

CHINESE BUSINESS IN SOUTHEAST ASIA

Contesting cultural explanations,
researching entrepreneurship

edited by Edmund Terence Gomez
and Hsin-Huang Michael Hsiao

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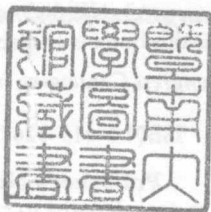
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Contents

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Edmund Terence Gomez and
Hsin-Huang Michael Hsiao



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Chinese Business in Southeast Asia

*Contesting Cultural Explanations,
Researching Entrepreneurship*

Although ethnic Chinese capital has contributed greatly to the post-colonial development of Southeast Asia, scholars and politicians paid scant attention to it until the early 1990s when it became fashionable to assert that Chinese entrepreneurs from Southeast Asia, Taiwan and Hong Kong were collaborating in business ventures responsible for a huge flow of investments into China. Today it is widely assumed that Chinese capitalists in the region will have an enormous impact on the global economy in the 21st century. Studies allege that they run extensive ethnically based business networks that add hugely to their collective muscle. Some say that they will emerge even stronger from the Asian financial crisis that occurred in 1997 and are destined to become a global economic force.

The paucity of empirical studies on the formation and development of even the largest Chinese-owned companies calls into question many of the sensational claims made about ethnic Chinese business. Does a handful of deals by a tiny number of leading capitalists add up to a 'global tribe'? Does the popular notion of a dynamic 'Chinese capitalism' and a proliferation of intra-ethnic corporate ties among Chinese businesses stand serious examination in the wider Chinese communities of Southeast Asia?

This volume contests the fashionable thesis that the institutions, norms and practices of ethnic Chinese help explain the dynamics and growth of Chinese enterprise in Southeast Asia, and challenges the notion that Chinese entrepreneurs have depended primarily on business networks based on shared identities to develop their corporate ideas.

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Preface



Since the early 1990s, a plethora of literature has been published on the dynamics of Chinese enterprise in Asia. We have two major criticisms concerning much of this literature. First, we contest the fashionable thesis that the institutions, norms and practices of ethnic Chinese were the reason for the growth of their enterprises. Second, we question whether Chinese entrepreneurs have depended primarily on business networks based on shared identities to develop their corporate base. Such assumptions, which have also led to the propagation of rather inept generalizations of the operation and influence of Chinese enterprises in Southeast Asia, have been based on inadequate empirical evidence.

We would contend that most of the literature on Chinese business has not really captured – and in some cases understood – the actual the form of development of Chinese capital; nor have they appreciated the quantum change in business style that is transpiring among Chinese enterprises. The form of Chinese capital accumulation is not only dynamic and changing over time, but also varies in different countries in Southeast Asia. We also felt that the essence of Chinese capital has still not been captured, i.e. there is a need to understand what we actually mean by the term ‘Chinese business’. Most importantly, in a region fraught with a history of ethnic problems, some of the literature has also unfairly, though probably inadvertently, brought into question the loyalty of ethnic Chinese to the country of their birth.

Recognizing the limited research on Chinese enterprise, and that this has contributed to many misconceptions of how such firms operate, a workshop was organized in November 1997, hosted by the

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Program for Southeast Asian Area Studies (PROSEA), at the Academia Sinica in Taipei, to bring together scholars who have been undertaking research on Chinese business in Southeast Asia. The workshop had a modest objective: to identify key areas of research on Chinese business in Southeast Asian countries, as well as to find avenues to encourage research involving empirical work on Chinese enterprise. In order to facilitate the discussion, a review was commissioned of research already published on Chinese business in the five countries in Southeast Asia where the Chinese have established a prominent presence in the economy – Singapore, Malaysia, Thailand, the Philippines and Indonesia. This review involved a brief history of Chinese enterprise in these Southeast Asian countries to understand the circumstances under which such ethnically-owned companies have operated and developed. This approach was also an attempt to determine the main areas that still required research to provide a holistic understanding to the operation of Chinese enterprise in Southeast Asia. Since one key issue in question is whether ethnic Chinese of the diaspora, brought together by common ethnic identity and cultural practices, are cooperating in business, another paper on investment by companies from Taiwan in Southeast Asia, particularly in Malaysia, was also presented at the workshop. We have also provided an extensive bibliography on Chinese business in Southeast Asia in particular and on the concept of ethnic enterprise.

By providing a critique of existing literature, we aim to show why we believe that empirically-based studies would provide nuanced insights into key issues like Chinese networking, entrepreneurship, and organizational and firm development. We have found that this is important, as detailed empirical research has revealed the plurality of business strategies employed by Chinese businessmen. This project is also part of our broader agenda of attempting to bridge theoretical and methodological divides in our understanding of Chinese enterprise.

We believe that there is a special need to develop projects of a comparative nature to help us better ascertain if there are traits particular to ethnic Chinese that determine how they do business and develop their companies. Such comparative research is a means to appreciate the nuances that exist among Chinese enterprises in Asia as well as in other continents. We also hope to use this volume to launch collaborative research projects on ethnic enterprises in comparative perspective, preferably to broaden the field of research to incorporate a larger number of ethnic communities and countries. We believe that

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our understanding of the operations of such ethnic enterprise could be enhanced by promoting comparative research across a range of other ethnic communities, for example, the Indians, Japanese, Koreans, Jews and Armenians to name a few. Cross-border and cross-ethnic comparisons would help challenge homogenizing assumptions about specific ethnic communities.

In order to promote such research, we are trying to initiate research projects, preferably incorporating a number of institutions, and to create avenues to expedite the publication of the results of such studies. For example, in February 2001, an international conference will be held to assess the impact of the 1997 Asian financial crisis on Chinese enterprises. This conference will also be hosted by PROSEA and partly funded by the Transnational Communities Project under the Economic and Social Research Council (ESRC) in the United Kingdom, which is also undertaking similar research on ethnic enterprise. We are also attempting to use the Chinese Worlds Series under the publishing house, Curzon Press, to promote such research. Curzon Press has undertaken to ensure prompt publication of work emanating from projects of this nature.

We hope that this core group of academics can form the nucleus of a larger group of researchers who are willing to come together to facilitate studies on ethnic enterprise. We also hope that this volume will help make a contribution towards promoting further research on this subject as the realities of ethnic enterprise development continues to unfold. Meanwhile, the need to map out, both empirically and conceptually, our understanding of Chinese enterprise in particular and ethnic enterprise in general in Asia requires further support.

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Introduction

Chinese Business Research In Southeast Asia

Edmund Terence Gomez and Hsin-Huang Michael Hsiao

Chinese Business Research

In spite of the extensive contribution of Chinese capital to the development of the Southeast Asian economies, only since the early 1990s has there been growing interest on the operations of such ethnically-owned enterprises. The burgeoning interest in Chinese companies has coincided with increasing focus on the business opportunities available in mainland China. In view of the huge investments flowing into China, ostensibly from ethnic Chinese businessmen in Southeast Asia, as well as those from East Asia, particularly from Taiwan and Hong Kong, it is now widely believed that many Chinese enterprises are collaborating in business ventures. Moreover, given the apparent collective economic strength of Chinese-owned enterprises in East and Southeast Asia, it is now widely presumed that Chinese capital will have an enormous impact of on the global economy in the 21st century. Following the financial crisis that erupted in Asia in mid-1997, a number of analysts have also begun to predict that ethnic Chinese businessmen in this region will emerge potentially stronger, reinforcing their prospects as a global economic force.

Many of these presumptions of the ostensible economic dominance of Chinese capital and of the business networking among members of this diaspora have been fed by a spate of literature (see, for example, Kotkin 1993; Kao 1993; Nasbitt 1995; Rowher 1995; East Asia Analytical Unit 1995; Weidenbaum and Hughes 1996; Hiscock 1997; Backman 1999). Kao (1993), for example, created the term 'Chinese

commonwealth,' to argue of the existence of "a network of entrepreneurial relationships" which consists of "many individual enterprises that nonetheless share a common culture." It was, however, the publication of Kotkin's *Tribes* and Weidenbaum and Hughes' *The Bamboo Network*, which popularized the concepts 'global tribe' and 'co-ethnic business networks' respectively, that have contributed most to fueling the notion of extensive interlocking business links between ethnic Chinese of the diaspora which will enable this community to play a significant role in the development of the Asian economy in future.

Several major regional magazines have also been touting the potential economic impact of Chinese capital in Asia. For example, in 1994, the *Far Eastern Economic Review* (14/7/94) estimated that the total volume of Southeast Asian investment in China was US\$8 billion, while total investment from Taiwan was US\$5.4 billion, and Hong Kong US\$40 billion. In 1996, *Asiaweek* (19/7/96) estimated that between 1978 and 1996, of the US\$120 billion invested in China, almost 80 per cent of the total investment had originated from 'overseas Chinese'. Apart from this, the World Bank estimated that by 1991 the combined economic output of the businesses of the approximately 50 million ethnic Chinese in Asia outside of China – about 23 million in Southeast Asia, 20 million in Taiwan and the rest in Hong Kong – approached US\$400 billion (quoted in Weidenbaum and Hughes 1996: 24–25). Disclosure of such investment patterns in China has fed speculation that members of the Chinese diaspora are channelling funds to the mainland. Apart from this, since the 1980s, it has been conservatively estimated that at least 100 world conventions and conferences have been organized by dialect- and clan-based Chinese organizations. For instance, the Hakka convention was held in 1980 in Tokyo, the Teochew Convention in Paris in 1991, and the International Zhang Clan Association conference in Singapore in 1996 (Liu 1998). The convening of such conferences also suggested that many ethnic Chinese were beginning to consider that their common ethnic identity could be a means to facilitate business ties.¹

A number of publications have provided some evidence of cross-border business cooperation among a few of Asia's leading Chinese businessmen, particularly between Hong Kong's Li Ka-shing, Malaysia's Robert Kuok, Thailand's Sophanpanich family and Indonesia's Liem Sioe Leong (see for example, Redding 1990; East Asia Analytical Unit 1995; Weidenbaum and Hughes 1996). The business deals among some of these major capitalists have been used to

justify the argument that in an increasingly globalized business environment, ethnic Chinese businessmen, particularly those in Southeast Asia, Hong Kong and Taiwan, are creating transnational business networks.

Many of the popular notions about the influence of Chinese capital in the region are fraught with misconceptions, mainly because there is a paucity of empirical evidence to substantiate many of these presumptions. A literature review on Chinese enterprise in Asia would indicate that the research has been limited to a number of key individuals. In Indonesia, for example, most research has centered on Liem Sioe Leong, reputedly the richest ethnic Chinese in Southeast Asia (see, for example, Sato 1993). There has been no in-depth scholarly study of the other major Chinese Indonesian capitalists, including Eka Tjipta Widjaja, Mochtar Riady, Bob Hasan, William Soerjadjaja, Sjamsul Nursalim and Prayogo Pangestu. In the Philippines, most study has focused on Lucio Tan, though no academic research has been undertaken on the development of his corporate base. There has been very little focus on John Gokongwei Jr., Alfonso Yuchengco, Andrew Gotianun, Tan Yu, George Ty and Henry Sy in spite of the enormous presence their companies have in the Filipino economy. In Thailand, there has been important research on some of the country's key capitalists by Suehiro (1989, 1992, 1993) and Krirkkiat and Yoshihara (1989), but there has been little focus on the development of Sino-Thai capital.² Although the Bangkok Bank, led by the Sophonpanich family, has apparently played a big role in the development of Chinese capital in Southeast Asia, there has been no in-depth study of the bank's development. Most attention has focused on the Charoen Phokpand (CP) group controlled by the Chearavanont family (see, for example, Brown 1998). In Singapore, most research has been on the Oversea-Chinese Banking Corporation (OCBC) group (see, for example, Wilson 1972) and of the legendary business figure Tan Kah Kee (Yong 1987), while Chan and Chiang (1994) have provided some useful case studies of a number of other important Chinese businessmen that emerged in this country during the colonial period. There has, however, not been any in-depth study on some of the island state's largest Chinese-owned enterprises like the Hong Leong, Overseas Union Bank (OUB), and United Overseas Bank (UOB) Groups, nor of some of the new Chinese businessmen that have emerged in the 1990s. Only in Malaysia has a number of studies been undertaken of the companies owned by leading ethnic Chinese businessmen; these studies, by Heng (1992), Hara Fujio

(1991) and Jesudason (1989, 1997) were, however, not in-depth cases studies, but broad overviews of the state of Chinese capital in Malaysia, while Lee and Chow (1997) published a useful biography of some of the most important Malaysian (and Singaporean) Chinese, which include a number of prominent Chinese businessmen. The most detailed study on the leading Chinese capitalists in Malaysia was published in 1999 (see Gomez 1999), which provides cases studies of the development of the major publicly-listed companies led by Robert Kuok (of the Perlis Plantations Group), Lim Goh Tong (Genting Group), Loh Boon Siew (Oriental Holdings Group), William Cheng (Lion Group), Khoo Kay Peng (MUI Group), and Vincent Tan Chee Yioun (Berjaya Group). In Hong Kong, while Chan (1996) undertook a useful and in-depth study of Li Ka-shing, another leading businessman in East Asia, none of the other three major Chinese companies in the city, Henderson Land, Sun Hung Kai Properties and New World Development, have been researched in any depth. The research on Chinese-owned small and medium-scale enterprises (SMEs) has been even more limited, except possibly in the case of Singapore, though even here the research is quite dated (Chew 1988).

Thus, in spite of the considerable attention Chinese enterprises in Southeast Asia has drawn, there is still very limited research into the formation and development of even many of the largest companies owned by this community. It is now increasingly being questioned whether a few business deals by a handful of Asia's leading Chinese businessmen can be used as the empirical base to support the notions of 'Chinese commonwealth,' 'global tribes' and 'co-ethnic business networks'. A small number of scholars have also begun to challenge popular notions of a dynamic form of 'Chinese capitalism' and of mushrooming intra-ethnic corporate ties by arguing that there is a heterogeneity of styles of business organization and management among members of the Chinese business community (see, for example, Hodder 1996; Brown 1996; Gomez 1999). While much of the popular literature would suggest extensive business cooperation among Chinese capitalists, detailed empirical studies of ethnic Chinese companies have indicated that such ethnic capital is concentrated in the hands of a minority, and that there exists much fragmentation among these Chinese businessmen, both key factors which have not facilitated intra-ethnic business relations (see, for example, Gomez 1999; Hodder 1996).

Recognizing the limited research on Chinese enterprise, this volume has a modest objective: to identify the key areas of research

on Chinese business in each Southeast Asian country. In order to do this, these chapters provide a review of research already published on Chinese business in the five countries in Southeast Asia where the Chinese have established a prominent presence in the economy – Malaysia, Singapore, Indonesia, Thailand, and the Philippines. This review involves a brief history of Chinese enterprise in these Southeast Asian countries to understand the circumstances under which such ethnically-owned companies have operated and developed. This approach was also an attempt to identify key areas that still required research to provide a holistic understanding to the operation of Chinese enterprise in Southeast Asia.

Among these five Southeast Asian countries, Malaysia has the second largest ethnic Chinese population, next to Indonesia, though only about 3 per cent of Indonesia's population are ethnic Chinese while in Malaysia they constitute nearly 28 per cent of the country's population (see Table I.1). Moreover, since the economic boom in Southeast Asia, between 1988 and 1997, was generated primarily through foreign direct investment (FDI), much of which came from East Asia, it was interesting to see if common ethnic Chinese identity was a crucial factor in decision-making for Taiwanese investors keen on venturing into Southeast Asia.³ Although the chapter on Taiwanese investments in Southeast Asia indicates the importance of geographical proximity and economic factors in drawing FDI, more importantly, it reveals the nature of common ties and culture that have a bearing on decision-making by Taiwanese businessmen investing in Southeast Asia. Common culture and ethnic identity have not been useful to Taiwanese businessmen in creating joint business ventures involving shared ownership in Southeast Asia. Instead, the availability of a workforce who share a common language, and the previous experience of Southeast Asian Chinese in Taiwan, especially while pursuing tertiary education, facilitated the development of Taiwanese enterprises in a foreign country.

Chinese Business in Southeast Asia

One problem with much of the literature on Chinese capital in Southeast Asia is that the community is taken as a homogenous unit. Yet, there are a number of cleavages among the Chinese that has impaired unity. These cleavages, which have prevented the Chinese from acting as a collective unit, have been linked to the issues of identity and class.