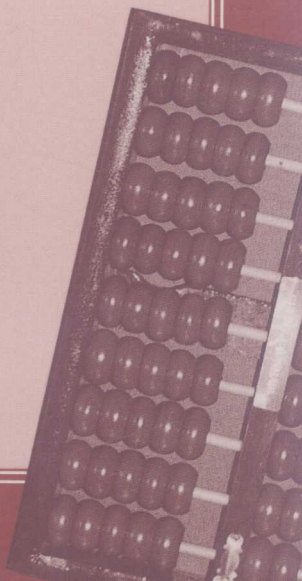
WITH SWEAT & ABACUS

Economic Roles of Southeast Asian Chinese on the Eve of World War II

by Fukuda Shozo



Translated by Les Oates

Edited by George Hicks

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Economic Roles of Southeast Asian Chinese on the Eve of World War II

by Fukuda Shozo

With an Introduction by JAC Mackie

Edited by
George Hicks

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Foreword

Edgar Wickberg of the University of British Columbia first drew this study to my attention with his comment that a translation into English was long overdue. Unlike many Japanese studies of the Chinese in Southeast Asia, this great work of the economist Fukuda Shozo has never been translated into Chinese and the last Japanese edition was published in 1942.

Not much is known about Fukuda Shozo. After the completion of this book in 1937, he was appointed Director of the Third Research Committee of the East Asia Institute. The East Asia Institute (*Toa Kenkyujo*) published many books on Southeast Asian history and culture. As of 1944 they had research programmes on anti-Japanese movements among the Chinese in Southeast Asia, Chinese economic relations between the mainland and Southeast Asia and the history of Chinese immigration to Southeast Asia.

Fukuda published one other book in 1945. This was a study of the anti-Japanese national salvation movement by Southeast Asian Chinese (*Nanyo Kakyo Konichi Kyukoku Undo no Kenkyu*).

According to the Japanese Embassy in Singapore he was professor of economics at Chuo University in Tokyo from 1958 until his death in 1973. He must have been a young man when he went to Shanghai in 1933 where he worked for the next four years on what was to be his *magnum opus*. Fukuda's study rivals that of his great English contemporary, Victor Purcell whose own *magnum opus*, *The Chinese in Southeast Asia* was first published in 1951. These two great books are impossible to compare as they complement rather than compete with each other. Fukuda deals almost exclusively with the economic roles of the Chinese while Purcell gives this aspect very little attention.

There are only a few libraries in the world which have holdings of Fukuda's classic. In Japan, only the Institute of Developing Economies has a copy. There are copies in libraries in Vancouver, Canada; Standford, USA; and Canberra, Australia; but not in any of the libraries in Europe or Southeast Asia.

As the quality of the paper used was poor, the pages are extremely brittle and no library was able to make a photocopy. At this point, Ramon Myers the Curator of the East Asian Collection in the Hoover Institution stepped into the breach and made a microfilm of the whole manuscript.

Les Oates a retired senior lecturer in Japanese from Melbourne University translated the entire manuscript with his usual speed and professionalism while Debby McCaffrey typed the document on Word 6 (IBM).

To Ed, Ray, Les and Debby I offer my sincerest thanks. *Domo arigato gozaimasu.*

George Hicks
Singapore
October 1994

INTRODUCTION

Thanks to Fukuda Shozo, we know more about the role of the Chinese in the economic life of Southeast Asia in the 1930s than we know of their role in the 1990s. I can only hope that this English translation of Fukuda's *magnum opus* will serve as an inspiration, challenge and a guide to today's generations of scholars to match the energy, knowledge and imagination of Fukuda.

Anyone seeking to understand the economic history, current economic development or future prospects of this region cannot ignore the role of the Chinese who have dominated economic life for centuries. Yet Western scholarship over the past half century has by and large failed to explain the sources of Chinese strength or even to chart its changing patterns. It has been fatally easy to invoke unchanging cultural characteristics, but as is now widely realised, the simple cultural explanations (in terms of work ethic, *etc*) which appear to explain everything, in fact explain very little.

Fukuda shows us in fascinating detail the pattern of Chinese ownership and control in the 1930s in British Malaya, French Indochina, the Netherlands East Indies, Siam and the Philippines. In each country, he shows how the pattern of Chinese control has been determined by many historical forces including colonial government policies, local economic nationalism, Japanese competitive pressure and so on. Most unusually, his study is truly comparative - skilfully avoiding the perils of over-generalisation - and shows the reader why and how the economic outcome differed from country to country.

His information, although often derived from Western sources, has never been pulled together by another scholar in a comparative context. The major book on the Chinese in English is still Victor Purcell's, *The Chinese in Southeast Asia* which was first published in 1951. In contrast to Fukuda, Purcell is both non-comparative and very weak on the Chinese economic role.

Readers interested in the pre-war economic history of Southeast Asia will find in Fukuda's work a mine of information, and for those whose interests are mainly the last half century, Fukuda is also essential reading. In essence, he provides the benchmark against which the changes of the last half century can be measured and explored. Fukuda's work also serves as a model of the kind of study we badly need today.

By tracing as best we can, the nature and extent of the changes in Overseas Chinese socio-economic roles that have occurred throughout Southeast Asia since the 1930s, we will start to achieve a better understanding of the reasons behind the amazing transformation of their fortunes in recent decades. The reasons for their business success, both in earlier times and now, will become much clearer if we view it as a constant process of individual adaptations to changing market opportunities, instead of the more common static assumption that they have succeeded because of some set of ingrained character traits attributable to the Chinese cultural heritage and values.

An important contribution of Fukuda is to help us better appreciate the dynamic, constantly changing character of the various Southeast Asian Chinese societies as they have evolved throughout this century, a feature that is too little recognised in many accounts which treat them as if they were static and unalterably 'Chinese'. By seeing more clearly what these societies have been changing from, we get a clearer notion of what they are changing into as the twentieth century progresses.

However, Fukuda cannot be taken as gospel truth on all matters but must be checked out further on many points of detail. It should be used primarily as a helpful starting point for any further investigations into the subject. Readers will be misled on many points of detail if they accept Fukuda as their sole source of information.

With the advantage of hindsight, we know that Fukuda in some ways underestimated the Chinese. Writing in the late 1930s, he thought that the Chinese economic position had been more permanently damaged by the Depression than in fact proved to be the case.

Fukuda also writes from a distinctively Japanese viewpoint which shows for example when he argues that the "Overseas Chinese have charged into a virtually suicidal boycott of Japanese goods. They should however, recognise fully the significance attained by Japanese goods for the nations of Southeast Asia and the Overseas Chinese economy before the boycott."

Fukuda was right, however, when he concludes that "nevertheless, we must not jump to the conclusion, in the light of tendencies to decline, that the collapse of the Overseas Chinese economy is at hand. Its pivotal commercial activities, particularly the distribution network, are still firmly in the grip of the 6 million Overseas Chinese, enmeshing every area of Southeast Asia."

The heart of the book, and the part which is of greatest interest to readers today is his masterly Chapter 5 (more than half the whole book) which gives us in incomparable detail the minutiae, in each country, of Chinese ownership and control. The reader who wants to sample the flavour of Fukuda's work could well start with the table at the end of Chapter 4 which summarises the details of Chinese control in each country. This table which looks so effortless, must have been immensely difficult to compile; no one has managed anything comparable during the past 40 years.

After looking at this table, or better still, reading the whole of Chapter 5, many readers will want to know what has happened to the Southeast Asian Chinese since the 1930s.

The last half century has seen major changes on the political, socio-cultural as well as the economic plane. Contact with China was broken almost completely after 1949 and not renewed until the 1980s. There has been virtually no fresh immigration for the last half century and very few Chinese have returned to China. As a result, the Chinese have become permanent settlers, not 'sojourners' planning to return to China. Most Chinese have taken out local nationality and become identified with their countries of residence despite lingering

discrimination. More than 95% of Southeast Asian Chinese today are locally born and few have strong attachments to China.

However, although two generations have passed since Fukuda wrote, the Chinese have not been assimilated to any high degree. The extent of assimilation varies greatly from country to country. In Thailand, the Chinese are relatively well-assimilated, but in Malaysia and Indonesia, nothing like full social and cultural assimilation has occurred. A moderate degree of integration and mutual tolerance is probably the most that can be expected in the immediate future. But even that has been and will be influenced in large part by what happens on the business front and the extent to which Chinese are seen as 'merciless monopolistic businessmen'.

Most Southeast Asian Chinese have risen up the social scale to become well-off, sometimes extremely rich members of the local middle class or elite since the 1930s. Almost none are 'coolie' or unskilled labourers, as so many were before them; very few could even be described as poor by local standards, apart from a few pockets of farmers or fishermen in isolated localities. Their wealth has at times caused resentment and friction with the local people who often regard all Chinese as rapacious bloodsucking middlemen who extract exorbitant profits from their 'middleman' role in trade and finance. But the main reason for the economic success of so many Chinese throughout the entire region has been their ability to seize the opportunities that have been opening up as the various economies have achieved rapid growth rates and generated increasing demand for goods and services which the Chinese have been quick to supply. High educational standards have enabled many of them to move into high-tech jobs where they have qualifications that few of the local people can match. This gives them the key to social mobility in a time of rapid change and rich rewards for those who are able to seize opportunities arising as 'the first cab off the rank' in the race for profits and high incomes.

As a result of these changes, the economic roles of the Southeast Asian Chinese have broadened far beyond the modest commercial jobs they occupied in Fukuda's time as shophouse owners and commodity traders, or small artisans, although we still see large numbers of them in the many Chinatowns of the major cities of Southeast Asia. Chinese lawyers and judges, doctors, accountants and other professionals, who used to constitute a mere sprinkling in the 1930s, are very numerous in all countries in the region these days.

But the most spectacularly wealthy Chinese in Southeast Asia are the families which own or control the huge conglomerates that have proliferated since the 1970s, some now at the billion dollar level, with hundreds of smaller but extremely wealthy ones. They are very much the tip of the iceberg, however, far from typical of the 23 million Southeast Asian Chinese. Yet they outrank the indigenous businessmen so spectacularly that they attract a disproportionate amount of attention, leading to the widespread belief that all Chinese are like that. In fact, most are of a solid middle class character, hard-working, skilled and generally well-educated, but by no means all highly entrepreneurial in character or disposition.

In the post-war period, the Chinese have faced far less competition than they did in Fukuda's time. In the 1930s, the Japanese were competitors to the Chinese in Southeast Asia but they were eliminated by the war and when they returned in the 1960s, they were operating at a quite different level, often as joint venture partners with the larger Chinese firms rather than as competitors to the smaller ones. The departure of the big British, Dutch and American firms which occupied the higher slopes of the economic pyramid in late-colonial times, left the way clear for the Chinese to move in to replace them.

But above all, it was economic growth which created new opportunities which the Chinese were able to seize, making them both beneficiaries and sources of that growth. This has been increasingly recognised by the leaders of Thailand, Indonesia and Malaysia who since the 1960s have been loath to kill the geese that were laying so many golden eggs.

The dynamism and adaptability of the Southeast Asian Chinese communities is their most striking feature. Rather than being unchangingly 'Chinese' they have moved with the times, becoming very Western when it is necessary to interact with the modern world, but at the same time taking on many of the characteristics of the countries where they lived.

Rather than being divided by different dialect groups as they were in Fukuda's day, they are best thought of as a Sino-Thai, Sino-Indonesian or a Sino-Filipino who in many ways have more in common with their fellow countrymen than they do with other Chinese. In this way, the Chinese have adapted both to the age of nationalism and to the modern world. Lacking any traditional prescriptive authorities, still driven by insecurity, they focus on money and success to an exceptional degree. Few people are more natural denizens of today's world, where accelerated change puts a premium on adaptability.

This brings us back to Fukuda who gives us a detailed snapshot of Chinese economic roles some sixty years ago. A new study would ideally show not only where the Chinese are now but explain the changes in terms of changing incentives, laws, new opportunities and other factors. My guess is that superior Chinese adaptability will prove to be the key factor but no one will know until the work has been done.

JAC MACKIE
CANBERRA, AUSTRALIA
NOVEMBER 1994

JAC Mackie is Emeritus Professor of the Australian National University, Canberra.

Preface

This book forms part of my studies on China's international economy, which was the purpose of my studies when I travelled to Shanghai four years ago. In the course of these studies I endeavoured first to cover the various phenomena constituting China's international economy with a view to synthesising them for a comprehensive survey. Among these phenomena the Overseas Chinese economy was the one that most attracted my interest and on which I began. This book is the result. I do not, however, mean it to be a mere research report on the overseas Chinese economy.

On reviewing earlier studies in the Overseas Chinese economy, one finds that most of them either arose from curiosity about the Overseas Chinese as a peculiar entity or from treating them as a major example of successful migration, or else as a necessary nuisance under colonial rule, or otherwise as a suitable case for parading the greatness of their race. In most cases, therefore, the results have amounted to mere, fragmentary research reports. Even when suggestions for practical measures have been raised, these generally fall under two types.

The first of these makes a high estimate of the Overseas Chinese and argues for collaboration and conciliation with them, with a view to using them in the interests of joint economic development. However, just as the national character of the Chinese is so complex and divergent as to be virtually beyond comprehension, such collaboration and conciliation is close to impossible. In this regard, even the governments of countries where Overseas Chinese reside, which are in the most advantageous position for conciliating and using them, have often burned their fingers. This applies still more to Japan, as a third party making an economic advance into Southeast Asia, so the idea of attempting collaboration or conciliation with them would appear to be pure abstractionism, ignoring reality. The point is that, since middlemen form the pivot of their economy, while they may collaborate when this is profitable to themselves, they promptly defect when disadvantaged. They are also swayed by the policies of the homeland and have often harassed us by boycotts of Japanese goods.

The second argument is for the eradication of the Overseas Chinese economy. Treating collaboration or conciliation with the Overseas Chinese economy as being, viewed realistically, virtually impossible, this would envisage a mode of economic development to replace them by vigorously expanding our commercial power and if possible securing outlets by combining with native peoples or Indian traders. However, anyone who recognises the economic power of the Overseas Chinese will easily realise that the execution of this argument is virtually impossible in practice. Our advance into Southeast Asian countries is being severely restricted and, although the economic capabilities of native peoples and Indians are improving, they cannot be compared with the Chinese. Thus proposals regarding the Overseas Chinese hitherto made give the impression of being purely academic theorising. Wherein lies the weakness in such proposals? I believe it lies in their being based entirely on concern for our own economic development

and in making this the purpose of either collaboration and conciliation with the Overseas Chinese economy or its elimination. In this book I also mean to argue for collaboration with the Overseas Chinese economy, but from the standpoint of the formation and development of an East Asian economy. The relationship with the Japanese economy is therefore throughout one of a mutually beneficial association. A minute observation of the Overseas Chinese economy indicates that its further future development may best be expected to result from participating in the formation of an East Asian economy. I will leave details on this to the main text but my aim has been to examine the Overseas Chinese economy from such a standpoint. I cannot claim any high degree of scholarship but will be much gratified if this publication, with its inadequacies, should succeed in conveying this intent in some measure. I look forward to criticism and correction by those best qualified.

On completing this book, I express my gratitude for the unstinting support of my seniors Ueda Katsuo, Peng Sheng-mu and Shih Ch'u-yao.

EAST ASIAN COMMON CULTURE ACADEMY
RAINBOW BRIDGE ROAD, SHANGHAI
MIDSUMMER 1937

An added note states that in the subsequent outbreak of fighting the school and the author's books were burned or plundered, only the manuscript being saved, to which Chapter 7 was later added.

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Chapter 1
Significance of the 'Overseas Chinese'

When we survey the economy of East Asia at the present time, we cannot but be astonished at the powerful economic network possessed by the Overseas Chinese in Southeast Asia and China and their great influence in every kind of economic activity, whether commerce, industry, agriculture or trade. They are merely migrants, yet form the hidden hand controlling the greater part of the economic life of the hundred million or so native Southeast Asians, as well as being credited with the meritorious service of saving China Proper from bankruptcy and forming a powerful pillar in the construction of the present national government. But who actually are the 'Overseas Chinese'? We may begin by discussing the meaning of the term.

Taken literally, it would mean 'Chinese residing abroad', who are usually described in English as 'Chinese abroad'. Understood in this way, it could apply to any Chinese residing abroad, including officials or students. In practice, however, it does not have such a wide range of meaning, being properly used for 'Chinese who have migrated abroad and their descendants'. In this case nationality is not treated as relevant. For example, even when Chinese migrants acquire Dutch nationality in the Netherlands East Indies, they may still be described as Overseas Chinese.

If it is queried whether Chinese residing in areas such as Hong Kong, Macao or Taiwan, which were previously Chinese territory but have been ceded to other countries, are to be described as Overseas Chinese, this term should not be applied to Chinese living there since before acquisition by other countries, but only to those who have migrated there since, with their descendants. Although in practice the distinction is hard to make, it is not appropriate to regard all Chinese living there as Overseas Chinese. If they were so regarded, this would mean that in 1933 there were 3,400,000 Overseas Chinese in Taiwan, with the peculiar result that Taiwan had the greatest number of these in the world. By the author's reckoning there are only 47,000 Overseas Chinese in Taiwan. Again, if in the future China were to recognise the state of Manchukuo, this would result in 28 million Overseas Chinese being produced overnight.

The above should generally clear up the definition of 'Overseas Chinese', though it may be adapted to practical requirements. There are some authorities who reject such practical applications in favour of legalistic interpretations. For example, Ch'iu Han-p'ing defines the term 'Overseas Chinese' as "Chinese transplanted or sojourning in foreign territories who have not yet lost Chinese nationality."[1]

Actually in China the nationality law applies an extreme principle of descent, yet the census registration law which should form the basis of the nationality issue exists purely in theory and has no practical application whatever, so it is

not clearly established how Chinese would have lost their nationality. Thus it amounts to meaning 'Chinese abroad who have not acquired foreign nationality'. However, Chinese often acquire foreign nationality for temporary convenience and even when this has been done they are commonly described in China itself as Overseas Chinese. Thus in terms of the actual situation in China it is inappropriate to link the condition of being Overseas Chinese with the acquisition or loss of nationality.

As discussed, the term 'Overseas Chinese' mainly applies to Chinese migrants and their descendants, but it also needs to be noted that it still covers only one section of Chinese migrants. As is well known, there are two streams of migrants in the contemporary world. One is migration from European countries to the American continent, which is the larger in volume. The other is the flow north and south from the Orient, particularly China. The northward stream flows from northern China to Manchuria and Siberia, while the southward stream flows from southern China to Southeast Asia and other countries along the coasts of the Pacific Ocean, these two being comparable in volume.

Migration from northern China to Manchuria and Siberia has proceeded continuously from early in the Ch'ing (Manchu) Dynasty (seventeenth century) and, although accurate data on figures are lacking, some idea can be gained from the fact that Chinese account for about 80% of the present population of Manchukuo, which is 35 million. According to South Manchurian Railway research for the decade 1923-32, at least 5 million Chinese migrated during that time. However, at least up till the establishment of the state of Manchukuo in 1931, such migration was purely internal. The areas occupied by these newcomers were still under the same flag and their places of origin were the same as those of earlier inhabitants, whose language, manners and customs were not in the least different from those of the newcomers, being from the Shantung-Hopei region. Besides, most of them became agricultural, industrial or mine labourers and tended to be short-term migrants who, rather than settle in Manchuria with the money they had saved, preferred when winter came to take their money across the Yellow Sea and return to their homes. Thus migrants to Manchuria, although large in numbers, cannot be called Overseas Chinese because of the nature of this internal migration and may be omitted from our study.

Migration from southern China was directed from the Fukien-Kwangtung region to Southeast Asia and the Pacific coasts, its sources being very ancient. Documentation indicates its occurrence in the time of the Emperor Wu-ti of the Western Han Dynasty, as much as 2,000 years ago. Estimates as to numbers vary but at present these are reckoned as about 6 to 7 million. This migration, unlike that to Manchuria, is multifarious in content. It may be divided among:

(1) A class of entrepreneurial seafarers who, while engaging in trade around the Philippine and Malay archipelagos, gradually penetrated Southeast Asia from northern Indochina and Siam;

(2) Chinese labourers who in the nineteenth century acted as pioneers in the demand for labour opened up by the development of newly settled areas in

North and South America, Hawaii, Peru, Cuba and so forth, and were also absorbed in Southeast Asian tin and rubber as well as other plantation projects - these were supplied by shipping operators but, as described below, their treatment quite amounted to slavery;

(3) Middlemen found in all countries of Southeast Asia and the Pacific coasts who form the commercial backbone of these countries.

It is this migration from southern China which forms the major element in the Overseas Chinese. In studying the Overseas Chinese economy we will concentrate on those residing in Southeast Asia, with only supplementary reference to those in North and South America and Australia. The reason for this treatment is that their economic activities are radically different. Those in Southeast Asia may be described as economically dominant. They not only play an important role in the production and supply of such special products of the region as rubber, tin, sugar, rice, coffee, tobacco and coconut oil, but may be described as monopolising the distribution network of the goods immediately essential for the livelihood of the native inhabitants.

Numerous Overseas Chinese of great wealth and business success have therefore emerged in Southeast Asia. For example, there are in the Netherlands Indies Chien Yuan, Huang Chung-han, Lin Sung-liang, Kuo Ch'un-yang; in British Malaya Hu Wen-hu, Yu Tung-shih, Ch'en Tz'u-min or Tan Kah-kee; in Siam, Ch'en Shou-ming and in the Philippines Ch'en Ch'ien-shan who even wielded political power - altogether too many to enumerate. Such Overseas Chinese have great and direct influence on the homeland. They are intimately linked with the homeland's politics and economics.

In politics, they have from early times assisted in China's unification under southern statesmen, provided political funds and given shelter to refugees. Their aid to Sun Yat-sen was particularly great, leading him to say that "the Overseas Chinese are the mother of the revolution". Their constant linkage with homeland politics does not arise only from patriotism or from a wish to back politicians from their home localities. It is rather the result of their being keenly aware of the need for a powerful national support for their activities in Southeast Asia.

On the economic side they have had an important function in staving off the collapse of the Chinese economy by investment in the homeland, remittances and the purchase of Chinese goods. That is why China at present pays close attention to trends among the Overseas Chinese, so that manoeuvres aimed at forming a still closer collaboration with them are an aspect that we cannot overlook in studying Chinese economic problems. An example that might be quoted is their frequent boycotting of Japanese goods in response to homeland policies. Taking advantage of their previous hold on the handling of our trade goods in Southeast Asia, they have carried out several such boycotts and have impeded our economic advance in the region.

At present, these no longer present a threat, owing to Japan's rapid economic development, but in the past have been a bitter cup which all engaged in our Southeast Asian trade were forced to taste. Sino-Japanese relations do not stop

at our relations with China alone but continue on to the vast stage of Southeast Asia. Trends among the Overseas Chinese as the leading players on that stage, in particular the study of their economic power, will in the future steadily increase in importance, not only, naturally, for China but also for an advancing Japan.

The Overseas Chinese in such areas as North and South America and Australia did not succeed as much as in Southeast Asia. This was because economic development there was mainly undertaken by the whites, so that the Chinese merely made up some deficiencies in labour. Besides, these countries soon prohibited entry by Chinese immigrants, so leaving them no further scope for development.[2]

(1) Ch'iu Han-p'ing. "Debate on the Question of Overseas Chinese Nationality" [in Chinese], *Tungfang Tsachih* (*Orient Journal*) Vol 34, No 1, p158.

(2) In this text the author, when 'Overseas Chinese' and 'Chinese migrants' may be treated as synonymous, has often employed the latter term or sometimes, for convenience of style, has sometimes only used 'Chinese'. The reader's indulgence is requested.