

Ethnic Chinese Business in Asia

History, Culture
and Business Enterprise

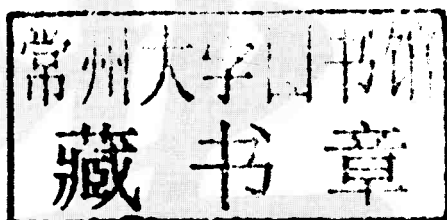
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Ching-hwang Yen



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History, Culture and Business Enterprise



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The University of Adelaide, Australia

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Preface

This book represents a major shift of my research interest from political history, such as Yen Ching-Hwang, *The Overseas Chinese and the 1911 Revolution* (Kuala Lumpur, Oxford University Press, 1976), to diplomat history, such as Yen Ching-Hwang, *Coolies and Mandarins* (Singapore, Singapore University Press, 1985) to social history, such as Yen Ching-hwang, *A Social History of the Chinese in Singapore and Malaya, 1800-1911* (Singapore, Oxford University Press, 1986) and then to business history and management. This shift of interest began in 1989 when I was attached to the History Department of the University of Hong Kong. The early result of that shift was the publication of a long article titled “The Wing On Company in Hong Kong and Shanghai: A Case Study of Modern Overseas Chinese Enterprise, 1907-1949”, first published in *Proceedings of Conference on Eighty Year's History of the Republic of China, 1912-1991* (Taipei, 1991), Vol.IV, English Section, pp.77-117, then was re-published in Yen Ching-hwang, *Studies in Modern Overseas Chinese History* (Singapore, Times Academic Press, 1995), pp.196-236.

This book is partly based on the lectures given at my semester course entitled “Enter the Dragon: Ethnic Chinese Business in Asia” which was taught as a history subject at the University of Adelaide from 1996 to 2001. But the course attracted more students from commerce, economics, law and other disciplines in Arts Faculty as well as international students. The course was the first of its kind taught in Australian universities. The principal aim was to help Australian students to understand Ethnic Chinese Business in Asia. The lectures of this course have been extensively revised and they form about a quarter of this book.

The idea of writing a book combining history, culture, economics and management is intended to provide in-depth knowledge of

history and culture that have affected the business organisations and behaviour of the Ethnic Chinese. Prevailing works on Chinese business which are mostly written by economists, management experts and sociologists lack of historical and cultural depth that would not have explained Chinese business behaviour and organisations satisfactorily.

I would like to take this opportunity to thank my wife, Mrs. Kwee Ying Yen, for her support and encouragement without which this work might not have been sustained to its eventual publication.

Yen Ching-hwang (Ching-hwang Yen or Yen Ching Hwang)

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9 July 2013

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Part 1
**History and Culture of Ethnic
Chinese Business**

Chapter 1

Introduction

The Scope of Study and the Definition of Ethnic Chinese

This book is not intended to study Chinese business in all parts of Asia. It covers mainly the business of the Chinese in Southeast Asia, Hong Kong and Taiwan. In short, it deals with the Chinese business in Asian region outside Mainland China. The justification for leaving the mainland out is because a great deal of business in China are still conducted not by private enterprise, but by state-owned or joint government-private enterprise. However, the rapid growth of private business in China requires a separate study.

For the convenience of this study, a general term, 'Ethnic Chinese' is adopted to include the Chinese in Southeast Asia, Hong Kong and Taiwan. This term is stretched to its maximum limits. It does not have any intention to deny China's claim on the sovereignty of Taiwan, nor would it deny the fact that now Hong Kong is an integral part of China since July 1, 1997. 'Ethnic Chinese' is an ambiguous term which can mean different things to different people. Literally, the term means that ethnic Chinese who live overseas. It does not convey whether they are Chinese nationals or not. They could be the citizens of many of the Southeast Asian countries, or citizens of Australia, New Zealand, United States, Canada or other European countries. What this general term, 'Ethnic Chinese', has implied is the ethnicity of the person, he or she must be of Chinese descent which is distinguishable from other ethnic groups, possessing some Chinese cultural traits and customs. The Chinese term, 'Huaren', is the closest in meaning to the English term of 'Ethnic Chinese'.

While the term 'Overseas Chinese' (Huaqiao) has a historical root back to 1890s and became more commonly accepted after the Revolution of 1911.¹ The word 'Hua' is the abbreviation of 'Zhong Hua' and indirectly refers to 'Zhonghua minzu' (commonly known as Chinese race); while the word 'Qiao' means 'temporary residence' which refers to the sojourner who resides temporarily overseas or places outside China.² It also implies that the person has an intention of returning to China. This Chinese term was loosely used to include all Ethnic Chinese outside China in the period between 1912 and 1949, and the Chinese government viewed and treated them as its subjects with moral and legal implications. However, the victory of Chinese Communism in 1949 and the emergence of independent states in Southeast Asia created a crisis of identity for the Chinese in Southeast Asia, and the majority of them opted for local citizenship in preference to Chinese citizenship.³ This had greatly changed the meaning and connotations of the term 'Hua-ch'iao'. For those who held local citizenship and still identified themselves as 'Huaqiao' (Overseas Chinese) were suspected as disloyal to the new sovereign Southeast Asian states. Political sensitivity saw the term 'Huaqiao' gradually dropped from the usage in the Chinese communities in Southeast Asia except for those who were the citizens of the People's Republic of China in mainland or the Republic of China in Taiwan.

The English term, 'Ethnic Chinese', has less political ramifications. It has been loosely used by journalists, politicians, scholars and

¹See Wang Gungwu, "The Origins of Hua-Ch'iao", in Wang Gungwu, *Community and Nation: China, Southeast Asia and Australia* (St. Leonards, NSW., Australia, Allen & Unwin, 1992, New Edition), p. 1.

²*Ibid.*, pp. 2–3.

³For discussion of changing identities of Southeast Asian Chinese, see Wang Gungwu, "The Study of Chinese Identities in Southeast Asia", and Charles Hirschman, "Chinese Identities in Southeast Asia: Alternative Perspectives", in Jennifer Cushman & Wang Gungwu (eds.), *Changing Identities of the Southeast Asian Chinese since World War II* (Hong Kong, Hong Kong University Press, 1988), pp. 1–21, 23–31. For the majority of the Chinese in Southeast Asia who would identify themselves as Southeast Asians, see Leo Suryadinata (ed.), *Ethnic Chinese as Southeast Asians* (Singapore, Institute of Southeast Asian Studies, 1997).

businessmen in the West. It is a neutral term referring to a large group of ethnic Chinese of common Chinese ancestry, of sharing some common cultural roots, values and habits. Many of them may not even identify themselves as 'Ethnic Chinese', but for the convenience of examination of their business behavior and practices, this broad term is adopted.

Ethnic Chinese Business and Rapid Economic Development in East and Southeast Asia

The explanation of fast economic growth in East and Southeast Asia would never be complete if the role of Ethnic Chinese business is not examined. The mainstream scholars or Neo-Classical economists who were associated with the World Bank and Asian Development Bank explained the rise of economic power of the Four Little Dragons (Taiwan, South Korea, Hong Kong and Singapore) in terms of rapid economic development of world economy. They took a broad global view and postulated that regional economic development was part and parcel of the global whole, and the success of the Four Little Dragons was the natural result of the development of the world economy. Using the hypotheses of 'Comparative Advantage' and 'Technological Ladder', the Neo-Classical economists interpreted the economic miracle of the Four Little Dragons in terms of universalistic and institutional factors. They focused on the correct economic policies that were adopted by the governments of these countries that included market-oriented policies, export-driven strategy, wise use of foreign investment, and macroeconomic stability policies.⁴ These Neo-Classical economists tended to ignore and deny non-economic factors such as cultural, religious and social factors. They would have been least to accept that Confucianism had anything to do with the fast economic growth of the Four Little Dragons, but they could not deny the fact that three out of the Four Asian Little Dragons, Taiwan, Hong Kong and Singapore had predominant Ethnic Chinese

⁴See for instance, Gerald Tan, *The Newly Industrializing Countries in Asia* (Singapore, Times Academic Press, 1992), pp. 60–67.

communities. Taiwan and Hong Kong had 99% of ethnic Chinese in their population, while Ethnic Chinese constituted 80% of the Singapore population. These vast Ethnic Chinese population shared a common cultural root — Confucianism. Principal Confucian values such as group orientation, respect for authority, reciprocity and sense of obligation, and loyalty to the institutions, permeated the Ethnic Chinese communities in these countries.⁵ These cultural ingredients bonded the Ethnic Chinese societies together and give them strength like cement and mortar to a brick house. They also provided the countries in East Asia in their economic performance with a ‘competitive edge’, the term that was appropriately coined by Professors Roy Hofheinz, Jr., and Kent E. Calder in their influential book, *The Eastasia Edge*.⁶

The fallacy of the interpretation of the miracle of the Four Little Dragons by the Neo-Classical economists lies in their mechanical view of human societies and economic modernization. They tend to compartmentalize human society into many different segments mechanically linked together, and each segment acts quite independently with little to do with other segments. This is why they view economic success purely as the result of effective economic policies and strategies, and ignore socio-cultural and religious factors. Conversely, a more acceptable interpretation of the East Asian miracle should take a broader overview of the society which is an integrated organic whole. This interpretation should take into account of the economic and political factors as well as the cultural, religious and social factors. As what professor Ezra F. Vogel has pointed out in his book, *The Four Little Dragons*, that “industrialization requires high levels of co-ordination, precise timing, and predictability. To break into industrial competition in the middle of the twentieth century

⁵For discussion of this topic, see S. Gordon Redding, *The Spirit of Chinese Capitalism* (Berlin & New York, Walter de Gruyter, 1990), pp. 41–78; Yen Ching-hwang, “Modern Overseas Chinese Business Enterprise: A Preliminary Study”, in Yen Ching-hwang, *Studies in Modern Overseas Chinese History* (Singapore, Times Academic Press, 1995), pp. 237–254.

⁶See Roy Hofheinz Jr. & Kent E. Calder, *The Eastasia Edge* (New York, Basic Books Inc. Publishers, 1982).