



ETHNIC CHINESE

Their Economy, Politics and Culture



Edited by
Yu Chunghsun

The Japan Times

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Edited by:
Yu Chunghsun

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Preface

Asian economies are in the process of recovering from the "economic crisis." In the "crisis" there were two kinds of Asian economies: those in which the economic conditions were very bad, such as Thailand, South Korea, Indonesia, etc., and those in which the economic conditions were not so bad, for example, mainland China and Taiwan. Their rates of economic growth and agricultural, steel, electronics, personal computer outputs, etc., were at a high level. At least, in macro figures, their economies were not in crisis. The "economic crisis" is confined to some countries and areas. Therefore, I usually use the term "economic crisis" in Asia as a whole with quotation marks.

Asian economies will overcome the "crisis" very soon. However, in the long run, to regain the high-speed economic growth that they enjoyed before the "crisis," transformation of the economic system and structure is necessary. So long as the economic system and structure are closely related to people's values and culture, their transformation will take a long time and will not be achieved without pain.

In Indonesia's case, the economic crisis led to political crisis and it will take much longer for Indonesia than other countries to recover. Malaysia looks like it belongs in the same category to some extent. Here also, not only the economic factor, but the political factor should be taken into consideration.

The 21st century will soon come. Economic recovery and development in Asia will be one of the most important factors to develop the world economy in the coming century. Here, Japan and the ethnic Chinese economies will play an extremely important role. Thus, we should pay attention to the future prospects of the ethnic Chinese economies. However, these economies have been showing very complicated features especially due to the above-mentioned "economic crisis." It is not so easy to precisely understand the overall picture of the economies.

Essays included in this book are various attempts at better understanding the ethnic Chinese economies. To better understand them, we should pay attention not only to the economy itself, but to politics, society, culture and

so on, especially in the long run. Therefore, essays in this book are not confined to the economy. The topics of politics, society and culture are included.

Originally, most of the essays in this book were presented at the international conference, "Ethnic Chinese and the World Economy Symposium," held at Guangzhou, China, from May 7 to 9, 1998. The symposium had five sessions: 1) Ethnic Chinese and the Development of the World Economy, 2) Ethnic Chinese and Business, 3) Ethnic Chinese and Society, 4) Ethnic Chinese and Culture, and 5) Ethnic Chinese and Mainland China, Hong Kong, Macau and Taiwan.

Three kinds of papers are included in this book. The first group consists of those that were originally written in English and submitted to the symposium. All such papers were elaborated on several times after the symposium. The second group is papers of Chinese researchers who have close relations with Japanese researchers and assisted the Japanese preparatory committee for the symposium. And the third group is Japanese researchers' papers, some of which were newly written for this book.

This book is a collection of three types of essays: first, seven essays on ethnic Chinese economy and management; second, four essays on each country and area; and third, two essays each on politics and culture. After an introduction by Yu Chunghsun (or Chukun Yu in Japanese), economic essays by Ikuo Iwasaki, Li Guoliang, Kang Rongping, Wang Xiaoping, Twu Jaw-yann, Peter S. Li and Toru Nakanishi follow, each of which argues various issues from comprehensive viewpoints. Peter Li, Canada, submits a very useful and valuable economic viewpoint as a sociologist.

Then come four essays on specific issues relating to Japan, Mongolia, Taiwan and mainland China by Yu Chunghsun, Shinichi Kubota, Wang Muheng and Yumin Chou, respectively. Essays on politics and culture are very few, but the two writers, L. Ling-chi Wang, U.S., and Yen Ching-hwang, Australia, are leading researchers in the world on these topics, respectively.

The Nippon Foundation financially supported this project because of the very important nature of the topic itself. Furthermore, they responded to the hopes of Japanese researchers. Research on the ethnic Chinese is blooming

in Japan, and its level is very high. However, Japanese research on ethnic Chinese is little known outside of Japan because most of the research is conducted and written in Japanese. This kind of symposium is necessary for Japanese researchers to introduce their research to a wider world.

With the cooperation of the Association for International Friendly Contacts of Guangdong Special Economic Zone, Guangzhou, China, and the Sasakawa Japan-China Friendship Fund of the Sasakawa Peace Foundation, Tokyo, Japan, and the sponsorship of the China Association for International Friendly Contacts, Beijing, China, 38 researchers from around the world attended the symposium: 20 from mainland China, nine from Japan, and two each from Hong Kong, Singapore and the United States, and one each from Taiwan, Australia and Canada. Yu Chunghsun was the chairperson of the Japanese preparatory committee. In addition to the proceedings of the symposium in Chinese and English, the committee planned to publish a book in English. This is the result.

This book is the academic outcome of the worldwide collaboration of researchers on ethnic Chinese around the world. I hope the symposium and this book can contribute greatly to the development of ethnic Chinese studies, especially economic studies in the world

I would like to express my heartfelt thanks to all who supported the symposium and the publishing of this book. Especially, staff members of the Sasakawa Japan-China Friendship Fund of the Sasakawa Peace Foundation, particularly Director Shinichi Kubota, who is one of the authors of this book, Gu Wenjun and Zeng Ying worked hard for the publication of this book. Without their hard work, this book could not have been born. Finally, I should apologize to everyone concerned for the delay in the publication of this book.

December 1999

Yu Chunghsun

Contributors

- YU CHUNGHSUN (CHUKUN YU in Japanese), Professor at Asia University, Tokyo, Japan
- IKUO IWASAKI, Professor at Takushoku University, Tokyo, Japan
- LI GUOLIANG, Professor at Nanyang Institute, Xiamen University, China
- KANG RONGPING, Associate Research Fellow, Chinese Academy of Social Sciences, China
- WANG XIAOPING, Associate Professor at Kita-Kyushu University, Japan
- TWU JAW-YANN, Professor at Nagoya University, Japan
- PETER S. LI, Professor at University of Saskatchewan, Canada
- TORU NAKANISHI, Associate Professor at University of Tokyo, Japan
- SHINICHI KUBOTA, Director, Sasakawa Japan-China Friendship Fund, Tokyo, Japan
- WANG MUHENG, Professor at Nanyang Institute, Xiamen University, China
- YUMIN CHOU, Professor at University of Michigan-Dearborn, USA
- L. LING-CHI WANG, Associate Professor at University of California, Berkeley, USA
- YEN CHING-HWANG, Professor at University of Adelaide, Australia

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ETHNIC CHINESE

Their Economy, Politics and Culture

Introduction: Economic Dynamism of Ethnic Chinese and the 21st Century

Yu Chunghsun

Who are the ethnic Chinese?

"Ethnic Chinese" refers to three kinds of people. First are the ethnic Chinese in mainland China. Second are the ethnic Chinese in Hong Kong, Macau and Taiwan. These three areas were historically China's territories. Hong Kong was returned to China on July 1, 1997, and Macau was returned to China in Dec. 20, 1999. Political and military relations between Taiwan and mainland China are at a critical stage. The solution of the political and military issues depends on future negotiations. However, other aspects of the relationship between Taiwan and mainland China, such as economic relations, cultural relations and so on, are being improved.

Third are ethnic Chinese overseas. These are overseas Chinese and their descendants. The former, overseas Chinese, are mainly the following people: those who were born in China, namely, first-generation Chinese whose mother tongue is Chinese, including various dialects such as Cantonese, Hokkienese and so on, and who mainly have Chinese nationality and reside in foreign countries. The latter, overseas Chinese descendants, are mostly the following: second-generation and later generation ethnic Chinese overseas who mainly speak the language of where they were born. They are often bilingual or even trilingual, some speak English such as those in the former English-speaking areas of Singapore and Malaysia. They have local nationality.

We can call the latter two — namely, all those excluding the ethnic Chinese in mainland China, the ethnic Chinese in Hong Kong, Macau and Taiwan, and the ethnic Chinese overseas — "the ethnic Chinese outside mainland China (ECOMC)."

Usually, the term “ethnic Chinese” is used in two ways, in a wide sense and in a narrow sense. The narrow sense refers to the ethnic Chinese overseas or overseas Chinese and their descendants. The wide sense includes all ethnically Chinese people from mainland China, Hong Kong, Macau, Taiwan and ethnic Chinese overseas. In this book, “ethnic Chinese” refers mainly to this wide sense of the term, though the way of expression depends on each contributor.

What is the ethnic Chinese economy?

As mentioned above, with the exception of political and military relations, ethnic Chinese mutual relations, especially economic relations, are being improved and intensified. Therefore, at least in the economic arena, we can say that unification among ethnic Chinese is in progress.

“Ethnic Chinese economy” refers to the economies of mainland China, Hong Kong, Macau, Taiwan and the ethnic Chinese overseas. Ethnic Chinese economy consists of two strata: 1) mainland China’s economy and 2) ethnic Chinese economies outside mainland China. The latter consists of two strata, namely, the economies of 1) historically former Chinese territories, Hong Kong, Macau and Taiwan, and 2) ethnic Chinese overseas. Thus, in total there are three strata of ethnic Chinese economies. And we can call the latter two, i.e., economies of Hong Kong, Macau and Taiwan, and those of ethnic Chinese overseas, “ethnic Chinese economy outside mainland China (ECEOMC).”

Economic relations among these three strata have many aspects, but the most important one is investment in mainland China by the ethnic Chinese outside mainland China. Ethnic Chinese are investing in mainland China because the business in mainland China is very profitable, not because mainland China is their home country or the country of their ancestors. Therefore, when business in mainland China is not so profitable, ethnic Chinese investors outside mainland China leave China and transfer their investment to more profitable countries or areas. Thus, their unification is limited to the economic arena and is very weak.

There are two kinds of ethnic Chinese economic unification or cooperation

body, i.e., a regional economic integration body and an ethnic connection body. The "Coordination System for the Chinese Economies" or "Coordinating System of the Chinese Economy" among mainland China, Hong Kong, Macau and Taiwan is an example of the former. The "World Chinese Entrepreneurs Convention" based on ethnicity is an example of the latter. Both are formed with ethnic Chinese networks.

However, this is the viewpoint in terms of China. There is another viewpoint in terms of the local countries or areas where they live. We should put together the two viewpoints. And, with the strengthening and deepening of the ethnic Chinese outside China's indigenization or localization in their residing countries or areas, the latter viewpoint is becoming more and more important. This is true not only in the case of the ethnic Chinese overseas, but in the case of Hong Kong, Macau and Taiwan. In terms of the latter viewpoint, ethnic Chinese overseas is an ethnic minority except in Singapore or a transnational ethnic group.

"Economic Crisis" in Asia and "Chineseness"

The "economic crisis" in Asia had an impact that swept over the world economy. Although a part of Asia, the economies of mainland China, Hong Kong, Taiwan and Singapore, whose citizens are majority ethnic Chinese, reacted in a different way from those of Thailand, Indonesia, South Korea and other countries. In mainland China and Taiwan, continuous economic growth was observed. The economic situation of these four areas was not so bad, especially compared with other Asian economies, which experienced a depreciation of their currencies, a rise in the bad-debt rate in bank loans (the portion of bad debt in total debt) and a fall in stock prices. Mainland China and Hong Kong even prevented the devaluation of their currencies.

Even if we add the worldwide ethnic Chinese economies to the above mentioned four economies, the ethnic Chinese economic situation as a whole was not so serious. This is the reason why the quotation marks are used here for the term "economic crisis." Although the Japanese economy is the second largest in the world, it has lost its vitality, or at least its economic power is not as strong as before, and it will take time for Japan to recover

from the "crisis." We cannot deny the possibility that the ethnic Chinese economies will play a very important role in the future development of the Asian economy. As mentioned above, there were two kinds of Asian economies, good and bad. What is the reason for this? There are many factors to explain the difference. The difference in government policy is the most important one. However, when we concentrate on Chinese factors only, the most important one is the difference in "Chineseness." As for Chineseness, we have many kinds of arguments. This includes cultural factors, but here I will confine myself to making a few short remarks on its economic aspect.

In terms of economy, Chineseness is related to family business, clan business, paternalism, quick decision-making, high adaptability to new circumstances, easy acquisition of inside funds, easy suppression of employees to low wages and, furthermore, industriousness, enthusiasm for their children's education, dislike to entrust somebody with one's money, a preference for gold, dislike of borrowing money from strangers, preferring to depend on one's own capital, such as the use of a mutual loan association to raise the money from family, clan, those from the same district or friends, etc.

However, while ethnic Chinese in mainland China, Hong Kong, Macau, Taiwan and the first-generation overseas Chinese have traditional Chineseness to some extent, there are also many second and later generations of ethnic Chinese descendants in Southeast Asia. How about the latter? Don't they have Chineseness? They do, but their Chineseness is not so strong or changed. Even in mainland China, Hong Kong, Macau and Taiwan, young people do not have traditional strong Chineseness. Some of them went to the United States or Europe to study business and gave up their Chineseness or their Chineseness has changed to great extent.

Of course, Chineseness has two aspects, good and bad. It includes weaknesses and they should be overcome hereafter. Weaknesses are uncertainties, unfairness and inefficiency as a result of family business and paternalism, for example, sloppy accounting, confusion of company money with family money, excessively bad connections, nepotism, crony capitalism, etc.

The impact of the “crisis” was considerable on the ethnic Chinese economies in Thailand, Malaysia and Indonesia. The ethnic Chinese economies of Hong Kong or Singapore were hit but to a lesser extent. They, nevertheless, saw the “crisis” as a great opportunity to invigorate their economies, because the prices of stock, real estate, buildings, etc., have fallen. This is one of the main reasons why they could survive the “crisis.”

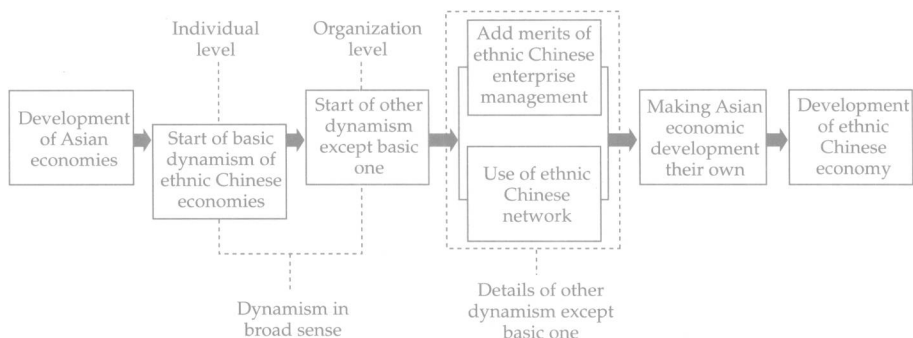
Dynamism certainly supposes vitality, a thriving economy and economic strength. Where is this dynamism of ethnic Chinese economies coming from?

Economic Dynamism and Entrepreneurial Spirit of Ethnic Chinese

The unprecedented growth of Asian economies before the “crisis” is attributable to several reasons. For example, the governments of these countries implemented export-oriented policies, especially after the Plaza Accord in 1985, Japanese direct investment to these economies increased, which made them possible to export large scale to the U.S., which guaranteed fast growth for Asia. But the winners were the ethnic Chinese of these countries, or at least they were one of the biggest winners. Why could ethnic Chinese grab such a large piece of the cake? Needless to say, it is because of their economic dynamism.

Ethnic Chinese dynamism has two meanings. In its narrow sense, it is a basic, original dynamism in individual level. The second meaning is the

Dynamism of Ethnic Chinese Economic Development



behavior of groups and organizations, and is a kind of derivative dynamism. These two kinds of dynamism make up the broad sense of dynamism. And this broad sense dynamism is the main reason for the fast growth of Asian ethnic Chinese economies. We can present this in a chart on previous page.

Dynamism at the individual level is the entrepreneurial spirit, which derives mainly from the four levels of experience, accumulated throughout history. First is the formation of monetary and market economy in China, due to the movement of people (characteristic of the Chinese people in general). For centuries, because of invasion by other nations or growth of population, or other disturbances, people moved from north to south, from east to west; for the Chinese, moving was a natural state. In such conditions, money is most important. Without money, there is no way to survive, but if they have money, they can get along anywhere. This is how money and making money became a core question for the Chinese. It is a lesson from history.

Second is China's ancient trade with foreigners (characteristic of the people in southern China). For security reasons, the central governments in the north confined trade with foreigners only to southern China far from the capital city. Monetary economy and dealing with foreign currencies became common in southern China and people of the area became acquainted with foreign monetary and market economy, and capitalism.

Third is impact of foreign capitalism on those outside of the mainland (characteristic for ethnic Chinese living outside of mainland China). Those Chinese and their descendants who moved outside of the mainland, got two kinds of training: on one hand, they were influenced by imperialism and modern capitalism in East and Southeast Asia, for instance, by British capitalism in Hong Kong, Singapore or Malaysia, or by Japanese capitalism in Taiwan.

On the other hand, and this is the fourth level, the founding of New China, the People's Republic of China, motivated a lot of ethnic Chinese outside of mainland China to develop their economic dynamism (the second characteristic of the ethnic Chinese living outside of mainland China). After the socialist system was established in China, the overseas ethnic Chinese economy got further invigorated. Because of the fear that their