognize a person or a family as “Chinese” or “Chinese descendant” regardless of their dialect. They are distinguished by family rituals, such as displaying an ancestor altar in the house, adorning the doors with spring festival couplets and practising religious events according to the Chinese calendar. Chinese recognized holidays include New Year (between mid-January and mid-February), ancestor worship (Cheng Meng, in early April), The Moon Festival (in September or October) and traditional practices such as weddings and funerals. In an under-developed country, the urban population has more wealth and access to education and work, when compared to rural

populations. Many high-ranking officials are Chinese descendants or mixed Chinese-Khmer, even the Prime Minister's family.

Ancestor worship and shrines are one way that people identify having ancestors who are Chinese. Throughout Cambodia, there are many Khmer and Chinese characters on shop signs, and often a small altar with incense burning in front of god-like figures. These altars reinforce Chinese identity. Contemporary Cambodian society is influenced by Chinese tradition. Even though the Chinese New Year is not considered as an official holiday by the government, the cities are unusually quiet with markets and most shops and businesses, except shopping malls, closed during the three days of Chinese New Year. There are Chinese customs that have been adopted throughout Cambodia, such as *Ahear*, *Cher*, *Kou*, *Khim*, *Ning*, *Sau*, etc. If someone is regarded as having money and has fair skin, they are called *Ahear*.

During the late nineteenth century, ethnic Chinese living in Phnom Penh made up the majority of the population. In 1866, Phnom Penh was divided into three villages: (1) a Catholic village in the north of the city, the Russey Keo vicinity, for the Vietnamese, (2) the Chen village in the middle of the city, along the Tonle Sap river, for the Chinese, and (3) the Khmer village in the south of the city, around the royal palace and Wat Unalaom, for the Khmer. By 1897, the population of Phnom Penh city was close to 50,000 with a Chinese majority of 22,000, followed by 16,000 Khmer, 4000 Vietnamese and 400 French.¹¹ During the late 1960s, the Chinese were the largest ethnic minority with an estimated population of 425,000.¹² However, by 1984, there were only 61,400 Chinese Cambodians. This has been attributed to a combination of warfare, economic stagnation, the Khmer Rouge, Vietnamese persecution and emigration. The current Chinese population is about 1% of the 15.5 million Cambodia population.¹³ Many remaining today are either descendants of earlier settlers from southern China or part of the tide of recent migration.¹⁴ The Chinese population is often only identified by those who maintain a strong link to Chinese culture, for example those who speak the Chinese language in their families, but does not include those who are mixed Khmer-Chinese.

To maintain their culture and networks, ethnic Chinese have established associations since the seventeenth century. Associations belong to one of three branches: the Khmer-Chinese Associations, Associations of Chinese Dialect Groups, and Family Linkage/Name Associations. The Khmer-Chinese Association was founded in December 1991 and

now has 22 branch offices in provinces with 140 offices at the district and commune level.¹⁵ This social mechanism has had an important role in Chinese cultural preservation by establishing Chinese schools for the next generations and maintaining business networks.

ETHNIC CHINESE DESTINIES

Willmott argues that prior to the French era, beginning in 1967, Chinese people played an important role in Khmer economics. The Chinese had a right to collect national revenue from farming activities, and had a monopoly in business sectors such as gambling, alcohol, fishing and logging. The French administration took control of Chinese businesses, prohibiting ownership of rubber plantations and mines. The Chinese were permitted to maintain businesses in education, publications and hotels.¹⁶

Under the French administration, Chinese communities had autonomy. Each Chinese dialect group had its own leader (*chef de congregation*), and these leaders were recognized by the French authorities as having power over matters of immigration and emigration, movement between towns, schools, temples, and cultural societies. Between 1901 and 1938 there were 95 Chinese schools established in Cambodia including two middle schools and 93 primary schools. The teachers often were recruited from China and brought new texts and ideas.¹⁷ In 1938, over 4000 students were enrolled at Chinese schools and the first Chinese newspaper *Bo Yin Tai* (broadcaster) was published. However, it collapsed in 1946. Three Chinese newspapers were then in print: *Great China News*, *Chinese Commercial News* and *China-Cambodia News*.

On 9 November 1953, Cambodia gained full independence from France and became the Kingdom of Cambodia (1953–1970), commonly known as the King Sihanuk Regime. The newly independent regime promulgated a Cambodian law on nationality on 30 November 1954 and a law on immigration on 19 March 1956. The laws made it possible for the Chinese to become Cambodian citizens if they stayed in the country for 5 years, showed proficiency in Khmer morale and language, and paid a substantial amount of money. Article 26 of the immigration law listed 18 professions¹⁸ prohibited to all foreigners, most of which were previously undertaken by Chinese. By this time, however, there was practically no Chinese immigration to the country¹⁹ and Chinese communities maintained significant economic and political power. For example, most Chinese companies in Phnom Penh

controlled import-export businesses (267 out of 346 import-export companies were Chinese).²⁰

In the 60s, Chinese community affairs were handled by a Chinese Hospital Committee in Phnom Penh. This hospital was established for Chinese communities who had set up a fund and administered the hospital. The committee was the largest association of Chinese merchants in the country. Diversity was required by the organization's constitution to include on its 15-member board six from the Teochiu dialect group, three from the Cantonese, two from the Hokkien, two from the Hakka, and two from the Hainanese. The number of Chinese schools notably increased around the country and the Chinese press expanded. By 1967, there were 170 Chinese schools and the number of Chinese students reached 25,665. In Phnom Penh alone there were 27 Chinese schools with 11,350 Chinese students.²¹ In the 1960s, there were five Chinese newspapers in Cambodia (two being Teochiu and three being Cantonese) including the *Journal of Trade and Commerce*, *Mekong Daily*, *Khmer-Chinese Daily*, the *Express* and *Afternoon News*.

During the second-half of the 70s, the ethnic Chinese in Cambodia were uprooted. On 18 March 1970, General Lon Nol overthrew King Sihanouk's regime with a coup. From 1970 to 1975, the country became the Khmer Republic referred to as the American supported Lon Nol Regime. China was not an ally of General Lon Nol.²² The Lon Nol Regime's first action was to remove the Chinese ethnic groups' rights. The first thing this government did was to close down Chinese schools. China then turned to the Khmer Rouge, encouraging King Norodom Sihanouk to take on the leadership of the guerrilla resistance against the pro-American government. As the pro-American government considered the People's Republic of China (PRC) to be a dangerous threat, the authorities slowly started to force the closure of Chinese schools and newspapers, requiring the Chinese people to carry special identity papers, imposing special taxes on the Chinese and moving towards denying them Cambodian citizenship. The closure of Chinese schools and newspapers was based on the accusation that they had made the Khmer lose their customs and morals and attempted to spread communist propaganda. For example, the Yucai School in Koh Tiew commune, Koh Thom District, Kanda Province was shut down in 1970 because the authorities said, "[The] Chinese language is a communist language."²³ In another case, in the campaign to crack down on Khmer Rouge sympathizers, police targeted people of Chinese descent.

A second generation Teochiu Chinese man was arrested, suspected of being a communist spy, due to his ethnicity and the fact he spoke fluent Khmer.²⁴

During this period, many Khmer-Chinese students from Phnom Penh and other provinces moved to liberated zones under the Khmer Rouge guerrillas and rural Chinese took up arms, fleeing to the forest to join the resistance movement followed the King Sihanouk's call. In 1973, the Chinese Overseas Association was set up in liberated zones throughout the country, led by educated Khmer-Chinese, to join other Chinese in the movement against the American-based Lon Nol government.²⁵

On 17 April 1975, the Khmer Rouge came to power and the country transitioned to Democratic Kampuchea from 1975 to 1979. The Khmer Rouge interpretation of Maoist communism allowed them to believe that they could create a classless society by eliminating all social classes. The Khmer Rouge claimed that they were creating "Year Zero" through their extreme reconstruction methods. They did not allow any culture or religious practices, or markets, money and schools. They forced people to work on collective farms and eat communally in rural communities. The regime believed that Cambodia should be returned to an alleged "golden age" when the land was cultivated by peasants and the country ruled for and by the poorest in society. It wanted all members of society to be rural agricultural workers rather than educated city dwellers. The Khmer Rouge believed urbanites had been corrupted by western capitalist ideas. The identity of being Chinese in Cambodian society was reduced to nothing as it was associated with urban populations who were classified as capitalists.

The regime suppressed commerce, currency and private property, and began to spread racist propaganda by preaching, "All Chinese are capitalists, who sucked the Cambodian people's blood."²⁶ The Khmer Rouge announced that "Cambodia is one nation and one language, the Khmer language; various nationalities do not exist any longer in Cambodia." Discrimination against the ethnic Chinese augmented, based on class rather than ethnic grounds.

Between 1975 and 1979, an estimated 1.5–2 million Cambodians died from execution, malnutrition and disease. The ethnic Chinese population was reduced by half, falling from an estimated 400,000 in 1975 to 200,000 in 1979.²⁷ Kov, a 93-year-old of Chinese origin who lived through the regime said that during the Khmer Rouge period his family was moved from Rumchek Commune, Kampong Siam District,

Kampong Cham Province (about 13 km to the east of current Kampong Cham Town) to live in a “Chinese village” located in Chamkarleu District about 50 km from the Kampong Cham Town. The village was established by the regime exclusively for Chinese people who were moved from other places. He remembered that the village had about 50 Chinese families, many from Phnom Penh. Many people died from execution and torture.²⁸

When the Khmer Rouge fell in 1979, discrimination against ethnic Chinese continued, this time based on politics rather than social class. Before 1979 there were two axes of connections: Beijing-Phnom Penh and Hanoi-Moscow. After 1979, there was a triangle: Hanoi, Phnom Penh and Moscow, eliminating the influence of the PRC. Nascent diplomatic relationships between the USA and the PRC were evident when Deng Xiaoping went to Washington D.C. for a state visit from 29 January to 4 February 1979. Xiaoping declared that China was going to teach Vietnam a lesson.²⁹ Soon afterwards the Chinese began shelling Lang Son in northern Vietnam. For the 110,000 Vietnamese soldiers in Cambodia, the ethnic Chinese were targeted as potential traitors. They were excluded from joining the PRK Party and banned from commerce. This led to one of the worst and most deadly purges of ethnic Chinese in Cambodia.³⁰

Throughout the 80s, the People’s Republic of Kampuchea (PRK) demonized China and blamed it for the Khmer Rouge genocide. The PRK identified Khmer Rouge relations with China and the provision of financial and technical assistance as evidence of support. The Khmer-Chinese were intimidated, persecuted and denied employment and cultural freedom. Ethnic Chinese were often forcibly prevented from returning to former houses and reclaiming land. Chinese languages were not spoken, names were changed, and Chinese schools were banned. In 1983, the PRK government issued Circular No. 351, which formalized prejudice and enforced a nationwide census of people of Chinese descent. Under this Circular, all Chinese had to have their picture taken and registered stating their ancestry, current Chinese family links in the PRC, and “nationality” of household occupants.³¹

Those who declared Chinese ancestry or relatives in the PRC faced discrimination and were prohibited from government resources such as housing, employment and schooling. Under Circular No. 351, Chinese individuals disappeared and faced random imprisonment for alleged pro-Chinese activities. It also discouraged Khmers from intermarriage with

Chinese. Under these conditions, many Chinese Cambodians left the country as refugee along the Cambodian-Thai border. Based on interviews with businessmen who used to smuggle goods from the Thai border into Cambodia during the 1990s, there was a number of Chinese Cambodians who could still do business. In the months following the liberation in January 1979 and onwards, many Cambodian Chinese were travelling back and forth over the Cambodian-Thai border to buy food, utensils, clothes, electronics and other consumer goods.

In 1989, the PRK transformed into the State of Cambodia (SOC). The SOC reintroduced private property and private commerce was allowed. Chinese Cambodians began to return. Under the State of Cambodia, Chinese Cambodians began to have hope in their future. In December 1991, Chinese Cambodians were given permission to form an association by the National Assembly Chairman, Chea Sim.³² The board's mandate was that the association be formed strictly on cultural grounds; it was prohibited from any political activity. This marked the gradual dissolution of discrimination as ethnic Chinese were allowed to celebrate festivals and religious practices.³³ One of the board's first priorities was reopening Phnom Penh's oldest and most famous Chinese School, Duanhua. In November 1991, Prime Minister Hun Sen received a delegation of Cambodian-born Chinese residents in France, led by Mr. Trinh Huy, who presented \$60,000 for flood relief and \$20,000 as a donation to Duanhua School. During the same year, the Chinese New Year festivals were officially allowed for the first time since 1975. After the general election in 1993, Cambodia became the Kingdom of Cambodia. China has increasingly strengthened diplomatic and economic ties with the Cambodian government ruled by the Cambodian People's Party (CPP).

From the late nineties, to improve ties with Beijing, the SOC made efforts to improve the freedom of Chinese communities in Cambodia. They also made attempts to change the perception that the Khmer Rouge benefited from China's patronage.³⁴ During the next decade, economic collaboration between China and Cambodia led to direct investment by Chinese companies and immigration into Cambodia. Chinese language schools are now commonplace throughout Cambodia. The Mandarin language has become the second most popular after English. The growth in Chinese-language schools has been partially supported by the government of China through donations to the Khmer-Chinese associations. The aid is used to produce Chinese language textbooks that incorporate Cambodian

history and seminars for local Chinese teachers. Chinese native teachers are supported to teach at Chinese schools around the country. Currently, there are 57 schools in Cambodia teaching the Chinese language, with 40,000 students.³⁵ One of these private schools, Dunham, claims to be the largest³⁶ overseas Chinese school in the world with 10,000 students. After 1993, Chinese-language newspapers and magazines were allowed to be published again. Currently, there are four Chinese newspapers in Phnom Penh, including the Cambodian *Sin Chew Daily*, which is funded by the Malaysian *Sin Chew Daily*, *Commercial News*, *Jian Hua Daily* and *Phnom Penh Evening Post*. The Cambodia-China Friendship Radio (FM 96.5 MHz PP, FM 105 MHz SR) was established under cooperation between Radio and TV of China and Cambodia and broadcasts in four languages—Khmer, Mandarin, English and Teochiu.

The Khmer-Chinese Association has unified Chinese communities in Cambodia. Khmer-Chinese survivors of the Khmer Rouge regime wished to revive their Chinese identity and restore their Chinese traditional and cultural traditions for their next generations. Today, ethnic Chinese in Cambodia have full rights and freedom to form communities, establish associations, and build temples, schools and cemeteries. The associations were set up at three different levels: Khmer-Chinese Associations, Associations of Chinese Dialect Groups, and Family Linkage/Name Associations such as Ing, Lee, Lim, Gov and Chhor among others. The Khmer-Chinese Association, an influential association, is led by a Teochew *okhna* (tycoon) Duong Chhiv with other five Vice-Presidents who are the chairmen of clan associations of the Hokkiens, Cantonese, Hainanese, Teochiev and Hakka dialect groups. According to his background, published on his company website, Chhiv was born on 25 September 1944 at Kompong Cham Province to a well-to-do Chinese family as second child among three siblings. He was sent to study in his father's hometown in China when he was four years old. Then in 1949, he was sent to study in Hong Kong for 2 years. He was brought back to Cambodia and continued his studies at Duanhua, in Phnom Penh City.³⁷ Chhiv is regarded as one of the most successful and powerful business tycoons in Cambodia today.

Whether viewed as positive or negative, China's influence in Cambodia is currently on the rise politically, economically and culturally. The rise is bringing many benefits to China itself and the Chinese communities in Cambodia. As part of a comprehensive and cooperative strategic partnership between Mainland China and Cambodia,

China has become a major source of foreign assistance and investment in Cambodia, a top foreign investor, a major donor and an increasingly important trading partner.

Li Yuan, director of the Trade and Investment Division of the ASEAN-China Centre stated in a China-Cambodia business forum on 16 October 2015: “Bilateral trade between China and Cambodia has rapidly increased in recent years thanks to better relations and cooperation between the two governments and business people.... From January to July this year, the two-way trade volume reached nearly 2 billion US dollars, up 16% compared to the same period last year.” Yuan also said that on the investment side, China is the largest investor in Cambodia with a cumulative investment of 10.1 billion US dollars in 543 projects between 1994 and April 2015. Chinese investments have been made in the fields of energy, the garment industry, banking and finance, telecommunications, construction and real estate, tourism, and agriculture. China is also the most important source of assistance actively involved in the development of roads, bridges, irrigation systems and hydro-electric dams, etc. In a ground-breaking ceremony for the construction of a 182 km national road No. 55, which stretches from Pursat province’s central part to the Thai border, on 4 May 2015, the Chinese Ambassador said that so far, “China has provided financial aid to Cambodia to build roads in the length of 2669 km, representing about 35% of Cambodia’s total roads. ...Some 1437 km have already been constructed, 821 km are under construction and 411 km are planned to start construction. ...Besides, China has built seven large-scale bridges in this Southeast Asian country.”³⁸

Prominent Khmer-Chinese have established a council of “*Oknha*,” or Lords, a title granted by the King of the Cambodia often bestowed on businessmen who have contributed large sums of money to the government. This title requires the payment of a charitable donation of at least one to two hundred thousand dollars to the state. A list of *Oknhas* recorded from 1994 to 2014 reveals that there are 704 *Oknhas*³⁹ (business tycoons) in Cambodia. Based on company profiles and interviews, we know that many are Chinese descendants and of Cambodia-Chinese ethnicity. Interestingly, all top 10 predominant businessmen and women as classified by WikiLeaKs, who are leaders in the Cambodian Chamber of Commerce (CCC) and have a vast share of the nation’s economy, are Chinese descendants born in Cambodia.⁴⁰ These *Oknhas* have close links to senior officials in

various government institutions and are further bound by marriages and business partnerships. They often support their family name association and dialect association, and actively share involvement in charitable activities like the Cambodian Red Cross.

ETHNIC CHINESE ENTREPRENEURSHIP

According to Yeung's (2004) examination of Chinese Capitalism in a global era, ethnic Chinese people in East and Southeast Asia have engaged in a distinctive form of economic organization through which an informal array of Chinese entrepreneurs, traders, financiers and their closely-knit networks of family members and friends have come to dominate the economic sphere of every host economy. Such business practices may be rooted in the cultural norms and social values of the traditional Chinese society in mainland China, and this form of economic organization has evolved and adapted to different institutional contexts and political-economic conditions in the host Asian economies.⁴¹ In the Cambodian context, ethnic Chinese entrepreneurship is dually embedded in the historically developed practices of Chinese business organization, on the one hand, and in the Cambodian sociopolitical and economic context, on the other hand.⁴²

Before the decline of the Angkor Empire, Khmer women played an important role in the economic sector while Khmer men were interested in political careers. This division of labour led to relative harmony in Khmer-Chinese relations, while intermarriage both facilitated the development of trade networks and furthered Chinese integration into Cambodian society. Zhou Daguan, a thirteenth century observer to the Kingdom, described that most Chinese migrants were male and "took a Khmer wife in order to trade, because the trade at the time was completely in the hands of women, active in the economy as market traders; while Khmer men traditionally eschewed commerce in favor of political careers. Such intermarriage patterns continued until the early twentieth century."⁴³

The close links between Chinese power and royal clout was later considered threatening to the French administration. The French introduced financial reforms and a ban on gambling and private opium farming (official opium farms for "medicinal purposes" were set up by the French). These reforms succeeded in weakening the power of their Chinese rivals, allowed colonial monitoring of tax revenue, and thereby

opened the way for French investment. However, under colonial rule, the Chinese gained more opportunities to expand their traditional role due to the growth of a European consumer market, the development of road networks and the promotion of commercial growth.⁴⁴ The popular Chinese occupations recorded by the colonial administration were petty trade, shop keeping, and running food-stalls. Market stalls selling porcelain, silks and spices were supplied by Chinese trading ships “constantly” offloading in 1860 in Kampot.⁴⁵

Although the Chinese had certainly monopolized trade and commerce, many Chinese and the majority of Sino-Khmers were farmers, notably in Kandal, Kompong Thom, Takeo and Prey Veng.⁴⁶ Indeed, Chinese and Sino-Khmer pre-eminence in fruit and vegetable farming (Chamka), and Khmer pre-eminence in rice-farming (Tweu srae) was a traditional division of labour in the pre-colonial economy.⁴⁷ As part of their paternalistic policy, to protect the Khmer population and to stimulate entrepreneurial spirit, the French restricted the Chinese with prohibitions on land ownership and certain occupations. French protectionism and a colonial horror of ethnic ambiguity, led the French to establish legislation in 1929, which mapped new boundaries between the Chinese and Khmer communities by banning the Chinese from farm work. It was no longer possible, in the bureaucratic calculus, to be a farmer and to be Chinese. Ethnic Chinese who wanted to continue rice farming could do so, but only by becoming Khmer and thus fitting into the colonial administration’s vision of a neatly delineated, ethnically divided Cambodia. This legal shift drove increasing numbers of Chinese into commerce, notably trade and finance.⁴⁸

There were no official credit institutions in pre-colonial Cambodia. In rural areas the Chinese financed rice production by lending to Khmer farmers, often at exorbitant rates. While some Chinese remained in the countryside, merely switching livelihoods, others moved to the cities.⁴⁹ Local people had a saying about this shift: “Chinese approaching market places, while Khmer approaching ghost [សំបុត្រស្រាវជ្រាវ].” An 83-year-old man who lives in a rural area of Kampong Cham Province and claims to have Chinese blood, explained that many older generations noted that Chinese people always came to settle in urban areas or village centres by first renting a local resident’s house to start their small business, such as selling spices, trading agricultural products and lending money to the locals. Day by day, their businesses expanded.⁵⁰ Then they bought that rented house or land to build their own house

and continued their businesses. By selling their houses, Khmer people moved to settle their farms near or in open forest area that is far away from the urban area and considered haunted by ghosts or spirits. This is one of the ways Chinese people became known as urban dwellers in the commercial sector by local Khmer.

As skilled traders, the Chinese have been considered by the Khmer as dishonest or unfair to do businesses with. Local people always say: “Be careful of Chinese cheats [ប្រយ័ត្នចាញ់រោកចិន ឬប្រយ័ត្នចិនរោក].” Chinese merchants are generally regarded as having tricks for gaining profit. The behaviour of Chinese people in doing business is well known since French Colonial times. Some colonial governors and entrepreneurs cashed in on the Chinese trade to stimulate the Cambodian economy. Such schemes often created specialized Chinese farming communities, such as a 1903 programme for the establishment of three Chinese “colonies” in Kampong Cham for the cultivation of cotton and tobacco.⁵¹ Some colonial administrators opposed such schemes and argued that the “guileless” Khmer should be protected from the “unscrupulous” Chinese. Their attitudes were translated into colonial practice: the introduction of mathematics to the curricula of Buddhist temple schools was rationalized as a means of ensuring Khmers could protect themselves against the trickery of the Chinese abacus.⁵²

Many Chinese migrants came to Cambodia out of hardship and found themselves in work. Among those interviewed, almost all responded that they arrived in Cambodia with nothing, but it was easy to make a living in Cambodia. Most began by working as a labourer for a family or doing business and saving until they had enough to start their own cottage industry. From small beginnings—like making cakes, weaving fans or selling small items door to door—they would slowly build up enough to rent a market stall, then to open their own shop. One 93-year-old man interviewed, Kov, escaped from the Japanese and starvation in his homeland of China and migrated to Cambodia in 1938.⁵³ When he arrived in Cambodia, he lived with and worked for his uncle’s family for about half a year. He began trading with local people by carrying *slar marluo* and other things to sell to or exchange with agricultural products. He married the daughter of Khmer-Chinese in 1947 and continued his businesses. He began farming, mainly grew cotton, and became economically secure until the Khmer Rouge came to power in 1975. After the Khmer Rouge regime, his family opened a small grocery store in Kampong Cham Province. Now he and his wife

live with their daughter's family in the district and they have a store to sell agricultural chemical fertilizers and construction materials. They now also have some hectares of rubber plantation. This story is typical of first-generation Chinese in Cambodia reflecting on the poverty that they experienced in China.

Chinese in Cambodia have become hard working and diligent after decades of hardship and persecution. One man born to a well-to-do Khmer-Chinese family proudly said that "If you are raised in a Chinese family, you are definitely raised to be businessman; not for the working class."⁵⁴ Modern-day Chinese in Cambodia have become known for their ambitious business practices.

Survival and a Sufficient Family Business Group

Many retail sellers on street-side stores or in small market stalls and small family-based production handicraft owners seem to set up a business for survival and then for sufficiency for the whole family. These business practitioners generally started a business with very little money and support from their parents or relatives, or an inheritance from the older generation. They generally have their parents, grandparents or relatives involved as retail sellers at home, the market or in small family-based production handicraft. Opportunely, they learned and gained experience in their family business practices that drove them to start the same or a similar business, or continue their parents' business. Culturally, small business families encourage their children to be business people, because they know that doing business can earn money more or less every day. They also learned that working for other private companies or for the government gives less income than running your own business, and it requires a lot study and certain skills. Chinese families in these types of business often gift their children with stores, houses and financial capital to set up a business after marriage. This practice is similar to that of rural Khmer families who often give children a part of a rice field, a pair of cattle and cows to start farming. However, this depends on their children's interests and opportunities as not all succeed in business.

Our research and observations revealed that such practices are abundant. The Chinese moon cake bakery, LSH, located in a central part of Phnom Penh is an example. This bakery owner's grandparents' family, who were skilled at baking Chinese moon cakes, migrated from mainland China in the 1930s with nothing. They opened a moon cake shop

and passed on their baking skills to their son, her father. The bakery kept running till the seventies. After the Khmer Rouge, her family moved from Soung Commune, Tbong Khmum District (now Soung city in the Tbong Khmum Province) to Phnom Penh in the mid-1980s to settle and start making moon cakes in exchange for rice and other basics. One of seven children LSH always helped her father to make cakes. In the late 1980s, she got married. A year later she decided to live separately from her parents. Her parents gave her some gold (1.5 damloeng) to buy a flat, she later transformed into a moon cake bakery and apartment where she still lives today.

LSH has three children, all can speak Techeu, Mandarin and some English. One of the children got the opportunity to live and study in USA through the US green card programme; one is working for a private company as an estate agent, and the oldest one named Tee, who is 27, is helping in his parents' business. Asked whether she would like to expand her business she responded, "I am old now. I don't want to do anything bigger than this. It is tiring to manage this cake shop." She added that she would let Tee decide what to do with the business, because only he could continue the handicraft. Tee's answer to the same questions was, "I want to extend the business, but I am not confident because I don't have much financial capital and there are also many competitors currently." He said, "Every day I work hard to produce cake for existing customers, so it is very hard to extend the business as we don't have many family members to help." With these reasons, he gives a Cambodian proverb saying "drop by drop would be full a tub". That implies that one should not take risks to make thing bigger or better without sufficient means, but just maintain what has been done before and keep doing it properly.

A Powerful Family Business Group

Traditionally, powerful family business groups are particularly influential in the Cambodian import-export business, banking sector, hotels, restaurants, media, telecommunications, construction and land concessions.

We provide here the case of Ms. Ho, a powerful business tycoon. Ms. Ho was born in the 1960s in Sihanoukville Province in a Teochew ethnic family. Her family was split up during the Khmer Rouge period, and she was put in a labour camp in the mountains near Kampot with other children. She was one of a few of the 275 children in the camp who

survived. After the Khmer Rouge, she learned that her father and two siblings had died. She was reunited with her mother, sister and younger brother, and started growing rice, which her family used to brew into white wine. Later, her mother got married to a local fisherman. At first, she stayed at home selling noodles while her husband worked as a fisherman, but an opportunity soon arose. Large ships started coming in from Singapore, selling electronics, liquor and cigarettes on Koh Rung Island, some 20 km offshore. Her stepfather with his small boat used to buy goods on the island, which they would bring to the shore to sell. “Ms. Ho decided to move to Koh Rung Island.” She stayed on the island for 5 years.⁵⁵ Every night her group of men would take small boats and go to Sihanoukville to sell the products.

In 1987 the political situation stabilized and the government introduced a tax system. Ms. Ho moved from Koh Rung to Sihanoukville as the ships from Singapore started to arrive at the Cambodian coast directly for the first time. She said, “After I paid tax, the middlemen from Phnom Penh would buy my products. But the profit was small, so I opened a warehouse in Phnom Penh and became a wholesaler. Later I also opened a big shop. However, with electronics you only sell to a person once in a couple of years. So I, along with some Singaporeans and local business partners, started to distribute Hennessy, Johnnie Walker and Heineken [alcohol brands]. This was the start of Attwood Import & Export. In the early 1990s we officially became the sole distributor in Cambodia.” Ms. Ho set up 13 regional distribution centres throughout Cambodia and soon noticed a growing number of tourists coming to Siem Reap, so she opened the Casa Angkor Boutique Hotel, where she often joined meetings of businessmen and government officials. Attwood Import & Export Co., Ltd, the official distributor in Cambodia for international popular brands of beer and whisky, opened for business in 1994 in Phnom Penh in a 6 × 4 m room on Kampuchea Krom Boulevard with six employees. As the business quickly grew to 300 employees, Ho bought a plot of land along Pochentong Road and built the Attwood Business Centre along with an adjacent housing estate of 136 luxury villas in 2004.

Since then, Ms. Ho’s business group has diversified into property and infrastructure development, hotels and catering, leisure, shopping, entertainment and hospitality. Ho serves as a member of the Central Committee of the Cambodian Red Cross, as well as a vice-president of both the Phnom Penh Chamber of Commerce and the Cambodia Chamber of Commerce. Like most of Cambodia’s business elite, the

so-called *Oknha*, she is one of Cambodia's most well connected businesswomen in economic and political society of Cambodia. She occupies high post on the Cambodian Chamber of Commerce, and supposedly has close links to senior officials in various government institutions ruled by Cambodian People Party.

However, Ms. Ho expresses that "The key to success is focusing on where you want your business to go, saving a lot and working hard to get there,". Are Chinese people naturally prone to business success? Yes, Ho says: "Chinese are very hard-working and don't spend a lot of money, but save it for later. Business is in our blood." While Ho is an ethnic Chinese, but she is proud of her Khmer nationality. She suffered the hardships and those difficulties during the Khmer Rouge period defined her and helped shape not only her personal determination, but what we now can call modern Cambodia. "I feel Khmer, but everybody calls me Chinese. I speak the Teochew dialect, but I cannot read or write, and I don't speak Mandarin. "I've been in China, but only for a holiday. My mother and father are from Cambodia, and I am a Cambodian," she said.

A CORPORATE FAMILY BUSINESS TRANSFORMATION

Transformation group is young entrepreneurs mostly emerges early 2000s and developed themselves according to the state policy of encouraging local entrepreneurs in the purposes of supporting the national economic grow, and committed for a more standard corporate business culture rather than traditional family business culture, in order to raise the quality and sustainability of local enterprises and thus contributing to the development of the county's local economy to benefit from the coming of ASEAN integration and globalization. Individuals in this group generally start their business after they have been working for private companies, NGOs, or other business organizations from some years.

Currently there are hundred enterprises that are participating in a more standard corporate business culture. According to CEO Master Club, there are more than 180 active entrepreneurs who are actually all Chinese descendants ready to transform their businesses from a family business culture to a more standard corporate business culture in order to raise the quality and sustainability of local enterprises and thus contributing to the development of the county's local economy to benefit from the approaching of ASEAN integration and globalization. The

CEO Master Club has a huge network with other business associations in Cambodia including Cambodian Investors Club (CIC), Young Entrepreneur Association of Cambodia (YEAC), Women Entrepreneur Association of Cambodia (WEAC), Business Network International (BNI), Junior Chamber International (JCI), Cambodia Values & Estate Agents Association (CVEA), and Cambodia Chamber of Commerce (CCC). To benefit and connect to the world, CEO Master Club expand its member networks from Cambodia to other countries and have now appointed a number of our international ambassadors for this expansion.

Here, we can give an example of a successful medium enterprise owner, LyLy Food Industry, Co., Ltd. to illustrate this case. Ms. KM is like some other hundred entrepreneurs who started their business in the nineties. KM speaks a little bit of Chinese and a little bit of English. She was born in 1970s in a Techeu dialect family in the Borseth District in Kampong Speu Province. After Khmer Rouge period in 1981, her family moved to Phnom Penh and then opened a small traditional family business at a flat near O Rusey market selling drinks, crackers and some groceries. She left school at grade nine because she was responsible for supporting her family. Her mother was in bad health but this motivated her, and she completed short courses to help develop her ideas and get job. She got married in 1993 and continued helping her parents.

One day, she met a Singaporean businessman who had a company that imported drinks and crackers. One day he told her, “your business would not make you rich; why don’t you find a product that you can sell exclusively yourself? If you do, your business will grow fast.” She claimed that she always kept his words in mind. In 1995, she found a job with that Singaporean company. Working with the company for some years, she came up with the idea of producing crackers in Cambodia rather than having to import them. Because Cambodia has a lot of raw materials such as rice and corn, she tried to explore how to make them until one day she met another Singaporean businessman who imported machinery to Cambodia. Then she introduced her cracker production idea to that businessman. Later, that businessman found that there was a kind of cracker manufacturing machinery in China. In 1999, they agreed to set up a small cracker-manufacturing handicraft by using a secondhand machine bought from China with technical support from Chinese expert. KM had 10% share in that production and became a

representative of the Company in Cambodia. The joint venture in such business was spited up in 2001.

In 2002, with support from her relative, KM began a small food manufacturing business, producing jasmine rice crackers in small quantities KM said, “I initially encountered a lot of problems such as insufficient knowledge and skills in staff management and financing, as well as in technical experience controlling machinery. I also struggled with capital. I had to sell my house to collect enough money to run the company, which cost me around \$100,000 in the beginning. But I made an effort to solve all these problems because I believed in the business opportunity that I’d envisioned”. KM has led her company to become one of the most well-known local food producers and she decided to expand her business in 2005 after the Ministry of Industry, Mines and Energy, the Asian Productivity Organization (APO a business capacity building agency working in developing economies) and United Nations Industrial Development Organization (UPIIDO a specialized agency of the United Nations (UN) with a mandate for facilitating industrial development in emerging economies) selected her enterprise to implement the Cleaner Production project. Fortunately, that selection provided her a lot of technical assistance and funds to develop the technology, while her products increased in popularity. When LyLy was selected, quality and production increased,” she said, adding that it has gained a strong reputation and that it has gradually become associated with healthy and delicious food.

LyLy has expanded to international markets such as the United States of America and the Republic of the Union of Myanmar. This international success has prompted further growth, and by the end of 2014 LyLy completed a second move to a new location encompassing a 20,000 m² facility, which will provide further employment for hundreds of additional people. Subsequently, LyLy Food has become one of the most well-known local producers of Jasmine rice snacks in the country while supporting local producers and employing hundreds of previously unemployed people. At the same time, KM and the company she founded have become role models for how to establish a successful SME in Cambodia as well as in the Association of Southeast Asian Nations (ASEAN) region.⁵⁶

The younger generation is keen to participate in the transformation of their family business to engage in new technology and global markets. They bring with them experience in corporate culture and try to break from Chinese traditional way seen to belong to older generations.

Older generations maintain their networks and patronage systems still remembering the struggles through war, unstable politics, poverty and repression. This at times challenges the new international concepts of transparency, accountability, and good governance promoted by international agencies, investors, and non-government organizations.⁵⁷

CONCLUSION

Cambodian Chinese have a varied history over the centuries occupying the economic sphere of influence. In general, they have integrated into Khmer culture. Despite at times being labeled as ethnic minorities, they have gained prominence in economic and culture spheres. Since the decline of the Angkor civilization, only the Khmer Rouge regime eliminated a capitalist system and had a severe impact on Cambodian Chinese business and economic influence. Survivors returned to trade across the Thai—Cambodia border and returned to cities to open urban marketplace as soon as the regime fell. The rise in Cambodian Chinese business and economic influence coincided with resurgence in identity and cultural heritage. By the early 1990s, prominent successful businesses joined the ranks of *Oknba* with significant economic and political influence. As business opened to regional and global markets, the *Oknba* and Cambodian Chinese businesses led the way to open up trade and investment especially from ASEAN countries and Eastern Asia.

The foundation of Chinese Cambodian business is based on networks that dominate the nation's economy. Adaptability and resilience has enabled survival, and dominance, through different economic and political contexts. Survival strategies rooted in Chinese tradition, belief, trust-based networks and organized associations were passed to generations through education and business practice. Schools and newspapers under the management of associations are fundamental to maintaining a Chinese ethnic identity. This identity has become associated with capitalism, differentiating people from Khmer Theravada Buddhists.

In contemporary times, two sectors of Chinese business dominate the Cambodian economy. The tension between older generations relying on patronage and informal networks is challenged by a new generation influenced by international business principles with a desire to engage global markets. Resilience within Cambodian political and economic cycles is identified in three types of business that form the basis

for understanding Chinese Capitalism in Cambodia: small-scale family-based sufficiency businesses, influential prominent businesses leveraging patronage, and new corporate models seeking global markets. The Cambodian Chinese ethnic identity is maintained through economic influence and cultural associations. These factors enable the current dominance of Chinese in the contemporary Cambodian economic and political sphere.

All in all, Chinese Capitalism has embedded with the ethnic Chinese and has been resilient within the Cambodian political and economic context. Indigenous Khmer people had lost the capitalist concept, relying on natural resources and living for share rather than profit orientation for 500 years until now. While the ethnic Chinese have been hard working, thrifty, filial, pious and capable of risk taking so their way of living led them to take advantage of business opportunities and to consolidate many generations in the Cambodian context.

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49. Touch Siphat Interviews, 2013 in Cham Karleur District.
50. Forest in Edwards, *ibid.*, p. 466.
51. Teston and Percheron: 182–183 in Edwards 2009.
52. Touch Siphat interviews, 2011 in Cham Karleur District.
53. Touch Siphat Interview, 2013 in Phnom Penh.
54. At that time, the ships from Singapore could not come to the Cambodian coast directly. It was not safe because there were both Vietnamese and Cambodian military and no government structure, so they came to the island instead.
55. LyLy Food received the award of Marvelous Company by Vietnam on 25 September 2009. LyLy Food’s CEO Ms. KM received the young entrepreneur’s award by the 4th Asian-China Conference on 15 October 2011, Hanoi, Vietnam. LyLy Food received the award for being an Outstanding Member by the GSI of Cambodia on 2 December 2011, Phnom Penh, Cambodia, was granted the Hazard Analysis and Critical Control Points (HACCP) Certification from TUV SUD PSB PTE (Singapore) on 20 May 2013, was granted the Green Industry Award from the Ministry of Industry, Mines and Energy on 20 June 2013, was granted the 5S Award from the Ministry of Industry and Handicraft on 25 April 2014, and was granted the Gold Medal of Taste and Quality from International Taste and Quality Institute in Brussels, Belgium on 5 June 2014.
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Guanxi and Post-Socialist Chinese Business in Pakse, Laos

Wasana La-orngplew

INTRODUCTION

In the twentieth century, Laos was not a very attractive place for the settlement of Chinese.¹ The number of Chinese in Laos had always been small compared to Chinese in other Southeast Asian countries. At the beginning of the 1950s, 10 million Chinese settled in Southeast Asia with only 40,000 Chinese in Laos by 1959.² The number of Chinese in Laos accounted for less than 2% of the country's total population of three million.³ Halpern notes that Chinese communities in Laos were established primarily by those who failed to prosper in Thailand or Vietnam or those who were dissatisfied with conditions in both countries.⁴ Despite a small population, the Chinese successfully dominated the Lao economy during French colonialism. The Chinese accumulated wealth from working in partnership with the French colony. They controlled the major sectors of the Lao economy including banking, industry and trade. Following independence in 1954, the Chinese maintained

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economic privileges under the new government.⁵ In 1959, over 61% of businesses in seven towns in Laos were operated by ethnic Chinese. In some cities, including Paksane, Luang Prabang and Pakse, Chinese controlled more than 80% of the business enterprises in each city.⁶ However, due to the political situation of the 1970s resulting in the victory of the Lao People's Revolutionary Party (LPRP) thousands of Chinese fled from the country.⁷

Chinese run businesses suffered under the new regime. Their economic domination, rather than their ethnic origin, was the major cause for their persecution.⁸ Chinese who remained in the country were forced to limit their economic influence and had to close down many of their businesses. In 1986, after the launch of the New Economic Mechanism (NEM) or *Chintanakan* meaning New Thinking, the situation for the Chinese seemed to improve. The government of Laos, embraced economic development and normalized relations between Laos and China in 1989. Diplomatic visits between the two country's leaders resulted in revitalizing Chinese business in Laos. As noted by Tan, being Chinese was no longer a "big problem".⁹ Many Chinese shops and enterprises gradually established themselves once again. While there were some Sino-Laos who experienced economic struggle, many are today recognized as the country's top business people. However, what remains to be answered is how the Sino-Laos managed to re-establish and expand their economic power after persecution during the 1970s.

This chapter seeks to explore how Sino-Laos and their businesses survived difficult conditions under the LPRP. It identifies strategies employed for survival. Case studies are taken from Sino-Lao businesses in Pakse in southern Laos with special attention paid to the role of *guanxi* networks regarded as essential to business culture by ethnic Chinese. It also investigates how much *guanxi* networks were involved and how they are evolving in business operations in the post-socialist Laos.

GUANXI AND CHINESE BUSINESS

Guanxi refers to interpersonal relationships, ties and networks. Trust and reciprocal obligations are recognized as norms of *guanxi* relationships. There are common notions recognizing *guanxi* as a cultural element embedded in Chinese society. McInnes, an experienced American General Manager of a joint venture company in China, states that "[G]uanxi seems to be the lifeblood of the Chinese business community".¹⁰

Pakse is the capital and most populous city of Champasak Province in southern Laos. Pakse grew significantly under the French rulers who used Pakse as their administrative outpost. The colonial government built a road (Road No. 13) linking Pakse to Vientiane. This road has been upgraded and has become the most important highway in the country linking the north of Laos (the Chinese border) to the south (the Cambodian border).

Prior to the victory of the LPRP in 1975, Pakse was a significant commercial centre in southern Laos. Under control of the LPRP many business people fled. In the 1990s the Pakse revitalized, driven by the regional economic integration of the Greater Mekong Sub-region (GMS) and investment from the Asian Development Bank (ADB). Today Pakse can be considered one of the country's regional economic centres. It is regarded as one of the fastest-growing cities in the modern Lao PDR. Its development is mainly tied to the agriculture and service sectors. Pakse, and Champasak Province, have become attractive to domestic and foreign investors. The Foreign Direct Investment (FDI) approved projects grew from an average of less than US\$10 million a year in the early 2000s to more than US\$50 million by 2010.¹¹ By 2011, more than 300 projects were approved at a value of US\$ 1.07 billion.¹² According to a report from Viet Nam News, by 2013, Champasak provincial authorities had developed more than 2600 ha of land as industrial parks.¹³ In 2015, the government approved a new economic zone located in Pathoumphone and Bachiengchaleunsouk districts of Champasak. The project, developed by Japanese investors, covers an area of 195 ha with a 50-year concession period.¹⁴ Pakse has also experienced a rapid population growth due to economic development. The urban population in 2011 was estimated at 107,600 and predicted to grow to 138,700 by 2020.¹⁵ It is one of the few districts in the country that has net immigration. Most new immigrants are Lao from other parts of the country coming in search of better employment opportunities.¹⁶ Pakse has also experienced a new wave of migration from China. It is estimated that in 2015, around 3000 new Chinese migrants were living in Pakse.^{17,18} The majority of new migrants came from Hunan province. Others came from Guangdong, Guangxi and Fujian. These new migrants run Chinese restaurants and guesthouses or open shops either in the city or along the highway (Road No. 13) selling machinery, mobile phones, electronic items, motor bikes and other consumer items mainly imported from China.

HISTORY OF THE CHINESE IN PAKSE

The history of Chinese communities in Pakse can be traced to the story of Liu Tian Xiu (刘天秀), a Hakka Chinese who left his hometown in Dongguan, Guangdong Province of China to settle in Vietnam. With the French encouragement of Vietnamese migration into Laos, Liu Tian Xiu married a Vietnamese and moved to Pakse in 1906. At that time Pakse's population was very low. Seeing the opportunities Pakse provided, Liu Tian Xiu sent a letter back to his hometown in Guangdong inviting relatives and friends to come to Pakse. Since then, the number of Chinese, mainly Hakka and Teochew, has gradually increased. The Chinese who settled in Pakse mainly came from Guangdong province arriving through Saigon, Vietnam. Many began working as coolies when they first arrived. Later they were able to establish their own businesses. By 1930, Chinese communities had grown significantly and communities established two Chinese schools that provided primary education in Hakka and Teochew, which merged in 1939.¹⁹

From 1940 to the early 1970s, Pakse became a significant commercial centre in southern Laos. Economic activities in Pakse were booming. Pakse had a Chinese market located around 200 metres from the Sedon River which is a branch of the Mekong River. The market was surrounded by various shops, mostly run by Chinese. By 1959, an estimated 390 businesses were established in Pakse, 372 owned by Chinese.²⁰ Chinese settlers ran restaurants, hotels, gold shops, photo shops, construction material shops, consumer goods, a movie theatre, a family-run ice cream factory, and even a family-run sweet factory. Some Chinese accumulated their wealth from being brokers in various agricultural trades, namely rice, beans and coffee. Some earned money from logging and sawmills while others established connections with Champasak's elite and benefited from semi-legal activities. For example, Grant Evans noted the existence of semi-legal casinos operated by Chinese businessmen in Pakse and Savannakhet, from which Prince Boun Oum Na Champasak received a share of the profit.^{21,22}

Continual migration of Chinese from Guangdong Province, Vietnam's Saigon, Cambodia and Thailand led to over 800 households with a population of over 10,000 by 1975.^{23,24} The Chinese population at this time in Pakse's town exceeded the number of ethnic Lao. The Chinese language was used prevalently by both Chinese and non-Chinese. The Pakse Chinese School was also very famous at that

time. It offered both primary and secondary education. More than 1400 students went to the Chinese school, 300 of which were boarding students. Its students were not only local pupils but also descendants of Chinese who had settled in Thakhek (Khammaouane Province), Savannakhet or even the capital, Vientiane. Many students came from Thailand's northeastern provinces, including Ubon Ratchthani, Surin, Nakhon Phanom and Buriram.

By the 1970s, the political situation led to major change in Pakse. Worried about the conflict, some wealthy Chinese sent their children to Taiwan and many planned to leave Pakse. After 1975, the new government paid particular attention to the Chinese because of their successful engagement in commercial activities. Five successful Chinese businessmen from Pakse were sent to a re-education camp to be inculcated in the new political orthodoxy.²⁵ Most Chinese, especially those who were rich or had close connections with people under the previous regime, fled from Pakse. Many were robbed and killed while they were escaping. Some Chinese settled in France, Australia, Canada, the USA or Thailand. The number of Chinese in Pakse dramatically dropped to 400.²⁶ The number of students at the Chinese school dropped from almost 1500 to only a few hundred. The management of the Chinese school was taken over by the new government and was required to use the Lao language. Some classes used two versions of text books: one for showing to the Ministry of Education while the other was used for actual teaching. From 1975 until the beginning of the 1980s, during the conflict between China and Vietnam, all signs of Chinese culture and traditions were banned. Chinese New Year celebrations at the Chinese school were forbidden. Pakse turned from one of the country's major economic centres to a quiet town.

Chinese Business Under the New Regime

After the 1975 revolution, the Chinese lost their economic privileges in commercial activities. Business enterprises, such as small shops and large sawmills, were closed down as their owners fled the country. For those who still remained in Pakse, their businesses were forced to close. One Sino-Lao noted that, although his father did not leave Pakse, his family's sweet factory which had previously supplied sweets to shops throughout Pakse, Salavan and Attapeu had to be closed down as their customers had fled from Laos.²⁷

Following the LPPR take over, both Laos and Chinese encountered economic difficulties. Many had to sell their assets. Prior to the 1975 revolution, both Laos and Chinese had a keen interest in buying gold. Facing hardship under the new regime, however, cash was necessary and they had no choice but to sell their gold at whatever price a buyer offered. Some people, who were familiar to the Chinese, pledged gold as security against a loan. But some failed to pay off the loan. Some gold was resold on the black market while some remained with the Chinese. According to information from a Sino-Lao who is now an owner of a gold shop, many Chinese were involved in this business in varying degrees.²⁸

By the early 1980s, ethnic Chinese in Laos found a new channel to make a living in truck transportation. Some Chinese were hired by the new government to transport state equipment and materials. One Sino-Lao businessman interviewed said that he spent most of the time outside Pakse transporting equipment, rice and other items for the government. This provided him with a channel to get to know other truck drivers and some officials. While transporting the items for the government, he also sought his own business opportunities. In the back of his truck, along with the government's items, he also transported his own goods to sell in Savannakhet. Although not officially permitted, he could manage to deal with some officials without problems.²⁹

Under the LPRP, the emergence of dual markets of the official state trade and black markets served the population facing a shortage of food and other necessary commodities. The Lao economy relied heavily on black-market trade which the new government was unable to control. Commodity prices in the black market were much higher than prices in the state market. One observer recorded that the price of rice in the black market in 1976 was four times higher than the price determined by the government.³⁰ The gap widened to nearly nine times in 1979. Some Chinese, who remained in the country, could see and grasp business opportunities emerging under control of the LPRP. Many Sino-Laos in Pakse noted that they traded in the black market. The commodities they sold ranged from food, consumer goods, fuel, bike spare parts and small construction materials. All the commodities were smuggled across the border from Thailand. These underground activities were conducted through cross-border networks comprised of Sino-Lao, Chinese in Thailand's border towns and local people living near the border. Risk of trading in the black market was high but the profits were also highly attractive. Trading in the black market was considered to be the

only way to survive and accumulate wealth. Some Sino-Laos noted that they used capital accumulated in this period for establishing and expanding their business in a market-led economy.

Sino-Lao Business Under an Open Economy

Following relaxation of economic control and the adoption of the NEM, Sino-Lao began to reopen their shops. Some Chinese moved from smuggling in the black market to legalized cross-border trade. There were, however, some Sino-Laos who continued to trade in both. Though the government's control of Chinese and their businesses was relaxed, the Chinese felt that the officials still kept an eye on their businesses. Shops and business enterprises run by Chinese seemed to face greater obstacles than those owned by Laos or Vietnamese. Chinese who had married Laos registered their shops under their spouse's name. Other Sino-Laos hired a local Lao to register the business for them. During this period, the main commodities were consumer items, such as bike components and small construction materials. It is said that those Chinese who ran a shop in this period generally could make a large profit in a short period of time due to high market demand while the number of shops were limited.³¹

Pakse has grown gradually since the mid-1900s and has now become a significant regional commercial centre. However, its economic activities are no longer controlled by the Chinese. Pakse's downtown has shifted from the old Chinese market area to the *Daoheuang* owned by a Vietnamese businesswoman. Prior to the 1975 revolution, all gold shops belonged to the Chinese. Currently there are more than a hundred gold shops in Pakse but only around eight to nine shops are in the hands of the Sino-Lao.³² In 1959, all hotels in Pakse were under control of the Chinese.³³ Today, the hotel and guesthouse market in Pakse is no longer dominated by the Chinese.

The limitations to Chinese domination of commercial activities do not hinder the ability to grasp economic opportunities emerging under the country's "open" economy. For example, the largest construction material store is owned by a Sino-Lao. The luxury hotel, where ministers and senior officials stay during their official visits to Champasak Province, is owned by a Sino-Lao. Another Sino-Lao has a monopoly on sand dredging from the Mekong River. One Chinese businessman owns a rice mill and four gold shops. Well-recognized construction companies are also under control of Sino-Laos. Four out of the top five leading Sino-Lao businessmen

in Pakse have operated a construction store and/or construction company. These four businessmen include Houa Seng-aloun (Tangchaleun Group), Xaiyapet Mahaxai (Mahaxai Group), Boonheng Lor (Kaenchanh Group), and Lim Sen Yeng. A summary of the business details of these prominent businessmen follows.

Houa Seng-aloun or Tang Houa is the President of the Tangchaleun Group. Tang Houa runs various businesses including an import-export enterprise, a supermarket, a hotel, a construction material store and a construction company. His Tangchaleun Group receives construction contracts for many government projects, mainly road construction and upgrades in most of the road and bridge construction projects in Pakse district. This local business group has recently been chosen by Vientiane's Public Works and Transportation Department to complete a 9-km road upgrade project in Vientiane, at a cost US\$54 million.³⁴ The group has recently obtained a concession period of 70 years to develop and modernize the existing Paksong market, Champasak Province.³⁵

Tang Houa has one younger brother, Tang Ah or Ah Seng-aloun, who is involved in several business enterprises including a construction material business, a car showroom, a car auto parts store and a hotel. Tang Ah is planning to set up a kidney dialysis centre at Pakse hospital aiming to serve Lao people in the country's southern region of Laos.

Xaiyapet Mahaxai, or Cai Tairen, is the owner of the Mahaxai Homemart regarded as the largest construction material store in Pakse with 130 employees. He recently opened another construction material store in Attapue Province. This newly opened store is smaller and only has 40 employees. The Mahaxai family also owns the Mahaxai Computer Store in Pakse managed by Xaiyapet's younger brother.

Boonheng Lor is the owner of the Kaenchanh Construction Materials Store. His store is on the list of top five largest construction material stores in Pakse. He also has a construction company. It is said that most of the government buildings and offices in Pakse were built by Boonheng's construction company.

Lim Sen Yeng is a Sino-Lao who returned to Laos from France in 1994. In Pakse, he and his sister operate a sand dredging business, the largest in Pakse district. He has a construction company which is involved in construction of cell phone towers, bridges and roads. His contract parties are both government organizations and private companies. He has recently gone into business with a Vientiane based Sino-Lao company. The company imports used machines from Japan and resells them in Laos.

In addition to these highly successful businessmen, there are many Sino-Lao successful businesses in Pakse. A few sawmills and rice mills are operated by Sino-Laos. Some tea and coffee plantations are owned by Sino-Laos. The Chinese also operate shops, minimarts, small and medium-sized construction stores, small and medium-sized hotels, mobile phone shops and gold shops. Thus, while they cannot dominate the economy of Pakse, Sino-Laos can penetrate the economic arena. The following section will discuss business strategies behind the Sino-Lao business successes.

Today, many Sino-Lao businessmen consider diligence and thrift to be the backbone of their achievement. Interestingly, many view these qualities as embedded in Chinese culture. One of the Pakse Chinese Association's committees stated that, "We, Chinese, are rarely poor. We have been taught to value diligence and thrift. We work very hard and spend little money only on necessary things. With these values, though we might face a difficult situation, we will finally find our way to make a living."³⁶ This perspective is shared among other Sino-Laos who consider these qualities as fundamental elements for doing business. They, however, realize that these qualities alone are not sufficient to achieve success in business. The next section summarizes common conditions and strategies employed for the success of Sino-Lao businesses.

One characteristic shared among Sino-Lao businessmen is their adaptability to changing political and business environments. As a response to the new government's control and the emergence of market demand many Chinese went underground. They sought to make money from an absence of the free market. For some Chinese, trading in the black market could provide even more profit than trading in the previous free market. One Sino-Lao businessman, who traded bike spare parts, monosodium glutamate (MSG), bolts, nails, and consumer goods in the black market, revealed that he usually made three times more profit.³⁷ Moving to the black market was the fastest way the Chinese remaining in Pakse could accumulate wealth. They later used capital they accumulated from the black market to set up and expand their businesses in an "open" economy. Following the NEM, fear that Chinese businesses might be attacked by the LPPR was however still prevalent. Sino-Lao either escaped or minimized their risk by hiding the "Chineseness" of their businesses by registering them under a Lao person's name, either their Lao wife, Lao friend, or someone they hired.

In the era of economic regionalization, mainly driven through the GMS programme, there have been new business opportunities emerging in Pakse. Sino-Lao businessmen have demonstrated their ability to adapt to this new business environment. Seeing rising demand for construction materials, many began to open construction shops. Some businessmen transformed business “covertly”, moving to more overtly official business in the 1990s. While other successful businessmen expanded their businesses from construction material shops to construction, gold shops, car dealers and hotels.

Successful Sino-Lao businessmen are those who are quick to adapt to changes in business circumstances. For example, one young Sino-Lao businessman realizing the future of the gold trade noticed that many people were opening gold shops in Pakse and decided to close down the family’s gold shop and establish a construction material store. His store is on a list of the top three largest stores in Pakse. In an interview, he explained that:

At that time there were already so many gold shops. The future of the business did not seem bright. I thought Pakse would soon have too many shops. It would be a big mistake if I waited until the crisis. I looked for a new business idea and a construction material store seemed to have a bright future. So, I moved into this business... If you open a business, you should have a nimble mind. You must look at how your business is going now and how it is likely to go in the future. You must think how you will handle it. If things change, don’t confine yourself to a familiar business that has no future. If change is needed, go for it.³⁸

Another successful businessman who operates a car parts store, a hotel and a construction material store also shares a similar view of the importance of being adaptable to changing business circumstances. He suggests that, “If business conditions change, like you have more competitors or the number of your customers drop, you must consider doing something. You cannot just wait and hope things will get better. If your business future is too dull, you must think whether you should keep it or move to another one that has a brighter future.”³⁹

Successful Sino-Lao businessmen keep their eyes open for new business opportunities. Sino-Laos’ involvement in the hospitality sector is one example. This sector has grown since 2000 due to the huge influx of tourists and investors. Many Sino-Lao businessmen own businesses ranging from small guesthouses to 200-room hotels. One businessman, who runs a bike and motorbike parts shop, invested his savings in a 60-room hotel in 2011. He intends to expand the hotel to have more than 40-rooms

in the near future.⁴⁰ Similarly, one prominent Sino-Lao businessman has expanded his already busy business into the hospitality sector. He has a 78-room hotel which was built 11 years ago. Though he has many other businesses, he considers hotels to be one of the best investment choices: “It is long-term investment. We invest a single lump sum. It may look a lot for a first investment but we can gain for ages. Today, there are so many people coming to Pakse. Why would we let our chance go?”⁴¹

ESTABLISHING CONNECTIONS WITH THE NEW REGIME

The Chinese who remained in Laos after the 1975 revolution experienced hardship under the new government. However, there were some Chinese who established connections with, and earned benefit from, the new regime. Some Chinese developed connections with the new regime’s officials by transporting equipment and materials for the new government. Knowing some officials, even those who were not very high-rank, was very important for making business run smoothly. As one businessman said, “If there is problem, we know who we can ask for help or advice. Or they can take us to someone who might be able to help.”⁴²

Building connections with authorities has proved important for security in post-socialist Laos. Local Lao, Sino-Lao and some officials suggest that one of the significant conditions for their business success is having close connections with the authorities. Many speak of how “they know the governor; they know the right people”. These connections among prominent Sino-Lao businessmen are essential for success. The two major construction companies in Pakse are the Tangchaleun Construction Company and the Kaenchanh Construction Company. Both companies receive construction contracts from the authorities. The Tangchaleun Company works on the construction of bridges, roads and upgrades, while the Kaenchanh Company works on construction of the government’s buildings and offices. The founders of the two companies are said to be on the list of the top richest Sino-Lao in Pakse. Other prominent Sino-Lao businessmen are said to have good relationships with officials or political leaders too. Interpersonal relationships between Sino-Laos and the new regime’s people play quite a significant role for Sino-Lao investors in seeking the government’s permission to operate sawmills, rice mills and coffee plantations.

Knowing the right people is considered to be one of the most important conditions for doing business in post-socialist Laos, where the

legal frameworks and institutions for business transactions are unstable. Some business deals with the state do not follow the legal frameworks.⁴³ Corruption is common place. One Sino-Lao businessman noted that, when he first attempted to start his business 15 years ago, he spent a lot of money entertaining local officials expecting them to give him a licence for a transportation business. His efforts, however, were in vain. After taking friends' advice, he decided to pay around US\$400 as "tea money" to officials in exchange for the licence.⁴⁴ It must be noted that not everyone can directly give money or gifts to officials. Only those who have cultivated relationships can engage directly in these kinds of transactions. For those who are new to the authorities, they require intermediaries and time to build relationships. There are not many Sino-Lao businessmen revealing that they give "tea money" to officials in return for business advantages. Some businessmen consider this practice illegal. Interestingly, gift giving is more acceptable. Many Sino-Laos mentioned that it is common to send gifts to government officials on some special occasions. "Gift giving represents our respect to receivers. We send gifts to them because we think of them as friends or as someone special to us. It is not about a business benefit. It is more about friendship."⁴⁵

Another channel to establish links with state officials is by making a donation to state development projects. An owner of a large business enterprise is expected to donate more money to government projects than those who run a small enterprise. One businessman, who is the owner of a construction company, mentions that over the past 2 years he has donated 800 million LAK (approximately US\$98,250) to the government's road projects. Last year, he donated 250 million LAK (approximately US\$37,900) to the Chinese school.⁴⁶ Donations are explained as ways to help the government develop Lao society. Through donations Sino-Lao businessmen become well-recognized by the authorities. Being a familiar face allows them to get help from officials.

RE-ESTABLISHING LINKS BETWEEN SINO-LAO AND FORMER EMIGRANTS

Since the 1990s, a number of former emigrants have returned, either permanently or temporarily. Chiang and Chen note that some of the returnees come back with money for investing or with new professional acumen.⁴⁷ According to records from the Chinese Association, there are around 300–400 Chinese emigrants returning to Pakse.

Some returnees have been very successful in doing business in the post-socialist era. One prominent Sino-Lao returnee came back with savings he accumulated from his business in Bangkok, Thailand. He has reconnected with his previous networks through Chinese communities and the Chinese Association in Pakse and later became one of the Pakse Chinese Association's committee members. Savings from Bangkok and recently reconnected networks allowed him to set up and run his sawmill smoothly and he obtained permission from the government to establish large-scale coffee and tea plantations in Paksong district.⁴⁸ Another successful returnee is Lim Sen Yeng who returned from France in 1994. He came back with both capital and business experience accumulated through business he did in France (a garment factory) and in French Guiana (vegetable plantations and a restaurant). In Laos, he re-established his old connections through Chinese communities in Savannakhet and Pakse. He also expanded his connections with Lao officials. He began his first business in Savannakhet Province, transporting stone from mines in Savannakhet to Vang Vieng in Vientiane province. On the way back, he purchased cement and other consumer products from Vientiane and sold them in Khammaouane and Savannakhet Provinces. Two years later, he started a construction company. His company has subcontracted construction work projects in various areas such as cell phone towers, bridges and roads. In 1997, he obtained the government's permission to operate sand dredging from the Mekong River. His sand mine is the largest in Pakse. He recently collaborated with a Sino-Lao businessman based in Vientiane to open a used machinery company in Vientiane to import used machines from Japan.

Remittances from Chinese to relatives in Laos help to expand business. For example, take the Kaenchanh business group's founder, Boonheng Lor, a Sino-Lao who married a Lao woman. His business is registered under his wife's name. Boonheng has a brother who fled and settled in the USA where he is now a successful businessman. Boonheng's brother has invested in agricultural business in the USA and China. It is said that, while Boonheng's business expansion is very much associated with connections, support from his brother living abroad was significant at the initial stages of his business.

Houa Seng-aloun of the Tangchaleun Group and Peter Chen or Sackchai Wongmalasith of the Lao World Group collaborate across borders.⁴⁹ Houa is well-recognized as a prominent Sino-Lao-Thai investor. The two groups collaborated on a US\$100 million road upgrade in Pakse

district. The two investors invested with an agreement that the government would repay the companies over a 7-year period.⁵⁰ It should be noted that for many government construction projects, an investor is required to invest initially up front. The government is supposed to repay within the agreed period. However, the government frequently cannot fulfil its promise. This causes problems for small and medium-sized companies with limited working capital. One Sino-Lao businessman, who is the owner of a medium-sized construction company, mentions that he has recently stopped working on government projects due to the government's late repayment.⁵¹ Being able to cooperate with a wealthy business group like the Lao World Group might explain why the Tangchaleun Group can continue working on many of the government's construction projects. For former emigrants, who might have lost their networks after leaving the country, reconnecting with Sino-Lao in Laos allows them to access information and to re-establish their networks.

GUANXI AND THE SINO-LAO BUSINESS

In Chinese, *guanxi* refers to interpersonal relationships, ties and networks. Trust and reciprocal obligations are recognized as norms of *guanxi* relationships. There are common notions recognizing *guanxi* as a cultural element embedded in Chinese society.⁵² Modern communication is used to strengthen business. One prominent businessman states: "In the past, *guanxi* helped us share business information and experience, to look for suppliers and clients. Information spread by word of mouth. Today, there are more sources of information. Now we can get business updates from the internet. I know gold price changes at the same time as a trader in Bangkok."⁵³

This demonstrates a change in the role of *guanxi* networks. This change does not imply that *guanxi* is not significant, rather, in a centralized economy, Sino-Lao businessmen have relied heavily on interpersonal relationships as channels for them to gain access to information, commodities and markets. Since Laos adopted the NEM, legal frameworks and institutions have been steadily established. In this context, one might expect that the role of *guanxi* might decline and business transactions would follow the newly established formal institutions and system. However, *guanxi* is not replaced by these established institutions and regulations. Though new market institutions are established, including a banking system, it is extremely difficult for small and medium-sized enterprises to gain access to

financial support from banks. Thus interpersonal relationships continue to be a significant sources of capital.

It is likely that *guanxi* bases were of particular importance at the initial stages of setting up a business, particularly if there are weak formal institutions. Many businessmen speak of various kinds of assistance from their family and relatives to set up and keep a business running smoothly. However, they realize the significance of constructed *guanxi* for business survival and achievement. Most businessmen refer to political connections as one of the most crucial constructed *guanxi*. Many view political *guanxi* as not being as significant for small trading businesses. In contrast, it is highly important for businesses that take part in state construction projects or natural resource extraction industries, as in the case of the two leading construction companies and the largest sand mine in Pakse. Leading Sino-Lao businessmen attempt to both maintain and cultivate interpersonal social networks with state officials and the political elite. The importance of political *guanxi* in business operations is related to the current structure of the Lao political economy. While the communist government announced its “market-oriented” economic policies, the state still continues to play a significant role in the economic sphere. Legal frameworks and institutions regarding business operations have been gradually developed but there is a gap between legal principles and practice. There is always room for state officials and the political elite to get involved in business transactions. Therefore, political *guanxi* continues to be highly important for business people to obtain access to the state’s resources and to ensure that their businesses run smoothly.

It is important to note that while the *guanxi* networks of Pakse’s Sino-Laos include Chinese living in other parts of the country and abroad, new Chinese migrants from China are excluded from Sino-Laos’ *guanxi* networks. Though both Sino-Laos and new migrants speak Teochew, Sino-Laos differentiate themselves from the newcomers. Most of the new Chinese migrants set up a shop either in Pakse city centre or along the road outside the town. Some Sino-Lao shop owners are concerned about the possible negative impact of the new Chinese migrants on their businesses. This is because the price of commodities sold in the newcomers’ shops is cheaper than the price offered in their shops. They complain about the poor quality of the goods sold by the new migrants. New Chinese are often accused of dishonesty by Sino-Laos, as stated by one businessman:

They [new Chinese migrants] come here to make a profit. They do not care about anything else. They sell goods at a very cheap price. Most of their goods are from China. We all know that Chinese products are poor quality. You might get a cheap phone from their shop. But how long will your phone last? Just a few months! When you want to fix it, you go back to the shop. You might find that the shop has closed down and the shop owner has moved somewhere else. What can you do? You can do nothing. Unlike Sino-Laos, you can trust us. Pakse is our home, we are here. We won't abandon our home. If the phone is broken, you know where to find us. Thus we must do business honestly.⁵⁴

There is no doubt that new Chinese migrants are unable to penetrate into Sino-Laos' *guanxi* networks. One Sino-Lao businessman notes that "They just arrive and we do not know them. How can we trust them?"⁵⁵ Currently, there is no activity, either economic or cultural, shared among the two groups. Most of the Sino-Laos recognize the importance of *guanxi* in business operations. It is likely that most business founders, aged 50 and over, value the importance of interpersonal relationships more than their descendants. The older generations tend to maintain their *guanxi* networks as well as they possibly can. When they make a business decision, they consider not only profit but also maintaining their long-standing relationships. For example, they may continue to keep a deal with a long-term business partner even though the profit earned from that partner may be lower than one offered by another dealer. As the owner of a motorbike spare parts store states:

I try to maintain connections with my old suppliers. We have been doing business together for a long time. We have been through thick and thin together. One of my suppliers from Ubon Ratchathani is an example. At the initial stages of my business, with little money in my pocket, he offered me six-months' credit. When my business did not go well and I had problems with payment he extended the credit to me. When I wanted to send my daughter to a school in Ubon Ratchathani, he helped me to choose a school and took me to see the school's principal. He helped me to look after my daughter while she was studying there. This is why I prefer to maintain business relationships with him. Today, if the price he offers is not much different from another, I just ignore the difference and buy the item from him. If it is significantly different, I talk to him asking him to lower his price. If he can lower it, he gets my order. Going to a new supplier is my last choice.⁵⁶

Sino-Laos from different generations seem to have different views on the importance of maintaining interpersonal relationships. Younger generations generally have a degree from a university either in Laos or abroad so are likely to more attention to profit rather than their parents' *guanxi* networks. A founder of a construction material company said:

I usually deal with my long-lasting partners. I rarely compare prices of products they offer with other suppliers. It's a matter of not only business but long-standing friendship. My daughter is different. She always compares prices from many suppliers. If a price from our supplier is higher than others, she always wants to go with the lowest one. We sometimes have disputes over this issue. I tend to go for less profit instead of cutting down long-term relationships. My daughter always questions why we do not go to the supplier who offers us the best price.⁵⁷

Younger generations, who have begun to take part in the family business want to bring a more market-oriented rational into business practices. However, they face resistance from business management that is still, for the most part, controlled by the older generation. It is likely that when the business is passed onto younger generations, their parents' *guanxi* networks might be less important for future business operations.

CONCLUSION

This chapter outlines the revival of Sino-Lao business in post-socialist Laos, focusing on the Pakse district, Champasak Province in southern Laos. It explores conditions and strategies that the Sino-Lao employ for business operations and identifies three main factors. The first is adaptability to a changing business environment in both the centralized economy and the market-led economy. The second is establishing connections with the new regime's officials and local political leaders. The third is re-establishing links between Sino-Lao and former Chinese emigrants who have returned or who send remittances to Laos. The chapter argues that in post-socialist Laos, *guanxi* or interpersonal relationships, remain important for business operations and expansion. Evidence from Pakse supports the view, proposed by some scholars, of the resilience of *guanxi* in business operations in a market-driven reforming society.⁵⁸ Although there are newly established legal frameworks and institutions for business operations, state officials and political leaders are involved in many business

deals. In this context, cultivating political *guanxi* is considered to be an effective strategy for business survival and expansion. This chapter also argues that a difference in perspective exists between older and younger generations of Sino-Laos regarding the use and importance of *guanxi* in business operations. When it comes to a business decision, the older generations attempt to maintain their long-standing interpersonal relationships although they may get less profit. A business decision made by younger business people, in contrast, is more market-driven.

NOTES

1. Chinese in Laos are classified into two groups: the Chinese and the new Chinese migrants. The term “Chinese” refers to Chinese who immigrated to Laos before the 1980s and their children. “Sino-Lao” is used to refer to this group. Many have been granted Lao citizenship. The term “new Chinese migrants” is applied to those Chinese immigrants from People’s Republic of China (PRC) who have recently migrated to Laos and remain citizen of the PRC.
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17. According to the Hunanese Trading Association in Pakse, up to April 2015, there were approximately 800 new Chinese migrants registering with the association (interview, 25 May 2015).
18. Interview, 8 March 2015 and 21 March 2015.
19. Interview, 7 March 2015.
20. Halpern, *ibid.*: 34.
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An Enquiry into the Nature of Chinese Capitalism and Business Strategies in Myanmar

Khine Tun

INTRODUCTION

Capitalism is an economic system that seeks profit in a market mechanism operated by supply and demand. Competitive capabilities, such as management, innovation, technology and marketing strategies are key factors in the success and failure of a capitalist system or capitalism as a whole. In this chapter, Chinese Capitalism and business strategies in Myanmar will be evaluated by their profit maximization capabilities. The study will analyze both the nature of state capitalism and Chinese people's capitalism on an individual level.

More specifically, the three Chinese projects implemented by State Owned Enterprises (SOEs): Myitsone Dam Hydropower Project by China Power Investment Corporation (CPI), Letpadaung Copper Mine Project by Wanbao Mining Copper Co., Ltd., and China-Myanmar Oil and Gas Pipeline Project by China National Petroleum Corporation and

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a state-backed corporation have been selected for this chapter to examine China's state capitalism.

The chapter will also look closely at two case studies of people's business strategies, implementation and success to investigate Chinese Capitalism at an individual level. Each individual's stories differ due to their diverse backgrounds that range from: ethnic Chinese (Chinese-blooded Myanmar citizens), to temporary Chinese migrants (Chinese as foreign investors), to descendant of old wave migrants (Chinese but born in Myanmar) to newly migrated Chinese. Given their different backgrounds, their capitalist natures are also somehow different.

Sharing an extensive border with China, Myanmar has experienced an extended history of Chinese migration spanning centuries. With the fall of the Ming dynasty in the mid-seventeenth century, many of the Emperor's supporters fled to northern Myanmar. Most Chinese migrants who fled were Yunnanese. Chinese traders in coastal regions of Guangdong and Fujian province who engaged in trade with Myanmar also migrated and settled in Yangon and the southern regions of the country. Many of these migrants were Cantonese and Hokkien. In this chapter, they are classified as old wave migrants. Today many of their descendants have become a mixture of Chinese and indigenous Burmese. Finally, a military coup in 1988 brought a new wave of migrants to Myanmar. Migrants differ in their objectives, the nature of their migration and their assimilation into local culture according to when they migrated. This chapter compares temporary Chinese migrants who reside as foreigners and permanent migrants who have obtained citizenship.¹ The chapter examines (1) how China and the Chinese people in Myanmar have adopted capitalist ideas, (2) how Chinese state capitalism has penetrated Myanmar, and (3) how Chinese migrants have adapted to capitalism.

FUNDAMENTALS OF CHINESE CAPITALIST IDEOLOGY

China has had a long history of written records dating back to 1200 BC. Throughout three and half centuries until the first half of the twentieth century, a series of dynasties ruled through monarchy, feudalism and bureaucratic feudalism, all of which are, indeed, authoritarian practices and far from market mechanism economies. Although various records of the famous Silk Road proved there was a booming Chinese international

trade with the Western world, there has been no evidence that China had a market-driven economic system or capitalist economy.

However, China today can be understood as economically more capitalist than preceding market economies. Looking back centuries ago, business ethics and strategies were already being created by great philosophers, Confucius and Lao-zi, and the famous military general Sun Tzu. Philosophies of Confucius and Lao-zi that focused on social and political issues have been highly influential. These teachings have been adopted and have inspired successful business establishments and operations. Likewise, one and half centuries ago, Sun Tzu created a highly credited military strategy: *The Art of War*. These military strategies have been transformed into creative business strategies and a number of Western authors have also published studies on business strategies referencing *The Art of War*.²

These business practices have long historical roots in Chinese culture spanning many centuries, even though official capitalism, understood as market economy, was only officially installed in the late 1970s.

However, it is Deng Xiaoping, successor to Mao Zedong of the Chinese Communist revolution, who officially initiated economic transformation in China: from a centrally-controlled economy to a market system in the late seventies. A famous economic question posed by Deng Xiaoping is, “Why is it that a communist country cannot establish a market system while capitalist economies apply a planning process?” The new economic model, known as the socialist market economy, was created as a mixture of state and market usually labelled as a form of hybrid capitalism—a combination of home-grown philosophy and imported ideology. China has been historically able to display a capacity for absorbing foreign ideas and influences, and transforming them into parts of its native value system. For example, the Chinese Communist Party has been attempting to adopt ideological transformation from abroad such as “Chinese Marxism” or “Chinese Socialism”.³

The transformation of SOEs has played an important role in the implementation of hybrid capitalism and China’s economic growth over the past 3 decades. Many SOEs have transformed into corporations that require capitalist strategies and capacities for competition and profitability. Initially China’s SOEs were subsidized by the state with support systems, including easy admission to licence approvals, being favoured for public sector contracts and projects, and access to low-cost bank

financing. Competition has been increasingly severe among SOEs, private enterprises and foreign-invested companies.⁴

Due to a limited domestic investment environment, accumulated foreign exchange reserves and the need to penetrate overseas markets and secure resources, both state-owned and private companies were encouraged to step up their investment abroad as per the “Going Out” policy. With back-up from the country’s enormous foreign exchange reserves, the Chinese government was able to support financing of overseas Chinese corporations. Over the past decade, China’s “Going Out” policy encouraged state-owned corporations to concentrate on the acquisition of industrial raw materials and natural resources in foreign countries.⁵ Myanmar was one of the main targets for foreign countries because of its border with China and for its natural resources. China’s increasing energy need was also a decisive factor behind China’s investment in Myanmar’s energy sector. China’s growing mining sector also created demand for natural resources.

By 2001, after China joined the World Trade Organization (WTO), Chinese companies were pressed to accelerate their international competitiveness to benefit from the WTO agreements. Accordingly, Chinese SOEs gained a place among the largest companies in the world, and their competitiveness in the global market was remarkable. In the list of Global Fortune, the number of Chinese companies increased from only nine in the year 2000 to 59 in 2014, positioning China in second place in the world after the United States.⁶

Although it is questionable as to what degree Chinese people understand capitalism or the free market, according to a survey conducted by the Pew Research Center, more than three-quarters of Chinese people agreed that most of them are better off in a free-market economy.⁷ Figure 10.1 reflects the responses of a sample of people from respective countries to the question: are people better off in a free-market economy?⁸

Although the free-market economy in China experienced an increasing gap between rich and poor, the belief Chinese people have in the market as an engine for generating wealth is greater than the belief people have in the market in other more mature market economies, including Americans and Western Europeans.

The capitalist ideology of Chinese individuals, particularly the generation of old wave migrants residing in Myanmar, needs to be understood in light of the specific local context. For centuries, individual Chinese

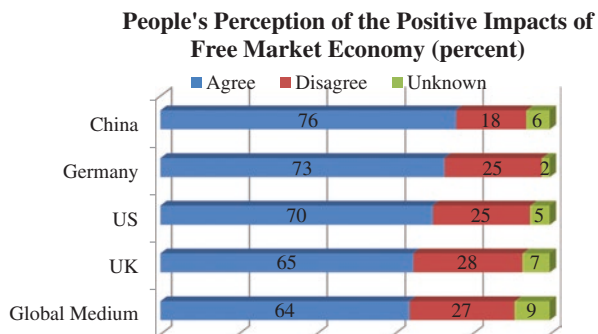


Fig. 10.1 People's perception of the free market (in %)

migrants' business acumen has been a well-known characteristic among the Myanmar people. The earliest Chinese migrants' high wealth-seeking drive has even been appreciated by elderly Myanmar who encourage their juniors to imitate Chinese business acumen saying, "Seek money as Chinese do, save money as Indians do, but don't waste money as Myanmar do." An ethnic Chinese, a third-generation Chinese migrant, once said that his family obeys their ascendants' teaching, uphold it as the family motto, and pass on the motto to their descendants. The motto is "better to die than to live in poverty".

Another push factor for Chinese people in Myanmar to concentrate on business is related to their career opportunities. According to Myanmar's immigration regulation, only third-generation descendants and migrants are eligible to apply for full citizenship status. The second generation is not allowed to continue their education in universities, such as the Medical Institute, Technical Institute or Economic Institute.⁹ They are allowed to graduate only with a Bachelor Degree of Arts or Science. Therefore, the only way to earn their living is to become successful businessmen. Unlike tycoons in Myanmar, Chinese descendants who become wealthy and own businesses are rarely interested in undertaking political careers. Instead, they frequently support politicians that eventually back their businesses.

CHINESE DOMINATION IN MYANMAR'S ECONOMY

While Myanmar in the mid-twentieth century was predicted to be one of the most promising countries in the region, China was in the middle of a civil war between communists and nationalists. Following the civil war, economic policies and strategies of communist China under Mao created poverty in the country. At that time, nobody could predict that China's state capitalism would reach Myanmar.

Socialism in Myanmar was introduced as a market-oriented system with the 1988 military coup. The military government started opening up spaces for the private sector's economic activities, including international trade, and welcomed foreign investments. Although the domestic private sector benefited from the changes, there were very few responses from the international community to the Myanmar government's invitation. Some Western companies tried to engage with the military government but their respective governments' pressure made them withdraw or be reluctant to continue their investments. Similarly, the world's major markets stayed away from trading with Myanmar.

Meanwhile, during this period, China became a consistent investor and trading partner. China viewed Myanmar as a fresh market, especially for the Yunnan Province. With the aim of regional development, trade promotion with Myanmar was initiated by Chinese authorities that recognized that trade constituted the engine of growth in the development of East Asian countries.¹⁰

The Chinese government knew that Myanmar would have a high demand for both consumer goods and capital goods. The China-Myanmar border trade via the Ruili-Muse border check point started in 1990, and it is now responsible for over 60% of the total border trade with Myanmar, according to Ministry of Commerce trade data.¹¹ Myanmar is also a major export market for the Yunnan Province and 77% of its exports have relied on Myanmar.¹² In turn, China has become Myanmar's largest rice export market and accounts for more than 60% of Myanmar's rice export¹³. Despite this bilateral trade, Myanmar has an increasing trade deficit with China.¹⁴

Myanmar is not benefiting as much as China from this trade (see Fig. 10.2). Myanmar's export items to China are valuable resource-based products such as teak and timber, raw jade stones,¹⁵ and rice and fishery products while Myanmar's imports from China comprise plastic wares, low-quality or counterfeit electronic consumer goods and rundown

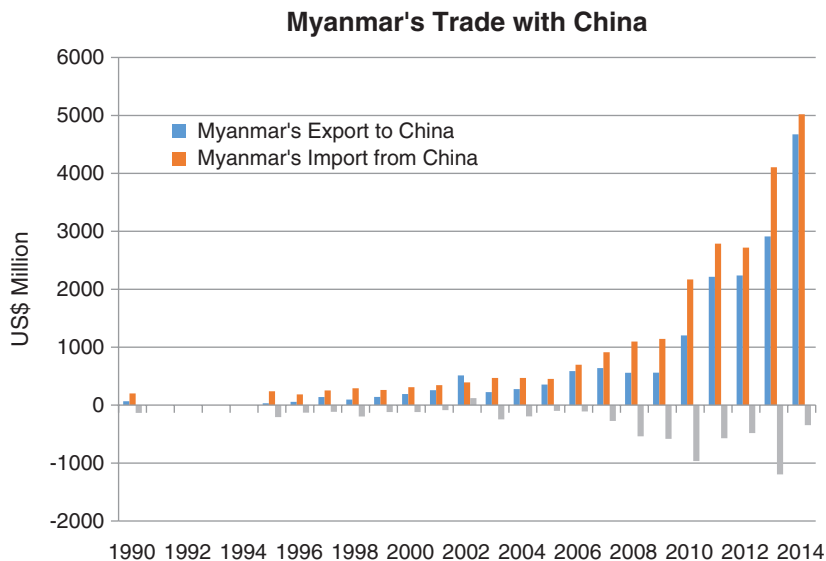


Fig. 10.2 Myanmar's trade with China. *Source* Statistical Yearbooks, Central Statistical Organization of Myanmar

machines and equipment. Myanmar people have phrases for these poorly made products, such as, *tayoke sett* (Chinese machine) and *ta yet soke* (broken in a day). China's capitalist philosophy segments targeted markets to provide low-quality exports in exchange for high-value natural resources.

Chinese investment in Myanmar was negligible in the early nineties; just below US\$100 million or 1.6% of the US\$6 billion of cumulative total foreign direct investment (FDI) in early 1996. After that, China's cumulative amount of investment has continuously increased, to US\$775 million in 2007, US\$1650 million in 2010, and US\$21,867 million in 2015. Share of China's investment has also reached 40%, the largest in Myanmar¹⁶ (See Fig. 10.3).

During 2009–2012 Myanmar was the second largest recipient of investment, after Singapore, among the Southeast Asian countries.¹⁷ The largest portion of Chinese investment in Myanmar has taken place in the resource extract sectors, particularly in the energy and mining sectors.

Approved FDI in Myanmar (as at 31 March 2015)

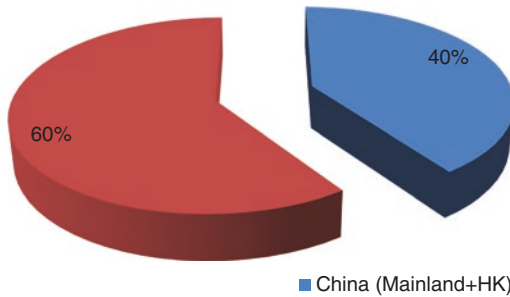


Fig. 10.3 Approved FDI in Myanmar (as at 31 March 2015). *Source* Directorate of Investment and Company Administration

Footprints of Chinese Capitalism in the Strategic Location of Myanmar

If the colonial practice of Western capitalists was based on three M's: "Merchant, Mission and Military", Chinese capitalists' colonialism could be said to be based on a different three M's, "Marketing, Monetization and Migration". With the boom of the Chinese economy, cheap and counterfeit products have penetrated Myanmar's market in an exchange of valuable resources including teak, timber, jade and marine products. Chinese capitalists quickly realized that it is more advantageous for them if they invest in Myanmar's natural resource sectors. Accordingly, huge amount of money in the form of both legal and illegal investments have been brought into Myanmar's economy. Today China has become the largest foreign investor in Myanmar.¹⁸

Chinese migrants and their businesses have been based in Myanmar for many centuries. Most of them have successfully integrated with Myanmar societies, and there have not been any significant conflicts between the Myanmar people and Chinese migrants, except for a riot in 1967 detonated by Mao's Cultural Revolution. The Chinese government's foreign relations policy on Myanmar at that time was dualistic. It had formal relations with the Myanmar government on the one hand and supported the Burma Communist Party, an anti-government armed group, on the other.¹⁹

An aggressive Chinese migration into Myanmar arose in the early 90s when Myanmar changed from a closed door policy to an open one. The

most remarkable destination for massive Chinese migration is Mandalay City, the second largest in Myanmar and the ancient capital during the last kingdom's period. An estimation based on a 1983 population census showed that the Chinese population in the Mandalay Division (comprising 27 Townships) was about 74,400, equivalent to slightly more than 1% of the total population in the Division. According to the Mandalay City Development Committee (MCDC), there are about 2 million Chinese ethnics in Mandalay, about 30–50% of the total population of the main City area.

About 50% of land plots in downtown Mandalay were owned by Chinese ethnics. Whenever a large project proposal, such as a hotel construction or shopping centre was submitted to the MCDC for permission, it was usually without question owned by a Chinese ethnic, said a division head of the Urban and Land Utilization Department of the MCDC.²⁰ Accordingly, more than 50% of economic activities in downtown Mandalay are dominated by Chinese-owned shops, hotels, restaurants and showrooms.

According to a market research company, about 80% of hotels and guesthouses, more than 70% of restaurants, more than 45% of gold and jewellery shops, about 30% of jade and gemstone trading, and almost 100% of sale centres for China-made commodities in Mandalay City are owned and operated by Chinese. Having friends or relatives in mainland China and the ability to easily communicate in the same tongue favours trading and the wholesale market of China-made products. In other words, booming economic capitalism in China supports overseas Chinese in wealth accumulation and to become capitalists abroad. Fresh graduates in outlying areas of Myanmar said that they have fewer job opportunities in large companies in the city unless they can speak and understand Chinese. Therefore, it becomes increasingly necessary for many young people to learn Chinese as a third essential language, after their mother tongue and English.

The second place the Chinese migrated to was Yangon. Chinese employees who do not speak or understand the Myanmar language are now seen working in businesses, such as beauty parlours, Chinese traditional clinics, construction sites and mobile-phone sale centres. The Chinese in Yangon have also been very successful in the real estate business.²¹ Although the majority of the new Chinese migrants in Mandalay brought their wealth with them and operate their own businesses, the new migrants that have migrated to Yangon mostly earn as

much as the labourers or semi-professionals in small-scale Chinese businesses and garment factories. A few of these new Chinese migrants are semi-skilled labourers and temporary migrants entering Myanmar with employment visas. Some, reportedly, stay in Myanmar on fake national registration cards.²²

Case Studies

Myitsone²³ Dam Hydropower Project

A plan of Myitsone Dam project was initiated in 2001 under the name of “Ayeeyarwady Myitsone Dam Multipurpose Water Utilization Project”. It was designed by Myanmar’s Ministry of Electric Power No. (1) and Ministry of Agriculture and Irrigation. Myanmar’s military government’s intention to use Ayeeyarwady River for economic growth and China’s thirst for increasing energy demand resulted in the Confluence Region Hydropower Project (CRHP) that covered a total of seven dams, including the biggest one in Myitsone. The broker service that connects CPI and the Ministry of Electric Power No. (1) of Myanmar is provided by the Asia World Company founded by Kokang Chinese Lo Hsing Han.

There are economic incentives for the Myanmar government, for example receiving 10% of electricity generated, 15% of the project’s shares for land use, and withholding tax and export tax on electricity exported to China. An estimated US\$500 million annual income will be generated for the Myanmar government. For China, a total estimated cost of US\$3.6 billion is to be invested by the CPI over the contracted 50 years to provide 20,000 megawatts of electricity for China.²⁴ After 50 years of operation, the project is supposed to be transferred to Myanmar without any charges. However, Myanmar people believe that the CPI Corporation will receive their investments plus interest back in the form of profit. Moreover, the dams and power plants after having been used for 50 years will be worn-out, and the fear is that Myanmar might become a dumping ground for machinery waste.²⁵

China profits financially from the project without having to incur and worry about the negative environmental impact, the displacement of local people and disadvantages to local people brought about by the dam. Furthermore, because the dam is located less than 100 km from Sagaing fault line there is a high risk of severe flooding caused by an

earthquake that would threaten the lives of hundreds of thousands of people.

As a result, Myanmar people, including academics, artists, environmentalists and politicians have called for the termination of the dam projects situated along the Ayeyardaw River by indicating these issues. Although there have been a series of protests, demonstrations and petitions against dam construction, at the initial stages, the Minister for Electric Power, who was also involved in the contracting process for CRHP, responded through a press conference saying that the government would carry on this project until its completion. The minister's intervention in China's interests is a sign of the close association between Chinese investment representatives and the Myanmar authorities.

Finally, the project was suspended by Myanmar's President in September 2011 via an announcement that reflected the Myanmar people's demand to abandon the project. The postponement of the Myitsone Dam project was a shock for the Chinese government who immediately asked Myanmar's government for legal protection for the rights and interests of Chinese companies and investments. After the Myitsone Dam issue, China's Ministry of Commerce released an instruction and guideline for the first time on 29 September 2012. It is called "Guidance on Social Responsibility of China's International Project"²⁶ and targets overseas Chinese investments.

It is possible that the project might resume once the President's government term is over as investors demonstrated they listened to people's concerns by finding alternative solutions to the aforementioned problems. For example, the Myanmar scientists who carried out the environmental assessment recommended building two smaller dams further upstream instead of building on an earthquake-prone zone.²⁷ However, the Chinese need to understand that there are also other concerns Myanmar people have with the Dam project that go beyond those mentioned earlier. The very first concern is with the centralized decision-making process that did not take into consideration public opinion. The hatred of the dictatorship has been extended to its supporter, China. The second concern is with the project's lack of transparency. Key factors of the project contract are unknown to the people. The third concern is the inadequate compensation for relocated villagers and other stakeholders. Investors might assume that people would simply comply with the authorities' orders, like they do in many cases in China. Unfortunately for the Chinese, the project has occurred when Myanmar is transition

from a military regime to a democratic administration. Probably last but not least, Myanmar people strongly believe that there is no Chinese project that is not exploitative in one form or another. It is important to strongly prove that the project is fairly beneficial to both recipient and investor.²⁸

Letpadaung Copper Mine Project

The Letpadaung copper mine project, together with two other projects was initially contracted to Ivanhoe Mining Company of Canada by forming a joint venture with the military-backed Union of Myanmar Economic Holdings Ltd (UMEHL), and has completed feasibility studies since 1996.²⁹ In 2011, Ivanhoe terminated its on-going project, Sabei copper mining, and transferred it to the Wanbao Mining Co., Ltd, a subsidiary of China's state-owned weapon manufacturer North Industries Corporation (NORINCO). The agreement was received in June 2010 but the project started at the very early stages of the civil government's administration in 2011. As the new government was also formed with representatives of the military government, Wanbao might have thought the project would be accomplished without any difficulty. But villagers relocated from the mine area began a series of protests against mining operation due to their discontent with the resettlement process, compensation plan, environmental and health effects, and the destruction of an important religious site. Additionally, it was reported that a sulfuric acid plant on the mine's property has been rendering the surrounding farmland infertile and leading to an increase in the number of children born blind.³⁰

Wanbao Company did not try to address the protests, because this was supposed to be the responsibility of the Myanmar partner. Finally, the rising anti-mining protest was violently attacked by the government's police force on 29 November 2012. Protesters including villagers, monks and activists were fired at by a combination of water cannons, tear gas, and suspicious white phosphorus which burnt tents, clothes and the skin of victims.³¹ However, cracking down on protesters could not stop the dispute and only increased anti-project sentiment. At that stage, Wanbao could not ignore local people's needs to be compensated, which the Investigation Commission³² on Letpadaung recommended in its report. Instead of the closure of the copper mine, as insisted on by the protesters, the report included a recommendation to revise the mining contract. Wanbao agreed to restructure the profit sharing from the previous

96–49% for developers comprising 30% for the company itself and 19% for its partner UMEHL. The Myanmar government will be handed over a 51% profit share, instead of the previous 4%. The new contract also allocates 2% of profit to local development.³³

The company claimed that it had spent US\$1.8 million on corporate social responsibility (CSR) work in 2013.³⁴ Moreover, the company's door-to-door consultation convinced about 70% of villagers to accept the company's proposal for compensation. The project also adopted an environmental conservation plan as per international standards.

Oil and Gas Pipeline Projects

The Myanmar-China pipelines project was planned to transport crude oil and natural gas from Myanmar's western seaport Kyaukpyu to Kunming in Yunnan Province in China. Similar to the two mega projects—Myitsone Dam and Letpadaung Copper Mine—the dual-pipeline project agreement between the Myanmar government and China National Petroleum Corporation (CNPC) was initiated when the military regime was in power in 2008. A total of 11 oil tankers and a deep seaport were constructed on Maday Island of Kyaukpyu Township to dump crude oil shipped from the Middle East. The construction of the gas pipeline and oil pipeline was completed in June 2013 and August 2014 respectively.³⁵

About 60% of the US\$2.5 billion cost dual-pipeline project was held by CNPC and the remaining was held by the Myanmar government. A maximum of 2 million tons of crude oil was imported to China through the pipeline. Only 20% of natural gas produced in Myanmar's offshore gas field will be allocated annually to Myanmar for its domestic use. For China, the pipelines will be able to transport 12 million tons of crude oil and 12 billion cubic metres of natural gas per year, creating the fourth largest energy transportation route. Moreover, the pipeline project will help China reduce coal-power plants which severely harm the environment. Due to natural gas imported from Myanmar, energy prices in pipeline-reaching areas will be reduced by 13% as reported by China National Radio.³⁶

As the Myanmar-China oil and gas pipeline project is strategically very important, China has tackled the project in a very prudent way. Like the other two projects mentioned earlier, the pipeline project has also has problems and conflicts with local residents along the pipeline route. However, the investors immediately settled disputes. For instance, local people from Kyaukpyu alleged that the project extracts energy resources

from their region and exports abroad even though they do not have a sufficient electricity supply for themselves. In response to local people's protests, the project, without any hesitation, constructed a gasified power plant and installed transmission lines to distribute electric power to local households at a cheaper price. Additionally, an annual contribution of US\$2 million over 30 years was given to the pipeline project's Corporate Social Responsibility programme.³⁷ It seems therefore that the experiences of the Myitsone Dam project and Letpadaung Copper Mine project have taught Chinese capitalists to consider social and environmental factors rather than solely focusing on economic ones.

Huawei or an Acceptable Market Strategist

Although many of China's state-owned corporations's projects involved in resource extraction in Myanmar have been met with resistance, some have been approved by local people. Huawei, a Chinese multinational networking and telecommunications equipment and services company, is an example of China's acceptable market penetration in Myanmar. The company has provided products and services to 45 of the world's fiftieth largest telecom operators deployed in more than 140 countries.³⁸ Although the company stands as a private investment, it is believed to be backed up by the state. In 1996, a suggestion was made that the Chinese government adopt an explicit policy for supporting domestic telecommunication manufacturers and restricting access to foreign competitors.³⁹ Huawei was supported by both the government and the military and promoted as a national champion in the communication sector. The company also classifies itself as a "collective" and does not refer to itself as a private company. Richard McGregor, the author of *The Party: The Secret World of China's Communist Rulers*, said that this is "a definitional distinction that has been essential to the company's receipt of state support at crucial points in its development".⁴⁰ McGregor argues that Huawei's status as a genuine collective is doubtful.⁴¹ Some assume that telecom companies such as BT, Vodafone, Motorola, Orange, T-Mobile, Talk Talk, Portugal Telecom, Cox Communications, Bell Canada and Clearwire are operating in collaboration with Huawei.⁴² Myanmar was once one of the most restricted countries in the telecommunication sector until 2011 when the military government transferred state power to the semi-civilian government.

High-priced and rationed mobile SIM cards became relatively cheaper and more accessible. The telecommunication market previously

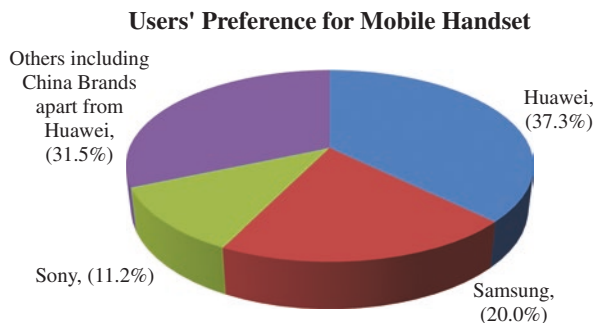


Fig. 10.4 User's preference for mobile handsets

monopolized by the state-owned Myanmar Post and Telecommunication (MPT), was tendered to private service providers: Telenor from Norway and Ooredoo from Qatar. These changes and reforms provided opportunities for Huawei to penetrate into Myanmar's emerging telecom landscape. Telenor has chosen Huawei as its main supplier. Another player, Ooredoo, also provides free SIM cards and supplementary calls with designated models of the Huawei handset. The state-owned MPT contracted with Huawei and two additional companies to build mobile phone towers across the country.

At present, Huawei has become Myanmar's most popular option with a market share of more than 60%.⁴³ In a market survey of 250 mobile users conducted by the Singapore-based Mileage Communication Myanmar, Huawei is at the top of users' preference (See Fig. 10.4).

Similar to crowds queuing in front of Apple stores in many other countries to buy the latest iPhone, hundreds of Myanmar people were waiting outside Huawei's flagship showroom for the grand opening in May 2013. Huawei is well aware that Myanmar consumers are not necessarily hungry for Apple's iPhones but demand cheap handsets with multiple services. Huawei's phone handsets in the price range US\$30–200 meet most of Myanmar people's requirements.

Despite Huawei's success, some government official have indicated their concern that the companies might be posing a security threat. A parliament member from the Parliamentary Committee for Reform and Development Scrutinizing said that, "the parliament is now discussing the telecommunication bylaw. We must protect the security with what

we can. If the companies are posing a threat to the security of the nation, we should oppose doing business with untrustworthy companies".⁴⁴

In conclusion, while Huawei's market penetration into Myanmar was well received by local people, a number of China's state-backed investment projects have been problematic. This might be due to China's inexperience with capitalist practice, a hurried "Going Out" policy, and sticking to communist practice. The approach of China's state-directed investments in other countries seems to forget about stakeholders' interests and perceptions. Communist centralized decision-making practice requires the permission of the respective country's authorities. Chinese capitalist ideas look like antique capitalism oriented towards making profit only. In contrast, modern capitalism considers reciprocal benefits including corporate social responsibility. China's state-guided projects in Myanmar proved to be immature capitalist investments but the ability to learn has improved China's problematic projects.

TRANSFORMATION OF CHINESE CAPITALISM IN MYANMAR

Chinese people from landlocked Yunnan and Guanxi moved overland into Myanmar and settled in upper Myanmar and around the Myanmar-China border. At the same time, the sea trade route between Myanmar and China's coastal regions became a migration route for Chinese from Guangdong and Fujian Provinces. These Chinese migrants initially settled in Myanmar's delta, as well as in coastal regions in the southern part of the country. A massive Chinese migration was observed during the Japanese occupation after the second Sino-Japanese War and during the long civil war between communist and nationalist forces. Mao's infamous Great Leap Forward and Cultural Revolution also pushed many Chinese to flee into foreign countries, including Myanmar. The newest massive Chinese migration took place following Myanmar's adoption of a market-oriented economy in late 1988.

The primary ambition of the older wave of Chinese migrants was to seek free and peaceful lives, not available in China at the time. They tried to adapt and to assimilate with local societies. With having the same religion, Buddhism, and the Myanmar people's hospitality towards guests, this helped Chinese migrants live in harmony with Myanmar communities. The Chinese quickly started penetrating into local markets by introducing their special businesses which were different from those of the local residents. Noodle shops, bakeries, watch repairing services,

cosmetic shops and grocery shops were common Chinese businesses in small towns of Myanmar. Myanmar people very rarely conducted these kinds of businesses at the time, so there was no conflict of interest. Later, migrant Chinese tried to establish more profitable businesses, such as pawnshops and liquor shops. They then gradually expanded their businesses by creating more branches.

When a socialist economic system was introduced with the first military coup all capitalist businesses, with the exception of small grocery shops, were nationalized in February 1963 by the military government named the Revolutionary Council. A number of foreign companies withdrew from Myanmar. Nationalization of privately-owned commercial activities in 1963 and following the Chinese-Myanmar riot in 1967 upset Chinese businesses and forced tens of thousands of Chinese migrants to leave the country.⁴⁵

The Revolutionary Council had the power to nationalize all businesses but could not destroy the business spirit of the people. The Chinese started to re-establish micro-businesses. This time, they never let their businesses grow but created branches under different family members' names. Many of them were also involved in trading, which was actually smuggling in the underground economy during the socialist period and an easy way accumulate wealth. When the economic system changed and was liberalized these hidden businesses and wealth came into view and became large-scale businesses.

Myanmar's education system inadvertently pushed the Chinese into commercial activities. As mentioned earlier, the education system in Myanmar did not allow students to partake in professional education unless they were full citizens. Similarly, public services are also only available to Myanmar citizens and Chinese people are seldom allowed to work as paid labourers in other people's businesses. Therefore, the Chinese responded by setting up their own large- or small-scale businesses. Chinese people in Myanmar are good at running businesses, but Chinese descendants of the old wave are deemed honest and trustworthy, while new migrants are deemed to be the opposite. This is reflected in the following case studies.

City Mart Holding or an Outgrowth of Entrepreneurial Spirit

There is no one person who lives in or visits Yangon that does not know the City Mart Chain Store. Unlike other businesses' success stories, the

City Mart did not receive any special interest or support from authorities. It was the product of a young Chinese woman's entrepreneurial spirit. Ms. Win Win Tint set up her business at 21, in 1996. She is a third-generation Chinese immigrant on her father's side and fifth generation on her mother side. Her grandparents on her mother side migrated from mainland China in the mid-nineteenth century. They were wealthy and celebrated businesspeople. However, the nationalization of the Socialist government in the early 60s and the Myanmar-Chinese riot in the late 60s cleared out their businesses, and pushed their descendants out of the country to seek greener pastures. In addition, these grandparents had died before Ms. Win Win was born. Therefore, she is more attached to her grandparents on her father's side who migrated from China in 1940 due to war-induced hardship. Grandpa was a scholar while grandma was less educated but could manage well for her family. As a scholar, her grandpa could only earn a limited amount so her grandma was responsible for figuring out how to provide for the family needs while also saving money. The most important things she learnt from her grandma were the tales and stories of Chinese heroes and the ethical teachings of famous Chinese scholars, including Confucius. Her grandma's lessons and stories inspired Win Win to be determined and also taught her social and cultural ethics, both of which helped in her businesses later in life. Grandma's blood completely flowed into her son, Ms. Win Win's father. After his marriage to Ms. Win Win's mother, he was working as a paid labourer in a wafer snack factory but quickly moved on to more ambitious business ventures. He went from selling elastic shock cord (nylon-coated rubber rope) in markets to owning his own shop, to setting up an automobile trading business in the local market. Once the economy opened up in 1988 he started to operate an import-export trading company. It was through this last business initiative that Ms. Win Win's father's talent in foreseeing business opportunities, making better income and his wealth accumulation capabilities was discovered. Ms. Win Win was a basic education student at that time so she was just helping her parents but these experiences planted an interest in marketing and trading in her.

After passing her matriculation in 1992, there was no subsequent education as all universities were closed because of the university student uprising in the country. Therefore, she went to study in Singapore where she received an accounting diploma. The initial plan was to continue studying in Australia but she changed the plan when a manager

from Singapore's state-owned supermarket, the NTUC Fairprice Co-operatives Ltd., headhunted her to conduct the same business in Myanmar. The manager promised to help her by working as the general manager in her operation. She accepted and set up the business. In fact, this was innovative and risk taking at the time because people were not familiar with supermarkets that sold daily household goods, including fresh meat, fishes, vegetables and fruit. People were used to bargaining prices at the local markets and doing their daily shopping in residential areas close to their homes.

Ms. Win Win therefore made the decision, with her entrepreneurial spirit, to take a variety of risks. There was no bank which provided loans for such innovative businesses in Myanmar. Sources of finance to establish the City Mart came from, of course, Ms. Win Win's parents and relatives. She rented a place in the south wing of Aung San Stadium and opened the first City Mart. The first one did not make a profit but provided a lot of lessons and experience. Under such circumstances, anyone other than Ms. Win Win might have given up the loss-making business but she did not. From her previous experience in Singapore she realized that a supermarket needed as many branches as possible so she opened an additional City Mart in 1999. Her success started after she opened the third branch. Myanmar's wider openness to the outside world and the change in people's consumption patterns and preferences helped the business take off.

At present, there are a total of 20 branches operating in Yangon, Mandalay and Naypyitaw. In addition to simple supermarkets, four branches are structured as shopping centres. She said that it is her pleasure to establish a successful business and to provide for customers' satisfaction rather than profit-making. Her motto is that "there is no short-cut for genuine success".⁴⁶

Whether Ms. Win Win realizes it or not, her business mind follows some famous quotes of Confucius. Her never-failing spirit to operate the supermarket chain in the midst of continuing losses, for example, reflects a Confucius saying, "Our greatest glory is not in never falling, but in rising every time we fall." Likewise, another Confucius saying, "Choose a job you love, and you will never have to work a day in your life",⁴⁷ also reflects the enjoyment she derives in working, even under a lot of pressure.

Grand Fence⁴⁸ or the Unethical Capitalist

Mr. Mountain Ink aka Mr. Lee Shin⁴⁹ of the Grand Fence International Company, based in Mandalay, can be defined as one of the unethical Chinese capitalists. At the beginning of the military government's administration, ethnic armed groups were welcomed for peace-keeping purposes, and the government arranged to register them as nationals. A Chinese man, Mr. Lee Shin, registered himself as a Kokang ethnic and was able to acquire Myanmar citizenship documents in the early 90s. When he got married to a Shan ethnic woman he started to capitalize in upper Myanmar.

His business strategy is, "approach authorities first, conduct business later". Unlike the old wave of Chinese migrants who were originally not wealthy, new migrants brought large amounts of capital with them to invest. Accordingly, Mr. Lee Shin established two hotels and one private hospital in Mandalay.

He was favoured by the higher authorities of Mandalay, and could access various land plots in key areas of the city. For example, a wide land plot where his house was constructed was previously a state-own property located at the heart of Mandalay city. He extended land concessions at the eastern bank of the Ayeyarwaddy River, not only in Mandalay region but also in Sagaing region. The commander of the North-Western command extending to the Sagaing region was also Mr. Lee Shin's backer. Within one and half decades, the Grand Fence International Company Group possessed a number of other establishments.⁵⁰

With the support of the military commanders, Mr. Lee Shin was able to access over 450,000 acres of farmland and forestland in the Mandalay and Sagaing regions. For teak plantation and sugarcane cultivation, woodlands were cleared and the company produced logs and wood from clear-cut woodland for huge commercial earnings. The strategy accessing farmland was conducted in a very dishonest way. The company issued loans to sugarcane-growing farmers as advance payments for their return of sugarcane to the company's sugar mill. Those farmers who were unable to pay back their loans had to give up their lands to the company. Some farmers could pay back their loans. In this case, sugarcane fields were burnt for suspicious reasons, and the owners were unable to pay back in either sugarcane or cash. Then, the company seized their land.

With the back-up of the authorities, Mr. Lee Shin told other farmers to sell their farmlands to Grand Fence. Years ago, farmers cleared the ground to transform wild land into farmland which was unfortunately located in the forestland as categorized by the government's land records. Honest farmers unfortunately did not register their farmlands at the land registration office. When Grand Fence Company applied asking for the forestlands for the use of its business, the authorities under pressure from their superiors permitted the company's proposal to access these lands without conducting ground surveys to ascertain whether or not the lands were actually vacant. People were threatened with forcible removal if they did not give up their land.

Grand Fence Company was also permitted to copper mine in the Htee Gyint Township of Sagaing region. The company did not operate on its own but brought in Chinese investors to conduct mining activities. The company established a copper refinery plant, and exported refined copper to China, which the military government did not permit any other companies to do. Similarly, in 2006, the commander of the North-Western command, who was also chairman of the Sagaing Division Peace and Development Council, reportedly instructed the township authorities of Katha and Htee Gyint to force sugarcane-growing farmers to sell their sugarcane only to the Grand Fence sugar mill.

Although Grand Fence businesses and investments were not beneficial to the local people, regional authorities awarded Mr. Lee Shin with the President's Excellence Award for his contribution to the economic development of the country. Finally, Mr. Lee Shin received an Excellence Award from the President on 30 April 2013. While occasionally Grand Fence Company donated cash to the development fund of some townships many people in the region were economically exploited by Mr. Lee Shin, and activists heavily criticized the award.

Mr. Lee Shin's fall was, however, imminent. One of his establishments, Noble Red Flower Private Hospital in Mandalay, employed six unlicensed Chinese physicians to provide illegal medical services including the transplantation of gender organs. The hospital also distributed pornographic pamphlets and pornographic advertising. On 2 January, 2015, Mr. Lee Shin, his wife and the six unlicensed Chinese physicians were charged by the Mandalay regional government for giving illegal treatment, distributing culturally unacceptable advertisement and the employment of unlicensed Chinese employees. Six Chinese employees were additionally charged with overstaying their visas.

Although the authorities kept the passports of the six Chinese during the investigation period, the Chinese Consulate in Mandalay put pressure on the authorities to return the passports. The six unlicensed physicians then fled back home. Mr. Lee Shin and his wife were also not found in the country. The company reported that they had left for Singapore for their medical check-ups. The Myanmar Police Force asked for the help of Interpol in finding the six Chinese and Mr. Lee Shin and his wife have both been issued with arrest warrants. In the meantime, Noble Red Flower Hospital suspended operation. Additionally, the couple were sued for tax avoidance for their business operations in real estate and construction over the past 18 years.⁵¹

CONCLUSION

For deprived countries such as Myanmar, foreign investments are a blessing because they push up economic growth and income generation. Foreign investments are, at least theoretically, contributing to income growth, technology transfer and employment creation in the host countries. China's inward foreign investments played an important role in China's industrial growth, export promotion and economic development. However, China's outward investments, especially state-owned investments, did not benefit Myanmar; instead, investments caused resource depletion, environmental degradation and conflicts.

Apart from economic domination, the massive inflow and resettlement of Chinese people has been taking place in Myanmar's second largest city Mandalay for a couple of decades. Such migration has now gradually spread to the largest commercial capital, Yangon. The new wave of migrants bring their wealth become citizens and shake up the land and real estate market. The new wave of Chinese migrations with their monopolistic behaviours are the greatest threats posed by China's booming capitalism to Myanmar.

Immature and outdated practices of Chinese Capitalism were observed in such state-owned investment projects as the Myitsone Dam and Letpadaung Taung Copper Mine. In the case of the dual-pipeline project, environmental impacts and conflicts were effectively reduced, compared to the previous two projects, by consulting with local people to fulfil their needs and to compensate for losses and damages. Chinese authorities also instructed their overseas investment projects to readjust their profit-sharing ratios and to focus on corporate social responsibility.

However, Chinese companies still need to care about Myanmar people's values and expectations by means of greater transparency, fairness and avoidance of misuse of Myanmar authorities' influence.

With regard to Chinese people's individual and private investments, they are relatively small compared to state-owned or state-sponsored investments. Among them, Huawei is exceptional and comes from mainland China. Although a number of Myanmar people have anti-Chinese sentiments due to the exploitative nature of Chinese investments and aggressive migration, most of them are users of Huawei-brand mobile handsets. Huawei has successfully applied a free-market mechanism where both sides have enjoyed mutual benefits.

In the case of individual capitalistic behaviour of Chinese people, some entrepreneurs such as Ms. Win Win have combined a capitalist spirit, business ethics and local culture, and have gained the appreciation of the Myanmar people. The City Mart Holding, as a retail sale chain store business, is labour-intensive, and has created thousands of jobs. On the other hand, some Chinese ethnics doing business in Myanmar focus only on profit-making and do not care about the customs, culture and the emotions of local people. They only seek those who are powerful. At the end, they are hated by the local people.

In fact, capitalism or the free-market economy is not a dangerous thing in itself. This is because a market force, known as the invisible hand, automatically adjusts to benefit all equally. However, the market can fail when a person's action harms another or a society. In such a situation, a government's policies and intervention into the market will be able to correct market failure. In this sense, the Myanmar government should employ an accurate and strong policy and legal tools to maximize the positive impact of Chinese Capitalism on Myanmar.

NOTES

1. It was reported, that a number of wealthy Chinese from mainland China, especially from Yunnan Province, first settled in the Kokang region, located in the northeastern part of Myanmar bordering with China, and transformed themselves into Kokang. Kokang are both Han Chinese and an ethnic minority of Myanmar. After transforming from Chinese into Kokang, it became easier for them to acquire a Myanmar national registration card. Once they had a card they were able to move to any part of Myanmar to start or work in any type of business.

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3. Xing Lithe, "Transformation of China: The Next between Internalities and Externalities," In *The Rise of China and the Capitalist World Order*, edited by Li Xing (Farnham, England: Ashgate, 2010).
4. Ggang Fan, "The Role of State-Owned Enterprises in the Chinese Economy," *US-China Economic Relation in the next Ten Years*, China-United States Exchange Foundation, Beijing, 2013.
5. The Chinese state-owned economic enterprises (SEEs) have been set up for commercial activities and for creating revenue. However, because of improper resource allocation and centralized decision-making on strategy and planning processes, including production, marketing and pricing it is believed that SEEs, mostly those directly funded by government, are commonly less efficient and less competitive. However, SEEs managed in line with profit-oriented practices or listed as public companies, are considered a good option to sustain state capitalism. In fact, corporatization of SEEs is a main component of the economic restructuring programme of China's socialist market economy.
6. Global 500, beta.fortune.com/global500. Number of companies' data taken from the "Country" box.
7. Pew Research Center is a nonpartisan, American think tank based in Washington, D.C. that provides information on social issues, public opinion, and demographic trends shaping the United States and the world.
8. Katie Simmons, 2014, "China's government may be communist, but its people embrace capitalism," Pew Research Center, Accessed 12 January 2015. www.pewresearch.org/fact-tank/2014/10/10/chinas-government-may-be-communist-but-its-people-embrace-capitalism/.
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10. Peter C.Y. Chow et al., *Trade, the Engine of Growth in Asia* (Oxford: Oxford University Press, 1993).
11. Data based on trade statistics released by the Ministry of Commerce, www.commerce.gov.mm/my/content/.
12. Data based on Yunnan Statistical Yearbook 2014.
13. Myanmar Insider, 2015, "Myanmar's rice export tops two million tons", Accessed 2 January 2016. www.myanmarinsider.com/myanmars-rice-export-tops-two-million-tons/.
14. Data based on trade statistics released by the Ministry of Commerce, www.commerce.gov.mm/my/content/.
15. Information based on trade statistics released by the Ministry of Commerce, www.commerce.gov.mm/my/content/.

16. Data based on investment statistics released by the Directorate of Investment and Company Administration, www.dica.gov.mm/en/topic/foreign-investment-country.
17. “The considerable rise in Chinese investment in the mid-2000s applies to the other Southeast Asian countries as well. If we exclude Singapore, China’s stock in Myanmar was the highest between 2009 and 2012”. Su Ann Oh and Philip Andrews-Speed. *Chinese Investment and Myanmar’s Shifting Political Landscape*, ISEAN, Singapore, viii.
18. Data based on investment statistics released by the Directorate of Investment and Company Administration, www.dica.gov.mm/en/topic/foreign-investment-country.
19. Toshihiro KUDO, “China’s Policy toward Myanmar”, Discussion Paper. Institute of Developing Economies, JETRO, Tokyo. 2006, 1.
20. Ibid.
21. It is impossible for foreigners to buy and sell land plots in Myanmar but it is easy for Chinese who already have counterparts who they would nominate as the investor on behalf of a shadow, Chinese financier. They have made huge profits from land speculation in the “Pass the Parcel Game” strategy. Speculators financed by invisible Chinese financiers bought a series of land plots in a specific place and handed them over to one another by marking up a certain profit margin. As land prices are an increasing trend, outside players were attracted to enter the market to participate in speculation. Then, Chinese-backed speculators sold out all their land plots at the maximum prices, and moved on to another place. After that, the property market cooled down although the prices did not significantly fall as landowners were waiting for the market to turn around. A real estate consultancy company noted that the market would not be reactivated without the participation of large Chinese players.
22. An anonymous Myanmar working as a Chinese translator said that he has been frequently asked by his clients to find contacts who are capable of providing either real or fake national registration cards.
23. *Myitsone* is the Myanmar word for confluence.
24. “Myitsone Hydropower Project to be Reviewed: Report”. *Weekly Eleven News*, 26 October 2011, p. 7
25. Ibid.
26. “The First Guidance on Social Responsibility of China’s International Project Contracting Industry Officially Released”. Ministry of Commerce, People’s Republic of China. Accessed 10 January 2015. <http://english.mofcom.gov.cn/aarticle/newsrelease/significant-news/201209/20120908367021.html>.

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32. The NLD leader Daw Aung San Suu Kyi was appointed as the chair of a commission of inquiry. The commission recommended the project to continue—on the proviso that a number of recommendations are to be implemented.
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34. Ibid.
35. Aung Shin, “Controversial pipeline now fully operational,” *Myanmar Times*. No. 690, 27 October 2013, 8 (in the Myanmar language).
36. Wen Ya, “New China-Myanmar pipeline opens,” *Global Times*, 21 October 2013. Accessed 1 November 2015. <http://www.globaltimes.cn/content/819103.shtml>.
37. Soe Sandar Oo, “Gas set to flow from Myanmar to China,” *Myanmar Times*, 1 March 2013, no. 684, 13.
38. Ashlee Vance, and Bruce Einhorn, “At Huawei, Matt Bross Tries to Ease U.S. Security Fears”.
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49. It is the fictitious name of the company owner created to represent the true story.
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The Rise and Revitalization of Ethnic Chinese Business in Vietnam

Nguyen Van Chinh

INTRODUCTION

This chapter explores the historical relationship between ethnic identity and business interests of Vietnamese Chinese entrepreneurs in Ho Chi Minh City, Vietnam. Historically, the success of Chinese business in Vietnam is attributed to family business interests, trust-based networks, patronage and ethnic-internalization. The rise and revitalization of Chinese business in Vietnam can be attributed to the same factors in a contemporary context. Chinese Capitalism in Vietnam is demonstrative of the inter-dependence of culture and business over the past century.

CHINESE ETHNICITY IN VIETNAM

For the purpose of this chapter, Chinese ethnicity is determined according to ethnic descent, cultural traits and customs attributable to identity.¹ In Vietnam, the official definition of “ethnic Chinese” is *người Hoa* derived from the Chinese word *Huaren*. Although this term generally

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implies ethnic Chinese who live overseas, it does not determine Chinese nationality. In Vietnam, it means the descendants of Chinese (*Han* and other sub-groups such as *Hakka*, *Dan*, *Sin*, *Le* and *Ngai* speaking Hakka) who migrated prior to national independence in 1945. The *người Hoa* are considered an ethnic minority distinguished from the *Hoa kieu* (Huaqiao) or “Overseas Chinese”. *Hoa kieu* are commonly considered to be Chinese sojourners who temporarily reside in the country maintaining their Chinese citizenship.² During the South Vietnam Republic (1955–1963), most *Hoa kieu* were advised to claim their Vietnamese citizenship and were then referred to as Vietnamese Chinese (*người Việt gốc Hoa* or *người Hoa*). The term *Hoa kieu* has been politically sensitive, especially since the crisis of relations between Vietnam and China (1978–1979). Use of the term *người Hoa* as an official ethnonym includes several ethnic sub-groups with less political implications than the term *Hoa kieu*.

According to official statistics, the population of Chinese Vietnamese in 1999 was 862,071 and declined in 2009 to 823,071.³ Eighty-five per cent of the ethnic Chinese reside in southern Vietnam, primarily in urban Ho Chi Minh City, of which 50% are *Hoa kieu*.⁴ The *người Hoa* primarily live in the rural north.⁵ However, unofficial sources claim that more than 1.2 million ethnic Chinese live in Vietnam.⁶ The *người Hoa* ethnic Chinese in Vietnam today are the descendants of migrants who arrived during the sixteenth to mid-twentieth centuries but then nearly ceased after the People’s Republic of China (PRC) was founded in 1949.⁷

During the period from 1889 to 1906, over 100,000 Chinese migrated to southern Vietnam, known then as *Conchinchina*. From 1910 to 1950 the number of Chinese migrants in Vietnam increased to over 1 million. By 1952, there was an estimated 1.5 million ethnic Chinese living in Vietnam accounting for 6% of the national population. The wave of Chinese migration to Vietnam was highest from 1935 to 1950 when Chinese society was struggling with war and internal strife.⁸ The ethnic Chinese population remained steady until the 1970s, far exceeding the populations in neighbouring Cambodia (360,000) and Laos (100,000). The majority of the ethnic Chinese groups in Vietnam speak Cantonese (41%) and Teochew (37%) with the remaining speaking dialects of *Hakka*, *Hokkien* and *Hainanese*.⁹ Ethnic groups from Guangxi and Yunnan also migrated but not in significant numbers. Table 11.1 represents the registration of professional guilds (Chinese Overseas Associations) in South Vietnam.

Table 11.1 Chinese Dialect and Economic Activities in Southern Vietnam in 1924

<i>Dialects</i>	<i>Population (estimated)</i>	<i>Main economic activities</i>
Guangtung	80,000	Trade, engineering, boat building and restaurants
Hokkien	56,000	Trade, food processing and many similar
Teochew	50,000	Petty trade, street vendors and transportation labour
Hakka	12,000	Handicrafts, blacksmithing, shoe makers, pastry cooks and tea traders
Hainan	10,000	Fisheries, plantations, domestic, restaurant and hotel staff

Source Đào Trinh Nhất, 1924.

During the 1970s, Chinese communities living in the South controlled many of the processing industries, rice mills and trade in export and import, whereas the ethnic Chinese in the north were a minority and less affluent.¹⁰ Most Chinese immigrants sought to settle in southern Vietnam, getting as far from mainland China as possible. After the Geneva Accords in 1954, there were over 50,000 Chinese immigrants who had left northern Vietnam to settle in the south. The majority were of ethnic Chinese descent from the Guangxi region and Yunnan province of China, entering northern Vietnam by land and settling as farmers in the northeast.¹¹ Very few started business operations in urban areas in the north, for example the ethnic Chinese population in Hanoi was 2000 in 1913, growing to 13,000 in 1978.¹² Most in the north were hired as labourers and maintained closed communities with ethnic endogamy instead of marrying locals. Prior to the Sino-Vietnam border war in 1979, there were approximately 300,000 residing in northern Vietnam.¹³ After the war, hundreds of thousands of ethnic Chinese left Vietnam, returning to China or migrating to other countries.¹⁴

THE RISE OF CHINESE BUSINESS IN THE RICE TRADE

The establishment of *Cho Lon* (Big Market) in 1889 represents Chinese Capitalism in Vietnam. Since the late nineteenth century, the market has developed into one of the most important economic urban centres in South Vietnam.¹⁵ Since establishment, the majority of residents have been ethnic Chinese. The population increased rapidly in Cho Lon between 1880 and 1902, from 45,000 to 138,052, of which over 40%

(64,467) were ethnic Chinese.¹⁶ Cho Lon is an important landmark for ethnic Chinese business in Vietnam and overseas Chinese in Southeast Asia. The market represents Chinese immigrants who have built a solid economic foundation and the merchant class's influence on the country's economy.¹⁷

Cho Lon is renowned for its rice trade. During the colonial regime (1858–1954), rice was an essential source of capital accumulation for Chinese enterprises in Vietnam.^{18, 19, 20, 21} European and American businessmen have long recognized the profitability of rice from Vietnam. As early as 1884, a mere 8 years after French troops occupied the south-eastern region of Vietnam, an American businessman named Andrew Spooner built a steam engine rice mill in Saigon. Chinese business entrepreneurs began importing the Barley Mill steam engine made in the United Kingdom and began to compete on par with European rice enterprises.²² Chinese rice trade networks were established in South Vietnam with investment from Chinese businessmen located in Malacca, Penang, Java, Singapore and Hong Kong. The overseas Chinese clubs were established by Chinese Singaporeans in Cho Lon in 1878 and 1886 respectively.²³ These business clubs not only helped import and export agricultural products but also provided finance for important businesses.²⁴ The French Indochina Annual Report (*Annuaire général de l'Indo-Chine française*) reveals that in Saigon, from 1905 to 1914, of nine rice mills built in Cho Lon, only two were joint ventures with the French and German with the remaining seven run by Chinese (see Table 11.2). Most of these factories were located in the area referred to by the French as *Aroyo Chinois* running along East-West Boulevard and Hai Thuong Lan Ong Street, District 5, in what is today Ho Chi Minh City.

At the beginning of the twentieth century, a number of Chinese traders continued to expand their mills in Cho Lon. Notable traders during this period are Ta Ma Dien (*Tja Ma Yeng*, a Hokkien came from Java), Quach Dam (a Teochew born in Cholon) and Truong Sy Bat (a Hokkien from Penang, Malaysia).

Rice trade was prominent in the south centred on five ports around Cho Lon.²⁵ According to the *Annuaire général de l'Indochine Indo-Chine française*, from 1905 to 1918, most of the rice enterprises belonged to Chinese, 36 out of 41 rice mills in total. The rice husk was used as fuel to generate 600–900 hp for the mills. While Cochinchina gained from the rice trade, the north (Tonkin) also benefited until rice exports were abolished by the French in 1881. A small number of

Table 11.2 Chinese Rice Mills for Export in Vietnam During the Late Nineteenth Century

<i>Name of rice firm</i>	<i>Owner</i>	<i>Year of establishment</i>
1. Ban Aik Guan (Vạn Ích Nguyễn)	Joint venture (French & Chinese)	Built by Andrew Spooner in 1884
2. Ban Teck Guan (Vạn Đức Nguyễn)	Chinese Peranakan from Singapore	1886
3. Rizerie Union	Joint venture (German, French & Chinese) operated by Société Speidel	Built in 1868 Sold to Chinese in 1915
4. Ban Joo Yuen (Vạn Dụ Nguyễn), Bon-soan-An	Chinese Peranakan (from Singapore)	Built in 1893
5. Kian Hong Seng (Kiển Phương Thành),	Chinese Peranakan (from Singapore)	1886
6. Man Cheong Yuen (Vạn Xương Nguyễn), Nam Long	Chinese (from Hong Kong)	Built in 1893
7. Rizerie Orient	Joint venture (German, French & Chinese)	Built in 1896 Sold to Chinese in 1915
8. Yeo Cheong (Di Xương)	Chinese Peranakan/Hokkien (from Penang)	Built in 1895
9. Ban Hồng Guan (Vạn Hồng Nguyễn)	Chinese Peranakan/ Hokkien (from Java)	Built in 1896

Source *Annuaire général de l'Indo-Chine française*. 1905, 1910, 1914.⁶⁶

Chinese rice merchants in Hai Phong were able to export rice from Hai Phong Port.²⁶ During the early twentieth century, the North Vietnam export of rice was dominated by Chinese and regarded as superior in the Far East. Rice exports dominated the export market. In the south alone, approximately 1,500,000 ha was under rice cultivation. From 1880 to 1900, rice exports tripled and then doubled to reach 1,548,000 tons in 1937.²⁷ From 1900 to 1924, global rice prices continued to increase from \$3.25 in 1900 to \$10.10 per ton in 1924. From 1920 to 1926, Vietnam's annual exports ranked second in the world, following British Burma yet ahead of Siam.²⁸ By 1926, rice exports accounted for 68% of total exports in the Indochinese region. The significant profit to Chinese and French rice traders fell drastically during the global economic crisis of the 1930s. Merchants began to diversify trade, marking an end to the heyday of Chinese rice enterprises in Vietnam. Those who could, turned to other industries including fishing, the opium trade

and money-lending.²⁹ During the colonial period, ethnic Chinese were prohibited from engaging in any industry that would compete with French investments. Thus they were not able to regain economic influence post-economic depression.³⁰ During the early 1960s, rice exports from southern Vietnam plummeted again and, beginning in 1965, Vietnam became a rice importer.³¹

THE INCLUSION OF CHINESE BUSINESS IN THE NATIONAL ECONOMY

The fall of French colonialism in 1954 was replaced by American intervention further impacting Chinese business in southern Vietnam. Chinese entrepreneurs shifted from export to providing rice to the domestic markets in urban areas and to feed the army of the new regime. Prohibitive French policies that prevented competition in some industrial sectors were lifted opening new opportunities for ethnic Chinese to develop the industry. Under the influence of the United States, a consumer society grew in the south responding to demand for basic necessities and medicine for the military. Chinese entrepreneurs in Cho Lon responded to this demand and business grew significantly during the Vietnam-American war from 1969 to 1975.

Until the 1960s, the overseas Chinese had dominated the southern textile industry. In addition to three large textile corporations (Vinatex; Vinatexco; and Vinatefico), the Chinese owned more than 600 textile enterprises of small and medium scale. These production facilities provided up to 80% of textile products on the market.³² Chinese business also dominated processing industries such as milk, cooking oil, cosmetics, household plastics and the rubber industry. A new development was cooperation with Japanese and Taiwanese companies to produce electronic items for markets while controlling four out of five of the largest metallurgical factories in the south. In Table 11.3, a survey by the Institute of Economics of Southern Vietnam published in 1995 indicate the scale and diversity of the industries employed by Chinese.

Fundamental to Chinese trade was the development of an elaborate canal system. Control of the cargo system enabled Chinese traders to dominate the southern market.³³ Thousands of large and small ships transported rice to mills in Cho Lon then purchased market products to transport back to rural rice growing regions. Some of the largest Chinese

Table 11.3 Factories Owned by Ethnic Chinese in Southern Vietnam before 1975

<i>Industry</i>	<i>Number of factories owned by Chinese</i>	<i>Total factories in the south</i>
Food	653	1045
Tobacco	10	10
Textiles	529	625
Paper	59	59
Chemicals	43	43
Pottery	159	159
Steel and iron	8	8
Engineering	180	180
Food processing	410	513
Printing	98	98

Source Trần Hồi Sinh, 1997: 17.

traders owned large merchant ships.³⁴ Research on the freighter operations in southern Vietnam indicate that, before 1975, no other carriers could compete with the Chinese monopoly of the shipping industry.

Chinese businessmen also controlled trade in wholesale markets such as Binh Tay, An Dong and Soai Kinh Lam. In addition to the control of the wholesale system, up to 60% of retail goods were distributed by the Chinese business owners throughout the southern provinces and to neighbouring Cambodia.³⁵

An informal credit system among Chinese business communities and partial control of the formal banking system fuelled the rice trade. Prior to 1975, ethnic Chinese owned three banks and had a major share in seven of the 31 banks officially registered. Phan Quang claims that “there is sufficient evidence to believe that the total number of underground transactions is not less than 150 billion dong (former Saigon currency), in which about 100 billion was spent on buying rice.”³⁶

After half a century of the Cho Lon Golden Age, by 1955 the Chinese dominance in business with an international network of Chinese Capitalists in Saigon began to worry the government. The French colonial government used Chinese associations as a self-regulatory organization. They had an increasingly important role in the economic activities of overseas Chinese, as the associations mediated the relationships between Chinese businesses and local governments. To limit monopolizing the economy of the south, President Ngo Dinh Diem

(1955–1956) issued new laws relating to the Vietnamese nationality of ethnic and overseas Chinese. The Vietnamese Nationality Law confirmed that children born to Chinese-Vietnamese married couples would be naturalized with Vietnamese nationality (Article 16, Act No. 10; December 1955). Amendments further stipulated that children born in Vietnam, whose parents are Chinese, are citizens of Vietnam. (Act No. 58; October 1956).

These acts were opposed by many Chinese who were in no hurry to sign up for citizenship and were waiting for the intervention of the Republic of China (Taiwan). According to the report of the Special Committee for Chinese Affairs, Office of the President of the Republic of Vietnam, only 3 months after Act No. 48 was issued very few Chinese had applied for nationality.³⁷ To accelerate the process of Chinese integration into Vietnamese society, the President promulgated Act No. 53 (6 August 1956) prohibiting overseas immigrants and their companies to trade in 11 industries across the country: meat/seafood, groceries, charcoal, oil, rice, cereals, textiles, steel, copper pieces, water transport and broker dealers. It is estimated that at least 20% of Chinese enterprises were involved in these 11 trades. The law intended to force Chinese to take citizenship. Act No. 53 offers one of three options to continue business: (1) accept Vietnamese nationality; (2) transfer the business to a wife (if legally married) or children (born in Vietnam); or (3) joint venture with Vietnamese who have a majority (over 51%) share. If overseas Chinese did not accept one of the above options, they were to be deported to the Republic of China (Taiwan) before 31 August 1957.

Furthermore, President Diem implemented policies to prohibit the social activities of Chinese, focusing on the overseas Chinese associations. On 23 February 1955, the Committee for East Asian Affairs of the Government disassembled Chinese associations.³⁸ On 10 June 1960, under Government Decree 133-NV, the government officially banned Chinese associations and other overseas Asian guilds in South Vietnam. This Decree effectively abolished the role of associations having an intermediary role between the state and the Chinese communities in Vietnam. Property of the overseas Chinese associations was handed to a government committee composed of representatives of ministries and provincial governments.³⁹

This policy was met with strong reactions from the Chinese communities. When many Chinese schools sponsored by the overseas Chinese associations were closed, mass protests broke out. The

Chinese businessmen withdrew over 1.5 billion dong (equivalent to 17% of all currency in circulation) from the banking system. About 6000 Chinese stores were closed and more than 200,000 people who worked in Chinese companies were deported. Commercial activities in the southern market stagnated. The fierce reaction of the Chinese however did not change the government's decision. The majority of overseas Chinese gradually accepted naturalization and became citizens of Vietnam. Chinese enterprises, despite losing support from the associations and immigrant status, continued to control the economy in southern Vietnam until reunification in 1975.⁴⁰

The reunification of Vietnam in 1975 and the policy of economic reform in industry and trade to build socialism in Vietnam presented new challenges to the ethnic Chinese. During the period of economic reform in the south (1975–1985), the communist government implemented three major campaigns that all had a negative impact on their role in the economy. Most significant are the (1) the campaign against *comprador bourgeoisie* (from September to October 1975); (2) the campaign of currency exchange; (3) urban populations sent to cultivate new economic zones (1976–1980); and (4) launching economic reforms of the private sector (1978–1985).

Just over 4 months after gaining power, the communists issued a statement in September 1975 attacking the *comprador bourgeoisie* claiming that they manipulated the Vietnamese market marking them as an enemy of the revolution.⁴¹ The *Sai Gon Giai Phong* statement declared that the:

Comprador colluded with the US invaders and the puppet government. The more our citizens' blood poured, the richer they became. They became the "kings," as King of Rice, King of Barbed Wire, King of Fabric, King of Coffee and King of Steel. Their sins are too big to tolerate. They must be destroyed.⁴²

Many of the Chinese bourgeoisie, characterized by their business, were classified as compradors. Even in the first days of the anti-comprador campaign, coded X-2, a number of wealthy Chinese businessmen were arrested, among them the "King of Rice" Hy Ma, "King of Silk" Luu Tu Dan, "King of Cars and Motorcycles" Bui Van Lu, "King of Barbed Wire" Hoang Kim Quy, and "King of Coffee" Tran Thien Tu.⁴³ After their arrest under the accusation that they had colluded with US

imperialism to exploit the working class, the Revolutionary Government held a series of meetings with citizens to launch a powerful propaganda machine explaining why they had to re-educate the compradors. Many young working class Chinese were mobilized to participate in the campaign as interpreters and provided information to the government while armed police surrounded and raided businesses and wealthy households in Cho Lon. Tran Giao Thuy explained that “they did not miss ‘a needle or thread’ from dollar, gold, diamonds, cars, refrigerators, and even a fan for the cabinet table”.⁴⁴

Although the first anti-comprador campaign did not specifically discriminate Chinese from Vietnamese many of the victims of this campaign were ethnic Chinese. There were no official statistics about the number of Chinese businessmen who were arrested and their property confiscated, however, according to incomplete estimates of King Chen, at least 100 Chinese factories were inventoried, 250 Chinese businessmen arrested, and some committed suicide. The assets of those who were not present at the inventory, or had moved abroad in 1975, were all confiscated.

Those arrested in the campaign, who were owners of big companies, were sent to be re-educated. The majority of these people were later released after their assets had been nationalized. Following this campaign, from 1976 to 1978, all Chinese guilds were handed over to the military government administration, 11 Chinese-language newspapers in Saigon were closed, and the hospitals built by the Chinese associations were assigned to government authorities. A required currency exchange was enforced to limit trade among the bourgeoisie. Two phases took place, first in the south during September 1975 and nationwide in May 1978. A common currency was established. Exchange limits were imposed to under 100,000 dong (5000 USD at the time) for citizens and 500,000 dong for businesses. As a result, many Chinese people were unable to purchase other currencies or gold, thereby losing capital assets.

Beginning in 1976, urban residents and people in densely populated areas were relocated to newly reclaimed lands and economic development zones. This had a major impact on the Chinese in the Cho Lon area. It is estimated that 1 million people, including more than 300,000 from Cho Lon, were relocated from urban areas to the New Economic Zones.⁴⁵

The Communist Party of Vietnam (CPV) edict in 1978 asserted that the state had control of export operations, food commodities, transportation, financial institutions and trade. The state was ordered to manage and transform the economy into a new production system in order

to eliminate the “exploitative” capitalist system. A Reform Plan was institute for commercial, industrial and agriculture markets as well as trade and transportation. On 14 March 1978 the CPV ordered abolition of all commercial establishments and small traders through compulsory purchase by the state-run public-private consortium. This resulted in a total of 28,787 households re-educated, including 6129 “commercial bourgeoisie” and 13,923 business households during the first 4 days of the campaign. In the following months, an additional 835 traders and 7900 small businessmen were “swept away”.⁴⁶

From 1976–1980, the reform of capitalist commerce in the south created tension in the relationship between Vietnam and China when the PRC announced new policies to protect overseas Chinese.⁴⁷ A movement began led by ethnic Chinese requesting to hold Chinese citizenship in Vietnam. China then launched a policy of solidarity with the Chinese bourgeoisie, claiming that Vietnam’s policy was discriminatory causing panic among Chinese communities in Vietnam.⁴⁸ This is perhaps the final blow that destroyed all economic roles created for centuries by the Chinese in South Vietnam, leading to a massive out-migration of Chinese leaving Vietnam for good.⁴⁹

BUSINESS REVITALIZATION

Businesses that were taken or merged with state-owned companies were affected more than small industries run by households. As soon as an opportunity for business to revive occurred, the market-oriented cultural characteristics of ethnic Chinese revitalized. The economic integration policy of Vietnam, adopted after 1986, encouraged the Chinese community to regain their spirit of capitalism after a few decades of dormancy.

A survey done by the Committee for Chinese Affairs in Ho Chi Minh City showed that from 1985 to 1990 the number of businesses established during the socialist economic reform period decreased while family-based firms increased. In 1985, there were 52 cooperatives, 420 production groups and 1986 individual business households owned by the ethnic Chinese in Ho Chi Minh City. By 1990, only 27 cooperatives and 247 production groups remained; meanwhile family-based firms and companies increased to 3039. With renewed confidence, some family-based firms invested large amounts of capital to import machinery and technology to modernize manufacturing, such as Dong Tien and Phuoc Thanh plastics, Biti’s footwear, Le Hoa and Vinh Tien paper, Kinh Do

food processing and Thai Tuan silk. These family companies later became industry leaders during the first decade of the twenty-first century.

Wholesale markets previously established by Chinese, such as the Binh Tay, An Dong, Soai Kinh Lam markets became the chosen place of commerce. For example, other households gained market share in 25 retail markets in Districts 5, 6, and 11 located around Cho Lon. The ethnic Chinese businesses were primarily in three industries: restaurants and hotels, trading and services, and traditional pharmaceuticals. According to District 5 statistics from the Department of Industry and Trade, in 1990, there were 8653 registered Chinese business households of which 963 were running hotels and restaurants, and 854 services. Registered Chinese businesses comprised 75% of the market stalls in Binh Ta, the largest wholesale market in the city.

Up until the early 1990s, there were 5678 registered private companies in Ho Chi Minh City with Chinese enterprises contributing almost 40% of gross domestic product (GDP).⁵⁰ Chinese private companies contributed over 50% of GDP to the Districts 5, 6 and 11.⁵¹ The 2013 statistics by the Ministry of Planning and Investment identified 14,237 registered Chinese entrepreneurs in Ho Chi Minh City. These entrepreneurs held 16% of the private companies, 83% of the limited enterprises and 5% of joint-stock companies.⁵² Reliable sources are not available to indicate the percentage of the Chinese enterprises' contribution to GDP nationwide. However, several national enterprises run by ethnic Chinese include Sacombank, Kinh Do food processing corporation, Thai Tuan silk company and Biti's. Based on the value of shares listed on the stock market at least 11 of the 100 richest businessmen in Vietnam are ethnic Chinese entrepreneurs.⁵³

Examining eight Chinese enterprises in Ho Chi Minh City reveals the general characteristics of ethnic Chinese businesses in Vietnam since 1990. The case studies are in four main sectors including manufacturing commodities, food processing, banking and real estate, and general business.⁵⁴ The case of Sacombank, established by one family, demonstrates the timeline of a typical Chinese business established during this period. Established in 1991, the Board of Directors Chair and Vice-Chairman were father and son, Mr. Đặng Văn Thành and Mr. Đặng Hồng Anh. Mr. Tanh served in the military from 1978 to 1980 then established a small family factory producing sugar cane, cooking wine and cattle feed. In 1989 he became Chairman of the Thành Công banking cooperative and then joined Sacombank board of directors in 1993, becoming

Chairman in 1995. In 2014, the merger with Southern Bank owned by Trần Bê (a Chinese plutocrat of Teochew origin) occurred. By 2008, the Đặng Văn Thành family was one of the 10 wealthiest families in Vietnam. His wife and children each ran companies involving real estate and alcohol. The family's shares are now worth up to a billion dollars.

The Đặng Văn Thành family business is similar to other businesses established in the mid-1980s by the generation born in the 1950s and 1960s. Their humble origins as labourers in small-family firms or cooperatives do not represent the wealthy overseas Chinese capitalists prominent before 1975. This generation of new Chinese Capitalists made their wealth in a new social economy after enduring decades of hardship.

A key distinction of the new Chinese Vietnamese enterprises is family management. Senior management remains with the spouse, children, relatives or those in the same ethnic sub-group. The founders start their business with a small amount of capital from their families and transfer leadership to the next generation. They use Chinese networks in the country and abroad, leveraging connections with relatives to mobilize capital, import technology and develop distribution networks. Business negotiations often take place during community activities organized by associations or guilds. Financial contributions to the poor, scholarships and associations provide families with social capital used to build their business.

The reforms in 1975 gave the government control over all Chinese association property, such as hospitals, schools, and guilds. Recently, the government officially recognized Chinese Assembly Halls as National Cultural Heritage sites. These Chinese associations no longer have administrative autonomy but are permitted to hold activities aimed at strengthening their ethnic identity. Activities include charity, language courses (dialects), providing scholarship and support for members' children, and maintaining worship and cultural festivals. Some newly wealthy families contribute millions of dollars for the associations to repair Assembly Halls called *bang*.

The Role of Bang

One factor often overlooked is the role and function of *bang* in business. In southern Vietnam, the *bang* are regarded as religious centres similar to the Buddhist pagodas or *chùa*.⁵⁵ In Vietnam, *bang* operate differently from overseas Chinese *bang*. The French colonial government tolerated *bang* as an organization that functioned somewhat autonomously.

The aim was to provide a place for moral support from the same dialect group to immigrants. The *bang* helps immigrants integrate into society and creates a trans-national social network thereby reinforcing identity.

As early as 1787, a *bang* system was created in Vietnam initially for people from Guangzhou, Fujian, Chaozhou and Hainan. The reign of Emperor Gia Long organized the *bang* into seven categories.⁵⁶ In 1871, the *bang* associations decreased from seven to five major linguistic groupings: Canton, Hainan, Hakka, Fukien and Teochiu.⁵⁷ After 1885, all Chinese immigrants entering Cochinchina were advised to join a *bang* under the regulations issued by the French administration.⁵⁸ According to this regulation, once an immigrant had officially put their name on the list, the head—*bang chuong*—would be responsible for all activities of the individual. In 1936, increasing responsibility of *bang chuong* facilitated movement throughout Indochina to benefit French business and labour needs. Delineations began as the Canton and Fujian settled in the north while the Fukien, Hainan and Teochiu settled in central Vietnam. *Bangs* were officially recognized by the French as autonomous organizations used to manage Chinese immigrants and collect tax.

In 1960, the Republic of Vietnam dissolved the *bang* with decree 133-NV. In 1975, the Communist Government of Vietnam outlawed the *bang*. However, it still exists as a civil organization with the function of worship and to maintain cultural identities through festivals, weddings and funerals. Recently, *bangs* have become more active and now receive large contributions attracting newly emerging Chinese Capitalists. The *bang* has become a place to sign contracts, build business networks and a meeting place for businessmen to exchange information. Annual gatherings at a *bang* result in large contributions to charitable activities and education or scholarships.⁵⁹ This financial influence is increasingly recognized by local authorities.

CHINESE TRANS-NATIONAL BUSINESS NETWORKS

Some studies have pointed out that the relationship between overseas Chinese communities and the mainland is a driving factor of the recent economic emergence.⁶⁰ In Vietnam, the revival of Chinese business after the *Doi Moi* policies began in 1990 is attributed to a capitalist spirit and family networks.⁶¹ The network of overseas Chinese entrepreneurs within and beyond China's borders further led to international business success.

The withdrawal of the United States from Vietnam in 1975 and the Sino-Vietnam border conflict in 1979 resulted in hundreds of thousands of people, including wealthy businessmen, emigrating. The resurgence of Chinese capitalist business after 1990 is in part attributed to business networks maintained with individuals resettled in Europe, the United States, Australia, Taiwan and China. A survey conducted in 1993 of the relationship between Vietnamese Chinese and overseas Chinese in Ho Chi Minh City indicates that over 60% of households report having relatives abroad with whom family members maintain contact.⁶² Remittances are used for investment and trade.⁶³ In 2013, remittances to Ho Chi Minh City reached more than 5 billion US dollars.⁶⁴ The trans-national network of Vietnamese Chinese is an important source of investment and business recovery of Chinese enterprises.

ETHNIC INTERNALIZATION AND “THE PEOPLE IN BETWEEN”

Further study is needed to understand the effect of Chinese citizenship on ethnic endogamy related to business success. Until 1975, adopting Vietnamese citizenship was optional but the CPV comprehensive integration forced people to take citizenship disrupting the centuries old coping mechanism of maintaining Chinese citizenship and identity. Since 1862, citizenship was maintained by having names and dates etched into the epitaphs at the *bang* assembly halls. The Minh Huong were an exception as they had integrated into Vietnamese society.⁶⁵ People wanted to maintain citizenship in China, Taipei or Hong Kong to avoid being caught in war. This risk exceeded the disadvantages of discrimination. Citizenship ambiguity was used as a political tool to protect interests. Later, this identity enabled local and trans-national networks to revitalize Chinese Capitalism in Vietnam.

CONCLUSION

Chinese Capitalism in Vietnam is dependent on factors of allegiance to family reinforced by language-based identity networks. Chinese business has succeeded due to solidarity across generations and cultural characteristics that reinforce faith and trust, based on Confucian ethics and trade networks. The revitalization of Chinese enterprises in Vietnam is enabled by overseas Chinese associations, cross-national networks and ethnic internalization.

NOTES

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Chinese State Capitalism and China's Geoeconomic Strategy in Southeast Asia

Hsing-Chou Sung

INTRODUCTION

The rich historical relationship between China and Southeast Asia is entering a bold period of dynamic regionalism driven by an ambitious economic policy. China has cultivated economic interests through trade agreements, foreign aid and cultural integration. China's modern economic interests in Southeast Asia began in the 1990s by its initiation of the Greater Mekong Sub-region (GMS) followed by active engagement with the Association of Southeast Asian Nations (ASEAN), and it now takes an aggressive stance in the contentious South China Sea (CSC). China has developed an extensive infrastructure to secure natural resource claims on-shore and off-shore, building business interests with strong political relations. The rise in China's influence has exerted a powerful pull on ASEAN economies attracted by increased capital flow and trade in the region.¹

China's aggressive posturing in the South China Sea to secure offshore resources and leverage sovereignty claims has recently been

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challenged by International Courts. The construction of artificial islands and increasing naval capabilities in the disputed waters poses a threat to national sovereignty. These regional developments are a mere cornerstone of China's ambitious global foreign policy known as the "One Belt, One Road" (OBOR) (一帶一路) to link the continent from Eurasia to Southeast Asia by reinventing a new Silk Road.

China's role in Southeast Asia's political and economic landscape is undergoing a huge shift. In the past, China was perceived by many in the region as a threat, partly due to its territorial claims and offensive activities in the South China Sea and support of communist insurgency. This negative perception began to change in the 1990s following China's economic reforms and resisting pressure to devalue its currency. At the same time, several Southeast Asian countries went into free fall during the Asian financial crisis. The 2 decades that followed saw rapid economic growth and political regionalism driven, in part, by Chinese State Capitalism. Today, China's "charm offensive" focuses on multilateral and bilateral Free Trade Agreements (FTAs) as the catalyst for expanding political security.²

Since 2012, China's geo-economic strategy in Southeast Asia has entered a new phase led by President Xi Jinping, General Secretary of the Communist Party of China (CPC). The "Chinese dream" is the hallmark of Xi's leadership, catapulting China into being ambitious both in the domestic and foreign spheres. Xi's vision is for national rejuvenation, improvement of livelihood, prosperity, a better society and a strengthened military.³ Xi's concept is to restore China's pre-nineteenth century grandeur and influence as a prosperous, strong, culturally advanced and harmonious country. To realize this dream, he has reimagined the historic Silk Road—the great trade route that bridged Eastern and Western cultures across the Eurasian continent 2000 years ago.

In September 2013, at Kazakhstan's Nazarbayev University, Xi proposed the creation of a "New Silk Road Economic Belt" that would run from western China across Central Asia. The following month, at an address in Indonesia's parliament, Xi suggested developing a "Maritime Silk Road" to expand sea trade and cooperation between China and Southeast Asia. These initiatives subsequently combined into "One Belt, One Road" (OBOR) (一帶一路) an integrated vision for expanding China's transregional economic connections. OBOR would link Central Asia, Southeast Asia, South Asia, the Persian Gulf and the Middle East encompassing a population of 4.4 billion people with a collective gross

domestic product (GDP) of US\$21 trillion. China has existing trade and economic cooperation with many of the countries along this route. OBOR will increase investment, strengthen transportation infrastructure and create new regional clusters of massive industrial parks. Based on Chinese State Capitalism, the aim is to influence countries along the route. Southeast Asia is the first region for expansion of State Owned Enterprise (SOE) partnerships.

CONTENDING PERSPECTIVES OF CHINESE STATE CAPITALISM

Since the global financial crisis in 2008, State Capitalism has become attractive to many. As this concept becomes more popular, the review of the existing literature remains limited in explaining what China's strategic thinking is and how it works.

Origin and History of Chinese State Capitalism

The concept of State Capitalism is demonstrated in *The State and Revolution* written by Vladimir I. Lenin.⁴ In 1918s, during a brief period of economic liberalism prior to the introduction of war-based communism, and again during the New Economic Policy (NEP) of 1921, Lenin justified the introduction of state capitalism controlled politically by the dictatorship of the proletariat to further centralize control and develop productive forces. To Lenin, this form of capitalism did not mean that the state would run the economy, rather it was intended as a temporary economic system for transforming to a communist society operated by the workers.⁵

From 1956 to the late 1970s, Mao's CPC often described the Soviet as state-capitalist, essentially using the accepted Marxist definition, albeit on a different basis and in reference to a different span of time from the Trotskyists or the left-communists. During his summer financial workshop in 1953, Mao wrote a note on an official document which defined State Capitalism as a specific economic system. In Mao's opinion, state capitalism did not exist for the capitalist's interest, rather for supplying both people and state under a people's government. The Maoists and their descendants have since used this term as it applies to socialism.⁶

After Mao's death, amidst the supporters of the Cultural Revolution and the Gang of Four, state capitalist maintained its meaning. In order to save both socialism and the People's Republic of China (PRC) regime,

China embedded market mechanisms into the socialist economy to enhance the efficiency of national economic activities in the late 1970s.⁷ In 1978, this new approach was termed “Socialism with Chinese characteristics” and was led by Deng Xiaoping. Eventually, this hybrid form of capitalism not only revitalized China’s economy, it also reshaped the CPC political economy without removing the one-party dictatorship.

Political Economy of Chinese State Capitalism

There are some contemporary analysts who argue that China is exemplary of state capitalism in the twenty-first century demonstrative in China’s surging economy at the end of a global financial crisis. Being a pioneer of Chinese State Capitalism, Ian Bremmer describes China as the primary driver for the rise of state capitalism and a challenge to the free-market economies of the developed world. In his definition, governments that adopt state capitalism use SOEs to manage the exploitation of resources that they consider the state’s crown jewels to create and maintain employment.⁸ Bremmer argues that China’s ultimate motive is not wholly economic to maximize growth rather it is political to maximize the state’s power and the leadership’s survival.⁹ Paul D. Aligica and Vlad Tarko argue that state capitalism, in countries like modern day China and Russia, is an example of a rent-seeking society. The realization that a centrally planned socialist system could not effectively compete with capitalist economies has led Communist party political elites to engineer a form of economic liberalization that increases efficiency while maintaining political control and power.¹⁰

Julan Du and Chenggang Xu argue that the contemporary PRC economic system represents a state capitalist system as opposed to a market socialist system. Their rationale is the existence of financial markets in the Chinese economic system that are absent in the market socialist literature and in classic models of market socialism. Furthermore, the “Chinese model” dismisses the need for welfare because state profits are retained by enterprises rather than being equitably distributed among the population.¹¹

Christopher A. McNally replaces state capitalism with Sino-capitalism which is based on a combination of top-down state coordination, bottom-up entrepreneurial networks and focused global integration. He argues that China is getting used to managing production under the rule of market-liberal form with norms according to the World Trade Organization

(WTO).¹² Yasheng Huang provides a similar analysis that describes China as a system of “commanding heights capitalism” and claims that it has been transformed into a fully functioning market economy.¹³

State Owned Enterprises: Outsourcing China's Economic Power

SOEs have become the focus of recent research on China's state capitalism and also a key element of the most recent research on China's economic growth. Market oriented reforms following Chinese state capitalism have led to a rapid expansion of the private sector with SOEs remaining a large part of the economy.¹⁴ From 2001 to 2011, China's total GDP rose from the sixth to the second in the world with an annual average growth rate of approximately 10% with SOEs outperforming non-SOEs.¹⁵

China's SOEs have been the core of economic reform since 1978. China's central government made the historical decision with its so-called “Opening Up” reforms and adopted a gradual, experimental and pragmatic approach to improve SOE performance without changing state ownership and control.¹⁶ During the 1980s, SOEs began to increase enterprise autonomy which required managers to meet performance targets in return for retained profit. This system initially improved SOE performance.¹⁷ However, it quickly ran into trouble because of the unclear regulation of managers and increasing competition from non-SOEs such as foreign-investment enterprises, township and village enterprises.¹⁸

Deng Xiaoping's 1992 Southern tour marked the next period of economic reform. During the Third Plenum of 14th CCP Congress in 1993, the central government endorsed the creation of a socialist market economy based on public ownership. In 1995, SOE privatization, and resultant worker layoffs, rose drastically in response to the central government's policy of “nurturing the large and letting the small go” (抓大放小). The central government explicitly pursued the strategy of retaining state control of 500–1000 large SOEs in strategic sectors where competition was restricted through administrative regulation at the same time closing or privatizing small and medium-sized SOEs. These smaller SOEs were typically in downstream industries such as footwear and apparel.¹⁹

Throughout these reforms, SOEs have successfully consolidated their monopoly and reinforced their industrial advantage. Since the upstream

industries are generally in non-trade or regulated sectors, SOEs can always be shielded from competition after the WTO entry to China. By contrast, non-SOEs have to face fierce competition in the largely liberalized downstream industries which are typically tradeable and open to foreign direct investment (FDI). According to the PRC Financial Supervision and Evaluation Office, central enterprises realized a total revenue of 25.1 trillion yuan, an increase of 3.8% in 2014; the cumulative total amount of taxes turned over 2.1 trillion yuan, an increase of 4.4%; total profit was 1.4 trillion yuan, with an increase of 4.2% attributable to owners of the parent net profit of 626.92 billion yuan, an increase of 6.9%.²⁰

Regional integration and infrastructure contracts provided SOEs with fertile ground for growth. China then participated in the Regional Comprehensive Economic Partnership (RCEP) and initiated the Asian Infrastructure Investment Bank (AIIB) which started operation after the agreement entered into force on 25 December 2015. According to the agreement, AIIB is an international financial institution that aims to support the building of infrastructure in the Asia-Pacific region. As the regional integration and infrastructure development took place SOEs became the best vehicle to extend China's economic power and State Capitalism.²¹

Rethinking the Role of Chinese State Capitalism in Southeast Asia

The Association of Southeast Asian Nations (ASEAN) has increasingly become one of China's major trading partners. In 2010, the establishment of the China-ASEAN Free Trade Agreement (FTA) opened regional supply chains. From 2009 to 2014, China and ASEAN bilateral trade rose sharply with an average annual growth rate of 18%. In 2014, in order to deepen multilateral cooperation, China and ASEAN launched increased negotiations aimed at investment and trade in goods and services with economic and technical cooperation.

Geographical Proximity for Exporting Chinese State Capitalism

In 2015, China issued the Vision and Actions on Jointly Building Silk Road Economic Belt and twenty-first-century Maritime Silk Road designated as the China-Indochina Economic Corridor.

The Greater Mekong Sub-Region (GMS) includes China's two southern provinces of Guangxi and Yunnan. The Maritime Silk Road,

includes Vietnam, Cambodia, Thailand and Myanmar's main coastal ports. These corridors enhance China's trade with ASEAN. China has mechanisms for cooperation in the GMS as well as constructing the China-Indochina economic corridor. When the Fifth Summit of GMS countries was held in Bangkok in December 2014, Premier Li Keqiang put forward three proposals to deepen the relationship between China and the five countries of Indochina: (1) common planning and constructing of a comprehensive transportation network and industrial cooperation projects; (2) developing financing cooperation; and (3) promoting sustainable economic and social development and coordination. At present, nine transnational highways are being built throughout the GMS countries.

The nine GMS highways link three regional corridors: the East-West Economic Corridor, 1320 km through Myanmar, Thailand, Laos and Vietnam; the North-South Economic Corridor, 2000 km through China (Kunming), Laos and Thailand; and the Southern Economic Corridor, 1030 km through Thailand, Cambodia and Vietnam. These three economic corridors will merge infrastructure, trade, investment and other economic opportunities among the GMS countries.²²

With the opening of the Kunming-Bangkok highway in 2013, the North-South Economic Corridor is in place. China has built a highway in Guangxi with the Vietnam Friendship Gate leading to the border and Dongxing Port. In addition, the gateway to China and Myanmar, the Kunming Sino-Vietnamese border highway reconstruction project, has been completed.

In December 2015, China and Thailand began to improve cross-border cooperation in the railway network using existing infrastructure and the construction of a new double-track railway that will connect Laem Chabang (Thailand's largest port) with Nong Khai, an industrial Thai-Laos border area near to the capital, Vientiane, that will link to Kunming. The grid is proposed to expand with a high-railway feasibility study for a route through Myanmar and Bangladesh linking Kunming to Calcutta. The China led AIIB provides investment to ASEAN's major cross-boundary infrastructure projects to develop these grids.

Maritime cooperation is essential for the twenty-first century Maritime Silk Road Construction. Vietnam and Thailand currently have the most complete port facilities in the GMS countries. The main ports in GMS countries have a standard container capacity ranging from 0.2 to 6.0 million.²³

China and ASEAN countries are actively investing in coastal shipping infrastructure. The Philippines is to promote the Strong Republic Nautical Highway plan to strengthen transport links between the islands. Indonesia announced the Maritime Axis policy principles in 2014. China is active in cooperating in various types of ocean-related programmes with Indonesia, Thailand, Malaysia, India and Sri Lanka, including a China and Malaysia joint port project in Malacca.

In 2015, the ASEAN Open Skies policy took effect to allow member nations' airlines free access to operate flights in the region's airspace under a unified single market. China and ASEAN countries also reached an agreement on the exchange of fifth freedom rights, allowing Chinese airlines to use aircraft carriers of ASEAN gateway city airports to unload passengers and freight en route to other regions.

ENABLING CHINESE BUSINESS NETWORKS

Overseas Chinese business continues to grow, taking advantage of China's reform and economic development. For centuries, overseas Chinese networks have gradually integrated into local society. The transformation of the overseas Chinese economy has been successful in contributing to economic development of the Southeast Asian countries after their independence.²⁴ Overseas Chinese in ASEAN countries, most notably Singapore, have formed a noticeable political, economic and cultural influence. The majority of overseas Chinese continue to keep or retain their basic traditional Chinese culture and identity. Subsequent generations integrate as they become more familiar with the local economic, political and investment environments. China aims to bolster foreign investment by gaining the support of overseas Chinese business networks. Through the reform in policies towards overseas Chinese, the Chinese government is able to increase SOE mergers and acquisitions overseas, as well as improve investment and operations to reduce risk. Southeast Asian Chinese have a rich experience in overseas investment coupled with open trade networks to exchange information between enterprises. These networks provide a broad platform to achieve the optimal allocation of global resources. The above factors are good resources for Chinese enterprises to implement the Chinese government's "Going Out" (走出去) strategy.²⁵

The establishment of the China-ASEAN Free Trade Area has significantly augmented economic ties. Southeast Asian Chinese who take part

in transnational investment activities provide experience and investment for China's SOEs. The earlier establishment of overseas Chinese enterprises in Southeast Asia has been exploited by large Southeast Asian Chinese enterprises. The Southeast Asian Chinese enterprises are similar to China's enterprises, following the same development process and operational mode, and can therefore help China's enterprises in Southeast Asia to expand overseas business. China's domestic enterprises have the opportunity to align with overseas Chinese enterprises or to establish outsourcing to expand business.²⁶

In order to better respond to the investment of trade protectionism and trade negotiations, the Chinese government has strengthened cooperation with overseas Chinese enterprises in Southeast Asia. This further enables China's SOEs and private companies to overcome the barriers to entry, reduce cross-border transaction costs, and consolidate foreign markets.²⁷

The global distribution of overseas Chinese businesses are key to the expansion of domestic interests. In recent years, more and more of China's domestic enterprises have obtained information about and mechanisms for foreign investment. At the same time, the Chinese government promotes the exchange of overseas Chinese and domestic entrepreneurs.²⁸

The overseas Chinese businesses are one of the largest and most enduring diaspora in the world today. They are expected to shape the political and economic landscape of the twenty-first century. This transnational Chinese community may prove to be one of the main determinants in securing Xi's China Dream in Southeast Asia. The Confucian-rooted concept of 關係 has facilitated Chinese business groups in setting up transnational regionally focused operations based on relationships with other Chinese actors. With the blueprint of Beijing's geo-economic strategy, this worldwide network of businesses is likely to continue to play a rejuvenated role that bolsters the OBOR.²⁹

CHINA'S ECONOMIC TIES WITH ASEAN

The ASEAN-China Free Trade Area (ACFTA) represents ASEAN's ambition to push toward signing preferential trade agreements outside the multilateral framework of the WTO.³⁰ ASEAN countries have signed dozens of individual Free Trade Agreements (FTAs) within and beyond the Asia region, including with major economies in Europe and North America. Over the past 4 years, ASEAN has led an initiative to combine all of its individual FTAs (with Australia and New Zealand, China,

India, Japan, and Korea, respectively) into the Regional Comprehensive Economic Partnership (RCEP) launched in November 2012, which was due for completion by year-end 2015³¹ and subsequently delayed.

Opinion of RCEP is divided. Proponents of RCEP argue that it could deepen economic integration in the Asia Pacific region as a focal point of global trade growth over the past decade. Detractors counter that RCEP, just like ACFTA, is likely to be a shallow agreement amenable to ASEAN's heterogeneous member states and as such will not make a major impact on regional economic ties. RCEP excludes many of the advanced trade provisions promoted by the United States of America (USA), such as those governing regulatory convergence, digital goods and services, and intellectual property. Skeptics also argue that, despite China's official policy to defer to ASEAN as the leader in regional integration, China may come to dominate the development of RCEP.³²

Significantly, four ASEAN countries, Brunei, Malaysia, Singapore, and Vietnam, are parties to the Trans-Pacific Partnership (TPP) led by the USA. TPP sets itself apart from RCEP in terms of the scope and depth of its provisions and does not include China. Furthermore, the TPP could have an indirect bearing on the balance of power in the Asia region in terms of solidifying US partnerships in the face of China's growing influence as part of the USA's rebalancing strategy of "Pivot to Asia". After overcoming the primary challenges of Japan's reluctance to open its agricultural sector and the failure of the U.S. Congress to pass a new Trade Promotion Authority (TPA) Bill to grant the president fast-track negotiating authority,³³ 12 Pacific Rim countries signed the TPP on 4 February 2016 in Auckland, New Zealand after 7 years of negotiations: however, it has yet to be implemented.³⁴

The majority (75.8%) of ASEAN's trade in 2013 was with countries outside ASEAN as a testament to the region's trade openness.³⁵ China was the largest individual trading partner (14% of ASEAN trade) while the USA was the fourth largest (8.2%).³⁶ Although ACFTA suggests mutually beneficial economic relations, the reality is that since full enactment of the agreement in 2010, ASEAN's goods trade with China has gone from a surplus to a US\$44.731 billion deficit in 2013 (see Table 12.1). Meanwhile, several ASEAN members have established integrated supply chains with both China and Northeast Asia, largely as a function of China's emergence as the world's manufacturing and assembly hub. ASEAN's share of China's trade with the world has also been increasing.

Table 12.1 China's bilateral trade with ASEAN countries

		US\$ million				Share of ASEAN (%)			
		1998	2003	2008	2013	1998	2003	2008	2013
ASEAN Total	Exports	10,919	30,935	114,139	244,133	100%	100%	100%	100%
	Imports	12,589	47,350	117,012	199,402	100%	100%	100%	100%
	Balance	(1670)	(16,415)	(2873)	44,731	100%	100%	100%	100%
<i>High-Income</i>									
Brunei	Exports	560	34	130	1704	5.1%	0.1%	0.1%	0.7%
	Imports	0	311	83	87	0.0%	0.7%	0.1%	0.0%
	Balance	560	(277)	47	1617				
Singapore	Exports	3901	8873	32,325	45,886	35.7%	28.7%	28.3%	18.8%
	Imports	4226	10,486	20,092	29,969	33.6%	22.1%	17.2%	15.0%
	Balance	(325)	(1613)	12,233	15,918				
<i>Middle-Income</i>									
Indonesia	Exports	1172	4482	17,210	36,947	10.7%	14.5%	15.1%	15.1%
	Imports	2462	5754	14,387	31,479	19.6%	12.2%	12.3%	15.8%
	Balance	(1290)	(1272)	2823	5469				
Malaysia	Exports	1594	6142	21,383	45,941	14.6%	19.9%	18.7%	18.8%
	Imports	2675	13,998	32,131	60,068	21.2%	29.6%	27.5%	30.1%
	Balance	(1080)	(7856)	(10,748)	(14,128)				
Thailand	Exports	1170	3829	15,521	32,738	10.7%	12.4%	13.6%	13.4%
	Imports	2423	8829	25,636	38,518	19.2%	18.6%	21.9%	19.3%
	Balance	(1253)	(5000)	(10,116)	(5780)				
The Philippines	Exports	1499	3094	9088	19,836	13.7%	10.0%	8.0%	8.1%
	Imports	517	6309	19,508	18,205	4.1%	13.3%	16.7%	9.1%
	Balance	982	(3215)	(10,420)	1631				
<i>Low-Income</i>									
Burma	Exports	n.a.	908	1979	7349	n.a.	2.9%	1.7%	3.0%
	Imports	n.a.	170	645	2810	n.a.	0.4%	0.6%	1.4%
	Balance	n.a.	738	1335	4540				
Cambodia	Exports	n.a.	295	1095	3411	n.a.	1.0%	1.0%	1.4%
	Imports	n.a.	26	39	361	n.a.	0.1%	0.0%	0.2%
	Balance	n.a.	268	1056	3050				
Laos	Exports	n.a.	98	268	1721	n.a.	0.3%	0.2%	0.7%
	Imports	n.a.	11	149	1021	n.a.	0.0%	0.1%	0.5%
	Balance	n.a.	87	119	701				
Vietnam	Exports	1024	3180	15,139	48,599	9.4%	10.3%	13.3%	19.9%
	Imports	217	1455	4343	16,886	1.7%	3.1%	3.7%	8.5%
	Balance	806	1725	10,797	31,714				

Source Nargiza Salidjanova and Jacob Koch-Weser, "China Economic Ties with ASEAN: A country-by-country analysis," U.S.-China Economic and Security Review Commission Staff Research Report, 17 March 2015, p. 5

The Greater Mekong Sub-region (GMS), initiated by the Asian Development Bank (ADB) in 1992, was initially China's important foreign investment programme to Southeast Asia. China has taken a series of measures to implement the GMS Cooperation programme. In order to effectively guide the cooperative work, the Chinese government established the National Coordinating Group for a Pre-feasibility Study on Development of the Lancang-Mekong River Sub-region in 1994. This high-level group, whose lead agencies are the State Development and Reform Commission, the Ministry of Finance, and the State Science and Technology Commission, has convened a series of meetings to discuss new areas of cooperation, policies, measures and recommendations.

In addition to implementing specific projects, China has provided US\$30 million for the construction of the Laos section of the Kunming-Bangkok highway and US\$5 million for the navigation channel improvement project on the Upper Mekong River. China has provided training programmes for more than 500 people on agriculture, customs affairs and telecommunications. In 2004, China set up a special fund totalling US\$20 million under the ADB for cooperation among developing Asian countries on human resources development and poverty alleviation. In 2005, China decided to unilaterally expand the range of products eligible for preferential tariff from Laos, Cambodia and Myanmar, effective from 1 January 2006, with the aim of raising the level of intraregional trade. Chinese leaders pledged that China would continue to give financial support within its capacity for sub-regional cooperation.

At the third GMS Summit in 2008, China made a package of pledges on boosting cooperation among members of the GMS. China pledged ¥20 million to conduct an engineering feasibility study on the Eastern Line of the Singapore-Kunming Rail Link. China agreed to build methane-generating pits for 1500 rural households in GMS countries; provide training to 1000 people under the GMS Economic Cooperation framework in the next 3 years; and provide 200 more government scholarships to study in institutions of higher learning in Yunnan, Guizhou and the Guangxi Zhuang Autonomous Region of China.

China has been a prominent outbound investor by using foreign exchange reserves and reducing levels of investment in the domestic market. Official statistics show that China's global outbound investment flows grew from just over US\$34 billion in 2003 to US\$525.7 billion in 2013. The combination of rising outbound FDI and a slowdown in

foreign investment into China has led to a rapid reduction in China's net FDI surplus, from US\$46 billion in 2006 to US\$11 billion in 2013. At the same time, global FDI in ASEAN has been on the rise, increasing from just over US\$300 billion in 2003 to over US\$1.5 trillion in 2013.³⁷

Salidjanova and Jacob Koch-Weser identify Chinese outbound investment in ASEAN as being in an early stage. On the one hand, China contributed a mere 2.3% of total FDI into ASEAN in 2013, as reported by MOFCOM (Ministry of Commerce, China); on the other hand, ASEAN accounted for 6.7% of China's global outbound investment stock at year-end 2013, totalling US\$35.7 billion.³⁸ The actual rate is likely to be quite a bit higher when taking into account investments not notified to the Chinese authorities.

China operates under a set of rules for foreign aid, also known as the Eight Principles for Economic Aid and Technical Cooperation to Other Countries. These eight principles, introduced in 1964 by Premier Zhou Enlai, remain an essential element of China's foreign aid policy. According to China's Foreign Aid (White Paper) issued by the PRC's State Council Information Office in April 2011,³⁹ the basic features of China's foreign aid policy are as follows: unremittably help recipient countries build up their self-development capacity; imposing no political conditions; adhere to equality, mutual benefit and common development; keep pace with the times and paying attention to reform and innovation. Whereas, Brautigam suggests there are three main categories of motives: economic, political and ideological.⁴⁰ He argues that the policies are based on economic interests to secure natural resources and establish state diplomacy aimed at spreading Chinese values.

In the 1990s, Chinese government concessional loans and government aid funds combined with bank loans increased participation in foreign aid projects. Meanwhile, China adjusted its strategy of assistance to GMS countries to focus on productive and social welfare projects by carrying out economic and technical cooperation.⁴¹ Table 12.2 summarizes China foreign aid, by ASEAN country.

In addition to providing bilateral foreign aid, China also provides economic aid to GMS countries within the framework of regional cooperation. The most successful is the GMS Economic Cooperation programme. The volume of Chinese aid can be expected to increase in the coming decades. China's growing need for resources and the opening of new consumer markets are bolstered by commercial interests that form

Table 12.2 Cases of China's foreign aid in ASEAN countries

<i>Receiving countries</i>	<i>Time</i>	<i>Content of foreign aid</i>
Vietnam	2010	Chinese enterprises had completed US\$10.96 billion worth of contract projects in Vietnam, including construction, labour cooperation and consultation contracts
	2011	The Red Cross Society of China (RCSC) provided US\$300 million emergency aid for Vietnam's flood-damaged areas in 2011
Cambodia	2011	The Chinese government provided emergency humanitarian aid worth ¥50 million in the form of goods and materials, for Cambodia's flood victims.
Laos	2007	Chinese enterprises had signed US\$2.28 billion worth of service and design consulting contracts with Laos, of which US\$1.41 billion had been completed
Thailand	2004	China provided donations of 4 million Thai baht, US\$300,000, relief aid, and ¥7.5 million in goods and materials for avian flu and the Indian Ocean tsunami
	2011	China provided ¥40 million in goods and materials and US\$1 million in cash assistance.
Myanmar	1997	China provided Myanmar with a US\$150 million loan for the Asian financial crisis
	2008	China donated US\$1 million at first and then provided another \$10 million and also ¥30 million for cyclone Nargis
	2011	The Chinese government provided US\$5 million in cash assistance for the northeast earthquake

Source Hsing-Chou Sung, "China's Geoeconomic Strategy: Toward the Riparian States of the Mekong Region," in Yos Santasombat, ed., *Impact of China's Rise on the Mekong Region* (N.Y.: Palgrave Macmillan, 2015), pp. 23–52

its central motive for aid provision. In addition, there are strategic and diplomatic objectives including regional security in China's periphery.⁴²

OBOR AND ITS GEO-ECONOMIC IMPLICATIONS

OBOR includes the Silk Road Economic Belt and twenty-first century Maritime Silk Road, named after the historic trade routes, and treated as China's geo-economic strategy since Xi initiated it in September 2013. After this announcement, Chinese Premier Li Keqiang, during the Third China-Central and Eastern European Leaders' Meeting in Serbia, announced a US\$10 billion Chinese credit line for infrastructure development, a US\$3 billion Chinese equity investment fund, and

a deal to build a new railway link from Budapest through Belgrade and Skopje to the Greek port of Piraeus on the Mediterranean Sea. Li then departed for Thailand where he signed a US\$10.6 billion financing deal to build the Thai segment of a railway that aims to connect Bangkok with China. At the end of the official visits, he pledged US\$3 billion at the Greater Mekong Sub-region Economic Cooperation summit to finance infrastructure connectivity, Chinese machinery exports and poverty reduction efforts.

Xi committed himself to creating the Silk Road Economic Belt initiative during his tour of Central Asia in September 2013, envisioning efficient, high-volume land connectivity between China and Europe in order to link all major sub-regions. He then announced the twenty-first century Maritime Silk Road initiative during his visit to Indonesia in October 2013, envisioning Chinese participation in the development of major ports on the Eurasian rim between China and the Mediterranean Sea in order to promote maritime connectivity. China refers to this pair of initiatives as OBOR—to link sea and land trade routes. Together, the OBOR constitutes a grand vision of Eurasian integration under China's leadership.

This geo-economic strategy will mainly take shape along railway lines connecting several cities in western China to Europe via Central Asia, Iran, Turkey, the Balkans and the Caucasus, spanning the 11,000-km-long Eurasian continent. The Chinese authorities believe that these transportation infrastructures will be a first step toward the creation of a Eurasian economic corridor, allowing for the future integration between European and Asian markets. They hope that trade liberalization and strengthened economic cooperation among the economies connected by the railroad network will lead ultimately to a new form of regional economic community and, in the words of President Xi, give rise to “a sense of common destiny” among China's neighbours. The New Silk Road will also be linked to Southeast Asia and have a maritime component extending across the Indian Ocean to the Persian Gulf and the Mediterranean (see Fig. 12.1).

China's neighbours are becoming more dependent than ever on finance and trade while looking to Beijing to drive global economic growth. Xi's declaration that the efforts aimed at making his Chinese dream come true and the OBOR should be seen as a serious bid to realize a twenty-first century “great rejuvenation of the Chinese nation” that



Fig. 12.1 OBOR official map. *Source* “The Belt and Road: The Silk road Economic Belt and the Twenty-First Century Maritime Silk Road,” Xinhua Finance Agency, 20 August 2016, <http://en.xinfinance.com/html/BR/>

will match the ancient glory of the Han and Tang Dynasties.⁴³ What remains is implementing an ambitious geo-strategic vision of a China-centric order in Asia and the long-term integration of Eurasia will serve China’s growth and development needs.⁴⁴

This strategic agenda is better viewed as a work in progress rather than a preconceived master plan. In fact, China has a number of reasons for investing in the OBOR. The grand strategy in building OBOR is China’s attempt to export industries in sectors such as steel, construction, transportation and manufacturing. As a net importer of energy, industrial commodities and food, China needs to secure access to new resources. China can now export higher value-added goods and services, including electronic parts, consumer durables, heavy equipment, and construction and engineering services.⁴⁵

OBOR Strategy

The OBOR policy launched by Xi is a tool for promoting national economic development, based on boosting exports, enhancing access

to natural resources and providing support to important domestic industries. Recently, Chinese authorities committed to providing US\$1 trillion for infrastructure investments in the central and western provinces of China. These provinces will become the gateway to the Silk Road. Furthermore, in 2014, Premier Li announced the creation of a US\$3 billion investment fund for Central and Eastern European (CEE) countries meant to further enhance cooperation, which includes plans to construct “a new corridor of inter-connectivity”.⁴⁶ For China, contracts and subsidies for national railcar manufacturing will strengthen its position in relation to foreign competitors and improve its advantage in economic and trade terms in overseas markets. China will provide financial aid to countries for their transport and communications infrastructures to be repaid in the form of local resources.⁴⁷

Rolland argues that domestic security considerations also provide an impetus for China to build the regional transportation infrastructure.⁴⁸ The CPC believes that the political and ethnic tensions in Xinjiang can be augmented by economic development, and has been investing massively in the local economy and infrastructure for this reason. In 2000, Hu Jintao decided that the Xinjiang Uyghur Autonomous Region, regularly rocked by ethnic violence and affected by the religious radicalization of part of its population, needed to be more closely tied to the rest of the country. This decision was followed by the launch of an extensive programme to build rail and road infrastructure connecting the remote and impoverished region with the more dynamic regions of eastern China. Obviously, a similar logic is now being applied to China's borders by Xi's government. CPC aims to build railways that will connect the Xinjiang Region to its Kazakh and Kyrgyz neighbours, and then westward to the Middle East and Europe, with the aim that economic development brought by building infrastructure will enhance the political stability in these areas.⁴⁹

China's diplomacy aims to develop good relations with its neighbours. Given the deterioration of relations on its eastern maritime flank, China now wants to strengthen its cooperation and stability both on its western land and the southern maritime area so that the US footprint there is not strengthened.

On the western front, as the USA reduces its presence in Afghanistan, China is considering economic involvement equivalent to what it has achieved in Central Asia for more than a decade. Specific measures include the construction and upgrading of pipelines and mineral

extraction infrastructure, transport facilities and communications. Beijing hopes to keep its backyard as stable as possible, and to rely on the stability of Central Asian secular autocracies to secure part of China's energy supplies and prevent the radicalization of its own Muslim population.

On the southern front, China has sped up its building of islands and facilities in the South China Sea. In 1947, the nationalist Chinese government put forward claims on the South China Sea in a map containing 11 dotted lines. This map was adopted by the CPC when they took power and later premier Chou Enlai deleted two lines in the Gulf of Tonkin to make the 11 dots into nine.⁵⁰ Because most of the territory controlled in the South China Sea was once limited to sandbars or chunks of reef that barely qualified as islands, China has been rapidly piling sand onto reefs in the South China Sea, creating seven new islets in the region.⁵¹ The U.S. Department of Defense's annual report to Congress in 2016 on China's military estimated that the Chinese have fashioned at least 3200 acres of new land in the Spratlys over the past couple of years. Admiral Harry Harris Jr., head of the U.S. Pacific Command, has dubbed the Chinese building spree a "Great Wall of Sand".⁵²

Zimmerman argues that the OBOR geo-economic scheme would spontaneously integrate China's neighbours more closely with the Chinese economy, enmeshing them in a network of trade ties, transportation links and multilateral regional institutions, enhancing Beijing's influence over the weaker, poorer nations that surround it.⁵³ The AIIB is one such mechanism and will assist in funding some of the projects that will be a part of the new Silk Roads.

The infrastructure diplomacy initiated by Beijing also has a critical strategic motivation. The fear of a maritime blockade, imposed by the USA in East Asia, has led Chinese leaders to look for ways to bypass sea lanes subject to US naval dominance. On 9 June 2016, the USA, India and Japan kicked off the annual joint exercise Malabar, which initially began as a bilateral naval exercise between the USA and India back in 1992. This military exercise can be seen as a maritime containment to China. The show of US naval power comes as Japan and the United States worry China is extending its influence into the western Pacific with submarines and surface vessels as it pushes territorial claims in the neighbouring South China Sea by expanding and building on islands.⁵⁴ In January 2013, the Philippines formally initiated arbitration proceedings against China's territorial claim on the "nine-dash line", which it said is unlawful under the United Nations Convention on the Law of the Sea (UNCLOS). On 12 July 2016, the five arbitrators of the tribunal agreed unanimously with the Philippines.

They concluded in the award that there was no evidence that China had historically exercised exclusive control over the waters or resources; hence there was no legal basis for China to claim historic rights over the nine-dash line. China however refused to participate in the arbitration.⁵⁵

For over a decade, Chinese authorities have sought to circumvent the so-called “Malacca dilemma”. China has a huge reliance (about 80%) on constricted and potentially vulnerable sea lanes in Southeast Asia for the overwhelming majority of its energy imports. China’s pivot to the West is a way to avoid depending too much on maritime regulations. The planned infrastructure, including pipelines and roads as well as railways, will improve China’s ability to transport crucial energy resources from suppliers in Central Asia and the Middle East. In this sense, the New Silk Road vision offers a sort of homecoming for China, which has historically given priority to its landmass at the expense of maritime expansion.⁵⁶

NEW SILK ROAD AGENDA IN SOUTHEAST ASIA

Premier Li introduced China’s 2 + 7 Initiative at the 2013 China-ASEAN Summit. China’s two fundamental principles of engagement with ASEAN are mutual security and economic cooperation. Based on these principles, China proposed seven ideas: a new China-ASEAN treaty of good neighbourliness and cooperation; an annual China-ASEAN defence minister meeting; a goal of US\$1 trillion in trade by 2020; the AIIB; more reliance on the Chinese Yuan Renminbi (RMB) in central bank reserves, trade invoicing and bank finance; maritime cooperation in the South China Sea; and cultural exchange. All these measures directly strengthen China’s influence over Southeast Asia.⁵⁷

In late 2013, during his trip to Malaysia and Indonesia, Xi announced the new agenda of the twenty-first century Maritime Silk Road initiative, thereby expanding port access to support maritime trade extending across the Indian Ocean to the Persian Gulf, East Africa and through the Red Sea into the Mediterranean.⁵⁸ From the geo-economic viewpoint, Guangxi could be a perfect terminus for the Maritime Silk Road, benefiting from its 637-km land border with Vietnam and three deep seaports on the South China Sea. Accordingly, Guangxi’s main cooperation partners are Vietnam, Malaysia, Singapore, the Philippines, Indonesia and Brunei. Together with Hainan and Guangdong Provinces, Guangxi supports the Pan-Beibu Gulf Economic Cooperation Forum and it hosts the annual China-ASEAN Expo in Nanning. Although a high-speed railway

from Guangxi to Singapore is secured, the Maritime Silk Road focus is to develop an overseas port operated by Chinese firms for managing maritime trade with Southeast Asia.⁵⁹

The southern province of Yunnan is predicted to be China's strategic bridgehead of the OBOR agenda. Yunnan is the GMS hub for the transportation corridors through Myanmar, Thailand, Vietnam, Laos and Cambodia. Road infrastructure will be augmented with planned electrified railways linking Kunming to Vientiane, Bangkok, Hanoi, Ho Chi Minh City, Kuala Lumpur and Singapore.⁶⁰

Another development is the land corridors that will link Kunming to Kyaukpyu on Myanmar's coastline. Kyaukpyu is a deep-sea port developed by Chinese firms. Oil and gas pipelines from Kyaukpyu to Kunming are roughly 1000 km long and can carry more than 22 million tons of oil and more than 420 billion cubic feet of natural gas per year. The pipelines bring China energy from the Middle East and Africa, bypassing the long route through the Malacca Strait and South China Sea. In addition, an 868-km railway is to be built between Kunming and Kyaukpyu as well as a highway.⁶¹

Plans to implement the Bangladesh-China-India-Myanmar Economic Corridor began in December 2013. The 2800-km highway will link Kunming to Kolkata in India. Special customs, trade and industrial zones along the route are intended to develop industry and build supply chains across China, Myanmar, Bangladesh and India.⁶²

CONCLUSION

China's approach to transregional integration mainly focuses on economic trade and infrastructure development. This means boosting trade and investment by improving connectivity between markets by building more efficient transportation linkages, providing more trade, financing investment and increasing human exchange opportunities. China aims to create transcontinental economic corridors that radiate both across the Eurasian landmass (the Silk Road Economic Belt) and along the maritime rim of Eurasia (the twenty-first century Maritime Silk Road). All these practices, so called "Socialism with Chinese characteristics", are not justified by a socialist market economy but by Chinese State Capitalism.

Chinese authorities hope that the global geo-economic expansion of OBOR will lead to a situation in which Europe becomes a peninsula at the end of the Asian continent, economically integrated with and dependent on the Chinese locomotive, while the USA is relegated to the position of a distant island, floating between the Atlantic and the Pacific. Constructing

infrastructure is at the core of the OBOR and Southeast Asia is the touchstone. It successfully combines hardware with software. Hardware means the railways, highways, ports, energy pipelines and industrial parks so that China can export its excessive capacities in sectors such as steel, construction, transportation and manufacturing by SOEs. Software refers to development finance institutions (such as AIIB), international trade and investment agreements, and ethnic Chinese business networks that constitute the social foundation for trade and investment flows.

In other words, the OBOR agenda is more than just a rail network expanding its grid across the Eurasian continent, it opens an array of new economic and strategic possibilities based on Chinese State Capitalism. Only by developing both hardware and software can China export amply its Chinese State Capitalism through SOEs, and connect with its neighbours, especially countries in Southeast Asia. Although the OBOR project envisions huge benefits for most countries along the routes, territorial disputes with relative countries remain the vital challenge for China. China rising with its unbelievable economic resources coincides with unpredictable military threats. This great agenda not merely requires China to provide financial incentives and infrastructure but is also the roadmap for political and military commitment to achieve mutual confidence building.

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