A REALITY SHIFT OF CHINESE CAPITALISM IN ASIA: CONTINUITY OF WEALTH, POWER, AND INFLUENCE — THE CASE OF HONG KONG, TAIWAN, AND SINGAPORE (1991–2008)

アジアにおける華人系資本主義シフトの現実：富み、パワーと影響力の持続
— 香港、台湾、シンガポールを中心に （１９９１－２００８)

亚洲华人资本主义迁移的现实：财富，力量和影响力的持续
— 以香港，台湾和新加坡为中心（1991−2008）

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DECLARATION

I certify that this dissertation does not, to the best of my knowledge and belief:

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To my mother, Susanne Sorgenfri Larsen, for her love and unwavering support, and to my grandmother, Gudrun Sørensen, for her strong and youthful spirit

I am truly blessed to have them in my life.

CONTENTS

FOREWORD

In Chinese culture, luck plays an important role. Part of this dissertation is also about luck and how fortuitous or even disastrous events can shape the future and script success. Just like the recent global financial roller coaster threw sand in the gears of financial markets, the beginning of my journey in writing this was a bit rocky, and finishing this dissertation had to put on hold for a prolonged period of time for reasons outside my control. But, perhaps a blessing in disguise, this long horizon allowed for more contemplation to compile the necessary data, and get a clearer perception of what events hide behind the numbers. After that, the start and finish of this dissertation have gone through many changes and inevitably delays. But through it all, it has never lost its purpose to debunk the myths and discuss the truth surrounding Chinese capitalism in Asia. In the same spirit, I hope the thesis of this study will contribute to the ongoing discussions on ethnic Chinese entrepreneurship.

Let me start at the beginning of the journey that led to my interest in the economic might of ethnic Chinese. What intrigued me enough to write about this topic for my PhD was the complexity and sophistication of the various manifestations of the pinnacles of power, influence, and wealth inherited throughout generations of Chinese family-controlled businesses. On top of that, the remarkable growth of Japan, China, and India of late, and their expanding power and influence in both the business world and global economy, left me wanting to know more.

Here, it is perhaps appropriate to mention how I came to such a somewhat out of the ordinary topic. From early on, my direction took a lucky turn in the form of having been at the right time and place, in what now seems like ages ago. In 1992, I decided to apply for the newly initiated Asian studies program at Copenhagen Business School. Of course, the focus at that time was more on the miracle of Japan's industrialization rather than the thunder of the awakening Chinese dragon, and what that eventually would entail for the rest of the world. I was fascinated with Japan, but equally drawn towards China, and in effect, my new discovery of China's Diaspora communities. Unfortunately, it occupied only a very small area in our daily curriculum. It would perhaps have stayed a footnote in my studies had it not been for the outbreak of the 1997–1998 Asian financial crisis, which eventually awoke what would be my passionate interest for Chinese family-controlled businesses, in particular, those based in Hong Kong, Taiwan, and Singapore.

But looking back, definitely what mattered to me the most at that time was that I could venture out in the world self-confident and blessed with a ton of positive backing, and even more so with a rich tool bag of knowledge about various theories, methodologies, and business strategies. Even today, I am tremendously grateful for the theoretical base and in many respects more so the methodological mindset that were instilled in me. I was also lucky to have met truly extraordinary people, all kinds of instructors, and guest researchers willing to share their knowledge from around the world, and who with their enthusiasm, guidance, and confidence encouraged me to go even further.

Eventually, I felt the need to at least challenge and expand the sources of my knowledge. For the second time, my luck came in the way of successfully being selected for the graduate exchange program with the newly established Graduate School of Asia Pacific Studies at Waseda University in Japan. This offered me a unique chance to experience up close Japanese academia, while being able to deepen my knowledge and understanding of Asian economies. Being able to communicate in Japanese opened many doors to fascinating people, but also allowed me access to research material not found elsewhere.

Not being able to speak or read Mandarin fluently to access relevant material that would reveal more about the modus operandi of the Chinese family-controlled businesses, and their networks, fortunately posed only a temporarily hindrance. Since then I learned that much was actually published in Japanese that might go unnoticed in the West. More luck came my way with my academic advisor, who passionately shared his intimate knowledge about China, including the inner workings of the Chinese Diaspora.

At some point, however, I felt the need to develop my academic career, which meant first and foremost to obtain my PhD. In order to achieve my goals, I would require much time for contemplation, attention to detailed work, and conceptual thinking. In many ways, I have been very fortunate and privileged to have the opportunity to conduct some of my follow up research at the Institute of Chinese Economies, Waseda, supervised by the Director, Professor Lim Hua Sing. Subsequently, I found an understanding employer, Devadas Parakkal, who gave me the opportunity to support myself and allowed for time to write up my research.

Funding for this dissertation was in part provided by the Japanese Government Scholarship, which made it possible to acquire materials not easily obtainable and to continue my research in Japan. A special thanks also goes to my family for their unrelenting support from start to finish.

A dissertation is a long and frequently stressful process in which many people help out in some way or another. A whole host of people also provided stimulation, inspiration and motivation during the writing process. First of all, I would like to thank my fellow PhD-students, Alan Dale Partee, and likewise, Robert Paterson, at the department for all the stimulating discussions and invaluable feedback, which enabled me to broaden my horizon.

Outside Waseda University, I owe many thanks to Professor Charles Tackney and Senior University Instructor Ole Strömgren at Copenhagen Business School for showing interest in my research, and for giving me advice about how to handle my researcher role. Our meeting in Tokyo was a confidence booster.

I will always be grateful to the many personal friends through my many years in Japan. A special note of thanks goes to Anthony (Tony) Giannakoulias, who has been an editor, sounding board and best friend. I am also grateful to Mohan Vivekanandam for his friendship and moral support when I encountered difficult times.

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Needless to say, responsibility for whatever errors, gaps and shortcomings that remain are entirely my own, and If I have neglected to mention anyone's name and contribution, I do apologize for my inadequate memory—your efforts did not go unappreciated.

Last but certainly not least, my family have been patiently watching the progress of this dissertation from its inception to its completion. I am particularly indebted to a number of family members for their kindness and support during the past five years of research that truly has challenged me as a scholar. As a compensation for their rock-solid faith and encouragement, I can only offer this writing as a humble statement of my everlasting gratitude. Love and a thousand thanks goes to my mother, uncle, aunt, cousins and grandmother for being fans as well as family.

Tokyo, February 2011
Henrik Sorgenfri Larsen

EXECUTIVE SUMMARY

This study is first and foremost a contemporary discourse and histographic narratology into the dynamics and fluidity of Chinese capitalism (with regards to ethnic Chinese), as well as associated effects. Second, it is also an attempt to ascertain numerically whether or to what extent the phenomenon of Chinese capitalism—in particular that based in Hong Kong, Taiwan, and Singapore—has changed over the long term.

BACKGROUND

In the prevailing literature, explanations of the remarkable increases of wealth, power, and influence of the ethnic Chinese in East and Southeast Asia have generally framed Chinese capitalism as static and monolithic. The 1997–1998 Asian financial crisis and its aftermath not only marked a turning point in the debates of globalization, but also put an end to this aforementioned traditionalist narrative of the nature and behavior of the Chinese family-controlled business as an organizational mode of Chinese capitalism.

Of late, there has been overwhelming evidence that the increasing competitive forces and liberalization that followed amplified already ongoing changes both internally and externally within the Chinese family firm. The growing regional influx of foreign multinationals, foreign capital, stringent auditory requirements, paired with the threat and opportunities arisen from a rising, neighboring China market, have each played a critical part in reinforcing the continual internationalization and modernization of Chinese family-controlled business activities in East and Southeast Asia.

The accelerated and intensified globalization processes have also meant a rapid decline in socio-economic alliances, and a noticeable shift towards greater professionalism and corporatism, including a greater reliance on international financial markets, as illustrated in the vast number of listed Chinese family-controlled businesses on the Hong Kong stock exchange and a growing number of transnationalized Chinese family-controlled businesses.

RECURRING THEMES

This study revolves around a select few recurring themes: One is that Chinese capitalism is constantly evolving and transforming as the key actors are responding to opportunity and risk in terms of the growing flow and diffusion of people, capital, technology, knowledge, as well as the rise of global economic interdependency and competition. Another theme is how the driving forces of globalization and internationalization of capital have occurred in tandem with a rising China and India—stretching and transforming Chinese capitalism in new directions and into new territories.

RESEARCH DESIGN

This study draws together original and longitudinal data and analysis of the annual listing of the 500 largest publicly Chinese-owned companies in East and Southeast Asia, covering 1995–2007, complimented with a vast array of information related to, among other things, the net worth of the founder or controlling family, as well as board member affiliation and age. The research covers more recent data up through 2008, complimenting already well-published data that dates back to 1994–2001. The many thematic chapters examine, among others, the following as agents of change and development for Chinese businesses: measuring economic power and influence; insights into family succession and cohesion; realizing the promise of globalization; and the Chinese Diaspora.

FINDINGS: OLD PROBLEMS, NEW SOLUTIONS

In spite of the gloomier views occasionally expressed by economists that globalization increases risk, instability, and create stiffer competition, this study proves numerically that those Chinese family-controlled businesses listed on the Hong Kong Stock Exchange have successfully been able to increase both corporate and personal wealth, and at a much higher level than acknowledged by other studies.

Re-confirming the fact that Chinese business remains essentially a family affair, young family successors are already lining up, thus contradicting the widely held belief that Chinese family-controlled businesses are struggling with succession problems.

Further analysis of the Chinese family-controlled manufacturing TNCs provides clear numerical evidence of their increasing degree of transnationalization and solidification. Chinese transnationals have increased their share of foreign assets and foreign employees markedly, altogether illustrating that Chinese capitalism is truly dynamic and very much alive. In essence, continuation of wealth, power, and influence of the Chinese family-controlled businesses in Hong Kong, Taiwan, and Singapore is ensured.

CONCLUSIONS

The research uncovers and discusses many layers and facets of what currently constitutes Chinese capitalism, but it has also raised several questions to be answered elsewhere. Although the research re-affirms recent academic convictions, it does so by providing new and original quantitative data and evidence in the hope that it will inspire further research and interpretations.

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LIST OF ABBREVATIONS

ADB	Asian Development Bank
APA	American Psychological Association
APPC	Asia Pacific Philanthropy Consortium
ASEAN	Association of Southeast Asian Nations
ASEAN-5	Indonesia, Thailand, Philippines, Malaysia, Vietnam
BEA	Bank of East Asia
BHD	Berhad
BOC	Bank of China
BOCOM	Bank of Communications
CBB	Chinese Big Business
CBRC	China Banking Regulatory Commission
CCB	China construction Bank
CDFH	China Development Financial Holding
CDL	City Development Limited
CDO	Collateralized Debt Obligation
CEO	Chief Executive Officer
CFB	Chinese Family Business
CIA	Central Intelligence Agency
CMB	China Merchant Bank
CNPC	China National Petroleum Corporation
CP	Charoen Pokphand
CRR	Credit Reserve Ratio
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GNP	Gross National Product
HK	Hong Kong
HLCID	High Level Committee on the Indian Diaspora
HSBC	Hongkong and Shanghai Banking Corporation
ICBC	Industrial and Commercial Bank of China
ICICI	Industrial Credit and Investment Corporation of India
ICT	Internet and Communication Technology
IMD	International Institute for Management Development
IMF	International Monetary Fond
IOI	Industrial Oxygen Incorporated

IPTV	Internet Protocol television
IT	Information Technology
LTD	Limited Company
MBS	Mortgage Based Securities
MNC	Multinational Corporation
MOIA	Ministry of Overseas Indian Affairs
MSS	Market Stabilization Scheme
NEP	New Economic Policy
NIC	Newly Industrialized Country
NIE	Newly Industrializing Economy
NREGP	National Rural Employment Guarantee Program
NRI	Non-Resident Indian
OCB	Overseas Chinese Business
OCBC	Overseas-Chinese Banking Corporation
OECD	Organization for Economic Cooperation and Development
OEM	Original Equipment Manufacturing
OOCL	Orient Overseas Container Line
OUB	Overseas Union Bank
PCCW	Pacific Century CyberWorks
PPP	Purchasing Power Parity
RBI	Reserve Bank of India
ROA	Return On Assets
ROC	Republic of China
SAR	Special Administrative Region
SARS	Severe Acute Respiratory Syndrome
SLR	Statutory Liquidity Ratio
SME	Small and Medium-sized Enterprise
STDM	Sociedade de Turismo e Diversões de Macau
TNC	Transnational Corporation
TPI	The Philanthropic Initiative
TVB	Television Broadcast
UK	United Kingdom
UNCTAD	United Nations Conference on Trade and Development
UOB	United Overseas Bank
US	United States
WBL	White Bear Lake
WTO	World Trade Organization
YTL	Yeoh Tiong Lay

1 INTRODUCTION

Covering the years 1991–2008, this dissertation is an attempt to take a more dynamic approach to interpret and theorize empirical data from a variety of sources and provide evidence on how Chinese capitalism (with regards to ethnic Chinese) has changed and been transformed. In view of the many misconceptions and assumptions about Chinese family-controlled businesses in Asia, this dissertation is also written with the hope that it as a whole will provide a more balanced picture where Chinese capitalism might be heading and how it might transform.

In its broadest sense, it is therefore not a specific country study, although it stretches across a selected few East and Southeast Asian economies with particular emphasis on Hong Kong, Taiwan, and Singapore (see especially Chapter 5). Each individual Chapter should be seen as an attempt to provide a thematic appraisal of these Asian territories along with a more longitudinal perspective with regard to the overall performance and prospects of the major Chinese family-controlled businesses.

Before going further, it seems appropriate to briefly mention why Hong Kong, Taiwan, and Singapore are the economies of interest in this dissertation. To reiterate the words by Hamilton (2006, p. 130), “Hong Kong, as a place, was and continues to be at the organizational center of Chinese-led capitalism.” Singapore, the Lion City of Southeast Asia, is not only interesting because its holds a unique geographical location, but more so, as emphasized by Yeung (2003, p. 20), because, “Chinese capitalism in Singapore has been globalizing in its financial outreach during the past decade—a point certainly not anticipated in the existing literature on Chinese capitalism.” Taiwan's critical role in the global production network (the so-called “China Circle” connection) and in international trade provides Taiwan with a central position in Chinese capitalism (see Naughton, 1997).

Given the similarities between Hong Kong and its twin city Singapore in terms of structure, size, and as financial centers and commercial hubs, and Taiwan’s economic success as a leading high-tech factory and export powerhouse, it is no wonder that these economies as a whole—and in the hands of wealthy Chinese entrepreneurs—have demonstrated a higher concentration of wealth at the expense of Southeast Asian economies. Particularly after the 1997–1998 Asian financial crisis, the old power and wealth structures of the ethnic Chinese-family businesses concentrated in Southeast Asia have been drastically reshaped in a region where Chinese entrepreneurship and wealth have traditionally experienced a fertile business environment.

Finally, with regard to a rising Chinese economy and business reach into mainland China, Hamilton (2006, p. 144) observes that, “the largest investors in China are from the Chinese dominated economies outside of China: Hong Kong, Taiwan, and Singapore.” These are just some of the reasons why this dissertation focuses more on Hong Kong, Taiwan, and Singapore.

Another goal of this dissertation is to discuss how a group of few distinct wealthy Chinese businessmen have managed to run and transform their family empires in the face of a fundamentally new economic and structural landscape following the 1997–1998 Asian financial crisis. Although this sort of specific identification of the related socioeconomic actors will certainly show how crucial the Chinese are in their various regional economies, the overall intention is not to provide accounts on their past and current roads to success. Such studies already exist in abundance (see earlier work by, for example, Chan & Chiang, 1994; East Asian Analytical Unit, 1995; Robinson, 1996; Sato, 1996; Gomez, 1999, 2002; Brown, 2000; Zhu, 2000; Handley, 2003; Mackie, 2003; Rivera, 2003; Dieleman & Sachs, 2006; Studwell, 2007).

Instead, the object of this dissertation is to single out some of the economic actors by name as convenient examples to examine broader economic, strategic, and other issues associated with their businesses activities and strategies. Another objective is to shed some light on the key variables over time that have defined global businesses activities of ethnic Chinese entrepreneurs (see Chapter 5 & 6), as well as how that have shaped new incentives for the Chinese Diaspora community (see Chapter 7) to give back to their ancestral homeland in a business environment where a new generation of leaders among the Chinese family-controlled businesses are emerging (regarding some recent thoughts on ethnic Chinese philanthropy see, for example, Menkhoff, 2009).

1.1 RECURRING THEMES

One of the major recurring themes in this dissertation is that Chinese capitalism is constantly evolving and transforming as the key actors are responding to opportunity and risk in terms of the growing flow and diffusion of people, capital, technology, knowledge, as well as the rise of global economic interdependency and competition. In effect, the world has changed dramatically, competition has become stiffer, and those companies that do not want to change will fail or be swallowed by their competitors.

To give a short example, the Internet can in many ways be seen as a virtual extension of the modernized Chinese guild association network. The Internet is just one among many modern technological opportunities and challenges for the Chinese entrepreneurs venturing beyond their borders and Diaspora community (for broader and in-depth discussions not covered in this dissertation, see, especially Yang, 2003; Wong, 2003; Cheung, 2004; Chan, 2006).

Another theme of this work is that there are at least as many varieties of Chinese capitalism as there are countries where ethnic Chinese are major players in the economy. This is a reminder to pay closer attention to the context and circumstances in which these key actors have brought about changes in the variety of Chinese capitalism. Particularly, how their interactions have evolved over time to reduce risk.

Crucial to following the arguments presented here is the understanding that the events of history have shaped Chinese capitalism as surely as Chinese capitalism has shaped history. As noted earlier by Hamilton (1990) and Dirlik (1997), Chinese capitalism cannot be understood apart from the dynamics of the world economy. Similarly, cultural norms and practices change over time and are influenced by the attitudes and beliefs of people born inside and outside the Chinese family-controlled business. Nor should modern Chinese family-controlled businesses in our global age be viewed differently than other family businesses as all of them are affected to varying degrees by the events and common circumstances of the places they operate in (see also, Brown, 2000).

A final theme appearing in this dissertation is how the driving forces of globalization and internationalization of capital and firms have occurred in tandem with a rising China and India (see Chapter 6–7). As a result, this has renewed, stretched and transformed Chinese capitalism in different directions and helped it expand into new countries and territories. Further, similarly to how China has continued to benefit from its relationship with the Chinese Diaspora, India is now trying to tap into the potential of the Indian Diaspora to attract capital, skills, and knowledge (for one of India's first governmental report on this topic, see Singhvi, 2001).

Asia is now the center of world economic growth and commercial dynamism. China and India have both become rising new contenders to Japanese businesses and investments in Southeast Asia as the ASEAN region looks to create a single market by 2015 (see, for example, ASEAN, 2009; Plummer & Yue, 2009; for the importance of Japan and China in Asia, see also Lim, 2008). With this in mind, there are two questions among many others also brought up in the final theme. They are: how the Chinese and Indian Diaspora compare and contrast (see Chapter 7); and how well the Chinese family-controlled businesses have managed the jump to internationalization compared to their rivals (see Chapter 6), which historically have mainly been the highly internationalized Japanese multinationals (for earlier research utilizing 1995–1997 figures, see Machado, 2003).

1.2 WHY IS CHINESE CAPITALISM INTERESTING?

This begs the obvious question of what makes the aforementioned themes and their implications so interesting? And what is so special about Chinese capitalism that it needs the dedication of a whole dissertation to explore what only can be described as scratching the surface of such a complex topic?

Answering the second question should give us the answer to the first. Different from other capitalist systems known around the world, Chinese capitalism stands out by lacking distinct political boundaries (see discussion by, for example, Yeung, 2004). Because of this fluidity, it unsurprisingly extends from country to country in East and Southeast Asia where its key actors shape their socioeconomic spheres, only bound geographically in scope and scale by its expansion of economic activities (see also, Hamilton, 1996, 2006; Brown, 2000). During the economic restructuring of Southeast Asia after 1945, for example, Chinese capital from Hong Kong, Taiwan, Singapore, Malaysia, or Indonesia came to play a crucial role (see McVey, 1992; Weidenbaum & Hughes, 1996; Haley, Tan & Haley, 1998).

Another point that needs to be kept in mind is that in Hong Kong, Singapore, and Taiwan where Chinese make up the majority, the family firm remains the archetypal example of the dynamic attributes of Chinese capitalism. Elsewhere its attributes have manifested themselves slightly differently, but not weakened, in an era of rising globalization (for related discussion about the differences, growth, and changes of the Chinese business, see, for example, Gatfield & Youseff, 2001; Jean & Tan, 2001; Tan, 2001; Yeung, 2000b, 2004, 2006a; Redding & Witt, 2007).

Apart from Singapore, the Chinese are the minority ethnic group in the major Southeast Asian economies, yet their economic might and commercial influence is much greater than their sheer population would indicate (see Chapter 4). In Indonesia, Malaysia, Thailand, and the Philippines, the extent and nature of the economic power of Chinese family-controlled businesses are extremely difficult to ascertain clearly. An attempt will be made in this dissertation to discuss this from a fresh perspective by analyzing some of the latest data available (see Chapter 4–6).

These are just a few of the major reasons why Chinese capitalism has attracted so much attention, or for some, elicited so much controversy. It begins to answer the first question posed in this section of what makes Chinese capitalism so interesting. It therefore seems appropriate to stop and look at the background of the study of the ethnic Chinese and their economic activities (other themes are identified and discussed in the research and literature review chapter).

1.4 WHY IS (CHINESE) FAMILY CAPITALISM INTERESTING?

Despite the prevalence of family businesses in today's global capitalist economy, many academics and analysts have assumed, following the classical works of famous business historian Alfred Chandler—most notably *Scale and Scope: The Dynamics of Industrial Capitalism* (1990)—that family business are "backward and small scale, and with an inability to preserve financial capital" (Alderson, 2011, p. 5). So one might wonder, why then is researching the role and success of family businesses in general, and Chinese family-controlled business in particular, so interesting? To answer this, it seems appropriate to briefly frame a few compelling arguments, some of which are further discussed in other chapters.

Perhaps the broadest of those arguments is that the reality is far from past negative misperceptions about the phenomenon of family capitalism and its large-scale role in economic development and entrepreneurship. Also, the sheer number of family firms and privately held ventures around the world should leave no doubt about their predominance, and thus their socio-economic value. As also noted in Chapter 5, family businesses make up more than 60 to 80 percent of all businesses worldwide, varying between different countries and cultures (Flören & Zwartendijk, 2008; Alderson, 2011). They represent a cross-section of all industries and play a tremendous role in trade, commerce, industry and services globally. A plethora of recent research not only documents the significance and extent of Anglo-Saxon or other European family firms, but significantly also Asian family firms (see, for example, La Porta, Lopez-de-Silanes & Shleifer, 1999; Claessens, Djankov & Lang, 1999, 2000; Faccio & Lang, 2002; Morck & Yeung, 2004; Yeung, Morck & Wolfenzon, 2005; Fogel, 2006).

Second, as argued by James (2008), today's family businesses have moved away from the traditional images of the family that is often celebrated and to this day continues to be used as a vital brand asset. Modern professional family businesses are not mired in antiquated marketing techniques or financial constrained as in the past in terms of dependency on banks; this thereby removes the worry of founders about surrendering family control. Access to the stock market provided new ways to raise capital and cultivated new business opportunities, reinforced by internationalization and liberalization of capital markets.

Third, the capacity by family business in Western and Asian economies to draw entrepreneurial profit, and in some instances internationalizing their business, represents "the antithesis to the rent-collecting enterprise that is at the heart of much of the analysis of a malaise in emerging markets" (Jamas, 2008, p. 20).

In the case of family business versus non-family business, such as state-owned enterprises, a number of studies have shown that family businesses outperform their non-family counterparts. Looking at the world's largest economy, the United States, Anderson and Reeb (2003), list up several convincing data regarding the success of family firms in a study by S&P 500 firms: "Young family firms and old family firms (50-year-old threshold) outperform non-family firms," "ROA is greater in family businesses, with a 6.65 percent greater return than non-family firms, "families own for an average of 78 years," and "Family firm CEOs earn on average nearly 10 percent less than their non-family counterparts."

In the case of Japan, the world's third largest economy, a study by Allouche et al. (2008), showed that "Family businesses tend to outperform nonfamily companies in most Japanese industries (21 of 33 commonly used Japanese industry categories). Only in 7 categories were family firms found to perform less successfully" (cited by FFI, 2011).

In the case of China, now the world's second largest economy, a study by Lee (2006) noted that, "Even with China's size in comparison to its neighbors, Chinese family companies control a proportion of Asia's economic wealth that is larger than their relative share in population" (cited by FFI, 2011). A recent study by Yuan, Hua and Junxi (2008) also confirmed that, "family-owned firms achieve significantly better performances than state-owned enterprises. These results support the general consensus that China is increasingly reliant on private companies as an engine for economic growth and an employment hub" (Yuan, Hua, & Junxi, 2008, p. 297).

Finally, the debate and academic interpretations on the durability, efficiency and effectiveness of Asian family businesses (including Chinese family-controlled firms) have in many ways responded very easily to the contemporary events, as exemplified by the focus on crony capitalism and a stereotyped model of Asian economic development after the 1997–1998 Asian financial crisis.

These are some of the compelling arguments why the phenomenon of family businesses, compared with non-family businesses, is itself interesting. Also, as it is getting harder to comprehend the world economy without understanding the growing influence of China's astounding growth, it therefore seems logical to focus on the evolving role and impact of contemporary Chinese family businesses, and especially in the context of this work, how it manifest itself in Chinese communities outside mainland China.

1.4 BACKGROUND

There are now a significant number of studies on the Chinese family-controlled business and specifically how the family business continues to operate as the principal organizational structure in Chinese capitalism (see Redding, 1990; Brown, 2000; Hamilton, 2000; Redding & Witt, 2007). Both the popular media and scholarly literature are replete with arguments that the core features of Chinese capitalism have been institutionalized by Chinese cultural norms and practices. This has almost become a permanent characterization. Chinese capitalism is viewed as a single monolithic structure that is static or self-contained or as a kind of historical artifact rooted in a specific time and space (see discussions by Yeung, 2004).

Relying solely on these traditionalist arguments, however, makes it increasingly difficult to explain how the Chinese family and business continue to show upward performance in a more globalized and digital era. How have they withstood and been able to embrace the dramatic changes of the past two decades, such as the many financial shocks, the increasing structural requirements of globalization, mainland China as a rising competitor, and worldwide pressure for greater financial transparency and accountability? (see earlier discussions by, for example, Lever-Tracy, 2002).

Throughout history, great accomplishments have always been achieved by taking significant calculated risks in one form or another to ensure as much control as possible over the outcome. Even the smallest sole-proprietorship or the largest Chinese family-controlled business have had to overcome the many risk factors associated with these aforementioned changes in order to survive, prosper, and to be able to pass on the business to succeeding generations (see Chapter 4 & 5). Therefore, the key to power, influence, and wealth—and how to achieve and sustain all three—often comes down to the ability to calculate opportunity and risk (see, Cheah, 1998; Yeung & Olds, 2000).

According to Arenoff (1998) there is one simple reason why traditional family businesses, no matter its size or ethnic affiliation, have been able to take on risk and manage it properly. This is because they have evolved over time when socioeconomic change has progressed more slowly than nowadays. The Kirzner type of entrepreneur had sufficient time to recognize, adapt, and fill a demand or create a need, and over time develop efficient ways and supporting processes. Necessary knowledge about markets, capital, and contacts could then be passed on to the next generation (see, for example, Kirzner, 1993; also, the difference between adaptive and destructive entrepreneurship and associated arguments are highlighted in the terminology section in this Chapter 1).

In many ways, these processes have nourished and prepared the traditional Chinese family-controlled business in its evolution towards a more modern entity. Although many of the Chinese family-controlled businesses have failed in the process, it seems clear that historically their perseverance, commercial success, and regional influence in certain industry key economic sectors demonstrate that they have as a whole been able to successfully manage risk (for discussions on failures see Backman, 2001; for discussions on successes see, for example, East Asia Analytical Unit, 1995; Weidenbaum & Hughes, 1996; Ma, 2003; Studwell, 2007).

Another interesting historical note is that Chinese family-controlled businesses were traditionally more concerned about ensuring conformity and control than how the businesses were run, in contrast to today where they are adopting global management accounting practices (see, for example, Limlingan, 1986; Yeung, 1999b). Another historical note is that, while a volatile environment might have provided the right advantage for some family businesses, an environment changing very rapidly might also have turned into a threat to survival due to too many uncertainties (see, for example, Brook & Luong, 1997). Nowadays, the Chinese family-controlled businesses operate in both a domestic and global environment where uncertainties have forced them to go beyond earlier practices and adopt new strategies of growth and development (see, for example, Dieleman & Sachs, 2006).

In light of some select few key actors, who have spread their economic activities across East and Southeast Asia and beyond, this dissertation attempts to present another view of the various recent developments, fluidity, and hybridity that are unfolding today into what constitutes Chinese capitalism.

1.5 OBJECTIVES AND HYPOTHESES

The study of Chinese capitalism in East and Southeast Asia is by nature complex, multi-directional, and over time has encompassed and influenced many academic disciplines. In essence, however, it has always apparently been a matter of who wields the greatest power, influence, and wealth. Most of the literature in regard to Chinese family-controlled businesses throughout Asia has therefore focused on the activities, strategies, and resources of the large Chinese family-controlled businesses, which have become the key local, regional, and national players, helping to shape business conditions in the markets in which they operate. Being large conglomerates has provided them with the advantages of scale, scope, and location choice that have enabled them to define and drive domestic production, capital investments, trade, and employment.

INITIAL RESEARCH QUESTION

Responsible research begins by defining the limits of its topics. This dissertation's initial research question began as a broad inquiry into the processes related to change and continuity in regard to the ethnic Chinese business community's wealth, power, and influence over time.

It has resulted in the question of how we can understand, explain, and specifically measure the impact and the transformation of Chinese capitalism better.

This dissertation has narrowed the knowledge gained from Chapter 2's research and literature review into separate thematic Chapters addressing the topic and analytical framework of Chinese capitalism. It further narrows the topics in each of these Chapters into sub-themes that have emerged from the analysis. Some of these sub-themes are interlinked and some overlap, but this dissertation essentially presents them independently.

HYPOTHESES

Given the complexity and extent of this dissertation's research question in regard to measuring the impact and transformation of Chinese capitalism, I considered five hypotheses based on quantitative data. Each hypothesis links to its sub-hypotheses in an attempt to clarify the research question further.

The first hypothesis is that the economic changes and crises resulting from globalization have greatly improved the Chinese family-controlled business groups in Hong Kong, Taiwan, and Singapore's potential to increase their wealth, influence, and growth during the twenty-first century. In order to address the question of sustaining economic power and growth over time, this dissertation has tested this hypothesis by examining such phenomena as private and corporate wealth creation among the most influential of these conglomerates, their aggregate contributions to gross domestic product (GDP) and share of market capital, and the extent of their overseas activities and investments. The quantitative data it presents in doing so provide additional evidence that is necessary for examining the second hypothesis.

The second hypothesis is that wealth creation by the prominent Chinese family-controlled businesses in Hong Kong, Taiwan, and Singapore remains the main driver for contemporary Chinese capitalist development among the ethnic Chinese. In order to address the question in regard to their economic influence, this dissertation has tested this hypothesis by critically examining and comparing long-term changes among the most influential of them and the sources of their wealth and major worldwide operations, thereby emphasizing their global reach. The data this dissertation presents in order to do this, furthermore, identifies both the distinct shifts in the patterns of wealth creation within Hong Kong, Taiwan, and Singapore and names the conglomerates involved, which is necessary for addressing the third hypothesis.

The third hypothesis is that the question of family succession within prominent Chinese family-controlled businesses in Hong Kong, Taiwan, and Singapore presents them with a major problem, but that an active board of directors and a team-management organizational form provide possible useful alternatives. In order to address the question of these firms' intergenerational transfer of wealth, corporate power, and family influence, this dissertation has tested this hypothesis by thoroughly examining the composition of their boards of directors and the family affiliations and ages of their shareholders. The data it presents in doing so includes the names of family members, which are necessary for addressing the fourth hypothesis.

The fourth hypothesis is that the quality of Chinese family-controlled businesses' successors to their control has shaped their internationalization strategies and that the financial transparency required for raising capital in foreign markets has counteracted the alleged inherent limitations to their growth. In order to address the question of the essentialist fallacy of their values and cultural predispositions being the key factors in shaping the Chinese Diaspora's wealth, power, and influence, and specifically that of these conglomerates, this dissertation has tested its fourth hypothesis by critically examining the background of the family members on their boards of directors, the number of foreign auditors they employ, and the origins of their principal banks.

The fifth hypothesis is that a large number of Chinese family-controlled manufacturing transnational corporations (TNCs) based in Hong Kong, Taiwan, and Singapore are increasingly catching up to the same critical high level of transnationalisation (an index indicator of the degree of the transnational nature of capital ownership and activities) and global reach as their Japanese counterparts. In order to address this question in regard to prominent Chinese family-owned conglomerates being the core actors of Chinese capitalist expansion, this dissertation has tested this hypothesis by comparing the global reach of the Chinese family-controlled TNCs with their Japanese counterparts, thereby providing a causative link to the conclusions resulting from the first hypothesis.

The principal collective objective of these five hypotheses is to present recent numerically (quantitative) data with explanatory text, and utilize statistical calculations to express the results to ascertain whether or to what extent the phenomenon of Chinese capitalism, particularly that is based in Hong Kong, Taiwan, and Singapore, has changed over the long term. The testing of these hypotheses has therefore relied upon numerical presentation, statistical evidence and the citing of corroborative research rather than anecdotal evidence or individual company-specific case studies. Each of this dissertation's thematic Chapters clearly identifies how the data it presents leads to its conclusions, supports its hypothesis, and suggests its assumptions.

THEMES

As briefly touched upon in the Chapter introduction, many recurring themes appear in this dissertation, and each has helped shape the aforementioned hypotheses. It therefore seems appropriate to detail further the earlier broad description of these recurring themes.

Such external factors as an increasingly competitive business environment at home and abroad, stricter global business requirements, and the opportunities and risks associated with the neighboring mega-markets of China and India have influenced the behavior of Chinese family-controlled businesses. Aronoff (1998) postulated 10 fundamental megatrends that explain how family businesses and the collective scholarly consciousness of them were changing. Several of these in regard to Western family businesses at that time have now begun to apply to Chinese family-controlled businesses (see, for example, Yeung, 2004, 2006a). In many ways, the themes of this dissertation's Chapters continue and expand upon many of Aronoff's megatrends' themes and those of such related quantitative literature as McConaughy and Phillips (1999), Jean and Tan (2001), Perricone, Earle, and Taplin (2001), Tan (2001), Brockhaus, (2004), Jaffe and Lane (2004), Sonfield and Lussier (2004), and Zahra (2005), together with assumptions that the quantitative data that they present suggest.

The first of these themes is that prominent publicly listed Chinese family-controlled businesses from Hong Kong, Taiwan, and Singapore have been more likely to minimize their economic risks and increase their corporate value than their counterparts from Malaysia, Thailand, Indonesia, and the Philippines. The next is that far from disintegrating, most of these conglomerates have sustained their wealth, power, and influence well beyond their third and fourth generations. The third is that frequent family meetings, an active board of directors, and strategic planning have significantly more impact on this intergenerational leadership succession than concrete succession planning.

The next theme is that Chinese family-controlled businesses are increasingly focusing on new roles for elder leaders, whether it is outside or inside the business, rather than on their retirement. Another theme is that subsequent-generation Chinese family-controlled businesses are more likely than first-generation Chinese family-controlled businesses to use sophisticated methods of financial management (see Aronoff, 1998; Yeung, 2004, 2006a).

A theme from a different perspective is that both China and India are increasingly perpetuating myths, symbols, and metaphors to awaken national consciousness, unity, and power imagery and to reach out to their Diaspora communities. A related theme common in the literature, usually called the brain-gain hypothesis, is that intellectual and technical elites who emigrate to industrialized countries represent a potential resource for the socioeconomic development of their home countries (see, for example, Hunger, 2002, 2004; Zweig, Fung & Han, 2008). Without appropriate policies, institutions, programs, and tools that actually facilitate them, however, Diaspora contributions seem to be unlikely to have considerable influence on their home countries' economies.

Another related theme is that the motivations for the Chinese Diaspora's members' contributions to their home countries are seemingly more likely to be purely altruistic than the desire for commercial gain. The final theme is that Chinese family-controlled businesses are increasingly using performance-based venture philanthropy to increase their control of their investments and to increase spin-offs and business opportunities.

1.6 FINDINGS (SIGNIFICANCE)

The significance of the results of this dissertation serves two purposes: first, a contribution to understanding and measuring the transformation of Chinese capitalism in an increasingly globalizing and digital world economy, specifically, how it is inextricably changing and continues to evolve in Hong Kong, Taiwan, and Singapore. Second, the results also contribute to existing theories about the fluidity and hybridity of contemporary Chinese capitalism (particularly with regards to Chinese people overseas in the aforementioned economies).

More significantly, this work makes at least four contributions: First, it draws together original and longitudinal data from a multitude of external sources—many not covered by mainstream sources—into both the theoretical framework and recursive discourse of the phenomenon of Chinese capitalism in East and Southeast Asia. The complete research was designed to be comprised into five thematic Chapters that are intended to enhance and enrich the existing academic discourse with new insights and access to data not previously published. In fact, most of the existing numerical data already published dates back to 1994–2001, which are considered very turbulent years for many of the Chinese, family-controlled businesses. Few publications, however, have tried to capture the almost decade-long changes or challenges following those years. It is for this reason that this research covers more recent data up through 2008, which should support further developments of generalized theories pertaining to Chinese capitalism through comparison with similar future studies.

Second, through statistical evidence, and rigorous analysis, this research shows that there is a more permanent shift visible in Chinese capitalism away from the common stereotypes of the large Chinese family-controlled businesses to a more complex, or hybrid, business entity—part market-based, part relational. Albeit perhaps justifiable throughout the rapid industrialization of East and Southeast Asia between the early 1960s and 1990s, the Chinese family-controlled business exhibited many of the common traits and characteristics that have been asserted by the proponents of the traditionalist narratives. However, these characteristics do not match the criteria necessary for success in the in business world of the twenty-first century. As the dissertation also notes, it cannot be denied that the social capital perspective—financial, social, and intellectual capital and contribution—of the Chinese Diaspora as an agent of change and development remains valid, but that the nature of the so-called interpersonal-based business networks is not what it used to be (if it ever was in our idealized view). It is argued that Chinese family-controlled businesses make use of what is most strategically effective in today's ever changing and increasingly competitive globalized world. In many ways, ethnic community/business ties or extensive reliance of political patronage have lost some of their sparkle and effectiveness, and the downtrend is that they are being relied on to a lesser degree in favor of more effective and far-reaching Western and Japanese business relationships, not only in Asia but also in the US and Europe. As such, the presented statistical evidence and analysis in this regards show that some of the existing theories and assumptions are incomplete and antiquated and in need of modification.

Third, this research presents recent statistical evidence and a more integrated and long-term analysis of how, to some extent, strategically well some Chinese family-controlled businesses have been able to sustain wealth, power, and influence. In particular, how certain prominent Chinese family-controlled businesses from Hong Kong, Taiwan, and Singapore have succeeded in increasing both their personal fortunes as well as business market values, while turning threats (economic risks) into growth opportunities. The research also addresses the conundrum of measuring wealth, power, and influence over time. It not only suggests how to actually measure wealth and influence of the Chinese family-controlled businesses; it also provides rare numerical data covering the years 1997–2008 to support those arguments.

Fourth, the research also provides additional recent statistical evidence and in-depth analysis for how global the leading Chinese family-controlled businesses from East and Southeast Asia have become in the last two decades. This is especially true when considering their geographical scope, sources of financing and financial reporting, as well as degree of transnationalization. Based on the presented data and observations, the research also revisits previous discussions on the Japanese business network versus ethnic Chinese business networks, now a decade later. The ongoing processes of transnationalization among the

Chinese family-controlled businesses significantly indicate how Chinese capitalism has evolved and expanded over the years. The implications of these findings could be useful for future comparative research, including the performance aspects and trends of Chinese family-controlled businesses in East and Southeast Asia.

1.7 STRUCTURE OF THIS DISSERTATION

This dissertation begins with an overview of the research, literature, objectives and hypotheses, findings (significance), dissertation structure, and terminology; it then divides into two separate main parts revolving around five distinct thematic Chapters. Each Chapter presents a selective, yet comprehensive matrix or synthesis of qualitative evidence and conceptualized rhetorical discussions, when applicable, as well as other aspects related to contemporary Chinese capitalism in East and Southeast Asia. The dissertation ends with a conclusion, which essentially repeats the main points from the various Chapters, and back matter.

To be more specific, Chapters 1–3 make up the front matter, or preliminaries, of this dissertation. Each of these Chapters covers the following themes:

Chapter 1 is an introduction to the topic, as well as terminology and associated definitions of Chinese capitalism, along with presenting the purpose, scope, significance, objectives, an analytic framework of the dissertation, and finally the structure of the remaining Chapters.

Chapter 2 provides a comprehensive discussion on the issues that have emerged from the empirical and theoretical heritage of Asian business research, supplemented with comments on Japanese academic research on Chinese family-controlled businesses and Chinese capitalism. The remaining half of the Chapter is a systematic review of the recent issues and developments within the extant literature on the Chinese family-controlled business, as well as the variations in interpreting Chinese capitalism (especially ethnic Chinese entrepreneurship and capitalist development) associated with the ethnic Chinese. This section provides a reference point for many of the arguments put forward in the various thematic Chapters, but also provides an overview of the analytical framework used throughout the dissertation.

Chapter 3 is dedicated to methodology of data collection and analysis. It describes which criteria have been used for capturing and analyzing the long-term developments, trends, and complex relations with regard to the recent developments and appearances of Chinese capitalism. In particular, how they have manifested in Hong Kong, Taiwan, and Singapore is presented.

Following the preliminary section, the first part (Chapter 4 & 5), examines the conundrum of measuring and sustaining wealth, power, and influence; moreover it explores linked issues regarding change and continuity in family wealth and the dilemma of business succession. This first part-title page is followed by a part-introduction page, which sets forth the themes discussed in the comprising Chapters.

Chapter 4 focuses on the shifting notion of power and influence of the Chinese Diaspora and the Chinese family-controlled businesses, and discusses that ever-lasting conundrum of actually defining and measuring wealth, power, and influence over time. A variety of holistic arguments are put forward for why these variables should be framed as being shaped by events and history viewed specifically though their contexts and geographical focus. Moreover, using Hong Kong, Taiwan, and Singapore as origins and center of wealth, power, and influence, an attempt is made to provide statistical evidence for how much can be attributed to the prominent Chinese family-controlled businesses that operate in those economies.

Chapter 5 takes a comparative look at the family in the business and the business in the family, the dilemma of securing and controlling family wealth, power, and influence through family business succession among some select few prominent Chinese family-controlled businesses in Hong Kong, Taiwan and Singapore. In particular, although not limited to, the Chapter illustrates in what way the composition of board of directors and substantial family shareholder affiliation and age are altering the organizational modes of Chinese capitalism. Furthermore, this Chapter also numerically highlights some shared or emerging commonalities and differences among these select Chinese family-controlled businesses, and ultimately illustrates and discusses how the findings compare to other contemporary Western family businesses.

The second part (Chapter 6–7) concentrates on the changes and continuity brought forth by the increasing waves of globalization, regional economic restructuring, as well as the challenges and opportunities arising from China's economic growth with regard to maximizing the potential of the China Diaspora, and the effect of viewing China as a market or competitor. This second part-title page is followed by a part-introduction page, which sets forth the themes discussed in the comprising Chapters.

Chapter 6 provides a multi-faceted picture of the many complex processes and potentials influenced by globalization, neighboring China's economic growth, and structural reform outcomes that have taken place in East and Southeast Asia. Above all, how these processes over the last decade have stimulated, and in many cases compelled, the leading Chinese family-controlled businesses in expanding their global reach. Among other things, statistical evidence is also presented showing how global these leading Chinese family-controlled businesses from Hong Kong, Taiwan, and Singapore have indeed become, and how they as transnational corporations are matching their Japanese counterparts.

Chapter 7 is a discussion Chapter and in its broadest sense not a discussion of statistical results or findings (although some numerical evidence are given); it is intended to expand and broaden the concept of Chinese capitalism to encompass other spheres of contemporary geo-economic activity, power, and influence. This includes taking note of possible future trajectories of change and development regarding the behavior of the key socio-economic actors and the economies where Chinese capitalism is well established. It stands to reason that because East and Southeast Asia are experiencing major cultural, economic, social, and political developments, these changes have already released many forces that are constantly influencing and re-shaping Chinese capitalism. Some of these key variables discussed and contrasted are, among many other related issues, the waves of external financial shocks and increasing national self-awareness. Essentially, the attention of this Chapter is mostly directed to the extraordinary rise to wealth, power, and influence of neighboring China and India, and how they, as emerging superpowers, relate and engage their respective Diasporas.

Chapter 8 presents conclusions of this dissertation.

1.8 TERMINOLOGY

The study of Chinese capitalism is beset with obstacles and limitations, many having to do with definitions, others with data. It therefore seems understandable that despite the existence of abundant and well-established literature on the economic organization of ethnic Chinese family-controlled businesses in Southeast Asia, only few attempt to clear away the conceptual underbrush. As an example, there is still some confusion on the meaning or parameters of the principal concepts on which this dissertation is based, including those as central as “overseas Chinese,” “Chinese overseas,” “ethnic Chinese,” ”Chinese capitalism” or the related concept of “Diaspora.” Finding common ground on such murky and recurrent concepts seems especially difficult in cross-national and interdisciplinary research.

Were this simple a question of semantics we could leave the challenge to the etymologists and the wordsmiths. The Achilles’ heel in the disparity of definitions and multiple meanings, however, poses significant implications for how such engagement is understood, practiced, measured and promoted. While this dissertation does not presume to provide ironclad definitions or resolve all ambiguities, the following is an attempt to provide an overview of some working concepts and definitions of terms, as well as to highlight confusions and inconsistencies, that particularly relate to the topic of Chinese capitalism in East and Southeast Asia and associated fields. It covers about a dozen recurring terms used throughout the Chapters of this study; terms that are better suited to be presented and discussed together. Other terminologies get introduced or redefined within the specific context of the text in which they appear.

1.9 SUMMARY OF PARTICULAR INTERPRETATIONS

As a starting point, this dissertation adopts the generalized term “ethnic Chinese” to include the people of Chinese descent or Chinese ethnicities (regardless of citizenship) situated in Southeast Asia, Hong Kong, Macau, and Taiwan. In contrast, the term “Chinese overseas” is used in contemporary discussions on ethnic Chinese living outside mainland China, Hong Kong, Macau, and Taiwan instead of the commonly used term “overseas Chinese.” There are no political intentions implied regarding the contemporary status of Taiwan, Hong Kong, and Macau, or any assumptions that Chinese in Southeast Asia continue to view mainland China as their homeland. While the term “overseas Chinese” is used mainly to emphasize a historical perspective before World War II, occasionally it reads better than “Chinese overseas” in certain English context. Quotation marks are thus used to indicate the unusual usage in such cases.

In line with the recognized usage by the Chinese communities worldwide, the dissertation apply the term “Chinese Diaspora” as emphasizing the global space, and without classifying them into homogeneous groups. In extension to this, the term "Diaspora philanthropy" is here defined as going beyond the conventional definition and usage of mere "pure" altruistic charitable giving. An overwhelming part of recent literature shows that, contrary to the first generation of the "overseas Chinese," the current generation is enjoying considerable more success and more positive socio-economic outcomes. Consequently, they are changing their ideological perspectives of ethnic Chinese philanthropy.

Finally, it needs mentioning that the concept underlying the term "Chinese capitalism" entails a certain nexus of widely shared values. Yet, where nothing else is specified, it is mainly used to describe the geo-historically rooted and specific social and economic organization of the "ethnic Chinese" living in East and Southeast Asia.

1.10 DETAILED EXPLANATIONS OF TERMINOLOGY

The following review explain in detail some twelve essential terminologies and concepts frequently associated with ethnic Chinese family-controlled businesses and organization in Asia:

THE MEANING OF THE TERM *CHINESE*

The single English term "Chinese" covers any person with Chinese ancestry, and adverts to Chinese nationality, ethnicity, or race. In contrast, the Chinese language has numerous terms for "Chinese," all with different meanings and often labeled with political implications (for extensive discussions see Wang, 1991, pp. 222–257; 1999, pp. 118–134; Suryadinata, 1997, pp. 1–21; Beng, 1997, pp. 25–32; Bolt, 2000; Ma & Cartier, 2003). This illustrates the complexity of rendering Chinese terms for "overseas Chinese," "ethnic Chinese," and "Chinese overseas" into English, and elucidates to some extent why the public media often makes no clear distinction between these terms. The key to unlocking the best usage is to assess how these terms relate to time and location, if emphasis is on the historical perspective or global space.

According to the *Encyclopedia of the Chinese Overseas*, the varieties of Chinese nowadays can be classified into four categories: (1) Chinese who live permanently in mainland China or temporarily reside abroad as diplomats, China-based company representatives or visiting scholars; (2) Mainland Chinese who live or study abroad or who live in Taiwan and Hong Kong. Many are migrants who may or may not return to mainland China, or may choose to become naturalized in their host countries; (3) "Chinese overseas" who represent Chinese born and raised outside mainland China, for example hyphenated Chinese; and (4) Assimilated Chinese ancestry through intermarriage and other mechanisms that blur distinctions between Chinese and other ethnicities that lead them to cease to call themselves as Chinese (for further discussion, see Pan, 1998, pp. 15–16).

INTERPRETATIONS OF OVERSEAS CHINESE AND ETHNIC CHINESE

In a historical perspective, the classical term "overseas Chinese" (*huaquio*) has widely been used to describe those early Chinese sojourners temporarily living and working abroad while under Chinese jurisdiction, whereas the classical term "ethnic Chinese" (*huaren*) has been used to describe those Chinese migrants that later opted for the citizenship of the nations where they settled down; a change in status caused by the emerging independency of Southeast Asian nations after World War II. The confusion with the term "ethnic Chinese" is that it conveys ethnicity, "Chinese-ness," shared cultural and linguistic identification, rather than political allegiance as expressed through Chinese or local citizenship.

To further add to the confusion, earlier Western academic discourse until around 1997–99 often favored the classical term "overseas Chinese" to embrace *all* Chinese living outside mainland China (including those living in Taiwan, Hong Kong, and Macau). Hong Kong and Macau were not considered part of mainland China before 1997 and 1999, respectively. It is, however, agreed by the scholarly community that the term "overseas Chinese" as meaning sojourners, with its suggestion of transience, does not reflect today's reality, but remain more suitable in discussing China's historical relations with Southeast Asia and the early migration patterns.

Nowadays the consensus in Western scholarly discourse is to use the more general and suitable term "ethnic Chinese" (*haiwai huaren* or simply *huaren*) when discussing Chinese living in contemporary Southeast and East Asia, which by many scholars includes Chinese residents of Taiwan, Hong Kong, and Macau (Wang, 1999, pp. 120–122). One argument is that the geopolitical term "mainland China" excludes Taiwan, and that Hong Kong and Taiwan to a large extent continue to retain a high degree of autonomy for at least fifty years after reunification (a distinction used in many economic indicators by, among others, IMF, ADB, and IMD). Another argument is that the term "ethnic Chinese" should be viewed without political connotations, and used only as a general term that implied ethnicity or Chinese descent (see discussions by Yen, 2002, pp. 3–5; Beng, 2004, pp. 1–8).

Arguably, the Chinese term *haiwai huaren* is closest to the latter interpretation of "ethnic Chinese," and represents a more literal translation of the English "overseas Chinese." The term is commonly used by the Chinese government to refer to any Chinese living outside mainland China regardless of citizenship, nevertheless often portrayed as "ethnic Chinese" in Western scholarly (Wang, 1999, p. 121; Yeung, 2004).

CHINESE OVERSEAS

Another recent term "Chinese overseas" is used as the equivalent of *haiwai huaren* in Chinese, and attempts to be less controversial than the classical term "overseas Chinese" for discussions on ethnic Chinese living outside mainland China, Hong Kong, Macau, and Taiwan (see, for example, Beng, 2004; Ng & Tan, 2005, pp. v–vi).

HYPHENATED CHINESE

An attempt to describe the Chinese born and raised in countries other than mainland China can be daunting because of their diversity by country of origin. Nowadays, citizens who are Chinese by descent are generally thought of as "Chinese overseas." Oftentimes they are identified as "hyphenated Chinese," such as Chinese-American, Chinese-Filipino, Sino-Thai, Sino-Malaysian, and Sino-Indonesian. However, this rule is inconsistent across various academic disciplines, and even in many instances differ in common usage where the hyphenated form is omitted, particularly in the writings of official and public websites. Relevant to academic writing, the *Chicago Manual of Style* (Chicago Style) and the *American Psychological Association* (*APA Style*), among others, recommend dropping the hyphen.

CHINESE DIASPORA

As the use of "Diaspora" has proliferated in the last decades, its meaning has been stretched in various directions. The term "Diaspora" finds its roots in the Greek and originally denoting the Jewish dispersal or exile, yet in present-day a term used by many other ethnic groups. Even though the term conveys some implicit meaning of uniformity, it should rather be viewed as a broad metaphor for various geographically complex and interrelated processes. Consequently, these processes are created as an outcome of numerous transnational movements or activities, including cross-border transfer of capital, culture, dual or multiple affiliations and loyalty to transnational corporations and countries (see discussions by Tölölyan, 1991, 1996; Ma, 2003; Skeldon, 2003). It is no wonder that the concept of "Diaspora" has regained currency lately among scholars discussing those theoretical issues, which concern social theory and social change in the new millennium (see, for example, Kalra, Kaur & Hutnyk, 2005).

Most specifically, the term "Diaspora" in its general context describes voluntary or forceful dispersal (migration) over time and across national boundaries (spatial movement). Additionally, the term in a Chinese context is frequently used to explore the notions of ethnicity, shared or multiple identities, mobility, space, minority, various dimensions of exchange (see Brooker, 1999, pp. 62–63; Pan, 1999, p. 17; Ma & Cartier, 2003; Anteby-Yemini & Berthomière, 2005).

DIASPORA PHILANTHROPY

The term "Diaspora philanthropy" is a rather nebulous term of relatively recent origin. It has gained prominence when describing the changing practices of ethnic philanthropy and giving among a whole new generation of Diaspora in Asia and elsewhere that are enjoying more wealth and social security than their ancestors. A host of other similar interchangeable terms have likewise appeared in various contexts to try to capture the new realities and potentials on the global, national, community, and individual levels, for example, "homeland philanthropy," "migrant philanthropy," "merchant philanthropy," and "transnational giving" (see for example Peterson, 2005; Freeman, 2006; Nielsen & Riddle, 2007; Johnson, 2007).

In an Asian context, China and India in specific, several academic publications of late takes a refreshed look at describing the motives and contemporary trends in philanthropy as defined and practiced by the Chinese and Indians (see, for example, Geithner, Johnson & Chen, 2004; Menkhoff, 2009; Niumai, 2009).

As mentioned previously, while "Diaspora" is described in *Wikipedia* as "a permanently displaced and relocated collective," and suggests to some a fairly homogeneous and tightly knit group that exhibit similar social, economic and ethnic characteristics, the vast majority does not—in fact nowadays differences are the norm. Today's Diaspora also differs in many ways from the Diaspora of the past in terms of connecting with their original ancestral country. Indeed, much literature agrees that "Diaspora" as a term has evolved over time away from its original origin (see also *Chinese Diaspora*).

Yet it is hardly more so than the words "philanthropy" and the related concepts of "remittances" themselves. While some scholars use the terms synonymously, the most difficult challenge of interpreting the term "philanthropy" is the distinction and overlap between financial flows, mix of both family, collective remittances and commercial investments, and specifically "philanthropic investments" in terms of voluntary donations of resources, such as property, money, and knowledge transfer (see, for example, Dunn, 2004; Singh, 2007). Some investments may in fact be charitable gifts and social investments, while others have much more to do with pursuing personal gain than with public benefit.

Certainly the question whether corporations should engage in philanthropy have spanned many decades among academics and corporate executives. For instance, Michael Porter was among the first prominent academics to argue that philanthropy is a source of competitive advantage, and this view has been supported by numerous studies that claim to demonstrate the link between giving and profit (see, for example, Porter & Kramer, 2002; Moir & Taffler, 2004; Khanna & Damon, 1999).

In a global context, "philanthropy" is influenced by the ever-changing political currents and economic trends in accommodating different aspects of monetary transfers, voluntary and charitable giving practices, both institutional and non-institutional forms.

Diaspora giving, as expressed in the term "Diaspora philanthropy," is by no means a new phenomenon, either historically or in modern common usage. Yet, with the greater awareness of the impact and emerging role of the Diasporas in national development, and likewise the acceleration of cross-border interactions, the interest in global philanthropy has been significant. In finding common ground among those somewhat vague definitions, some scholars of late have argued that it is better to expand the current framework of "Diaspora philanthropy" to "include the total giving of a Diaspora—back to the homeland, to communities of residence, or elsewhere" (as cited in Johnson, 2007, p. 8).

CHINESE CAPITALISM

The concept of capitalism has evolved over time, geography, politics, and culture, following different paths of modernization and development. There exist many varieties of capitalism across countries, and the definitions span not only economic systems, but also social and political systems as well.

Even though the many varieties are characterized by an array of commonalities, capitalism is more frequently contrasted with other preceding or coexisting types of systems as well as debated ideologically and intellectually than clearly defined among economists, economic historians, political scientists, and various thinkers (see discussions by Hall & Soskice, 2001, pp. 1–69; Hall, 2007, pp. 37–87).

The term "Chinese capitalism" is an integral part of this discourse of the different typologies of capitalism. Within the academic literature the term is used either as referring to present-day mainland China's mixed economy when discussing "socialism with Chinese characteristics,“ to use a phrase coined by Deng Xiaoping's new brand of socialist thinking—an ideology that has evolved into what is often referred to as "capitalism with Chinese characteristics" (see, for example, Huang, 2008; Redding, 2008). Frequently, the term also appears when dealing with the particular nature and organizational models of Chinese capitalism in Southeast Asia. Traditionally, this form of capital organization and business operation is referred to as "Chinese network capitalism" underlying implicit and fluid dynamics of relationships and alliances untouched by globalization (see, for example, Redding, 1993, 2002, 2007; Weidenbaum & Hughes, 1996; Hamilton, 2006).

In recent years, however, the internationalization of Chinese capitalism as well as the effect of globalization on existing business systems has challenged this traditional view, arguing for a transition towards a form of "hybridized capitalism" (see Lim, 1997; Yeung, 2004, 2008).

MAINLAND CHINESE CAPITALISTS VERSUS THE REST

The term "capitalist" refers to those who advocate an economic system characterized by predominantly private ownership of capital, property and means of productions organized through marked mechanisms. Although social ownership may be present, it is a deviation from the rule. Each capitalist country modifies to a greater or lesser extent the forces of supply and demand with its own wide assortment of instruments of social and governmental control. Thus, this explains variations among the advanced capitalist countries (high-income economies in North America, Asia, and Europe) and the scores of other capitalist nations (see also *Chinese Capitalism*).

ETHNIC CHINESE FAMILY-CONTROLLED BUSINESS

The term "ethnic Chinese family-controlled business" is the key economic institution that represents the distinct institutionalized mode of "Chinese capitalism" in East and Southeast Asia. Furthermore, many scholars argue that the ethnic Chinese family-controlled business represents crucial bonds and coordinating agents between the individual Asian economies. Indeed, the role of the family is not unique to the Chinese business, but the reasons for its organizational structure and survival are more complex than other family businesses.

Strictly, the term "ethnic Chinese family-controlled business" refers to the specific form of family ownership, management, and business control. They are embedded, but not limited, by the context of the home countries and the conditions of the locations where the main activities occur (see discussions by Yeung, 2004, pp. 1–11).

Recent scholarly literature agrees that there are variations and changes over time in how Chinese businesses are directed and controlled due to, among other things, environments of insecurity and mistrust, rapid diversification, international expansion, and the effects of increased globalization. In many instances, the core of the business remains consistent under family control (Brown, 2000; Yeung, 2007).

ETHNIC CHINESE FAMILY-CONTROLLED BUSINESS (GROUPS)

Often, when describing the dominant economic influence of Chinese capitalism in contemporary East and Southeast Asia, the focus is primarily on the large ethnic Chinese family-controlled business groups or conglomerates, rather than the small- and medium sized ethnic Chinese family-controlled businesses. While these small Chinese family-controlled businesses collectively remain important socio-economic actors in the Chinese communities, economic data show that on a large scale the major players and economic movers are the well-known large Chinese family-controlled businesses (see, for example, Claessens, Djanko & Lang, 2000; Brown, 2000; Yeung, 2004). The same large business groups are also attributed to be responsible for most outward investment towards mainland China; resulting from the costs and distance concerned with these activities (see also East Asian Analytic Unit, 1995, p. 235).

ETHNIC CHINESE BUSINESS (NETWORKS)

While personal connections and networking are not unique to the ethnic Chinese in East and Southeast Asia, the term “ethnic Chinese business networks” has reputedly become a conventional elucidation. Even today, the term is used for how Chinese as a minority group, has allowed Chinese communities to continue to flourish and likewise made them key drivers of Asian’s transformation. One popular belief is that these Chinese communities are homogeneous entities. Moreover, that exclusive, unique, and interwoven ethnic ties based on Chinese ethnicity, mutual trust, reciprocity, social affiliations (clan, guilds, dialects, village, kinship, and native place) and business relationships are solely responsible for limiting social discrimination, displacement, unfavorable regional governmental policies, and imperfect market conditions. Their existence are not only visible across national boundaries, but also in the Asian economies were they reside and operate (see, for example, Kotkin, 1992; Kao, 1993).

But, in reality the picture is more complex. Many scholars accord that intra-ethnic networks have a historical validity amongst ethnic Chinese entrepreneurs in reducing transaction costs by sharing information, in information void business environments and by diversifying country risks through capital dispersion and strategically dispatching relatives abroad (see, for example, Haley, Tan & Haley, 1998; Crawford, 2000). Conversely, although ethnic Chinese business networks have received less governmental support than their Japanese and Korean counterparts, in some Chinese communities such as Indonesia and Malaysia, political ties or interaction with state authorities through a web of patronage (crony capitalism) has exerted more influence than Chinese ethnicity prior to the 1997–1998 Asian financial crisis (see discussions by Gomez, 1999; Gomez & Hsiao, 2001; Dieleman & Sachs, 2006).

Another misperception is that all ethnic Chinese have been equally successful or able in pursuing flexible cross-border networks to gain competitive advantages. Other misconceptions argue that these imperfect markets (rudimentary capital markets, limited financial disclosure, and weak contract laws) and incomplete information remain static phenomena. Growing international competition, regional structural changes, and technological advancements are some of the transitions that have forced ethnic Chinese to modernize and expand existing networks structures, including the creation of virtual associations and online business communities. Several scholars point out that, nowadays other factors are more influential than merely mutual trust, kinship, confidence, or ethnicity (for discussions on the limits of guanxi capitalism, see also Hsu & Saxenian, 2000; Dieleman, 2007). From an historical point of view, strategic alliances with notable Japanese transnational corporations illustrate that network of trust is fluid and frequently extend beyond the family. Similarly, today's ethnic Chinese business relationships and investment projects in mainland China are not necessarily based on some philanthropic or nostalgic ties to ancestral localities. Upon closer scrutiny, mere culturalist explanations rapidly lose their rigor. In many instances, involvements in cross-border activities are driven by economic incentives, profit maximization and goodwill that eventually will create spin-off opportunities (see, for example, Peng, 2002; Dieleman, 2007). Indeed, as pointed out by Hutchings (2000), "… the Overseas Chinese (sic) are not engaged in a zero-sum game" (p. 324). On the other hand, this does not diminish the tremendously important role that ethnic Chinese have made to China's development, both in terms of capital accumulation and transfer of business skills (see discussions by Menkhoff & Gerke, 2002; Yeung, 2004).

CHINESE ENTREPRENEURSHIP

The strong entrepreneurial spirit, creativity as well as an eagerness to launch out into unknown territory is frequently referred to as indispensable components of wealth creation among East Asian Chinese. Obviously, there exist several variations of the concept of "entrepreneurship," yet it often includes an entrepreneur, or pioneer (the individual) with a high aptitude for change that undertakes calculated ventures (a cycle of both exploration and exploitation of opportunities), while assuming reasonable risks, and uncertainties (entrepreneurship; the process).

The role of the entrepreneur has in a Western context, traditionally played only a trifling role in the market process because the mainstream neoclassical model assumes perfect knowledge as well as market equilibrium (see Jones, 1996). While many scholars acknowledge the risk of neglecting the entrepreneur, the common view of entrepreneurship has focused extensively on the process (see, for example, Davidson, Low & Wright, 2001; Low & MacMillan, 1988). Recent efforts, however, have been made to attach more importance to the role of the entrepreneur in the process (see discussions by Kang & Uhlenbruck, 2006).

Notably, the somewhat contrasting views of Kirzner, Schumpeter, and Casson have markedly influenced the research on the entrepreneurial spirit of the Chinese entrepreneur. In Kirzner's view, the Chinese entrepreneur is associated with disequilibrium, constantly looking for unexploded opportunities for exchange and thus seeking to recreate equilibrium. He defines this as "adaptive entrepreneurship." While in Schumpeter's view, the Chinese entrepreneur embodies an innovator that disrupts markets, technologies and organizational structures, thus destroying equilibrium. He defines this as "creative entrepreneurship." Unlike Kirzer and Schumpeter, the Chinese entrepreneur in Casson's model is more an individual that coordinates resources and makes difficult judgments in hostile environments, rather than forcing change. He defines this as "coordinating entrepreneurship" (see further discussions by Kirzner, 1973; Casson, 1991; Schumpeter, 2000).

Earlier scholarly writings on Chinese capitalism often uncritically assumed that ethnic Chinese family-controlled businesses or the individual ethnic Chinese entrepreneur collectively displayed unique traits or characteristics than individuals or firms in other parts of the world, making them more attentive to opportunities arising from disequilibrium of change (for example Cheah, 1998). While there is some truth in this portrayal vis-à-vis some of the factors that over time have affected the different Asian economies, it is also misleading because it neglects the complexity, deviations and variations. Perhaps an explanation for this view is that researchers on Asia tend to over-generalize and focus on the success stories, rather than failures (see also discussions by Backman, 2001, 2004). The shift towards rethinking past assumptions about Chinese capitalism as well as the adoption of a new theoretical framework since the 1997–1998 Asian financial crisis represents a major step towards a better understanding and varied interpretations of Chinese entrepreneurship and Chinese network capitalism (see Gomez & Hsiao, 2001; Yomo & Folk, 2003; Kang & Uhlenbruck, 2006; Yeung, 2008).

Global, Transnational, International, and Multinational Corporations

In this age of globalization, various terms are used to describe cross-border business activities. Perhaps the simplest definition for such transactions would be the common umbrella term "international business." This definition includes not only international trade and foreign manufacturing, but also the growing service industry. Adding to the current confusion resulting from a multiplicity of terms, sometimes the term "foreign business" is used interchangeably with "international business."

In many ways, in step with the broadening of the definition of "globalization" influenced by the general media, and in conversations among people across cultures, the boundaries between the varying terms, such as "international" and "global" have become blurred. To some people it has more to do with having a specific mindset than a company's international business operations. Nevertheless, the most common definition of "globalization" may best be described by one term frequently used in international business: "economic globalization." This refers to the international integration of goods, technology, labor and capital.

In the context of "economic globalization," business analysts such as Michael Porter have found it increasingly necessary to have a more precise vocabulary to describe varying foreign activities. Some of the most commonly used terms to describe the scope and degree of company's business abroad are: "multinational," "international," "transnational," and "global." Each term is distinct and has a specific meaning. Simply speaking, although some academics argue that "international business" refers to both "global" and "multinational corporations," others define "international companies" as importers and exports with no investment outside their home country. "Multinational corporations" or "MNCs," in contrast, have investments and operations in several countries but are managed from one home country.

The term “transnational corporations” or “TNCs” simply implies operations in at least two national economies. For many people the older term “MNC” remains the generic term for all corporations that own production facilities in two or more countries, and for this reason both terms are frequently used interchangeably. The term “global corporation” frequently refers to organizations with vast overseas investments and a multi-country presence in their attempt to standardize and integrate operations worldwide in all functional areas.

2 RESEARCH AND LITERATURE REVIEW

2.1 INTRODUCTION

The purpose of this introductory Chapter is—besides contributing my own views and comments—to outline some of the empirical and theoretical heritage of Asian business research with particular emphasis assigned to Chinese business development, and also the evolution of ethnic Chinese entrepreneurs and businesses. As part of this outline, attention is also drawn to the importance of Japanese scholarship knowledge, often neglected in Western research due to lack of translations.

With this extensive research review in mind and the full knowledge that there will be some overlapping issues, this Chapter will also conclude by looking in more detail at the extant literature on ethnic Chinese family-controlled business (groups) and conglomerates. Specific focus will be on the three literary streams that until recently have dominated the contemporary research field, and which boundaries have become more blurred over the last decade.

The Chapter also creates a reference point for arguments put forward in other Chapters. It does not pretend to be an exhaustive listing of sources, but the aim is to emphasize recent books and articles published after the year 2000, not ignoring relevant past publications. The following paragraphs are not arranged in any sequential order, but should rather be seen as a series of competing conceptions. Some remain widely used; others have been abandoned by most researchers and practitioners—or they have been adjusted to incorporate new aspects.

2.2 RESEARCHING ASIAN BUSINESSES

The last decades have witnessed the rise and integration of Asia into the global economy. Asia has turned into the most dynamic region in the world, and this shift is "widely recognized as one of the most significant phenomena in the new millennium" (Yeung, 2006d). Instead of succumbing to the fate of stagnation and lost years of progress following the 1997–1998 Asian financial crisis, emerging East Asia exhibited remarkable growth records over the decade that followed. But perhaps more significant is the second integration evolving regionally at an even more rapid pace, not at the expense of global competitiveness but in augmentation.

Widely quoted World Bank publications have recorded Asia's past achievements and assessed future challenges. Two important publications stand out from the rest: *The East Asian Miracle* (1993) and *Rethinking the East Asian Miracle* (2001), as they address the twin questions: "What went wrong? What went right?" These reports have contributed to the ongoing academic debate and given rise to a large literature that has focused exclusively on explaining the rise of Asian economies. In following up its research, the latest World Bank survey (2007), *An East Asian Renaissance: Ideas for Growth*, takes a renewed look at the new reality in the region and sums up the latest economic theory that, contrary to neoclassical economics, acknowledges that some economic rewards go to entrepreneurs. Moreover, the economic landscape is different: production, trade, and finance have shifted gravity towards China, which moreover drives East Asian regionalization and regionalism, even when the institutional framework remains immature. The globalization and progressive economic modernization of Asia can best be described as earthshaking in its influence, and as noted by the World Bank in the introduction of its recent publication:

> Like the renaissance in Europe, a period of intellectual discovery that produced new ideas and economic development, innovation is getting similar attention in Asia. …The pace of change in trade and finance, ideas and technology, urban development, household finances, and the demands on the public sector is breathtaking. If current growth trends prevail, East Asia will be as large in terms of world economy (40 percent) by 2025 as it was in 1820, around the time that it began a long decline in global importance.
>
> World Bank, 2007, p. 2.

The implications of this statement, as well as the rest of this report by the World Bank, will inspire a new and much needed generation of Asian scholars and reinvigorate the existing pool of academic research—with emphasis on the words "much needed." Surprisingly, Asia continues to attract little attention in terms of general business and management research. Bruton and Lao (2008) conclude that despite Asia's economic impact and "unique institutional context," the majority of literature in the year 2008 still remains focused on North American and European markets (see also Bruton, Ahlström, & Obloj, 2008). Consequently, as argued in the following paragraphs, a certain cluster of key authors dominates the literature and add weight to existing issues and directions within Asian and Chinese business research.

2.3 ASIAN BUSINESS RESEARCH: AN OVERVIEW

Success always attracts attention. Historical and comparative studies on the different paths of industrialization have nurtured a plethora of key authors and explanations (Yeung, 2006b). As Akamatsu (1962) described in his "Flying Geese Model," Japan led the way, followed by the first-tier NIEs since the late 1970s, and then in the early 1980s, when the new epicenter of growth turned towards China and the second-tier NICs. Existing academic research on Asian businesses and firms, as important agents in market societies, have for the most part been based on Western paradigms and naturally been influenced by models of Western business development. Noteworthy are the legacies of Chandler (1962, 1977) and others in historical comparison with America and Europe, and in regard to Japan, Chandler's work especially enriched the field of Japanese business history (see, for example, Fruin, 1992; Gerlach, 1992; Morikawa, 1992). In our time, however, even present-day journalists and mainstream academic business historians (overwhelmingly culturalists), who are looking for greater contextualization, agree that Chandler's institutional approach lack when interpreting social, political, and economic conditions. Both Nelson (1998) and Bryant (1998) advanced similar arguments that suggest inherent limitations when applied to Chinese business history (as well as influencing discussions of the nature of Chinese entrepreneurship).

Since Grass established the first Business History Society in 1927, and business history became an independent and important area of study, it was first in the 1950s and 1960s that Japan scholars (for example Smith, 1955, 1988; Yamamura, 1968) and China scholars (for example Levy, 1949, 1972; Feuerwerker, 1968, 1995) became seriously interested in business history. While Japanese historians early on focused, among other things, on entrepreneurship and industrialization, zaibatsu, enterprise and the state (see Yamamura, 1970; Kobayashi, 1978), the Chinese historians were concerned not so much with business as with economic development, particularly the perceived weaknesses of Chinese economic and business institutions (the Weberian approach). Recent Chinese scholarship is less tied to such negative paradigms; therefore, it forms a rich source for studying how business worked in China, as well as the long-run entrepreneurial activities of Chinese in Southeast Asian communities, and how they are contextualized within place, time, and situation.

Indeed, while the majority of academic studies of contemporary Asian business have become multi- and interdisciplinary over the years, focus has, on the other hand, and in a rather dichotomizing way, remained divided. For instance, Yeung and Olds (2000) advocated a division into three distinct analytical themes under which more authors can also be categorized: (1) Asian firm-specific business/management issues (for example Hamlin, 2000; Sharpe & Hasegawa, 2007); (2) Asian economies (for example Williamson, 2004; Feenstra & Hamilton, 2006; Sauvant, Mendoza & Irmak, 2008); and (3) a broad focus on Asian management styles (for example Tang & Ward, 2003; Chen, 2004; Chatterjee & Nankervis, 2007). Perhaps the most significant issue in recent years within the articulated internationalization of Asian firms in the world economy, insofar as to the dynamics of regional and global forces (among many others), is related to the value chain processes and commodity production networks that affect the way of doing business of both local and foreign firms in Asia (see, for example, Borrus, Ernst & Haggard 2001; Hess & Yeung, 2006a).

Numerous other authors have also written about these themes, and to list them here would be too great a task. However, what seems possible is discuss the prevailing models or hypotheses that have evolved within the conceptual framework of each of the above themes. Existing scholars in this field have extended outside their own research fields to explain observed patterns, factors and linkages; yet in some instances one drawback of this analytical method is that research often remains within one limited level of analysis (it is too specific), or it becomes too expansive in scope (it is too generalized). Voluminous examples could be mentioned that focus exclusively on economic factors in shaping management performance and organizational structures while neglecting to include broader local, regional and global, or other exogenous factors (history, culture, and geopolitics). Likewise, extensive generalizations and abstraction of Asian management styles either make them appear unique or equal across the entire region. Obviously, the fallacy of this approach is that Asian business structures either continue to appear static or obscure, while the region has become more open, integrated and powerful on the world economic stage.

CHINESE BUSINESS HISTORY: MAJOR THEMES AND ISSUES

The past matters. However, there seems to be no consensus on what the subject of Chinese business research really covers. In fact, as noted by both Hao (1998) and Kwan (1998), there is no clear Chinese equivalent terminology regarding Chinese business history, except as something loosely related to economic history. Furthermore, Chinese scholars have been heavily influenced by Weber and Marx, and thus been ambivalent in their research of capitalist development. On the other hand, scholarship within the last 15 years has slowly embraced new viewpoints and been more open to fresh ideas on the role of the Chinese merchant, and indeed shed new light on old issues. Table 2.1 summarizes the major themes and issues within Chinese business history. Other striking characteristics of Chinese business history, as noted by Gardella and McElderry (1998), is the strong linkage between politics and scholarship in China, and the different views between scholars in China, Taiwan, Singapore and the West (see Zelin, 1998). The accompanying chains of reasoning have impacted recurring issues of identity and ethnicity, visible in the use of the ambiguous terms "overseas Chinese," "Chinese overseas," and "ethnic Chinese" (see discussions by Wang, 1991, pp. 222–257; Suryadinata, 1997, pp. 1–21; Yen, 2002, pp. v–xii).

The traditional academic studies in Chinese business history research revolve for a large part around the Quing (Manchu) Dynasty (1368–1644) and the Republican Period (1912–1949), and, as argued by Hao (1998), display four distinct analytical themes: (1) business issues (Feuerwerker, 1958; Levy, 1949, 1972; Chan, 1977, 1982); (2) socioeconomic institutions (for example Wong, 1985; Skinner, 1977); (3) politics and culture (for example Weber, 1958); and (4) relationships with the outside world (Cochran, 1980, 2000; Mann, 1987; Wang, 1991; Wang & Wang, 1998). Issues within the first theme, much stimulated by Chandler's work, took focus on the business firm and its organizational types, followed by a central interest in the merchant actor and his entrepreneurial spirit (or lack thereof). However, it was first after the 1970s that a consensus was reached on the Chinese merchant's Schumpeterian entrepreneurship (for example Hao, 1970). Second, the research into Chinese past socio-economic structures examined the various dimensions of social-exchange, trust, interpersonal business networks of market-family-business-guilds in explaining performance, and organizational outcome (for example Landa, 1994; Fukuyama, 1995). Empirical evidence by, among others, Elvin (1973) and Skinner (1977) showed that the markets were more sophisticated than previously thought, yet much heated debate still challenges (or supports) Siu-lun Wong's (1985) four-stage evolutionary model of Chinese family firms as well as the conventional view of the importance of personal relationships based on kinship and ethnicity (for example Hamilton, 1991; Wong & Leung, 2001; Yeung, 2006b). Third, the role and influence of the state have maintained center-stage in Chinese historiography, which describes issues related to the political-cultural environment (see, for example, Martinsons, 1999). Early literature on structures and patterns has witnessed a broadening of perspectives and deconstructions of stereotypes of state-business relations and the effect of culture on business conduct and structures. Fourth, themes associated with China's overseas activities show a trend to study both China's flourishing maritime regional trade, as well as motives of the flow

Table 2.1 Major themes and issues within Chinese business history

Discipline	*Key author*	*Analytic category*	*Key explanations*
Business	• Albert Feurwerker	• Business firm	• Failure in industrial breakthrough because of untouched industrial framework
	• William Kirby		• Lack of vertical integration reflects the "cellular" form within various industries
	• Ping-ti Ho	• Businessman	• Power of the businessman in the late imperial period was due to obtained governmental privileges
	• Thomas Metzger		
	• H. B. Morse		
	• Marion J. Levy	• Entrepreneurship	• China's particular social structure explains the relative absence of entrepreneurial spirit
	• Yen-P'ing Hao		• Businessmen are in fact Schumpeterian entrepreneurs
	• Siu-lun Wong		• Two types of entrepreneurs: the Schumpeterian type (risk taker) and McClellandan type (long-term planner)
Socioeconomic institutions	• Chi-cheung Choi	• Family business	• The history of the Chinese family firm may be seen as a process of continuous integration and disintegration at the same time
	• John C. H. Fei	• The Gilds	• Emphasizing their economic functions, evolvement from simple to complex organizations and shift in goals from general to specific
	• Andrea McElderry	• Business networks	• Business relationship proceeds organizations, and at the heart of Chinese business networks is guanxi or dyadic personal connections
	• G. William Skinner	• The Chinese market	• China had large competitive markets during the late imperial and early Republican periods
	• Evelyn Rawski		• It was not underdevelopment but competitive markets that hindered economic development
	• Mark Elvin		• Efficient market mechanism prevented production and market from being integrated

Table 2.1 Continued

Discipline	*Key author*	*Analytic category*	*Key explanations*
Politics and culture	• Max Weber • Ramon Myers • Yeh-chien Wang • Barbara Ward	• Culture and business	• Chinese religious values hindered the rise of capitalism since capitalism is not equivalent to mercantile activities • The strong preference for solo ownership-management by the household-cum-firm was based on Confucian traditions • The rise of the "businessman's spirit" in the late imperial period was influenced by Confucianism, Buddhism and Taoism
Global	• Loren Brandt • Thomas Rawski • Robert Gardella • Robert Y. Eng • Gungwu Wang • Susan Mann	• Sino-foreign business • Comparative approach	• Relations with foreign countries improved the standard of living by creating commercial opportunities • Foreign trade and investments are to blame for China's economic underdevelopment • Compare Chinese business inside China with that outside of China

Source: Author's compilation from Hao, Y.-P. I. (1998). Themes and Issues in Chinese Business History. In R. Gardella, J. K. Leonard, & A. McElderry (Eds.), *Chinese Business History: Interpretive Trends and Priorities for the Future* (Vol. 31, pp. 106–126). Armonk, NY: M.E. Sharpe.

of Chinese sojourners and settlers towards Southeast Asia (see Somers Heidhues, 1974; Bun & Ngoh, 1994; Reid, Cushman & Alilunas-Rodgers, 1996; Wang, 2000).

The response to the increased forces of globalization and regionalization, as well as the changes brought forward by the 1997–1998 Asian financial crisis, signalized a new turn in the academic discourse. On the other hand, the study of business structures and activities over time and location not only contributes to an understanding of China's past and future, but also provides clues to the nature and behavior of certain ethnic Chinese businesses within the region. FitzGerald (1972) became the forerunner, and provided the first detailed examination of the mainland China's early policy towards the "overseas Chinese problem," as he calls it. Indeed, coinciding with the increasing economic growth and opportunities available in mainland China, particularly in the 1980s and early 1990s, scholars and even journalists have forged popular notions about the dynamics, economic impact and success of ethnic Chinese capital, networks and business structure (for example Kao, 1993; Redding, 1993; Seagrave, 1995; Haley, Tan, & Haley, 1998; Keister, 2000; Chan, 2005; Jacobsen, 2006). Furthermore, an increasing number of publications now exist in dealing with the many identities (in which political, economic, social, and cultural issues are linked) of Chinese in Southeast Asia, where they have established prominent presence—Malaysia, Singapore, Indonesia, Thailand and the Philippines (for example McVey, 1992; Hsu & Serrie; 1998; Gomez & Hsiao, 2001; Yen, 2002; Reid, 2008). Moreover, similar to the overall research trend to focus on the changing nature of East Asia as an economic region, another strand of literature emphasizes comparing the Japanese transnational production networks and the ethnic Chinese business network (see, for example, Machado, 2003; Kumagai, 2007).

In the aftermath of the 1997–1998 Asian financial crisis, the debate took a more revisionistic approach (to some extent it became more objective), enhancing the deconstructing and de-mystification of ethnic Chinese businesses and the competitive power of "Chinese-ness" (for example Go, 1996; Hamilton, 1999; Crawford, 2000; Yao, 2002; Menkhoff & Gerke, 2002; Ma & Cartier, 2003; Jomo & Folk, 2003; Yeung, 2004; Dahles, 2006; Studwell, 2007, Redding & Witt, 2008). In describing "Chinese Capitalism," this mixture of the old and new is particularly visible in the upsurge of popular catch phrases and academic terms since the year 2000, such as "Chinese hybridized capitalism," "Cosmopolitan Capitalist," "Beyond the bamboo network," and "Asian Godfathers," which have enriched the already existing trove of colorful vocabulary describing emerging Asian business networks, such as "Underground Empires," "New Asian Emperors," and "The Bamboo Network."

What, however, seems refreshingly new to the academic discourse is the attempt to transpose traditional ethnic network realities within other diasporic-cum-ethnicity-based networks seeking to capture the world or establish itself within a semi-virtual context. Numerous examples can be given; for example, on par with India's equally spectacular economic rise, it has become immensely popular to compare the "March" of the "Elephant" with that of the "Dragon" (see for example Meredith, 2007). Along the same lines, it could be argued that India itself seeks to validate its own self-image through mirroring the success of Chinese capitalism, as exemplified in the Indian government report (2000) titled: *Report of the High Level Committee on the Indian Diaspora*, which, among others, sets out to learn by example how to increase the return from Indian overseas similarly to the beneficial ties that have characterized China and the Chinese Diaspora.

Table 2.2 Major themes and issues within Chinese business research

Discipline	*Key author*	*Analytic category*	*Key explanations*
Business	• John Kao	• World Wide Web of Chinese Business	• Increasingly stretching beyond their Confusion-style family ventures
	• Linda Lim	• Chinese business strategies	• Low cost, low profit margin and high turnover volume strategies for competition
	• Victor Limlingan	• Spirit of Chinese capitalism	• Chinese values and beliefs lead to a strong tendency towards co-operation
	• Gordon Redding	• Bamboo networks	• The role of bamboo networks in facilitating the creation of a new economic superpower in Asia
	• Murray Weidenbaum	• Chinese business system	• The role of the institutional foundations of Chinese business firms
	• Richard Whitley		• Different business recipes and different characteristics of business systems
Geography	• Rupert Hodder	• The “Chinese-ness”	• No such thing as “Chinese-ness” because definitive components of Chinese ‘culture’ are not peculiar or unique to “overseas Chinese”
	• You-tien Hsing	• Globalization of Chinese business firms	• The role of political connections in facilitating Chinese business firms in China
	• Katharyne Mitchell	• The changing role and configurations of Chinese business networks	• Personal relationships and business networks are necessary mechanisms of transnational operations by Chinese business firms
	• Kris Olds	• The role of the state and political-economic alliances	• Cross-border operations of Chinese business firms set within the context of globalization
	• Henry Young		• “Chinese” business networks being reshaped by non-Chinese international business actors in a globalizing era

Table 2.2 Continued

Discipline	*Key author*	*Analytic category*	*Key explanations*
History	• Ray Brown • Wellington Chan • Arif Dirlik • Hong Liu • Anthony Reid	• Chinese institutions and organizations • Family business • Chinese capitalism	• The historical antecedents of Chinese institutions and organizations • The social role of family business—as a socialization process • Chinese capitalism is a localized, not a generalized, phenomenon • Confucian discourse and cultural explanations of the East Asian economic miracle are driven by political ideologies
Sociology and Anthropology	• Susan Greenhalgh • Gary Hamilton • Thomas Menkhoff • Donald Nonini • Aihwa Ong • Alan Smart • Josephine Smart • Tong Chee-Kiong • Wong Siu-lun • Souchou Yao	• “Overseas Chinese” capitalism • Familism • Business networks and personal relationships • Social capital and social construction	• Chinese capitalism is socially organized, centered around the family firm • Business networks as important institutional forms to circumvent hostile host country environments and support economic success • Chinese networks as a form of social capital • Strong entrepreneurial tendency of Chinese business

Source: Yeung, H. W.-C. & Olds, K. (2000). Globalizing Chinese Business Firms: Where Are They Coming From, Where Are They Heading? In H. W.-C. Yeung & K. Olds (Eds.), *Globalization of Chinese Business Firms* (Table 1.6, pp. 10–11). New York: St. Martin's Press.

The rise and effects of the Internet Revolution is another interesting topic depicted in recent literature. Asia embraced not only the wonders of e-commerce, but Chinese everywhere took advantage of the technological advancement to establish an online community for the Chinese Diaspora to gather, exchange business ties, and reinforce a common identity, as well as create awareness of social and cultural heritage. In many respects this represents the modernization of the traditional clan and kinship associations, which are established loci for face-to-face transactions (for example Yang, 2003; Chan, 2006, Saunders & Ding, 2006; Pollard, 2007).

JAPANESE SCHOLARSHIP: KEEPING UP WITH THE CHINESE

Since Japan's first Business History Society was organized in 1964, Japanese scholars have passionately expanded on the country's own socio-economic history, and simultaneously ventured out to explore the various constructs of relationships with the outside world (see also Lim, 2008, pp. 291–293). After Japan established diplomatic ties with China in 1972, and despite consistently sensitive histo-political references made by both sides over the years, much attention within the Japanese business literature has increasingly been directed towards, among other things, China's growing geopolitical and economic position in the world order, trade relations vis-à-vis the close geographical proximity of the two nations, and the evolution of Sino-Japanese business ties.

For obvious reasons, the major trading ports of Nagasaki, Kobe, Yokohama, Osaka and Hakodate have been the traditional domiciles of Chinese residents. As of 2008, they surpassed Koreans to become Japan's largest foreign community, and these trading ports are also the home of the Overseas-Ethnic Chinese Research Societies that, along with individual researchers at Japanese universities, are contributing to the body of historical and contemporary Chinese business research in Japan (see for example Iijima, 1999). While the majority of themes and issues of Japanese academic research on ethnic Chinese businesses conforms to the dictates of Western analytic discourse, and likewise has become more interdisciplinary, the access of documents and other sources often not available to Westerners creates the possibility for a richer discourse in many ways. As Meyer (2006, p. 133) aptly phrases it, "many Asian scholars… opt for research agendas and theoretical frameworks that downplay the context and indigenous theoretical framework." In contrast, not all assessments of Asian research fall under the same level of criticism. The counterargument presented by Bruton and Lau (2008, p. 637) is that Asian scholars in many instances have actually contributed to Asian studies with, "logical and in-depth analysis of contextual variables, as well as new conceptualizations of causal relationships and predictions."

Indeed, several Japanese key publications raise the standards of scholarly research by their vivid usage of background materials and analytical framework. At the risk of being incomplete and out-of-date, the following list of key authors is used to some extent throughout the following Chapters, and includes names (listed alphabetically, not by importance) such as: Cai Lin Hai, Chuukun Yuu, Hirano Minoru, Hiroaki Kani, Kasuo Hiizumi, Lim Hua Sing, Tu Zhao-Yan, Wang Xiao Ping, Watanabe Toshio, Yamashita Kiyomi, Yu Chunghsun, and Zhu Yan. These scholars have in more than one way influenced the level of contemporary and future business studies in Japan.

2.4 ETHNIC CHINESE FAMILY BUSINESS: AN OVERVIEW

The ethnic Chinese community forms only a small minority of the population in Southeast Asian countries but has contributed significantly to the economic development in the region. Started and managed by the families of Chinese descent, many companies have transformed from a small enterprise into large business enterprise and multinational companies. Rooted deeply in the cultural and traditional values, these ethnic Chinese businesses have transformed and, as emphasized by Yeung (2000c), adapted to different institutional backgrounds and economic conditions in the host countries. With their growing significance economically and business importance in Southeast Asia, understanding ethnic Chinese family-controlled business has assumed key importance in various academic researches.

Over the last two decades, there has been a rapid development in the literature on ethnic Chinese businesses, as many researchers have shown interest in understanding the presence of ethnicity in these family firms, strategies employed, and how different they are from Western business model. The information developed on ethnic Chinese business and their strategy is voluminous but remains fragmented, with their contradictory opinions on their business behavior. The success of ethnic Chinese business has been attributed to various factors which include their specific culture, their status as migrants, their networks in host countries and international scenario, specific political and economic conditions in the region and business strategies based on specific institutional environment.

The extant literature has taken three predominant routes in understanding the ethnic Chinese family business—the cultural perspective, the migrant or the Diaspora perspective and the institutional perspective. The cultural perspective argues that specific characteristics imbibed from Chinese culture, emphasizing Confucian values, have been the influencing factors for their success. The migrant or Diaspora perspective attributes the success of the family business to the ability of the migrants in forming personal and political relations in host countries. The institutional perspective, focusing on the business environment and not on the people behind the business, attributes the strategy and success of the family business to contextual factors. The three different perspectives mentioned above addresses a specific stage of development of ethnic Chinese business, having their own assumptions, scope and conclusions.

ETHNIC CHINESE FAMILY BUSINESS: EXTANT LITERATURE

The definition of a family firm is often debated. However, a common definition of family business is "a business governed and/or managed on a sustainable, potentially cross generational, basis to shape and perhaps pursue the formal or implicit vision of the business held by members of the same family or a small number of families" (Chrisman et al., 2005). The participation of the controlling family in managing the firm is openly acknowledged by the researches conducted on family businesses where the combination of ownership, control, and leadership provides a powerful role for the members of the controlling family (Sharma et al., 1997). The powerful role of family played in management, succession, and generational change has been an important and influencing factor in family business research (Chrisman et al., 2005), but at the same time, many of the ethnic Chinese family-controlled businesses have collapsed due to clashes in the family internally, mainly due to generational change (Gomez & Hsiao, 2001).

The primary position held by the family in Asian societies is often referred to as "familism," particularly with the ethnic Chinese community. While the debate whether ethnic Chinese business is culturally unique or not continues, most literature carries a common view that family plays a vital role in the structure, operations and management of businesses run by the ethnic Chinese. Weidenbaum (1996) and Haley et al. (1998) reported that most of the large ethnic Chinese enterprises in Southeast Asia, which has a complex structure and network internally, continue to have the characteristics of family firms.

According to Wong (1995), there are two different types of familism in ethnic Chinese firms—Structural and Normative. The role of family in determining the structure of the firm, which includes ownership and management, is referred to as structural familism. Reserving the most vital and crucial positions in managing the firm for family members is a common practice in the traditional ethnic Chinese firms. The traditional family values when extended as business network values or otherwise known as corporate values are referred to as normative familism. According to Wijaya (2008, p. 311), "paternalism, harmony, uprightness and informality are examples of normative familism manifested in the ethnic-Chinese business institutions and network." Most of the traditional ethnic Chinese family businesses depend heavily on the family for its capital and personnel requirements as well as for decision-making, and hence both types of familism can be identified.

According to Haley et al. (1998), the familism has its roots from Confucianism for ethnic Chinese business as the principles lauded in "normative familism… [replicate] the fundamental values of Confucian ethics. As such, the ethnic Chinese family business operates differently in many aspects from the family business in Western countries" (cited by Wijaya, 2008, p. 312) Ching-hwang (1995) also argued that Confucianism has been the basis for the success in the Singapore, Hong Kong, and Taiwan economies and even for Japan and South Korea. Even Redding (1993) culturally explains that Confucianism is transmitted into the "overseas" Chinese subculture, based on his interviews conducted with 72 executives from four different Asian countries, regarding the success of ethnic Chinese business.

The Confucianism theory was challenged by Brown (1998), as he notes that there is uniqueness in ethnic Chinese business, which includes the role of family as well as the nature of network, as he points that the term "overseas Chinese" refers to culturally diverse communities and hence generalization of their culture is false. According to him, the formation of ethnic Chinese business community in Southeast Asia is purely political. Indeed, Hodder (1996) shared the same opinion, as he argues that cultural explanation is methodologically misleading.

Though vital roles have been played by the political and economic factors in the formation of ethnic Chinese business, it is equally important to recognize the contributions made by the religious-cultural perspectives. Tan (2000) suggests that excessive explanation on cultural perspectives should be avoided, and at the same time purely following the political and economic aspects will miss out on the intricacies of ethnic Chinese capitalism in Southeast Asia. Hence, culture—including its religious dimension, does matter. As the nature of ethnic Chinese business is not just because of political and economic condition, but also has strong foundations from religious-cultural perspectives, an attempt to change this nature will not be strong without transforming the religious-cultural assumptions. This clearly clarifies that purely economic and political challenges, including globalization, have not succeeded in pushing the ethnic Chinese firms to leave the aspect of family business behind.

According to a survey conducted by Braadbart (1995), the competitiveness of ethnic Chinese family-controlled businesses is enhanced when structural familism is applied, which enables them to avoid agency problem. Mackie (1998) identified advantages from both structural and normative familism as it helped the ethnic Chinese businesses in Southeast Asia perform better than their rivals, because of their looser structures and straightforward systems. According to Landa (1983), the ethnic Chinese business copes with the contract uncertainty situation enabled by the familism factor, which manifested in their networks, and also helps them in maintaining a moral business environment. Siu-lun (1985) observes, that the structure of the ethnic Chinese family is expanded through assimilation, and cautiously, structured familism provides enough human resources, which helps the internal family structure afresh as well as to ensure their position in the market.

Hence, many researchers were of the opinion that familism helps the businesses, both in its structure internally and in its business network, creates a community of trust. Normative familism helps in decision making through a fast and effective system by shortening bureaucracy and formalism. In the context of a fast changing business, "familism makes [the] work relations more personal than contractual, and provides the [required] flexibility" (Wijaya, 2008, p. 313). Structural familism, on the other hand, can hinder the progress of business, as it cannot fulfill the growing need of manpower even after the family is expanded. As trust, which is highly valued in the context of the family, is not extended at the professional level, it is noted that familism causes tension between managers and family members in many ethnic family firms.

Many researches conducted on the ethnic Chinese family firms have identified a similar management structure—ethnic Chinese business model, sometimes addressed as Chinese family business (CFB) (Davies & Ma, 2003), or otherwise widely known as the Chinese capitalism (Redding, 1990). Many researchers have identified that the Chinese entrepreneurs are guided by the Confucian values in running their business and value trust while relating with others (for recent findings, see Anderson & Lee, 2008). There were various researches conducted on ethnic Chinese family business taking a cultural perspective, which had a variety of approaches. Some of the researchers focused on private enterprises, while others focused on the environment in which these businesses operated. Some argued that the business model and strategy are typically Chinese, and few noted that a series of strategies applied at various stages of development lead to the success of the business.

The cultural perspective of studies on the ethnic Chinese family-controlled business has attracted strong criticism of late as the focus is on small and traditional family businesses. Only few have focused on large ethnic Chinese family-controlled businesses with extensive international experience. Many researches focused on the cultural characteristics of ethnic Chinese family-controlled business derived from Confucian values had failed to address changes taking place in ethnic Chinese firms, mainly which are successful and have grown significantly. The critics argue that Chinese conglomerates have become a part of the globalization process, which are managed by the second generation and undergo a transformation of adapting to western business practices. The political and economic instability, such as the 1997–1998 Asian financial crisis proves that not only cultural factors but also macro-economic factors influence the transition in management strategies. Moreover, many ethnic Chinese family-controlled businesses that started in a small way have gone on to be listed on various stock exchanges to raise further capital through selling shares, facilitating company growth, and improve profit sharing through dividends and stock price increases. Of course, by having a wide range of shareholders and take advantage of the stock market generally tends to improve management standards and efficiency of the individual company to satisfy the demands of these shareholders. In many ways, this has ensured the transition of these Chinese-family controlled businesses influenced by traditional cultural business traits to move towards a more westernized business model (Dieleman, 2007).

According to a study on the patterns of formation and evolution of Chinese firms in Malaysia, there are no tightly knit business networks with a strong and solid ethnic and cultural dimension. Even when intra-ethnic networks are formed, there is no commitment to help each other in growth and such networks with mutual cooperation are not unique to Chinese. Further, in the case of SMEs, descendants usually show little interest in managing these enterprises when taken over by the new generation, as the business relations become more inter-ethnic. The research also revealed that there is more competition among Chinese firms than cooperation, which contradicts the view that these firms are dynamic due to intra-ethnic business links. Hence, the presence of a distinct type of "Chinese capitalism" and "ethnic enterprise" is questioned. Though ethnic enterprises are owned by family, deal with ethnic products and address an ethnic community, only few retain their characteristics in terms of market and structure, when the second generation takes over. As there is growing argument that the Chinese businesses are exclusive in their characteristics, the results of this study emphasize the growing need to "de-essentialise Chinese capital" (Gomez, 2004).

In Southeast Asia, Chinese capitalism has been a prominent form of organization economically, both because of its considerable impact on the residing countries economically, as well as its powerful and influential organizational structure, which are complex and intricate in nature. As highlighted by many researchers, this ability and the variety with which the business activities are controlled and managed by the ethnic Chinese has become the basis for some of the economies in the residing countries. The emerging concept of globalization, the rise of China economically and most importantly the 1997–1998 Asian economic crisis had a significant impact on these ethnic Chinese business organizations. These significant and contextual changes have led Chinese capitalism in Southeast Asia undergo globalizing orientation, and at the same time some of the historically distinctive characteristics of Chinese capitalism continued to exist and were reconstituted. This process neither resembles the traditional Chinese capitalism, as it is known, nor the global capitalism universally known, pointing to an increasing hybridization of the Chinese capitalism where change and continuity coexists. The emergence of Chinese capitalism in Southeast Asia, in a hybrid form, is a distinctive feature of the politico-economic scenario (Yeung, 2007).

Business management scholars, Sujoko Efferin and Wiyono Pontjoharyo (2006), studied the impact of globalization and the rise of China as a powerful economy on the characteristics and style of management of the ethnic Chinese businesses in Indonesia (*Tionghoa*). The study, conducted with a limited survey of the ethnic Chinese businesses in East Java, revealed that there are differences between businesses run by Chinese with traditional values (*totok*) and local born Indonesianized Chinese (*jiaosen*), as there are signs of their business behaviors becoming narrow. The scholars highlighted that “ethnic culture needs to be seen as merely one of the resources available to cope with business problems,” as they argued against some writers who proposed the conventional Overseas Chinese Business (OCB) models (cited by Suryadinata, 2006, p. 6). They noted that Chinese culture specific practices, which were followed when the business was started, were no more in use as they have grown bigger. They also highlighted, that there is an increasing gap between the “Confucian culture” and the business culture in the businesses run by the Chinese Indonesian, as they follow more modernized western style management (Efferin & Pontjoharyo, 2006).

The Chinese entrepreneurs in Thailand were always influenced in traditional business such as agriculture, industrial manufacturing and services. With the invent of other opportunities to mobilize capital through stock market, FDI, off-shore banking and other financial facilities, Chinese enterprises deviated from the traditional environment to new business models to take advantage of the globalizing commercial opportunities. As the “Chinese-ness” started fading away from these Chinese enterprises in Thailand, the traditional trade associations’ influence and the exclusive characteristic in business orientation that were dominantly Chinese also declined. As China emerged as a powerful economy, the Chinese entrepreneurs in Thailand were ironically forced to rethink about the Chinese way in terms of business, language, culture, politics and society (Viraphol, 2006).

A study was conducted on one of the largest and well-known ethnic Chinese business in Thailand, the Charoen Pokphand (CP) Group, which revealed that the group had the characteristics of an “Overseas Chinese Business.” “With its conglomerate structure, family ownership and control, extensive investments in China and expertise in cultivating networks with those in power, the group has often been known as the Thai representative of ethnic Chinese business.” The group’s adjustments post-Asian economic crisis, through its development strategies and dynamic changes in its international operations, strengthened its status as a multinational company. Moreover, it was noted that the success of the group in its early stages were mainly due to its ethnicity and extensive networks, the later challenges in its operation had to do more with its business competence (Pananond, 2006).

Guhathakurta (2003) argues against the culturalist claim that there is a unique characteristic of entrepreneurship, which enables the Chinese family-controlled businesses and business networks in reducing the transactions costs by using trust and kinship, improve coordination, and reduce the risks in the businesses ventured. It was further argued that the weaknesses found in Chinese family-controlled businesses are not essentially the cultural platform for economic growth as it is claimed, as they are also found in family firms elsewhere. Jesudason (1997) observes that Southeast Asian Chinese are not static culturally, citing the example of the diminishing importance of clan and guild associations among the Malaysian Chinese. It was argued further, that if the successes of Chinese businesses are due to their Chinese culture, then it applies for their failures also, as the same culture logically operates in both situations.

Chirot and Reid (1997) viewed immigrant entrepreneurs as “essential outsiders,” as they are important for progress of the economy amidst the local population who are unable to create a capitalists class. With their limited political and social positions the migrants faced an increased risk of asset confiscation, selective discrimination, rent expropriation, regulatory restrictions and other prohibitions. In order to mitigate such risks, the minority ethnic Chinese started to create relationships with local political patrons who are powerful, which is often described as cronyism, patrimonialism or clientelism (MacIntyre, 1994). Many researchers have attributed the economic success of ethnic Chinese to their ability to relate, particularly when it comes to gaining access to scarce resources like raw materials, capital and technology. According to Yoshihara (1988), the entrepreneurship by the ethnic Chinese in Southeast Asia is an ersatz capitalism as it is predominantly rent extraction than value creation (see also Bun & Kui, 2001; Low, 2004). This disproportionate allocation of advantages based on the relationship and connection is viewed as corrupt and as a disgrace of Chinese immortality and flawed ethics. Some argued further that the key competence of ethnic Chinese entrepreneurs is relational and obtain easy rents as they are capable of modern management and cannot achieve competitiveness internationally.

According to Limlingan (1986), defective policies in industrial development and incentives extended by the countries in Southeast Asia after their independence resulted in indirect benefits for the ethnic Chinese entrepreneurs. These defective policies paved the way for Chinese entrepreneurs to avoid intermediary roles and assume the role of industrialist. Granovetter (1992) argues that the success of the ethnic Chinese was mainly due to its close-knit group based on trust and also due to clearly defined relationship structures, which ensured limited sharing of the benefits resulting from business. It was also argued by few that these intra-ethnic Chinese networks were instrumental in overcoming the trade barriers, offering a competitive advantage. The Chinese community, with their ability to trust others, helped them in lowering the transaction costs, flexibility in partnerships, faster decisions and better information about business opportunities.

According to Khanna and Palepu (1997), because the institutional environments are weak, it is very difficult for the companies to access the necessary resources like capital and manpower as the market is not adequately developed for the financial and labor factors. Under such circumstances, business groups emerge by filling the institutional void and become a backbone for the development of the local economy, and this cannot be necessarily termed “Chinese” or “minority.” With Chinese being the first migrants in the post colonial economies of Southeast Asia, they had the advantage to attain large size and gain political influence and establish their position economically, leading to corruption charges, lack of transparency and weak corporate governance. While some economists accepted after the 1997–1998 Asian financial crisis that the corporate structure is highly influenced and susceptible to macroeconomic crisis, others were of the view that the families used it as a mechanism to engage in looting, tunneling and expropriation of investments by minority.

As mentioned by Tracey (2000), many of the Chinese business groups have come out unscathed from the aforementioned crisis and with a renewed energy they have become transnational by grasping the opportunities—new and more high-tech industries—created through globalization (Yeung, 2000b). While Suehiro (2001) felt that the ethnic Chinese business groups are modernizing, Tsui-Auch (2004) noted that they are implementing professional management structures. According to Matthews (2006), these large Chinese conglomerates in Southeast Asia have imbibed the characteristics such as internationalization, strategic and organizational innovation and inter-firm linkages, which are apt for the current era of globalization.

As noted by Yen (1995), many ethnic Chinese businesses have grown significantly as they changed their features in terms of market coverage and even their management style. Many ethnic Chinese business operations have become multinational, which adapts a combined system of management—kinship based appointment and professionalism, while they continue to remain family owned. According to a survey conducted by Yeung (2000b) on 73 Hong Kong based ethnic Chinese business firms with their subsidiaries in Southeast Asia, different systems were followed in terms of control and coordination when it comes to their affiliates overseas. It was also noted, that many decisive roles were given to the affiliates, many being non-ethnic Chinese, with more decentralized system of management and thus, proving that there is no distinct feature of Chinese management in their international context.

Crawford (2000) argues that there is a complex and multidimensional relationship between globalization and local business system. The globalization pressure has influenced the evolution of ethnic Chinese business and changed the political economy of Southeast Asian countries, demanding more transparency in their financial aspects. The response by the ethnic Chinese business, to some extent holding normative familism in its business network in the region, is determined by social capital. Hence, the globalization pressure has not destroyed the moral system of the ethnic Chinese business system, but has transformed them to participate in the globalized market with improved strategies. According to Crawford (2000), the pressures of economic globalization have lead to the evolution of transnational Chinese business networks and laid the foundation for expressing a different form of capitalism in the region. Therefore, with globalization playing the role recently, ethnic Chinese business has changed from time to time, including "an adjustment of the degree of familism, both in its structural and normative types. The change, however, does not entirely eliminate the moral-cultural uniqueness of the ethnic-Chinese business. It is more a transformation than deconstruction of the cultural characteristics of the ethnic-Chinese business" (Wijaya, 2008, p. 314–315).

The transformation of the ethnic Chinese business has taken place, in the face of globalization, owing to several conditions as factors. The economic and political conditions of the ethnic Chinese business currently are completely different than it was there for the first generation. The early generations never had external help and relied completely on the family resources, but the current generation has the luxury of being the heirs of successful business enterprises, having wide access for their professional needs. It has become a common feature for ethnic Chinese business to go public through stock exchange mechanism, in order to enhance their capital. The pressure of globalization has ensured even the local governments to create conducive political and social atmosphere for businesses to remain and lessened the need for familism in ethnic Chinese business. The earlier generations of ethnic Chinese business have been influenced by Confucianism, with its philosophical and religious foundations but the current generation has less inclination to that religion as many are attracted to Christianity, which has lessened the familism factor in the ethnic Chinese business (Wijaya, 2008).

The traditional Confucian principle of having a large extended family has become far from reality today as urbanization, industrialization, advanced education system, and policy of family planning have limited things beyond the nuclear family context. As Lim (1992) observes, the modern ethnic Chinese have become more familiar with local cultures and languages than the tradition of their ancestors and hence tend to be more loyal towards their residing countries than their race and culture. Moreover, the current generation of ethnic Chinese is exposed to Westernized style of education, where they understand the incompatibility between familism and professionalism in business. This experience with contemporary issues of business in combination with their family business tradition has helped the younger generation in developing a new style of ethnic Chinese business. This response in the face of globalization is not only different from the characteristics of Western transnational corporations but also distinct from the conventional family business of their ancestors (Wijaya, 2008).

Many studies conducted on the ethnic Chinese business in Southeast Asia were strongly criticized as the cultural and institutional perspectives were over-emphasized (for example, Yeung 2004; Gomez & Hsiao 2004). The emergence, growth and behavior of ethnic Chinese business were influenced by factors such as institutions, cultural norms and practices that were basis for the studies under these perspectives. Hence, for the spread of Chinese capitalism, Confucianism, guanxi (dyadic business relations), xinyong (trust), family and ethnic networks were used as key variables, which had implications methodologically and theoretically. This generalization of the characteristics of ethnic Chinese businesses in East and Southeast Asia formed the opinion that they were a homogeneous community. The notion that whether in home economies or in different countries, there is similarity in Chinese business organizations were again strongly criticized. According to a research conducted on Chinese businesses in Southeast Asia by Gomez and Hsiao, the different times at which the migration took place, differences caused by generational gap and also their sub-ethnic groups were reasons, which prevented the Chinese from being a collective unit. Moreover, the different paths through which capital was accumulated in each country depended on the different circumstances under which the ethnic Chinese capitalists were developed.

A study was conducted to investigate the response of four ethnic Chinese family firms in Indonesia to institutional shocks—1997–1998 Asian financial crisis and the fall of Suharto. The responses were assessed with the help of two different theories—cultural approach, with its inherent and stable factors and institutional approach, with its capacity to adapt to external changes. The results revealed that all four companies demonstrated less cultural characteristics, as they have moved away from the traditional style over time, with only little retention continuing in the form of family ownership, diversification and secrecy in their activities, but at the same time adapted to institutional processes. The strategies followed were more to mitigate the risks than towards modernization. These strategies were used even when the situation becomes stable after economic disruptions. With the environment in Indonesia highly risky, where disturbances are more frequent, companies prepare themselves for future scenarios, both good and bad (Dieleman, 2010).

A study was conducted to examine the international linkages of 157 ethnic Chinese family firms, which were listed in Singapore stock exchange. The results revealed that though there were some Chinese family firm characteristics identified, the aspect of family control was fading mainly due to listing of these Chinese firms in the stock exchange. In the process of expansion in search of external capital and finance, the Chinese family business networks, which were close-knit, are forced to follow the global standards when it comes to banking and accounting practices. Moreover, the restructure of business networks is also influenced by the requirements of the stock exchange and regulatory authorities. Hence, the global linkages have influenced the corporate governance practices of these ethnic Chinese family firms (Yeung & Soh, 2000).

Yeung (2007) argues that the ethnic Chinese business networks are spread abroad mainly because of the transnational entrepreneurship, which transforms these business networks into large business enterprises. Moreover, this transformation is facilitated by three main attributes of Chinese transnational entrepreneurship: (1) internalizing foreign markets by direct investments and other types of equity investments; (2) strategic deployment of ethnic-centric trust and goodwill on the host countries in the process of internationalization; and (3) their reliance on their social and business networks in facilitating foreign ventures. These three dimensions of transnational entrepreneurship provide a different perspective in studying the transforming nature and business of Chinese capitalism in this era of globalization. Though this transformation does not mean that traditional cultural values of ethnic Chinese have completely faded away, they definitely provide valuable evidences in understanding the Chinese capitalism emerging with a hybrid mixture.

2.5 A CO-EVOLUTIONARY APPROACH

It is clearly evident from the literature that there are three predominant approaches: (1) cultural approach; (2) minority or Diaspora approach; and (3) institutional approach, followed by the researchers and they have distinct assumptions. While the institutional approach tries to explain the strategy of the ethnic Chinese business with environmental factors, the cultural approach tries to find answers from the characteristics of the people behind the business. With the combination of internal and external factors, the minority approach argues that the minority group, by developing various forms of social capital, builds competitive advantages. The understanding of the strategy of the ethnic Chinese business through these approaches is incomplete, but a combination of these approaches could provide a better understanding and clearer picture. Introducing a time element and examining the evolution of the Chinese business groups over a period of time would help in differentiating the large and small firms. The stages of business development from being a small firm to a medium-sized family business and then to a large business conglomerate spanning across generations, one would be able to understand the difference in strategic explanations from one stage to the other (Dieleman, 2007).

Hence, an in-depth, longitudinal study of the strategy followed by Salim Group, the largest Chinese family-controlled business group in Indonesia was conducted by Dieleman (2007) with a co-evolutionary approach—a combination of cultural, minority and institutional approaches, through a time-series analysis. The results revealed that the culturalist approach could not clarify the development of Salim Group as it has clearly overgrown from the state of a small firm. The perception of interdependence between corporate and political players is very much valid to the Group, which got influenced by the Indonesian institutions and at the same time influencing them. The institutional approach, which clearly explains the evolution of strategy in weak institutional environments, is appropriate for the group. The time series analysis proved that, being influenced by the changes—institutional and generational, the strategies followed by the Salim Group was not linear but fluctuating, more oscillatory. The results clearly shows that the group is not “very Chinese” as it has developed and grown in a unique way, shaped by its management and environment.

The review of the extant literature provides a deeper understanding of the ethnic Chinese business in Southeast Asia, and also highlights that at various stages of development, both internal and external factors influence the strategy adopted by these family firms. In the early stages—when the migrants started the business in a small form—traditional and cultural values of the entrepreneur did matter. However, as the business grew older and bigger, the traditional characteristics started fading away as the firms adapted more modern and sophisticated business models—even the generational change lead to newer strategies to cope with the increasing competition. The migrant entrepreneurs started forming crony networks with the officials and political patrons in the host countries to take advantage of the corrupt environment in establishing their business.

With a weak institutional background these intra-ethnic networking practices lead to internationalization, but its importance started diminishing over a period of time. The weak institutional environment with high cost of transaction influenced the business strategy of these family firms and resulted in diversification. Modernization and globalization influenced the Chinese family-controlled business, evolving its strategies from relationship based—opportunities resulting from personal relationships with other Chinese business families and political powers locally, to market based—with superior strategies based on competition and international requirements. Further, depending on the situation and available strategic choices, these business firms tend to oscillate between the two models—relationship based and market based, very often.

2.6 EMERGING FRAMEWORK

Knowledge is power. Indeed, as discussed throughout this research review, the various strands of literature illustrate succinctly how past events, theories, and shared knowledge over time laid the foundation for where Asian research stands today and where it must move in the future. Nowadays, research related to Asia has drawn together a great number of scholars in various fields, clearly confirming the tendency towards greater and more burgeoning comparability and cross-, multi- and interdisciplinary research relevant to the twenty-first century. The vast variety of themes and issues emerging from this literature likewise highlights the complexity and richness of Asian research in general and Chinese business development in particular.

It seems that three major issues are driving both the current and future research directions: (1) research requirements; (2) research implement issues; and (3) finally research challenges. The first issue relates to the fact that current Asian scholarship still appears divided or underdeveloped in some areas, and to some extent these shortcomings can be overcome by much more integration of ideas, theories, and concepts as well as collaboration among the different research fields and disciplines. This seemingly obvious observation is nonetheless important because it sets the stage for the next generation of Asian scholars. Providing them with a new basis for research and an improved analytical toolset should be "priority number one."

The second issue relates to how research is being conducted as many current approaches often remain within one level of analysis, and rarely extend to other levels. With better access to information and more efficient ways to overcome the challenges of processing data, it will be possible to choose much more refined comparative approaches that set out to identify and compare differences and similarities across firms and within different settings.

The third issue relates to the need to develop a new future framework for research and development that makes it easier to understand and analyze the dynamics underlying the rapid changes in Asia in a meaningful and original manner. Greater access to share academic knowledge will have huge implications for the success of this kind of framework.

The extant literature on ethnic Chinese family business reveals that all three perspectives—cultural perspective, migrant or Diaspora perspective and institutional perspective, have contributed diversified views on ethnic Chinese family business—dynamic capitalist form on one side and at the same time unfavorable for the local economy on the other. The review highlights that cultural and migrant perspectives, when combined with the institutional perspective, provides a better understanding of the development of the ethnic Chinese family-controlled business in Southeast Asia, growing from a small business to a very large business enterprise. While many researchers have looked at the internal factors of these family firms for their success, a broader view highlights the influence of institutional factors in their success, as many ethnic Chinese family-controlled businesses have undergone significant transformation.

Most family business remain small but some of them have evolved, emerged and continued to dominate as large enterprises in emerging markets, which has triggered many researchers in examining the evolution and success of these family firms. A broader perspective allows the combination of various types of family firms, ranging from a small firm to a medium sized firm and to a large enterprise and then emerging into a very large multinational spanning across generations of management. Ethnic Chinese family-controlled business has evolved and transformed in this era of globalization, influenced by various institutional factors, which calls for further research in understanding their evolution over a period of time.

3 METHODOLOGY

The merits of a chosen methodology are said to reflect how well the applied method relates to the problem at hand (Crabtree & Miller, 1999). This Chapter section provides a description about the main research methodology and data sources used in this dissertation.

3.1 THEMATIC DATA COLLECTION

DATA USED IN THIS DISSERTATION

This dissertation is based primarily on data and information on a large number of Chinese family-controlled businesses, which was collected and analyzed between 2001 and 2008. For the specific purpose of this dissertation, the empirical data used in Chapters 4 and 5 are based on three main samples from several data surveys. Empirical data in the first study are base on samples from 61 Chinese family-controlled businesses from Hong Kong, Taiwan, and Singapore ranked among the wealthiest in their respective economies. Empirical data in the second study are based on samples from 21 Chinese family-controlled banks and financial corporations with online operations. Empirical data in the third study are based on a study of 500 Chinese family-controlled businesses listed on the Hong Kong stock exchange in 1997, 2000, 2003, and 2006. The fourth empirical data set used in Chapter 6 are based on a sample of the international operations of 41 leading Chinese family-controlled businesses from Hong Kong, Taiwan, and Singapore, supplemented with already published material. The main sources of information used in this work are the following:

I. 397 annual reports and other corporate documents (Annex 1);
II. The *Yazhou Zhoukan*'s annual company listing covering the period 1995–2007 (Annex 2);
III. The *Forbes*' listing of the world's wealthiest people covering the period 1995–2008 (Annex 3);
IV. Other secondary sources such as corporate web pages, brochures, newspapers, magazines, and books (References).

3.2 THEMATIC DATA ANALYSIS

DATA ANALYSIS USED IN THIS DISSERTATION

This dissertation takes a thematic approach and combines several research methodologies. The applied methodology was chosen because it provided a better understanding of broader economic changes and the external and internal shifts over the last two decades that together have characterized the responses to these shifts of the Chinese family-controlled business in a global era.

Several qualitative case studies for individual Chinese family-controlled businesses are now available (see, for example, Zhu, 2000; Dieleman & Sachs, 2006; Minoru, 2008). However, there has been relatively little published in the last decade or so using primarily quantitative longitudinal data sets to, among other things, illustrate historical changes among a broader number of Chinese family-controlled businesses in their pursuit to secure wealth, power, and influence for future generations.

Second, this dissertation also provides a mixed quantitative and qualitative analysis of the prominent Chinese family-controlled businesses in Hong Kong, Taiwan, and Singapore in order to broaden readers' understanding about the dramatic changes in the organizational and financial structures of these corporations.

There are several reasons for the adoption of this approach. First, the objective has been to provide statistical evidence for the assumption that Chinese capitalism is indeed moving away from what has come to be known as its traditionalist narratives of being "Confucian capitalism," "Network Capitalism," or "Guanxi Capitalism" with the result being that many key Chinese family-controlled businesses are becoming truly multinationals (for examples of some traditionalist narratives, see Weidenbaum, & Hughes, 1996; Hamilton, 1998; Yao, 2002).

Second, this dissertation does not adopt single-country or company-specific research approaches although such qualitative studies clearly have benefits in addition to their weaknesses and limitations. For the most part, studies like these often only allow for a few subjects and situations to be studied; they are generalizable only to a particular context.

A case study approach often allows for inquiry into a contemporary phenomenon. However, a case study frequently requires additional follow-up for confirmation and in-depth or broader analysis. As such, they describe very well a current situation or circumstance, but they do not provide the analytical tools that statistical analysis contains for describing long-term developments, trends, and complex relationships.

In sum, this describes the research methods used in this dissertation. Both qualitative research—with its descriptive observations—and quantitative research—with its measurable data—are utilized here as complementary, equally valid research strategies. Depending on the context in each thematic Chapter, illustrative and cumulative case studies have been used specifically to show how a specific situation or how variations of complex human behavior relate in a context, allowing for greater generalization about the topic in question.

PART I

FROM MIDAS TOUCH TO

ACHILLES' HEEL TO ZEUS' SHIELD

INTRODUCTION TO PART I

When ancient Asia was the center of the world, dominating trade far longer than the brief Western colonial moment of dominance, the Chinese merchants and traders served as intermediaries with Western colonial empires. The Chinese Diaspora presence slowly spread into far-flung regions and business areas, and consequently seeded the Asian region with opportunities for future generations to enjoy.

When the waves of industrialization eventually swept across East and Southeast Asia, it marked a new beginning for the Chinese family-controlled businesses to follow in the footsteps of their ancestors to rise and grow in wealth, power, and influence. Many made astounding progress. Some even went further, and became today's Chinese family-controlled business conglomerates. Analysts and pundits praised the seemingly innate ability of the Chinese family firm to turn every business they touch into gold.

When the Thai Baht collapsed in 1997 other Asian currencies fell like dominoes, profoundly impacting people, whole economies, and threatening regional stability. The sudden changes starkly exposed the Chinese business cronies, who were the Achilles' heel of ethnic Chinese capitalism and its many ambiguities. Now, a decade later, an unknown number of Chinese family-controlled businesses have faltered because of crony capitalism. Others have come out stronger using market mechanisms as their Shield of Zeus, their strength renewed for maneuvering in an Asia that one again shines in the global economic landscape.

4 POWER AND INFLUENCE OF THE CHINESE DIASPORA

4.1 CHANGE AND CONTINUITY

The ethnic Chinese community forms only a small minority of the population in Southeast Asian countries, but has contributed significantly to the economic development in the region (see, for example, Gambe, 1996; Suryadinata, 2001). Started and managed by the families of Chinese descent, many companies have transformed from a small enterprise into large business enterprise and multinational companies (Yeung, 2000b). Rooted deeply in the cultural and traditional values, these ethnic Chinese businesses have transformed and adapted to different institutional backgrounds and economic conditions in the host countries. With their growing significance, economically and in business, in Southeast Asia, the Chinese has attracted a lot of interest for their business acumen and the networks they create (Ma & Cartier, 2003).

Power and influence are elusive and difficult to measure, and those who achieve them will seek to maintain the status quo or expand. In political theory, they are rarely manifested in the form of clearly recognizable “power” or “influence” behavior. Yet, these are universal facts of change and continuity of both human nature and the natural world. The same rationale could easily be implied when examining change and continuity of the Chinese Diaspora. In light of the last two decades of high growth in Asian economies that almost all where followed by major economic and financial crisis, there does seem to be some degree of truth in the Korean proverb that “power lasts ten years; influence not more than a hundred.”

This adage offers the intriguing question as to whether, in what way and to what extent, the power (and its locus) and influence of overseas Chinese capitalism have changed. Moreover, how these key processes are measurable or quantifiable. The fact that not much has been published about this particular topic does not mean that it has been ignored, as any Asian scholar will know. The question has been explored from different angles, but perhaps not from every vantage. For instance, the prevailing notion of overseas Chinese capitalism and the important role, influence, and power held by its main economic actors—the ethnic Chinese family-controlled businesses—are frequently accentuated in the context of the historical development of East and Southeast Asia. Answers have thus been given through the looking glasses of historical, cultural, and political dynamics and dimensions (for names of scholars and their research, see also the research and literature review at the beginning of this study).

The growing interest of researchers, the media and public culminated when the 1997–1998 Asian financial crisis ranged a little over a decade ago (see, for example, Wang, 1999; Gomez & Hsiao, 2001). Moreover, China's economic growth and its increasing political weight in contemporary world affairs have in some ways overshadowed the attention to the business activities and financials of the large ethnic Chinese family-controlled businesses (conglomerates). Also, as noted by Menkhoff and Sikorski (2002, p. 26), "In light of the recent developments, the image of Chinese family-controlled businesses and associated stereotypes are being successful and powerful changed. Consequently, there is a growing body of literature whose themes refer to Chinese family-controlled businesses as being 'under siege'" (Yeung, 1999b). In that sense, the severe economic slowdown and monetary tightening that hit the region marked an incipient moment that propagated discontinuity, yet also implied continuity.

In simple words, the reverberations of the crisis were felt long time after and helped expose major fundamental weaknesses, but also pushed forward critical improvements and initiatives both on a national and corporate level. The rising trend of good corporate governance and accountability is even visible among large Chinese family-controlled businesses. Now, a decade later, Asia shines in the global economic landscape. Given their past history and ongoing role(s) in Asia, however, surprisingly few scientific studies have expanded with a wide-range of theoretical and empirical longitudinal analyses (for representative studies, see Claessens, 1999; Yeung, 2004).

4.2 CHAPTER OUTLINE

So what is this chapter about? It is about bringing a little order to the vast number of observations of all kinds that have, within the last two or three decades, been made not only at a country-specific level, but also viewed in a comparatively larger regional setting encompassing East and Southeast Asia. On a country-specific level, scholars frequently refer to the key active corporate players among the Chinese family-controlled businesses from countries and regions outside mainland China, namely Hong Kong (including Macau), Taiwan, Singapore, Malaysia, Indonesia, Thailand, and the Philippines. In this regard, it seems appropriate to remind us that Hong Kong, Macau, and Taiwan clearly belong to this list of selected countries and regions.

As already argued in Chapter 1, even though the control of Hong Kong and Macau has reverted back to mainland China, both regions continue to retain a high degree of operational autonomy that, in particular, reflect different economic, and institutional systems. Another distinction is made in reference to the island of Taiwan. Often examined within a wider geopolitical context, Taiwan is viewed separated from mainland China by more than the shallow Straits of Taiwan. Adding to this, it should be remembered that a country's industrial structure, corporate financing pattern, work force composition, current basic and technological infrastructures among the aforementioned economies differ in many ways from those of their mainland Chinese counterparts (for further elaborations, see also Chapter 1's terminology section).

As economic interactions and interdependence in Asia have increased substantially in the past decades, wealthy Chinese family firms and large conglomerates operating in neighboring economies—widely known are Chinese companies from high-tech Taiwan and financial hub Singapore, ranking second to Hong Kong—have recognized the important benefits of increased merchandise trade flows, foreign direct investment, and cross-border financial investments. In reality, all of these are not new ways to meet the challenges of signifying wealth, maximizing power, and influence that may have vanished elsewhere.

Relying on econometric analysis of numerical data for the period 1991–2008, the aim of this Chapter 4 is to offer numerical evidence and further discuss: the conundrum of measuring power and influence over time in regard to the ethnic Chinese in Asia; how the various waves (and stages) of development in Asia have created the foundations for their influence, rising power and expansion in Asia; debunking myth and debating truths in regard to their wealth, power and influence; and how the complexity of the new global competitive landscape is outdating old models for business operations while shaping many new opportunities and challenges. Among them include the effect of globalization of firms, and the dilemma of succession on family wealth, business continuity and power. Especially the latter two categories of the discussions will be examined in more details in Chapter 5 and 6.

4.3 THE CONUNDRUM OF POWER AND INFLUENCE

Despite the fact that ethnic Chinese make up only a very small minority of the populations of most Southeast Asian countries, they tend to contribute a disproportional share to economic activity in the region (Crawford, 2000). This phenomenon can be observed in countries such as the Philippines, Thailand, Malaysia, and most prominently in Indonesia. Many of the large businesses in Southeast Asia are started and managed by families of Chinese descent (Yao, 2002). The majority of these family empires are organized in a cluster of separate companies, hence the term business group. Given the importance of ethnic Chinese minorities in business in Southeast Asia, understanding ethnic Chinese family groups has been a key question in several academic fields, such as economics, political economy, anthropology, management and sociology (Yeung, 2000b). In the last fifteen years the literature on ethnic Chinese business in Asia has seen a rapid development. Researchers have asked themselves whether and how ethnic Chinese family business groups are different from other firms in the region. The knowledge that has been developed on ethnic Chinese business strategy to date remains highly fragmented. As there economic power grew so did the political power. Chinese businesspeople have been close to the rulers of the countries they operate in. They have wielded power and influence over governments and part of their success in business can be attributed to this patronage (Dirlik, 1997).

Defining and measuring wealth, power, and influence over time in any meaningful way are inevitably difficult, as has been amply demonstrated by economists, political scientists, and cultural sociologists in the area of Asian business studies. In simple terms, some of the most important questions revolve around what is overt and measurable and what it covert and non-measurable. That also holds true when looking not only at ethnic minority groups per se, but also contemplating any majority group society as well. It is a conundrum to choose which factors are the most valuable. Moreover, if these factor variables are easily accessible and indeed comparable. Stepping aside these problems though, for the sake of measuring power and influence of the ethnic Chinese capitalism in Asia, several measurable factors are more obvious than others.

For instance, using tangible indicators in terms of corporate and individual assets, the share of economic contribution to the local economy, but also measuring their investment power and reach into China, measured in terms of net FDI inflow. Others could be measured in terms of the level of outward remittances. Often, these remittances are said to be drivers of altruistic investment and corporate non-altruistic philanthropy (see also Chapter 7 for a comparative discussion of how India and China are tapping into their Diasporas).

In this connection it is equally important to discuss what promote Chinese corporate growth and survival when facing setbacks, and, on the other hand, what inhibit the spread of ethnic Chinese capitalism in Asia. Exhaustive evidence of the negative imprint and extent on business of resurgent favoritism, nepotism, and cronyism are numerous and recurring. Indeed, these practices are often covert in nature, they can be found worldwide and throughout history. Most notably in recent times, they quickly surfaced in various Asian countries during the 1997–1998 Asian financial crisis, along with allegations of corrupt businessmen and politicians linked to ethnic Chinese corporations and business activities.

However, it should be remembered that the ethnic Chinese family-controlled businesses could never have monopolized how to navigate the gray areas of business practices as major lubricants of business activities. As shown by Furman and Stiglitz (1998) and Radelet and Sachs (1998), these practices are a generalized problem in almost all emerging markets; not limited to the Chinese business spheres, but extend to the behavior of other companies.

As might be expected like with any measure of power and influence there are some reservations to take into account. As perceptively observed by for example, Brown (2000) and Berger (2004), like with any minority within a larger, dominant culture, there is always the danger of speaking of the idea of a monolithic Chinese Diaspora. In the hands of the ethnic Chinese it consequently implies some unifying relationship or agenda across borders directed towards a specific common goal. Given the historical context, and the diversities in the social, political, economic, and cultural dimensions of contemporary Asia it is difficult to argue for such kind of intra-ethic Chinese commonwealth that extends beyond shared Chinese ethnicity, cultural affinities, and nostalgic sentiments towards their ancestral region in China. History shows that the region’s ethic Chinese business firms, small or large, have nurtured intra-family and external business networks beyond the boundaries of nation states.

It is a dangerous thought that fuels the exaggerations and false imagery of what Chinese capitalism in our global age is really all about, and why it emerged in the first place. It is also rather complicated to claim that their outstanding economic achievements and spheres of power and influence where attained over night; the significant success they enjoy today was built on the economic advances and foundations painstakingly established by the past generations.

4.4 GROWING WITH ASIA: FOUNDATIONS

As already mentioned in Chapter 2, a plethora of publications spanning different fields of research have already meticulously described and documented at length the different waves of Chinese migration into Asia and their struggles for existence, successes, and also failures. It has likewise given rise to a wealth of literature that fully describes the influence of different regional contexts and shifting historical settings. In particular, why and how hostile socio-economic business environments and favorable opportunities in East and Southeast Asia reflect the foundations for their rise, inherited experience, and acumen of generations in the countries where they currently reside and operate. Shifting conditions that inevitably have pushed and pulled Chinese settlers into various and specific business areas that consequently evolved into sources of power and influence.

With the spectacular growth of China, the scholarly focus has naturally shifted to include the synergies or intricate interplay between the new ascendant Chinese capitalism of modern China and the new so-called hybridized overseas Chinese capitalism. Undoubtedly, frequently referred to as a predominant mode of economic organization (see, Yeung, 2007, p. 576), Chinese capitalism has already proven that it will continue to play a tremendous dynamic and pivotal role in the socio-economic development of Asia.

In order to gain a fuller understanding of the reach and breath of today's ethnic Chinese family-controlled businesses or groupings (conglomerates), however, it seems important to revisit some of these interpretations and explanations for the events that created the foundations for their continuous influence in East and Southeast Asia.

REVISITING THE PAST TO UNDERSTAND THE FUTURE

To begin with, the commercial influence of Chinese merchants, sojourners and settlers in Southeast Asia pawed the way for today's ethnic Chinese entrepreneurs. While China's early maritime regional trade was flourishing, the Chinese minority group came to dominate the lion's share of Southeast Asian trade before the coming of Europeans in the sixteenth century. As such, the traders in this Chinese Diaspora arose as crucial intermediaries for Sino-Western trade right up to the age of high colonialism.

Second, the reality of being faced with ethnic-biased governmental hostility and restrictions on owing agricultural land or holding government positions, encouraged early Chinese abroad to display originality, resourcefulness, and experience higher incentives to engage in rent-seeking business behavior. In essence, rent-seeking behavior means acquiring a privileged position on the market through politico-economic alliances with the dominating elites as to ensure social mobility and economic inclusion.

Third, it is widely accepted that most of the countries to which the Chinese migrated had underdeveloped business sectors. Conversely, the Chinese were generally considered having a good understanding of commerce, trade, and mathematics. It can thus be argued that Southeast Asian countries already then provided the necessary environment and conditions within which the Chinese could fill a demand to use their skills in developing businesses and local economies.

Fourth, the emergence of Chinese business communities in Southeast Asia in the nineteenth and early twentieth century provided advantageous trading and business opportunities unmatched by other settled ethnic groups. It was also the beginning of increasing cross-border investments followed by the creation of a wider variety of business network throughout Asia.

During the nineteenth century, a select few ethnic Chinese had accumulated enough capital to manage small factories, and from these levels of activates, the expansion into the financial world was merely a short leap. A similar process probably explains why, in the beginning of the twentieth century, banks managed by private ethnic Chinese and Chinese-owned commercial companies started to appear more often. The growing interest in the banking sector can therefore be interpreted as the first true sign of ethnic Chinese capital formation. However, they were still relatively weak within the local economy, especially when compared to the almost monopolistic position of foreign capital. Nevertheless, many of these aspiring, ethnic Chinese family-controlled businesses where not able to compete on an equal level.

Fifth, greater demands for both physical and human resources during World War I temporarily diminished Western economic presence in colonial Southeast Asia, creating a regional vacuum of opportunity for Chinese family-controlled businesses and Chinese traders alike to grow. Many diversified their capital and risks into new business areas such as shipping, banking, manufacturing, mining, plantations and real estate.

Sixth, over time, and particularly after World War II, ambitious ethnic Chinese businessmen throughout the region grew into large conglomerates by riding the wave of industrialization. Many went further and openly, and some secretly, took advantage of favorable regional and political changes. Thanks to the rapidly global economic growth, and the promoting role of the government policies and strategies, they are widely seen to have spearheaded the economic and social development at both national and regional levels (see, for example, Young, 2004).

The Independence of the Southeast Asian countries was followed by a massive pull out of foreign capital and a weakening of foreign capital players in the economies. In effect, this created excellent growth possibilities for ethnic Chinese firms. The initial condition and environment was set for the following years of national economic growth, resulting in a positive effect on the accumulation of ethnic Chinese capital. In addition, the import-substitution policies enforced in the 1960s provided the right incentive for many ethnic Chinese companies to establish themselves within the manufacturing of import-substitution consumer goods.

Seven, initially at least, politicians in many of the Southeast Asian countries considered it unlikely that the ethnic Chinese could convert their commercial power into political power. With the exception of Thailand, the economic success of the ethnic Chinese with their closely-knit of family networks was not accompanied by improvements in their social positions.

The increased listing on the local stock exchanges of traditional ethnic Chinese companies with expanding business activities dramatically increased from the late 1960s to the beginning of the 1970s. During that period, the Asian countries that had moved away from importsubstituting economic policies, started to change their national economies towards a more export-substituting industrialization in the 1970s. This marked an important shift towards an industrial emphasis on technology intensive basis industries as well as heavy chemical industries. In combination with a deepening of multifaceted industry structures, which not only pushed new indigenous companies to go forward, new opportunities emerged in niche markets for the ethnic Chinese companies.

Many of the emerging ethnic Chinese family-controlled business groups achieved high growth within processing, assembly or production of intermediate goods, mainly finance with joint foreign capital. Nurtured by the economic high growth in the region during the 1970s, many new Chinese business groups quickly appeared. Especially after the second half of 1985, investment activities grew phenomenally in the ASEAN countries, competing with the considerable inward investment from Japanese manufacturing (see Lim, 2008).

In addition, it is widely recognized that most of the business fields of ethnic Chinese during that period were manufacturing and large-scale real estate developments. The rationale was quite simply because large capital inflows created huge demand for real estate, which again stimulated a sudden rise in the value of land. Furthermore, because of the large timeframe and demanded amount of investments, especially large-sized ethnic Chinese business groups were seen as the main actors. Finally, due to the many spin-offs by the economic growth process, Chinese family conglomerates started to diversify into new service industries, such as tourism and financial services.

Eight, notably since the 1990s, the large business groups expanded their business activates outside the domestic boundaries into a regional and global context. While keeping most of the core competence business areas alive or even strengthen them, especially the Taiwanese entrepreneurs among the Chinese conglomerates expanded into rather high-tech and knowledge intensive business areas. Many of today's Taiwanese companies have become major worldwide OEM niche market players in the manufacture of personal computers, semiconductors, and information and communication equipment.

Ninth, the 1997–1998 Asian financial crisis pawed the way for structural transformation throughout Asia, and invoked far-reaching changes among the small Chinese family firms and larger conglomerates. On a bigger scale, the financial turmoil that began when the Thai baht fell victim to massive speculative attacks had a profound impact on people, the economies, and also threatened regional stability. Consequently, a great wave of financial reforms swept over the region, and forced most affected East and Southeast Asian nations—Indonesia, Thailand, Korea, the Philippines, and Malaysia—to enforce financial regulatory reforms and international standards with strong positive effects on surrounding markets, including Hong Kong, Taiwan and Singapore.

Tenth, as the recent, (and as of this writing, ongoing) global financial crisis of 2007 illustrates, Asia has not been immunized against imbalances, shocks, and financial dislocations, but Asia's financial system is deeper and stronger (see Bradsher, 2007; Weisbrot, 2007). Now that time has passed, the region with China as its helm, has gained an important role in the world economy (see also discussions in Chapter 7).

On a smaller scale, it became a matter of survival for many Asian companies—as well as the smaller ethnic Chinese family businesses and larger conglomerates—to seek out fresh ways to capitalize in on the arisen opportunities, including joining the merits of globalization in terms of the increased free flow of businesses and money, and, among other things, adjusting to the changes that followed.

For instance, at that time, the number of corporate mergers and acquisitions grew dramatically in the aftermath of the 1997–1998 Asian financial crisis until around 2005, especially in all the most severely affected countries like Korea, Indonesia, Malaysia and the Philippines (see, for example, Granitsas, 2000; Brunner & Perella, 2004, p. 102; Urata, 2006, p. 27). It was speculated, and later confirmed by international financial institutions such as the IMF and the World Bank, that the majority of investors originated from large Chinese family conglomerates in mainly Hong Kong, Taiwan, and Singapore.

Changes that inevitably helped shape financial and organizational structures, leadership styles and roles, nature and scope of business activities. In other words, the Asian financial crisis marked the first turning point, or peak. It can be argued that the second turning point came in the form of intensified globalization, regionalization, and the prominence of China (and India). Also, the 2007–2010 global financial crisis has in many ways accelerated these major shifts and challenges in the Asian landscape.

FROM RISK-AVERSION TO POWER ALLOCATION

Keynes' and his followers' asserted that uncertainty rules the world, makes us free and affects our predictions. The willingness to endure risk during uncertain times to obtain a better outcome is not unique to the Chinese Diaspora, but often attributed to the quality of entrepreneurship in various countries. Entrepreneurs are, by and large, assumed to be "risk neutral," in the sense that they care only about expected returns, not variances in these returns. In this sense, the evolution of Chinese entrepreneurship shares many commonalities with their Western counterpart. On the one hand, this explains why differences in entrepreneurial and managerial abilities generate apparent differences in behavior towards risks. On the other hand, why the risk perception of ethnic Chinese family-controlled businesses and larger conglomerates through a shared past may have a different attitude towards risk.

The ability to strategically maneuver and avert risk in an information void business environment in the presence of weak institutions and political uncertainties, and their ability to remain about the fray, inequitably provides a possible explanation for how overseas Chinese capitalism has been able to developed and flourish. As noted by Infante and Smirnova (2009), this also underlines the fact that in the presence of weak institutional environment, it difficult to avoid the crucial role of rent-seeking for achieving second best resources allocation.

Nowadays, Chinese family business entrepreneurs are facing a multitude of difficulties (and uncertainties) of a rapidly changing business environment. For instance, while small- and medium-sized Chinese family-controlled businesses have been limited by scarce internal resources and struggled perhaps more than most against the winds of change, the most successful Chinese family firms have evolved ways to keep competitive and retain market shares under increased globalization (see Naisbitt, 1996; Ohmae, 1994; Yeung, 1999a; Menkhoff & Kay, 2000).

Indeed, the 1997–1998 Asian financial crisis changed many regional factors and certainly marked a watershed in banking and finance because it quickened the pace of regulatory and competitive changes. Growing globalization also entailed a rising volume of economic, cultural and social interaction in the region. In many cases, the pressure to change removed many weak players and brought an end to easy profits.

RECOGNIZING THE POWER OF ALLIANCES

While personal connections and networking are not unique to the ethnic Chinese in East and Southeast Asia, the term—ethnic Chinese business networks has reputedly become a conventional elucidation. Even today, the term is used for how Chinese as a minority group, has allowed Chinese communities to continue to flourish and likewise made them key drivers of Asia's transformation. One popular belief is that these Chinese communities are homogeneous entities (as noted by Suryadinata, 1978, p. 4; scholars like Parcell, 1952; Fitzgerald, 1965). Moreover, that exclusive, unique, and interwoven ethnic ties based on Chinese ethnicity, mutual trust, reciprocity, social affiliations (clan, guilds, dialects, village, kinship, and native place) and business relationships are solely responsible for limiting social discrimination, displacement, unfavorable regional governmental policies, and imperfect market conditions, Their existence are not only visible across national boundaries, but also in the Asian economies were they reside and operate (Kao, 1993).

But, in reality the picture is more complex. Many scholars accord that intra-ethnic networks have a historical validity amongst ethnic Chinese entrepreneurs in reducing transaction costs by sharing information, in information void business environments and by diversifying country risks through capital dispersion and strategically dispatching relatives abroad (see Crawford, 2000; Gomez, 2008, p. 96). As pointed out by Gomez (2008), Fukuyama in his book Trust from 1995 presents a different viewpoint on transaction costs. Conversely, although ethnic Chinese business networks have received less governmental support than their Japanese and Korean counterparts, in some Chinese communities such as Indonesia and Malaysia, political ties or interaction with state authorities through a web of patronage (crony capitalism) has exerted more influence than Chinese ethnicity prior to the Asian financial crisis (see, for example, Portes & Sensenbrenner, 1993; Weidenbaum & Hughes, 1996; Xin & Pearce, 1996; Davis, Trebilcock, & Heys; 2001; Dieleman & Sachs, 2006; Lim, 2008).

In fact, several factors surround the formation and development of the ethnic Chinese family-controlled business groups, which mainly increased in numbers after the postwar period. One common accepted factor is the close connection and influence from the national economic growth process along the political, social and economic environment set within the postwar Asian countries.

For example, the transformation process has often involved valuable active partnership with governments and political elites, not only in the host economy, but also in other countries of interest. In a broader sense, for many ethnic Chinese family-controlled businesses, cultivating these links is, in other words, just simply another cost of production. As mentioned elsewhere, various discriminatory state regulations and other imposed special treatments set them apart from the development path of local companies owned by the indigenous population (see, for example, Brown, 1998; Gomez, 1999; Gomez & Jomo, 1999; Gomez & Hsiao, 2001).

The symbiotic relationship with the Chinese community within the local environment and across countries, regional and worldwide has historically created alternative possibilities and enhanced prospect of survival for many Chinese family-controlled businesses (see, for example, Gomez, 2002; Menkhoff & Gerke, 2002).

Notwithstanding the historical significance of these politico-economic alliances as they truly have a legitimate place in understanding the earlier stages of Chinese capitalism, they do not, however, necessarily reflect the reality of today's globalized world. In the traditional historical literature on ethnic Chinese, they should be taken into account in explaining the successful assimilation of Chinese economic organization into local cultures and institutional environments. However, these state-links and patronage social networks cannot be taken for given and extrapolated into the future, as in the words by Brown (2000), "the cultural embeddedness of Chinese capitalism is a product of cultural factors" (cited by Yeung, 2004, p. 30; also later section in this Chapter).

Turning towards the case of the Chinese Diaspora in the twenty-first century, the power of alliances is also demonstrated in the fact that China consistently has sought to engage Chinese overseas in the support and development of China. It is well recognized that strong diplomatic support from the Chinese governmental agencies has provided the right incentives, as well as legal and technical recommendations, for the many ethnic Chinese businesses in East and Southeast Asia to initiate or expand investment projects in China (see also Chapter 7). Within a geo-political and -strategic context, keeping negotiations on track with the involved Southeast Asian nations thus becomes the more important, especially when considering China's current economic status and rising influence in world affairs (for further discussions, see Chapter 7).

4.5 THE CASE OF HONG KONG, SINGAPORE, AND TAIWAN

Amidst all the generalizations and claims about ethnic Chinese business in Asia, often the question about the financial wealth of ethnic Chinese business firms is framed in terms of family fortune and the aggregated value of the company or stocks; what is the distinction between net worth of the founder or family, and the market capitalization of the largest listed ethnic Chinese corporations (financial and non-financial institutions).

Nor can one help wonder about their capacity to "capture the state," thereby shaping the rules of the games, and, ipso facto, providing them with the means to gain or maintain political power. The fact that an estimated 80 percent, a number frequently cited in news stories and articles, of the ethnic Chinese are clustered around East Asia alone is a point in fact (see, for example, Poston Jr & Yu, 1990; Liu, 2006).

It is furthermore widely accepted that the publicly listed companies that are spread across various sectors tend to reflect the overall economy more accurately—as the barometer a country's economy—albeit weak in absolute terms, whereas fluctuations in personal wealth mirrors the performance of the major Chinese family firms or business conglomerates.

The Chinese family-controlled businesses in Hong Kong, Singapore, and Taiwan, as analyzed in this Chapter, are critical in explaining the changing nature of Chinese capitalism. The rich imagery of Hong Kong and Singapore as vibrant twin economies and important financial hubs of Asia—one a laissez-faire government, the other an authoritarian state government—has not changed. Any analysis of the dynamism and fluidity of Chinese capitalism should therefore address the Chinese family-controlled businesses in these economies (see Table 4.8 and 4.9). Taiwan is the other side of the coin of Chinese capitalism, equally important. Taiwan is increasingly adapting to the modern world and closely connected to the world markets through trade of goods and services, movement of capital and finances, and technology. To gain a broader picture of what changes and transforms Chinese capitalism, the leading family-controlled businesses in Taiwan must therefore be represented as well (see Table 4.10).

It seems more and more difficult to agree with the traditionalist-culturalist narrative that assumes Chinese family-controlled businesses to remain rooted in traditional management practices that withstand Westernization or not even result in a blending of Eastern and Western practices (see also the research and literature chapter). According to the Globalization Index 2010 released by Ernst & Young, Hong Kong, Singapore, and Taiwan are actually thriving in a globalized world, which somehow contradicts the many misleading claims.

For a case in point, Hong Kong embraced the highest level of globalization among 60 largest world economies in 2010, while Singapore ranked first in 2009 and became third in 2010 (Ernst & Yeung, 2010). With China overtaking Japan as the second largest economy in the world, Hong Kong is indeed playing a very significant role for international companies to enter and invest into China, and by the same token for Chinese family-controlled businesses as a springboard to expand internationally. While Hong Kong is the world's most globalized economy, it is equally impressive to see that Taiwan ranked 12th ahead of some of the world's larges economies, such as the United States at 28th, China at 39th, and Japan at 42th (Ernst & Yeung, 2010).

4.6 GETTING THE DATA RIGHT

Getting the data right is ultimately about getting the right data. This is equally important when wanting to measure the power and influence of the Chinese Diaspora, as it is manifested through Chinese capitalism. In the end, it all comes down to identifying who are the most relevant economic actors. For the case of simplicity, this study is restricted to the large conglomerates on the one hand, and the small- and medium-sized enterprises on the other.

In fact, a large proportion of the Chinese family-controlled businesses in East and Southeast Asia are frequently understood to be small- and medium-sized family-controlled businesses that for several years have assumed a significant role in the global production network context (see East Asia Analytical Unit, 1995; Anwar, 1996; Haley et al., 1999; Bun, 2000). It has been well acknowledged that these small- and medium-sized Chinese family-controlled businesses exerted a strong influence of all East and Southeast Asian economies. Notably, their highly niche specialization and active role in promoting growth in Taiwan are well documented (Hannon 1996; Hiebert 1993; Lin, 1998).

The earlier rise of larger Chinese family-controlled conglomerates in Southeast Asia with a much larger and more diverse portfolio of assets—which allow for cross-promotion and economies of scale—had a larger effect on domestic financial markets, and all together were seen as being a major driving force behind overall coordinated economic growth and employment (Fernández, & Hogenboom, 2006)

According to Crum and Goldberg (1998, p. 411) and Peng (2007, p. 51), contrary to conventional Western beliefs that "conglomerates actually destroy value," there is almost no supporting evidence that this is the case with Asian conglomerates. On the contrary, as Peng argues further, "There seem to be discernible performance benefits associated with conglomerates in emerging economies. …Other scholars report similar findings in Hong Kong (Wan, 1998), Singapore (Lim and Teck, 1995) and Taiwan (Chung, 2001)."

Indeed, more than a decade ago, Naughton (1997, p. 20) observed that, "large firms now play a significant role in both economies [of Taiwan and Hong Kong], but they have emerged fairly recently from the competitive ferment of numerous small firms." In the historical context of Southeast Asia, Pan (1998, p. 399) also noted that, "Several hundred large Chinese business groups have become prominent in Thailand, Malaysia, Singapore, Indonesia and the Philippines since about 1970." For many of the economies in East and Southeast Asia, the rising and vastly diversified conglomerates represented a new dimension in the concentration and centralization of capital, which is one of the fundamental general tendencies of capitalist modes of production.

Michael Backman (1999) argued, "Asian conglomerates are an inefficient business form: they spread resources opportunistically across too many areas and rely on market power and rent-seeking connections instead of competitive advantage. … Almost ten years [after the 1997-1998 Asian financial crisis] it is apparent that Asian conglomerates have remained conglomerates" (cited by Rimmer & Dick, 2009, p. 195).

Nowadays, in our globalized world, the larger Chinese family-controlled businesses have come to play an even larger and influential role in driving forward domestic industrialization processes, and promote regional economic integration. In turn they also act as potential catalysts for smaller Chinese family-controlled businesses. It can be argued that the leading Chinese family-controlled conglomerates "are indeed the prime movers and shakers in the economic organization of Chinese capitalism," (Yeung, 2003, p. 9). However, although the importance of Chinese family-controlled business conglomerates as change agents of Chinese capitalism seems well recognized, public awareness and accessibility to financial statements and operational performance was rather limited until the mid-1990s (Yeung, 2003). According to Richter (2002, p. 90). Information on the financial health of the Chinese family-controlled businesses in East and Southeast Asia has always been limited, and "besides family members, only very trusted outsiders hold important positions as the *financial* status of overseas Chinese businesses is often regarded as a family secret."

However, as I witnessed myself, there was a brief sense of increased visibility and self-celebration just before the 1997–1998 Asian financial crisis began to unfold. During that time, many of the Chinese family-controlled conglomerates one after another suddenly started to publicize online detailed corporate information such as, among other things, founding history and corporate culture, business activates, and to some extent, financial status. Not unsurprisingly, this practice stopped as abruptly as it had begun when the crisis spread and hit most Southeast Asian economies, perhaps for fear of sharing too much information. Yet, for a brief moment many Chinese family-controlled businesses exposed some of their secrets.

Probably one of the most important steps in getting the data right became a possibility with the data publication and reporting provided by the Hong Kong-based Chinese magazine *Yazhou Zhoukan* in 1995 (see Annex 2), followed by the popular US business magazine *Forbes* in 1996 (see Annex 3). Taken together these two magazines provide economists and political scientists with interesting aggregated data and intriguing insight into the financial health and broader transparency of Chinese family-controlled business conglomerates in terms of their corporate ownership, control contestability, corporate governance, and performance. It should perhaps be noted that while things like the annual survey on the world's wealthiest people from *Forbes* magazine are presented in English, most of the data pertaining to the annual listing of Chinese-owned companies incorporated on the Hong Kong Stock Exchange from *Yazhou Zhoukan* magazine are in Chinese.

The language hurdle to some extent explains why very few scholars until now have sought to use the most recent Chinese data to compile tables that mirror long-term development trends and analyze the growing financial power and reach of modern Chinese family-controlled businesses.

It is hoped that utilizing relatively new data in the tables throughout this dissertation will bring new scholarly insights, and inspire new research and collaborations.

4.7 CONSOLIDATING WEALTH, POWER AND INFLUENCE

The considerable presence and accumulated wealth of ethnic Chinese living outside mainland China is widely studied. Over a decade ago, *The Economist* estimated the ethnic Chinese living outside mainland China as having US$1.5 to US$2 trillion in liquid assets, not including securities (Katzenstein & Shiraishi, 1997, p. 13). Considering the significant increase in both number and economic activity of the many Chinese family-controlled businesses in recent years, as reflected in the listing on the Hong Kong stock exchange, these aforementioned figures should have increased considerably. An estimated 80 percent, equal to more than US$40–50 billion of the foreign investment in China by the mid-1990s came from ethnic Chinese in Hong Kong, Taiwan, and Singapore (Zhu, 2000, p. 89). This steadily increase during that time is significant given that China was the largest recipient among all developing countries. On all counts, this hint clearly at the tremendous economic power of the ethnic Chinese in Asia (for definitions of Chinese, see terminology section for clarification).

TABLE ANALYSIS FOR PAGES 96–101

As shown in Table 4.1, the distribution of ethnic Chinese is uneven. Chinese overseas in Asia increased from 26.9 million in 1997 to 29.5 million in 2005, an increase of 9.7 percent. The total worldwide number of Chinese outside the mainland and excluding Hong Kong, Macau and Taiwan increased from 32.2 to 38.4 million people, showing an increase of 15.7 percent. Indonesia and Taiwan has the largest number of ethnic Chinese, while Hong Kong, Singapore and Taiwan has the greatest concentration. It is noteworthy that the number of the number increased more in countries that are not basically Chinese and slowed down in Chinese dominated countries. This can be attributed to the saturation on the part of Singapore and Taiwan. There is also a substantial increase in Chinese in the Americas and Europe. This can be attributed to the high number of Chinese who have been seeking education in those countries. It can also be a reflection of increased mobility of Chinese beyond South Asia, where they have traditionally settled down. However the largest portions of Chinese migrating still prefer South Asia according to the data.

The Table 4.2 shows that the number of ethnic Chinese rose marginally in Hong Kong from 6 million in 1995 to 7 million in 2005. The number in Taiwan showed a similar trend rising from 21 million to 22 million over the same period. The number of ethnic Chinese in Singapore rose from 2 million to 3 million between 1995 and 2005. The relative share of the ethnic Chinese in the population of the countries under study fell in all countries except Thailand. In Hong Kong and Taiwan there was a corresponding decrease in the GDP share contributed by ethnic Chinese businesses. Other nations with the exception of Singapore registered a higher contribution to the GDP compared to the relative numbers. The decrease in the contribution to the GDP can be attributed to the 1997–1998 Asian financial crisis, which hit Southeast Asia hard. It can also be a pointer to increased competition due to globalization with competitors eating a portion of the market that was hitherto dominated by ethnic Chinese family business.

The Tables 4.3 and 4.4 concern ethnic Chinese ownership of business before and after the 1997–1998 Asian financial crisis. Ethnic Chinese controlled 500 of the largest public companies with assets amounting to US$500 billion in 1996 and almost US$900 billion in 2006. The market capitalization of these companies registered a decrease of one third between 1997 and 2004 but doubled their market capitalization between 2004 and 2006 in a period of two years. The decrease is largely because of the 1997–1998 Asian financial crisis that eroded value from these companies. The doubling of market capitalization corresponds with a period of rapid growth globally that culminated in the 2007 global recession. However the Chinese companies were least affected compared to companies in the United States *and* Europe.

Taiwan and Hong Kong yielded the highest market capitalization between 1996 and 2006. This is a pointer to the growth experienced in the sectors these two majors on. Hong Kong is Asia's financial capital, while Taiwan is Asia's Silicon Valley renowned for its high-tech industries. Total assets of the 500 companies under study decreased between 1997 and 2000, but registered an increase between 2000 and 2006. The percentage total of all countries under study decreased except Taiwan.

The smaller economies of Hong Kong, Taiwan, and Singapore are well integrated globally and rank high on Ernst & Young's Globalization Index (which measures and tracks the world’s 60 largest economies according to their degree of globalization relative to their GDP). The World Bank estimated the combined economic output of ethnic Chinese to have reached around US$400 billion by 1991 and had risen to nearly US$600 by 1996 (quoted in Weidenbaum and Hughes, 1996, p. 25).

The ethnic Chinese influence in market capital percentage in Southeast Asian countries made up more than half of the combined economic output in 1994. The GDP share of the top 15 families was highest in Taiwan at 84 percent in 1996 followed by Malaysia at 75 percent with Hong Kong being the lowest at 17 percent. In terms of capital these first 15 families contributed more than half of the domestic economic output in Thailand, Indonesia, and Philippines while in Hong Kong, Taiwan and Singapore they accounted for one-fifth of the output. Assuming that the majority of these families are ethnic Chinese it shows the economic influence wildered by these families in the countries they operate in. The figures in this table confirm the power and influence that the ethnic Chinese hold in Southeast Asia.

Tables 4.5 and 4.6 show the breakdown of the major high net worth ethnic Chinese from East and Southeast Asia. These well-known ethnic Chinese billionaires with their prominent Chinese family-controlled businesses (conglomerates) continue to wield enormous corporate and economic power in shaping the local economies. The number of Chinese billionaires increased in Singapore and Malaysia between 1998 and 2004, but their GDP share on the other hand decreased. The number of billionaires increased between 2004 and 2008. During the financial turmoil occasion by the 2007 economic recession, Chinese billionaires recovered quickly except in Philippines. Hong Kong, Taiwan, Singapore, Malaysia and Thailand maintained similar pattern. Those at top have successfully increased their wealth as they have intensified their major worldwide operations. Table 4.8 to 4.10 provides a more detailed picture of the prominent Chinese family-controlled businesses in Hong Kong, Taiwan, and Singapore.

Table 4.7 lists the brick-and-mortar financial institutions that are part of the old Chinese family-controlled financial conglomerates. Most online banks opened in 2000, where the majority of the top Asian banks, with the highest assets, were operating in Singapore. With the dynamics of the digital world economy and the increasing globalization of trade and services, Chinese family controlled businesses have been forced to shed their decades-old mistrust for foreign capital and embrace it. This has also provided incentives for the Chinese family controlled financial conglomerates to increase their exposure with online banking. Taiwan had the highest number of Chinese family controlled online banks in 2002, a testament to its reputation as a technology center.

Table 4.1 Distribution of ethnic Chinese outside mainland China, select years, 1997–2005

Region	*Ethnic Chinese population ('000s)*			*Total ethnic Chinese population (%)*		
	1997	*2000*	*2005*	*1997*	*2000*	*2005*
Asia[a]	26,912	27,363	29,437	81.0	78.1	76.7
America	4,730	5,959	6,970	14.2	17.0	18.2
Europe	938	955	1,022	2.8	2.7	2.7
Africa	123	137	155	0.4	0.4	0.4
Oceania (including Australia)	535	631	797	1.6	1.8	2.1
Total	33,238	35,045	38,381	100.0	100.0	100.0

Source: Author's compilation from Overseas Compatriot Affairs Commission, R.O. C. (Taiwan), Overseas Compatriot Affairs Statistics, Overseas Compatriot Population Distribution (2005), and The Ranking of Ethnic Chinese Population. Retrieved from http://bit.ly/hE1FHe

Note

a Excluding Hong Kong SAR, Macau SAR and Taiwan.

Table 4.2 Ethnic Chinese influence in East and Southeast Asia, 1994–1998 and 2005

Country/ Economy	*Ethnic Chinese (million)*			*Relative share of population (%)*			*Total contribution to GDP (US$ billion, %)*		*Share of market capital (%)*	*Share of GDP by top 15 families (%)*	*Share of market capital by top 15 families (%)*
	1995	*1997*	*2005*	*1995*	*1997*	*2005*	*1995*	*Share*	*1994-1998*	*1996*	*1996*
Taiwan	21	21	22	99	98	98	255	95	—	84.4	20.1
Hong Kong	6	6	7	98	95	95	120	80	—	17.0	34.4
Singapore	2	2	3	76	60	62	62	76	81	48.3	29.9
Malaysia	6	6	6	32	27	25	48	60	60	76.2	28.3
Thailand	6	7	7	10	11	11	80	50	90	39.3	53.3
Indonesia	8	7	8	4	4	3	98	50	73	21.5	61.7
Philippines	1	1	1	1	2	1	30	40	50	46.7	55.1
Vietnam	1	1	1	1	2	1	4	20	—	—	—

Sources: Brown (2000), p. 3; Claessens, Djankov & Lang (2000), Table 9, p. 108.

Note

— = no data are available.

Table 4.3 Market capitalization ratio of top 500 global ethnic Chinese companies divided by region, 1996–2006

Year	*Total*	*All regions*	*Hong Kong*	*Taiwan*	*Singapore*	*Malaysia*	*Thailand*	*Philippines*	*Indonesia*	*United States*
	US$ billon	*Share, %*	*Share, %*	*Share, %*	*Share, %*	*Share, %*	*Share, %*	*Share, %*	*Share, %*	*Share, %*
1996	561.8	100	33.6	24.9	11.4	13.6	8.2	3.1	5.2	
1997	688.0	100	37.2	31.4	8.9	10.7	2.6	2.5	6.7	
1998	358.5	100	31.2	53.6	6.7	4.5	1.5	1.4	1.1	
1999	566.8	100	32.7	43.7	11.2	5.1	2.4	1.7	3.2	
2000	616.1	100	36.4	46.0	8.4	4.9	1.7	1.3	1.3	
2001	456.8	100	44.5	34.9	10.8	5.1	1.8	1.7	1.2	
2002	476.3	100	39.4	38.5	10.7	6.9	2.0	1.1	1.4	
2003	455.9	100	35.9	41.0	11.0	7.0	2.3	1.3	1.5	
2004	591.0	100	38.0	40.1	10.4	6.3	2.7	1.3	1.2	
2005	718.2	100	40.6	38.4	9.4	5.6	3.3	1.9	0.8	
2006	897.6	100	43.6	38.3	8.5	4.8	1.8	1.7	0.5	0.8

Sources: Author's compilation from various issues of the Chinese magazine Yazhou Zhoukan.

Notes

a) The market capitalization ratio by country is based on market capitalization account settlements on June 30, each year respectively.

b) Companies with main shareholders/investors from mainland China joined the ranking since 2006.

Table 4.4 Financial statistics of the 500 largest public companies in East and Southeast Asia controlled by Chinese entrepreneurs, select years, 1997–2006

Country/ Economy	*No. of companies*				*Market capitalization (US$ billion, %)*								*Total assets (US$ billion, %)*							
	1997	*2000*	*2003*	*2006*	*1997*	*Share*	*2000*	*Share*	*2003*	*Share*	*2006*	*Share*	*1997*	*Share*	*2000*	*Share*	*2003*	*Share*	*2006*	*Share*
Hong Kong	113	123	121	191	256.2	37.2	224.0	36.4	163.8	35.9	391.4	43.6	308.6	31.3	338.7	34.0	310.6	30.5	486.2	28.6
Taiwan	183	237	236	203	216.2	31.4	283.7	46.0	187.1	41.0	343.3	38.3	181.3	18.4	327.1	32.9	376.7	37.0	745.5	43.8
Singapore	49	55	64	45	61.5	8.9	51.8	8.4	50.0	11.0	76.0	8.5	177.6	18.0	150.4	15.1	167.6	16.5	245.8	14.5
Malaysia	91	54	48	29	73.4	10.7	29.9	4.9	31.9	7.0	43.3	4.8	107.9	10.9	66.7	6.7	64.7	6.4	95.6	5.6
Thailand	15	10	11	10	17.9	2.6	10.5	1.7	10.4	2.3	15.9	1.8	100.7	10.2	67.5	6.8	63.4	6.2	80.2	4.7
Philippines	15	13	14	12	16.9	2.5	8.2	1.3	5.8	1.3	15.6	1.7	31.8	3.2	30.2	3.0	29.4	2.9	31.2	1.8
Indonesia	34	8	6	5	45.9	6.7	8.0	1.3	6.9	1.5	4.5	0.5	78.5	8.0	15.1	1.5	6.2	0.6	15.0	0.9
United States				5							7.5	0.8							1.8	0.1
Total	500	500	500	500	688.0	100.0	616.1	100.0	455.9	100.0	897.6	100.0	986.5	100.0	995.8	100.0	1,018.6	100.0	1,701.5	100.0

Source: Author's compilation from various issues of Yazhou Zhoukan's yearly survey of the largest 500 Chinese-owned companies in East and Southeast Asia.

Note

Five newcomers (NetEase.com, Inc., Baidu.com, Inc., Sina Corporation, Sohu.com, Inc., and Shanda Interactive Entertainment Ltd.) – listed on both the Hong Kong and New York Stock Exchange with main shareholders/investors from mainland China – are leading web portal and online media providers servicing China and the global Chinese communities. They have joined the ranking since 2006.

Table 4.5 Concentration of high net worth ethnic Chinese, select years, 1996–2008

Country/ Economy	*No. of billionaires and share of GDP (%)*								*Estimated total net worth (US$ billion) and share of wealthiest Chinese tycoons (%)*							
	1996	*Share*	*1998*	*Share*	*2004*	*Share*	*2008*	*Share*	*1996*	*Share*	*1998*	*Share*	*2004*	*Share*	*2008*	*Share*
Hong Kong	18	46.5	8	29.5	16	34.3	18	74.3	73.9	93.6	49.2	100.0	56.9	93.1	153.6	93.8
Taiwan	7	8.6	5	6.4	10	6.5	7	7.4	24.9	100.0	17.7	100.0	21.4	100.0	28.2	100.0
Singapore	4	13.0	3	13.6	6	13.3	8	13.4	12.0	100.0	11.2	100.0	14.5	92.4	21.6	93.5
Malaysia	11	25.4	2	9.1	4	6.7	7	12.7	26.0	80.8	6.7	100.0	8.4	61.9	23.7	61.2
Thailand	10	11.1	—	—	2	2.1	3	3.6	21.1	91.9	—	—	3.3	100.0	8.8	100.0
Indonesia	10	11.9	4	11.2	1	1.0	3	1.2	29.8	100.0	11.8	66.1	2.6	100.0	5.2	100.0
Philippines	9	28.2	5	13.8	2	3.3	2	2.0	23.8	80.7	9.2	100.0	2.9	100.0	2.9	100.0

Source: Author’s compilation from Forbes’ The World Richest People. Forbes.com. Retrieved from http://bit.ly/16tHOF; Forbes’ The World's Billionaires. Forbes.com. Retrieved from http://bit.ly/GzLnf; GDP (nominal) values from The International Monetary Fond, World Economic and Financial Surveys: World Economic Outlook Database. imf.org. Retrieved from http://bit.ly/fxvXet

Note

— = no data are available.

Table 4.6 High net worth ethnic Chinese from East and Southeast Asia, select years, 1997–2008

Company/Group name	*Major shareholder (founder or family)*	*Home economy*	*Estimated net worth (US$ billion) and Forbes world's richest billionaires ranking*										*Source of wealth and major worldwide operations*
			1997	*Rank*	*1998*	*Rank*	*2000*	*Rank*	*2004*	*Rank*	*2008*	*Rank*	
Cheung Kong Holdings	Li Ka-shing	Hong Kong	11.0	19	10.0	19	11.3	20	12.4	19	26.5	11	Cheung Kong Holdings (worldwide) Hutchison Whampoa (Asia)
Pacific Century Group (PCCW)	Richard Li	Hong Kong	NA	NA	NA	NA	4.3	97	1.1	514	1.4	843	PCCW (worldwide)
Sun Hung Kai Group	Kwok Brothers	Hong Kong	12.3	12	7.4	30	9.0	26	11.4	22	19.9	25	Sun Hung Kai Group (Asia)
Henderson Land Group	Lee Shau Kee	Hong Kong	14.7	9	12.7	13	8.6	28	6.3	61	19.0	29	Henderson Land (Asia)
Johnson Electric Group	Patrick Wang	Hong Kong	NA	NA	NA	NA	4.5	88	2.8	176	NA	NA	Johnson Electric (worldwide)
Li & Fung Group	Fung Brothers	Hong Kong	NA	NA	NA	NA	2.3	184	1.3	437	2.4	390	Li & Fung Trading (worldwide)
Cathy Life insurance	Tsai Wan-lin	Taiwan	11.3	16	8.5	24	6.7	44	4.6	94	—	—	Cathay Life (China)
	Tsai Hong-tu	Taiwan	—	—	—	—	—	—	—	—	7.7	120	
Fubon Financial Holdings	Tsai Wan-tsai	Taiwan	NA	NA	8.5	24	NA	NA	2.3	231	4.3	247	Fubon Group
Formosa Plastics	Wang Yue-che	Taiwan	5.5	49	3.9	89	4.3	100	2.8	176	5.5	178	Formosa Plastics (worldwide)
Evergreen Group	Chang Yung-fa	Taiwan	NA	NA	NA	NA	1.7	229	NA	NA	NA	NA	Evergreen Marine (worldwide)
Hong Leong Group	Kwek Leng Beng	Singapore	5.8	45	2.8	128	2.0	207	2.8	176	NA	NA	CDL Hotels (worldwide)
	Quek Leng Chan	Malaysia	2.9	112	NA	NA	1.8	224	2.1	262	2.3	524	Guoco (HK)
Goodwood Park Group	Khoo Teck Puat	Singapore	3.9	78	3.4	102	2.7	171	4.3	108	NA	NA	Goodwood Park Hotel Group (Asia)
Far East Organization	Ng Teng Fong	Singapore	7.0	35	5.0	65	3.4	143	2.3	231	7.0	132	Sino Land (HK)
Sina Mas Group	Oei Widjaja	Indonesia	5.4	50	4.0	19	3.2	151	NA	NA	NA	NA	Asia Pulp and Paper and Asia Food
Salim Group	Liem Sioe Liong	Indonesia	4.0	75	1.7	192	1.0	312	NA	NA	NA	NA	First Pacific Group (HK)
Lippo Group	Mochtar Riardy	Indonesia	1.8	193	NA	NA	NA	NA	NA	NA	NA	NA	Lippo Banks (worldwide)
Kalimanis Group	Bob Hasan	Indonesia	3.0	106	NA	NA	NA	NA	NA	NA	NA	NA	Nusamba Group
Kerry Group	Robert Kuok	Malaysia/HK	7.0	33	4.7	72	4.6	484	4.2	111	9.0	97	Shangri-la Hotels and TVB (Asia)
YTL Group	Francis Yeoh	Malaysia	1.6	183	NA	NA	1.2	281	NA	NA	2.1	573	YTL Construction (Asia)
Charoen Pokphand Group	Dhanin Chearavonont	Thailand	1.7	184	NA	NA	1.2	281	1.7	342	1.3	897	CP Pokphand (Asia) Telecom Asia (Asia)
Fortune Tobacco	Lucio Tan	Philippines	NA	NA	1.6	202	2.1	201	1.5	377	1.5	785	Eton Properties (HK)

Sources: Adapted from Young (2004), Table 1.6, p. 20; 1998, 2004 and 2008 figures compiled from Forbes' The World Richest People. Forbes.com. Retrieved from http://bit.ly/16tHOF; Forbes' The World's Billionaires. Forbes.com. Retrieved from http://bit.ly/GzLnf

Note

— = no data are available. NA = not applicable

Table 4.7 Major Chinese family-controlled commercial and largest online banks in Hong Kong, Singapore and Taiwan, 2002

Company/Group name		*Year of foundation and online banking*		*Major shareholders (founder or family)*	*Economy of key operations*	*Total assets (US$ million) and The Banker's Top World and Asian Banks ranking*			
Company name	*Group name*	*Year established*	*Year online*			*2002*	*Domestic*	*Asia*	*World*
Hongkong and Shanghai Banking Corp.	HSBC Group	1865	2000	Riady family	Hong Kong	223,514	1	—	5
Bank of East Asia	BEA Group	1918	1999	David Li family	Hong Kong	23,312	2	27	178
Dao Heng Bank	Guoco Group/ Hong Leong Group	1921	2000	Kwek Leng family	Hong Kong	17,337	3	—	—
Wing Lung Bank	Wing Kung Group	1933	1999	Wus family	Hong Kong	8,260	6	63	375
Wing Hang Bank	Wing Hang Group	1937	2000	Patrick Fung family	Hong Kong	7,062	7	69	391
Liu Chong Hing Bank	Chong Hing Group	1948	2000	Liu Chong Hing family	Hong Kong	5,061	8	79	446
Dah Sing Holdings	Dah Sing Group	1947	2000	Derek Wong family	Hong Kong	6,981	9	84	467
Chekiang First Bank	Wing Hang Group	1907	1997	Patrick Fung Family	Hong Kong	5,605	11	97	—
Hongkong Chinese Bank	Lippo Group	1905	2000	Riardy family	Hong Kong	2,594	12	105	563
United Overseas Bank	UOB Group	1943	1999	Wee family	Singapore	61,216	1	7	62
Oversea-Chinese Banking Corp.	OCBC Group	1928	2000	Lee Seng Wee family	Singapore	46,043	3	15	106
Chinatrust Commercial Bank	Chinatrust Group	1966	2001	Jeffrey Koo family	Taiwan	23,280	4	23	152
Shanghai Commercial & Savings Bank	SCSB Group	1915	2001	Rong family	Taiwan	9,878	12	42	266
Taishin International Bank	Shin Kong Group	1992	2001	Wu family	Taiwan	8,736	15	59	349
Fubon Commercial Bank	Fubon Group	1992	2000	Tsai family	Taiwan	7,596	19	76	438
Bank SinoPac	Runtex Group	1992	2001	Yin family	Taiwan	9,428	20	78	458
Hsinchu International Bank	Far Eastern Group	1948	2000	Hsu family	Taiwan	8,379	23	91	512
EnTie Commercial Bank	EnTie/Sanchung Group	1993	2000	Huang family	Taiwan	5,428	27	99	543
Grand Commercial Bank	President's Group	1991	2001	Kao and Ho families	Taiwan	5,579	28	101	546
Ta Chong Bank	Sanyang/Formosa Group	1992	2000	Chan family	Taiwan	5,701	30	106	572
Cathay United Bank	Cathay Financial Group	1971	2001	Tsai family	Taiwan	4,427	35	116	637

Source: Author's compilation from annual reports of companies and The Banker (2002, July), pp. 215–287; The Banker (2002, October), pp. 127–132.

Taiwan predominantly had the highest number of Chinese family-controlled commercial and largest online banks in 2002. Also, all the major Chinese financial institutions in Hong Kong, Taiwan, and Singapore were among a select few that were allowed to operate online banking domestically and the first in line to receive concessions for operating in mainland China. In a broader perspective, Hong Kong, Taiwan ad Singapore early on recognized the major advantage of e-commerce, such as the benefits of fast and timely information sharing, and new means to lower transaction costs. The table, however, also illustrate the effect of globalization and the global reach of foreign financial institutions, as the domestic bank ranking declined in both Asia and Global rankings. In recent years, these ethnic Chinese family-businesses have turned to those foreign institutions to help fund large projects at home or intended for expanding abroad. These regions were the forerunners in this direction of promoting themselves as e-commerce hubs. In many ways, this has also translated into many new possibilities and growth opportunities for the ethnic Chinese family-controlled businesses in these regions.

4.8 HONG KONG

Given the British colonial past that has left behind an inherited system of administration and governance, Hong Kong's economic, sophisticated financial system and high concentration of banking institutions have come to play an emerging force in Asia—its influence is being felt by other parts of the world. Although people in Hong Kong had to tackle painful economic restructuring for many years after the 1997–1998 Asian financial crisis, the stock market by and large continued to work well, and helped propel the economy forward. The culmination came with "the successful listing of the Bank of China in July 2002 in Hong Kong, raising US$2.5 billion, [which] highlights the strength of the Hong Kong financial system" (Ho, Scott, & Wong, 2004, pp. 1–2). Over a decade later, the City of Hong Kong is now highly globalized and modern, having adopted the latest international standard for exchange of information in 2010. The shadow side of Hong Kong's global economy, however, is its "large dependency on international trade and finance, which left it heavily exposed to the global economic slowdown that began in 2008" (CIA World Factbook, 2010). In retrospect, Hong Kong has already become China's largest trading partner, and the past few years of increasing integration with China has, however, "helped it recover from the downturn more quickly than many observers anticipated" (So, Lin & Poston 2001; Forbes, 2009).

Unquestionably, some of Hong Kong's economic success and status as a manufacturing, commercial, finance, and tourism center can be attributed to a combination of a favorable, yet orthodox regulatory and legislative framework, investor-friendly business environment, low tax, freedom of trade currency, and highly-skilled labor force. For a multitude of foreign corporations with manufacturing operations this has been an area of great satisfaction and helped businesses to thrive and grow, as well as multinationals with subsidiaries in terms of better market access into China. Being an economy of cultural plurality, Hong Kong can claim varied traditions in business, professional education and technology. With its limited land resources, but economic wealth, it occupies 95 percent of ethnic Chinese (see also Table 4.2).

Table 4.8 Prominent Chinese Family Conglomerates in Hong Kong, 2008

Company/Group name	*Major shareholder*	*Estimated net worth (US$ billion) and Forbes' Hong Kong's richest ranking*								*Source of wealth (key industry)*
		2008	*Rank*	*Marital Status*	*Age*	*Family on Board of Directors/substantial family shareholder (affiliation) and age*				
Cheung Kong Holdings	Li Ka-shing	32.00	1	2	79	Victor Li (son)	43	Kam Hing Lam (nephew)	61	Cheung Kong Holdings (property)
										Hutchison Whampoa (diversified)
Sun Hung Kai Group	Kwok Brothers	24.00	2	—	54/55/56	Walter Kwok (brother)	54	Thomas Kwok (brother)	55	Sun Hung Kai Group (property)
						Raymond Kwok (brother)	56			
Henderson Land Group	Lee Shau Kee	23.00	3	5	80	Lee Ka Kit (son)	44	Lee Ka Shing (son)	36	Henderson Land (property)
						Margaret Man (daughter)	46	Lee Tat Man (brother)	70	
						Fung King (sister)	69	Li Ning (brother-in-law)	50	
New World Group	Chen Yu-tung	9.40	4	4	82	Henry Chen (son)	60	Peter Chen (son)	55	New World Group (property)
						Adrian Chen (grandson)	27			
Shun Tak Group	Stanly Ho		5	17	86	Pansy Ho (daughter)	45	Daisy Ho (daughter)	43	STDM (gaming)
						Louise Mok Ho (sister)	79	Maisy Ho (daughter)	40	Shun Tak Holdings (diversified)
Chinese Estates Group	Joseph Lau	5.50	6	3	56	Ming-wai Lau (son)	27	Amy Lau (sister)	55	Chinese Estates Group (property)
						Thomas Lau (brother)	54			
Wheelock Group	Peter Woo	5.00	8	—	62					The Warf Holdings (property)
Fok Ying Tung Foundation	Henry Fok (Descendants)		9	14	83†	Timothy Fok (son)	61	Ian Fok (son)	59	Henry Fok Group (gaming)
						Thomas Fok (wife's son)	57	Benjamin Fok (son)	—	
						Eric Fok (grandson)	25			
Belle Group	Tang Yiu	3.30	13	—	72	Tang Ming Wai (daughter)	37			Belle Int'l Holdings (shoes)
Lee & Man Paper Mft.	Patrick Lee	3.20	14	5	65	Raymond Lee (son)	37	Lee Man Bun (son)	28	Gold Best Holdings (paper)
Li & Fung Group	William Fung	3.10	15	Married	59	Victor Fung (brother)	62			Li & Fung Trading (retail)
Orient Overseas	Chee Chen Tung	3.00	16	—	64	Alan Tung (nephew)	40	Roger King (brother-in-law)	67	OOCL Group (transportation)
Li & Fung Group	Victor Fung	2.80	18	3	62	William Fung (brother)	59			Li & Fung Trading (retail)
Hang Lung Group	Chan Brothers	2.75	19	—	58/56	Ronnie (brother)	58	Gerald Chan (brother)	56	Hang Lung Group (property)
Galaxy Entertainment	Lui Che Woo	2.70	20	5	78	Francis Tung (son)	51	Paddy Yu (daughter)	53	Galaxy Ent. Group (gaming)
Kowloon Development	Or Wai Sheun	2.40	22	Married	55	Or Pui Kwan (son)	28	Ng Chi Man (wife)	54	Kowloon Development (property)
Wing Lung Bank Group	Michael Wu	1.70	23	3	70	Patrick Wu (cousin)	69	Phillip Wu (cousin)	61	Wing Lung Banks (finance)
						Wu Jieh Yee (uncle)	94	Albert Wu (brother)	61	
						Ivan Wu (brother)	64	Alice Wu (niece)	31	
						Kenneth Ma (nephew)	38			

Pacific Century Group	Richard Li	1.52	24	Single	41	—		—		PCCW (telecommunication)
BEA Group	David Li	1.40	27	2	68	Li Fook-wo (uncle)	91	Aubrey Li (uncle)	58	Banks of East Asia (finance)
						Arthur Li (brother)	62	Eric Li (uncle)	78	
						Stephen Li (cousin)	48	Simon Li (uncle)	—	
Great Eagle Group	Lo Ka Shui	1.35	28	4	60	Lo Ka Shu (brother)	47	Lo To Lee Kwan (mother)	87	Great Eagle Holdings (hotels/ property)
						Anthony Lo (brother)	65	Law Wai Duen (sister)	70	
						Vincent Lo (brother)	59	Archie Lo (brother)	54	
Johnson Electric Group	Patrick Wang	1.25	30	4	57	Peter Wang (brother)	54	Winny Wang (sister)	61	Johnson Electric (electronics)
						Richard Wang (brother)	64			
Hysan Development	Peter Lee	1.22	31	Married	53	Anthony Lee	50	Chien Lee	54	Hysan Development (property)
						Deanna Rudgard	68			
Hopewell Holdings	Gordon Wu	1.12	33	4	72	Thomas Wu (son)	36	Ivy Wu (wife)	59	Hopewell Group (diversified)
Dah Sing Group	David Wong	1.00	37	—	66	Harold Wang (son)	38			Dah Sing Financial Holdings (finance)

Source: Author’s compilation from annual reports of companies and Forbes’ Hong Kong's 40 Richest. Forbes.com. Retrieved from http://bit.ly/d1l7WF

Note

Family affiliations defined by consanguinity and kinship. — = no data are available. † = diseased in late 2006.

Table 4.8 presents the major prominent Chinese family-controlled business families in Hong Kong in 2008. The top three of Forbes' richest shareholders have above US$23 billion dollars estimated net worth, while the majority of shareholders are aged 60 years old or above. The youngest age of the family member on the board of directors was 25, and as being true to the nature of the traditional Chinese family firm, most of the board members where either siblings or children of the major shareholder. The most common source of wealth among these prominent and diversified Chinese family-controlled conglomerates was sourced through finance and investment activities, as well as residential, commercial and industrial property development. Many have successfully grown into becoming multinational corporations with extensive offshore investments and overseas operations.

4.9 SINGAPORE

Singapore was a British Colony until 1963 when it gained independence as part of Malaysia in 1965. The Singaporeans faced the daunting task of building a nation from virtually nothing, but they proved equal to the task. In the 1970s, the economy of the country grew rapidly as part of what came to be known as the Asian Tigers. In terms of population, Singapore reached an estimated 4.4 billion in July 2005, of which 3.6 were citizens or permanent residents, the rest were foreigners.

The city-state Singapore in Southeast Asia has grown into a modern metropolis with a thriving commerce, industry, communication, and sophisticated financial center, competing with Hong Kong for regional markets. Over the years, the city has nurtured a reputation for rapid socio-economic growth and political stability, and tops numerous rankings as the world's most global economy. The fallout from the 2008 global financial crisis clearly reflected the open economy's vulnerability to global economic shocks, yet "the exposure of Singaporean financial institutions to failed and distressed institutions in the US and Europe was not significant and did not pose any systemic risks to Singapore's economy, as local financial institutions were well capitalized and remained resilient" (Siow, 2010, para. 2).

Before 1999, Singapore's financial sector seemed like a local gentleman's club of financial institutions, counting extremely large and influential Chinese family-controlled banking institutions. Many remain in business today, but the competitive forces and liberalization that followed the 1997-1998 Asian financial crisis have fueled consolidation and opened up the market for foreign banks (Bowers, Gibb, & Wong, 2003). Table 4.7 and 4.9 show many of the Chinese family-controlled banking institutions are part of Singapore's vivid history and critical for its future.

Table 4.9 presents the major Chinese family-controlled businesses in Singapore in 2008. The top three of Forbes' richest shareholders have at least three billion dollars estimated net worth among people aged 80 years old or above, although the majority of these shareholders are about 60 years old. Confirming the traditional view of the Chinese family-firm, the common family members on the board of directors where the children of the major shareholders. The main source of wealth among these Chinese family-controlled businesses in Singapore has traditionally been within property development, although many also are activities within the financial sector.

Table 4.9 Prominent Chinese Family Conglomerates in Singapore, 2008

Company/Group name	*Major shareholder*	*Estimated net worth (US$ million) and Forbes' Singapore's richest ranking*								*Source of wealth (key industry)*
		2008	*Rank*	*Marital status*	*Age*	*Family on Board of Directors/substantial family shareholder (affiliation) and age*				
Sino Group (HK)	Ng Teng Fong	7,000	1	6	80	Robert Ng (son)	55	Daryl Ng (grandson)	29	Sino Land (property)
						Philip Ng (son)	49			Yeo Hiap Seng (food)
Far East Organization	Deacon Chiu				82	David Chiu (son)	53	Dennis Chiu (son)	48	Far East Group (property/hotels)
						Daniel Chiu (son)	46	Ching Chiu (wife)	67	
Goodwood Park Group	Khoo Teck Puat (Descendents)	6,100	2	14	87†	Mavis Oei (daughter)	61	Elizabeth Khoo (daughter)	48	Goodwood Park Hotel Group
						Jacqueline Khoo (daughter)	46	Eric Khoo (son)	43	
UOB Bank Group	Wee Cho Yaw	3,600	3	6	79	Wee Ee Cheong (son)	55			United Overseas Banks (finance)
Yanlord Land Group	Zhong Sheng Jian	1,800	4	Married	49	Zhong Siliang (nephew)	30	Wei Lijing (niece)	34	Yanlord Land Group (property)
						Miao Zhong (wife)	49			
Kerry/Wilmar Group	Kuok Khoon Hong	1,300	5	4	59	Kuok Khoon Ean (cousin)	52			Wilmar Holdings (palm-oils)
Hong Leong Group	Kwek Leng Beng	1,200	6	2	67	Kwek Leng Kee (cousin)	54	Kwek Leng Joo (brother)	—	CDL Hotels (hotels)
						Kwek Leng Peck (cousin)	52	Vincent Yeo Wee Eng (nephew)	39	City E Solutions (finance)
						Gan Khai Choon (brother-in-law)	62			
OCBC Bank Group	Lee Seng Wee	730	8	Married	77	Lee Seng Tee (brother)				Oversea-Chinese Banking Corp.
UOB Bank Group/ Kingsgate Int'l Corp.	Ho Sim Guan	500	11	Married	82	Calvin Ho (son)	58			United Overseas Bank (finance) Kingsgate Int'l Corp. (hotels)
Hong Leong Group	Kwek Leng Kee	430	13	Married	54	Kwek Leng Beng	67	Kwek Leng Joo	—	Hong Leong Finance (finance)
						Kwek Leng Peck (cousin)	52			
Pacific Int'l Lines	Chang Yun Chung	360	14	14	90					Pacific Int'l Lines (shipping)
Singapore Shipping	Ow Chio Kiat	340	15	2	63	Ow Cheo Guan (brother)	60			Singapore Shipping (shipping)
Stamford Land Group										Stamford Land (hotels)
Ezra Group	Lee Kian Soo	330	16	Married	63	Goh Gaik Choo (wife)	56	Lee Chye Tek Lionel (son)	35	Ezra Holdings (shipping)
Tat Hong Group	Ng Chwee Cheng	285	18	14	76	Roland Ng (son)	—	Tony Ng (son)	—	Tat Hong Holdings (construction)
						Michael Ng (son)	—	David Ng (son)	—	
						Patrick Ng (son)	—	William Ng (son)	—	
						Chen Wei Ng	—	Ng Sun Giam (son)	—	Tutt Bryant Group (cranes)
Banyan Tree Group	Ho Kwon Ping	280	19	3	56	Kwon Cjan (brother)	—	Claire Chiang (wife)	56	Banyan Tree Spa (hotels)

Wing Tai Group	Cheng Wai Keung	255	21	3	57	Edmund W.W. (brother)	56	Chen Man Tak (brother)	48	Wing Tai Holdings (property)
						Kit W.C. (sister-in-law)	58	Helen Chow (wife)	57	
Fragrance Group	Koh Wee Meng	230	24	1	45	Lim Wan Looi (wife)	—	Lim Wan Mee (sister-in-law)	38	Fragrance Group (property)
Hong Leong Group	Kwek Leng Peck	220	25	Married	52	Lim Chee Chong (brother-in-law)	—			Hong Leong Finance (finance)
Int'l Capital Investment	Oei Hong Leong (son of Eka Tjipta Widjaja)	210	27	4	60					Natsteel (industrials)
Hi-P International	Yao Hsiao Tung	200	28	Married	67					Hi-P International (electronics)
Petra Foods	John Chuang	185	31	2	56	Joseph Chuang (brother)	53	William Chuang (brother)	45	Petra Foods (foods)
						Lim Mee Len (wife)	—			
Lee Group	Lee Seng Tee	180	32	—	—	Lee Seng Wee (brother)	77			Oversea-Chinese Banking Corp.
Venture Corp.	Wong Ngit Liong	170	34	Married	66					Venture Corp. (electronics)
Pan-United	Henry Ng	160	35	4	50	Patrick Ng (son)	—	Ng Bee Bee (daughter)	—	Pan-United (transportation)
						Jane Ng	46	Norman Mon (brother-in-law)	—	
						Ng Sing Chan	47			

Source: Author's compilation from annual reports of companies and Forbes' Singapore's 40 Richest. Forbes.com. Retrieved from http://bit.ly/faZ74D

Notes

Family affiliations defined by consanguinity and kinship. — = no data are available. † = diseased in early 2004.

In sum, perhaps three things are worth noting in regard to Singapore: First, as mentioned earlier, most large public-listed Chinese family-controlled businesses have concentrated in strong long-term cash flow sectors such as property development, hotel management, investment holding, and construction because of low risk and high returns, whereas Singapore's scarce land resources has prevented any development of an agricultural sector as seen elsewhere in Southeast Asia (see East Asia Analytical Unit, 1995; Redding, 1995).

Second, as further argued by Yeung and Soh (2000, p. 312), "the importance of these [aforementioned] sectors in Singapore's case is further reinforced by the strong presence and dominance of public-listed Chinese family firms in *Singapore 1000*, an annual publication that ranks the top 1000 companies in Singapore in terms of their sales performance, total assets, and shareholder's funds." Second, reflecting their historical influence and impact, the three public-listed Chinese family-controlled banking institutions in Singapore—the Overseas-Chinese Banking Corporation (OCBC), United Overseas Bank (UOB), and United Overseas Bank (UOB)—will likely continue to play a critical role in the development of Singapore, despite the fact that they have been faced with increased competition since the government liberalized the banking sector in 2001.

Third, in regard to corporate governance structures among Chinese family-controlled businesses in Singapore, Yeung and Soh (2000) found that the family retains control of the company even after listing, showing that there is a deliberate plan to retain as much shareholding as would allow the family to continue dominating the business. The dominance of males is also noticeable as most of the companies are in the hands of men.

4.10 TAIWAN

The small island of Taiwan in East Asia has played an important and critical role in promoting the expansion of the international supply-chain network. Since the 1980s, its high-tech industry has been at the center of Taiwan's economic transformation, helping it become the world's top manufacturer of semiconductors, notebook computers, and other consumer products. In recent years, however, Taiwan has seen its position threatened "because of the industry's development model and because of its reluctance to include mainland China in its plans for the future. …Taiwanese businesses in traditional industries have turned to Vietnam, where production costs are relatively lower. The result is that Taiwanese businesses will not benefit much from liberalized regulations for cross-strait trade" (Zhou, 2009, para. 2–3).

Furthermore, Taiwan's global interconnectedness made it vulnerable to the 2008 global financial crisis given the main source of foreign direct investment traditionally has come from North America and Asia.

The four industries that traditionally have received the most foreign investment are the aforementioned electronic and electric appliances, the banking and insurance industry, other services, and the wholesale and retail sector. Table 4.10 shows many of Taiwan's most successful and internationally oriented Chinese family-controlled businesses in Taiwan in 2008. The top three of Forbes' richest shareholders have about six billion dollars estimated net worth, and all the ages among the board members are above 50 years old. The composition of

Table 4.10 Prominent Chinese Family Conglomerates in Taiwan, 2008

Company/Group name	*Major shareholder*	*Estimated net worth (US$ billion) and Forbes' Taiwan's richest ranking*								*Source of wealth (key industry)*
		2008	*Rank*	*Marital status*	*Age*	*Family on Board of Directors/substantial family shareholder (affiliation) and age*				
Formosa Plastics	Y.C. Wang (retired)	6.80	2	9	91	Y.T. Wang (brother)	86	W.Y. Wang (nephew)	—	Formosa Plastics (petrochemicals)
						J. H. Wang (daughter)	—			
Hon Hai Group	Terry Goh	6.00	3	2	57	Hsiao Ling Gou (daughter)	28			Foxconn/Hon Hai Precision Industry (electronics)
Fubon Group	Tsai Wan-tsai (retired)	5.10	4	4	78	Richard Tsai (son)	51	Daniel Tsai (son)	52	Fubon Financial Holdings (finance)
Chinatrust Group	Jeffrey Koo Sr.	2.80	6	4	74	Jeffrey Koo Jr. (son)	43			Chinatrust Financial Holdings (finance)
						Andre Koo (son)	37			Chailease Group/Financial One (finance)
						Angelo Koo (son)	41			CDFH Corp. (finance)
Ting Hsin Group	Wei Ing-Chou	2.65	8	3	54	Wei Ying-Chiao (brother)	53			Tingyi (food)
Want Want Group	Tsai Eng Meng	2.60	9	Married	51	Tsai Shao-Chun (son)	26	Chen Wan-Hsien (nephew)	44	Want Want Holdings (food)
Shin Kong Group	Eugene Wu	2.30	11	3	62	Chia-Lu Wu	—	Philip Wu	—	Shin Kong Financial Holding (finance)
						Tung Sheng Wu	—	Kuei Lan Wu	—	
						Cynthia Wu	—	Sin Jay Wu	—	
Far Eastern Group	Douglas Hsu	1.75	14	3	65	Raymond Hsu	—	Peter Hsu	—	Far Eastern Group (diversified)
						Tonia Hsu	—	Alice Hsu	—	
Taiwan Cement Group	Leslie Koo	1.25	19	2	54	Cheng-Yun Koo	52			Taiwan Cement Group (cement)
Pou Chen Group	Tsai Chi Jui	1.20	20	3	67	Tsai Chi Neng (brother)	59	Patty Tsai	28	Yue Yuen Industrial (shoes)
						David Tsai	57			
Chang Chun Group	Co-founders	1.15	23	4	80	Suhon Lin (co-founder)	80	Long-Shing Liao (son of co-founder)	55	Chang Chun Plastics (petrochemicals)
						Tseng Shin-yi	80			
Yulon Group	Kennenth Yen	1.05	27	1	43	Vivian Wu (mother)	95†			Yulon Motor (autos)
SinoPac Group	Show Chung Ho	0.76	35	2	63					SinoPac Holdings (finance)
Walsin Lihwa Group	Ting Piao Chiao (retired)	0.57	40	Married	84	Yu-Lon Chiao (son)	—	Yu-Heng Chiao	46	Walsin Lihwa Group (industrials)
						Yuan-san Chiao	57	Yu-chi Chaio (son)		
						Yu-Lan Chiao	—	Arthur Chiao (son)	—	HannStar Board Int'l Holdings (notebooks)

Source: Author's compilation from annual reports of companies and Forbes' Taiwan's 40 Richest. Forbes.com. Retrieved from http://bit.ly/h4v7eS

Notes

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the board of directors consists mostly of children of the major shareholders. The main source of wealth for the Chinese family-controlled businesses in Taiwan continues to be within the manufacturing and export of high-tech commodities, although many have been successful in the financial industry.

Looking at the finding in the above table on Taiwan, the following observations are worth noting: Most of the big companies in Taiwan owned by ethnic Chinese are in the financial sector. Out of the fourteen companies in the above table, six are listed under finance. The next is electronics, food and then petrochemicals, each with two companies among the top. There is one company in cement manufacture, one in shoes and one under the category of diversified. Ethnic Chinese are known to be selective in the manner they invest with most investments going to high yield industries. Across the bond, ethnic Chinese invest mostly in the financial sector, property market, hotels, electronics and construction markets. As noted by Yeung and Soh (2000), “These sectors are well preferred by ethnic Chinese in Southeast Asia because they are seen as long-term “cash cow” industries” (p. 311).

The financial sector brings high yields to the investor. Electronics are synonymous with Taiwan with the country being a high-tech global center. Taiwan is renowned for the manufacture of computers, such as Acer and semiconductors among others. The petrochemical industry and the food industry are also high returns industries, as is cement manufacturing. It is also important to note that only one company is listed as diversified. Ethnic Chinese, with an exception of a few, are known to pursue one product or one line of business. The industry does not matter, whether it is banking or cement manufacturing company.

From the table, the other point that can easily be noted is that traditionally a family member always manages the companies. The directorship and the Chief Executive Officer is a family member either the founder himself or his wife, son, daughter or nephew. It goes on to show that the ethnic Chinese maintain a firm grip on the management of the company, even when that company is a public limited company. This is a characteristic of the ethnic Chinese run businesses. It could be it stems from the fact that the Chinese run their business as a family and family royalty comes into consideration before any other thing. It could also be a pointer to the fact that their businesses are run on the basis of trust as opposed to contracts and the easiest person to trust is either yourself or a close family member. This can be also because traditionally the ethnic Chinese have run their businesses in a very secretive way and family members are easier to keep secrets so that whatever happens in the business remains a family secret. Even when the company is sold to the public the family ensures that they retain above 50 percent of the shares in order to be able to control the management. Listing is therefore done to access funding but not to diversify the management.

Another noticeable characteristic is the dominance of the males. The companies are run either by the founder, his son or a brother. Even if from this table there are two that are in the hands of women it seems rather an exception other than the norm. This can be explained by the fact that traditionally the Southeast Asia is a male-dominated society.

4.11 DEBUNKING MYTHS AND DEBATING TRUTHS

If we look at the small- and medium-sized Chinese family-controlled businesses, the closely-knit network frequently is said to be a key way in which to more easily arrange financing, locate trade partners and pool information across national borders. However, the structural changes in the global economy and the economic distress has not left any company unturned but been affecting everyone.

The economic and organizational complexity of Chinese capitalism has always been the ability to adapt to rapidly changing circumstances. In this context, perhaps what best describes the significant changes, challenges, opportunities, and continuity of the power and influence of the Chinese Diaspora is what Young (2004) describes as the development of hybridizing Southeast Asian capitalism, entailing four major dimensions of change (see also Redding & Witt, 2007, p. 265):

1. Less emphasis and reliance on politico-economic alliance in the home country
2. Growing professionalization and bureaucratization of Chinese family firms
3. Tapping into non-ethnic sources of capital, and
4. Reshaping "Chinese" business networks

LESS EMPHASIS AND RELIANCE ON POLITICO-ECONOMIC ALLIANCES

The ethnic Chinese family-controlled businesses have undergone a lot of changes in the last one decade and more so after the 1997–1998 Asian financial crisis. These changes have revolutionized the way the companies operate. These companies were known in the period prior to the financial crisis as relying on politico-economic alliances for survival as opposed to competitive advantage. However this has since changed. Leading actors in Southeast Asia, ethnic Chinese are relying less and less on politico-economic alliances with their home countries. Several factors have contributed to this (Yeung, 2008). First, pressure from the international agencies, like the IMF and the World Bank, on the affected countries during and after the 1997–1998 Asian financial crisis to effect economic reforms and corporate restructuring. Second, the companies having ambitions to expand globally have to meet the global standards of corporate governance and financial management required for them to operate in the international scene (Yao, 2002). When these companies operate internationally either within Asia-Pacific region or beyond, they are unable to transfer their advantages that are based on politico-economic alliances to the new environment since they are embedded and bounded within their home countries. They will therefore have to depend on their firm specific expertise and advantage to establish and run their international operations (Yeung, 2004). This high demand for firm-specific competitive advantages in turn has gradually made the ethnic Chinese firms to be less and less reliant on the home-based advantages, such as the just mentioned politico-economic alliances and affiliations with business conglomerates so as to build internationally transferrable competitive advantages.

GROWING PROFESSIONALISM AND BUREAUCRATIZATION

As the ethnic Chinese family-controlled businesses grow, they naturally also have to outgrow their dependence on family for management. The firms have grown in professionalism and bureaucracy as a result of internationalization. The 1997–1998 Asian financial crisis also played a great role in quickening this transformative process so that today ethnic Chinese family-controlled realize they cannot derive any competitive advantage in the global arena on the basis of these ethnic-centric principles but rather on the basis of professionalism (Yeung, 2000b). The family patriarchs, due to growth in the firms and increased technology, are finding the job demanding opting to delegate much of it to professional managers, who do not have to be necessarily family members or ethnic Chinese. The expanding business empire and the modern challenges have also discouraged succession based on nepotism, because it is not practically possible to have competent family heirs to take over all the corporate decision-making and responsibilities of a global company (Chan, 2006). The founding patriarchs are therefore hiring professional managers to be the CEOs of their international operations both in China and abroad. These professional managers are well-educated people with considerable experience in running international businesses and in the particular field they are recruited for.

TAPPING INTO NON-ETHNIC SOURCES OF CAPITAL

Ethnic Chinese companies have undergone a lot of changes during the post-crisis era that have enabled them to access financing from other sources other than the ethno Chinese sources. This should follow the realization that firms from the developing world would stand a better chance by sourcing money from international bond markets where they are likely to get financing at a cheaper interest rate and with a longer repayment period. Ethnic Chinese enterprises have also realized the importance of listing in the stock exchange as a way of raising capital and many are now listed companies (Yeung 2008). Apart from getting financing listing in the stock exchange and seeking financing from international market requires a firm to maintain a certain standard of accounting which works for the good of the said company since it enhances professionalism and maintenance of good records.

RESHAPING "CHINESE" BUSINESS NETWORKS

Previously the ethnic Chinese companies maintained closed relationship amongst themselves where, due to the nature of business then, it was possible to get all the support needed within those networks (Dieleman & Sachs, 2006). However, with the increased growth in company sizes and globalization, the ethnic based networks can no longer offer enough support to face new challenges. Increased exposure has also given the ethnic Chinese business community an opportunity to meet and interact with business people on the global arena, thereby forming new networks that can respond to global challenges. It is also noteworthy that the companies are in a position to access financing from the international market (Yeung, 2000c). Hence, this leads to the opening up of the ethnic Chinese business networks. This is good for globalization, and in ensuring that the ethnic Chinese companies have financial muscles to venture into the global market and to withstand competition. The shift from informal credit and loan networks towards stock and capital markets is also good in that it opens up these companies for more public scrutiny and enhances professionalism and bureaucracy. According to Young (2006c, p. 370), it has also reshaped and opened "ethnic Chinese business networks to include non-Chinese actors who bring in both international reputation and competitive advantage to the traditional organization of business" in the ethnic Chinese companies.

These four above major dimensions goes on to show that ethnic Chinese family-controlled businesses have evolved over time. They are not what they used to be in the 1980s or even before the 1997–1998 Asian financial crisis. Advancement in technology, reforms undertaken after the 1997–1998 financial crisis and globalization have changed the way these companies are managed and the way they run their affairs. They have opened up to the outside world, embraced competition, improved their financial standing and employed professionals to manage them. They have also reduced reliance on the home government as globalization brings new challenges that cannot be overcome by patronage but rather by gaining competitive edge over other competitors.

Obviously, it has been necessary for many Chinese family-controlled businesses, small and large, to move beyond conventional competitive strategies and come up with new business strategies to counter the entrants of new foreign business as well as to shrug off the increased domestic competition in the market. Other factors like new technological developments and a changing demographic structure have also speeded up the need to break with tradition to find new business ideas that may reveal the potential for differentiation and innovation.

In general, economies around the world have become more integrated and more interconnected than ever before. Albeit this has increased many opportunities, at the same time it has also increased risks and fierce competition through enhanced regional market access and easily accessible market knowledge and industry trends. Obviously, these changes are threatening the niche position Chinese family-controlled businesses have secured for decades. The pressure of globalization has forced large conglomerates and also many small- and medium-sized family-controlled businesses to upgrade their own technology level, management competencies and to improve the skill-set of their workforce. Rather than modernizing their organization, however, some small- and medium-sized family firms have focused on changing or modernizing their product lines and updating their production technology. To reuse a phrase from Chee (1986, pp. 122–123), "They are neither retrogressive nor progressive. While they may appear to be successful, these small enterprises may be better termed as 'non-failures'" (cited in Menkhoff & Kay, 2000, para. 5).

Another changing factor is linked to the preservation of the power of the family and the organizational dilemmas of succession. Just as both dilemmas of succession affects other large family firms around the globe, it is already changing the face of today's prominent Chinese-owned conglomerates in for instance Hong Kong, Taiwan, and Singapore.

Continuity of business is vital to any size organization, but perhaps more so when it comes to ethnic Chinese family-controlled businesses and conglomerates, that—as history has shown time and again—value the qualities of one principal leader above anything else, an aspect often mentioned by contemporary scholars researching family-controlled businesses. How to escape the dilemma of succession and other managing challenges are indeed not new issues when discussion ethnic Chinese family family-controlled businesses, as it was brought to light in the mainstream press even a decade ago during the 1997–1998 Asian financial crisis. Yet, now more than ever, it seems to be an important issue related to the legacy of power and influence, and how to extend them into the future. It is the same kind of dilemma of succession that every family business, Asian or Western firms alike, have to face sooner or later.

While the 1997–1998 Asian financial crisis was raging, it highlighted East Asian economic and financial vulnerabilities. Most importantly, it also increased awareness of regional economic and financial inter-linkages, as well as political patronage of businesses between certain ethnic Chinese family-owned conglomerates and entrenched military-bureaucratic elites in Asia.

This "Dark Side of Business in Asia," to use a phrase popularized by Michael Backman in 1999, in many ways represent widespread kleptocratic state practices or cronyism (see further Backman, 1999, 2001). Albeit, as noted by Mackie (2003, p. 112), "cronyism arose more from its political implications than the economic," the crisis worsened people's faith in the ideology of unfettered global capitalism, and likewise shattered the confidence in East Asia's development policies and management practices (see Lee, 1998; Woo & Sachs, 2000; Richter, 2002; Sharma, 2003). By doing so it reinforced the public image of cronyism that had emerged during the post-World War II era between prominent and wealthy ethnic Chinese oligarchs and dictatorial regimes, who came under fire in especially authoritarian Indonesia (Suharto regime) and, to a lesser extent, the fragile militaristic democratic Philippines (Marcos regime). History shows that some of the largest Chinese family conglomerates from Indonesia and the Philippines found themselves under attack by local politicians and faced severe public criticism as well.

Rumors, facts, and half-truth were coloring the local daily news, that it soon became a common knowledge that Indonesian business group Salim Group was bankrolling the Suharto regime, and that Philippine Fortune Tobacco founder Lucio Tan were greasing the political wheels by financing Joseph Estrada's successful presidential campaign. What is worth noting here is, as pointed out by Richter (2002), Mackie (2003), McCoy (2009), that the public outcry was not only directed against prominent Chinese businessmen to break the hold of Chinese businesses on the economy, but still more so because of the general discontent with the financial strength of the Chinese minority. The rise of ethnic tension, and the legacy of anti-Chinese sentiments and repressive socio-economic policies are well documented and needs no further elaboration here (for a more recent global perspective and comparative historical insight that goes beyond the common national or regional focus, see Kuhn, 2008).

A decade has already passed since the 1997–1998 Asian financial crisis and the world find itself again faced with a crisis of even bigger proportions. Most notable is that the ongoing crisis injected more momentum into the power-shift from the West to the East, as outlined in the previous chapter, but Asia has not come close to the potential everybody expected. Of course it goes without saying that this impacted upon the activities and future plans of the ethnic Chinese family-controlled businesses in Asia.

The obvious and simplest explanation why many well-run ethnic Chinese family-controlled conglomerates continue to rank high domestically is that any large-scale corporation has more resources and capital available to them and likewise better access to funds. Hence, larger Chinese family firms have created a stronger financial buffer or debt capacity to absorb risks of loss or business failure, and still being in a position with enough capital to implement new business plans. As noted by Young (2006b), Organizational improvements in terms of corporate government through bureaucratization and professionalization have gone hand in hand with changes in the financial structures. Many of these improvements have been done to secure capital in international financial markets in order to protect their position against the threat of hostile takeovers and acquisitions.

These and many of the other factors mentioned here will inevitably continue to have great bearing on what defines what is understood by ethnic Chinese family-controlled businesses, small and large, and how to interpret their power and influence.

4.12 SUMMARY AND CONCLUSIONS

As early as 1992, Peter Woo—one of Hong Kong's key leading businessmen and the chairman of the Wheelock/Wharf Group—pronounced that, "There are no friends in finance. The world has changed. They [old style Chinese entrepreneurs] need to realize we are in a world market and need an international culture" (Clifford & Engardio, 2000, p. 70).

The passage quoted above briefly sums up the view set forth in this dissertation that there are significant elements to the continuity of Chinese capitalism that inevitably makes it capable of adjusting to changing circumstances, such as those in the global context of competition and structural market changes in local business environments (see also, for example, Yeung and Olds, 1999).

In a broader context, the 1997–1998 Asian financial crisis amplified the importance for the majority of Southeast Asian economies to nurture local technology, human capital, and, perhaps more importantly, establish government agencies to finance, incubate entrepreneurial firms, and promote official policies that offer incentives for greater collaboration with foreign entrepreneurial firms, so as to seed new industrial clusters.

These profound changes, driven forward by changes in existing socio-economic structures, are opening a window of opportunity as well as significant challenges for ethnic Chinese capitalists in East and Southeast Asia. As discussed earlier, the decline in politico-economic alliances and also the rise of China as both a competitor and a place for doing business have reinforced the continual internationalization of ethnic Chinese family-controlled businesses. Not only has globalization intensified changes within the Chinese family business to professionalize and corporatize their business operations, but also exposed the upcoming successors to new testing grounds and learning experiences as domestic operations are being internationalized (see Tsui-Auch, 2004). Indeed, the Chinese family-controlled business has become less reliant on socio-economic networks, and has increasingly used the financial market to hedge unwanted risk and to access funding for their internationalization efforts (Yeung, 2004). It is not that these changes suddenly appeared from nothing or that they do not bring opportunities. These changes have been long underway, even before the mid-1990s, although the 1997–1998 Asian financial crisis clearly speeded them up.

The initial remark by Peter Woo exemplifies that Chinese capitalism is far from its traditional narrative. It is constantly changing; yet it maintains significant elements of continuity that makes it different from other capitalist systems, such as the family's remaining at the core of the business, the persistent articulation of Chinese-ness, and the fact that the branding of “Chinese culture” has the possibility to be used as a strategic resource when expanding operations overseas. In the words by another Chinese entrepreneur Tony Hsieh, CEO of the online shoe selling company Zappo.com, “Culture and brand are two sides of the same coin” (cited by Bennett, 2010, p. 400). Mixing national identity characteristics and company has often proven a successful recipe (see, for example, De Mooij, 2009; Tybout & Calder, 2010).

PART II

THE AXIS OF GLOBALIZATION AND THE BUTTERFLY EFFECT

INTRODUCTION TO PART II

When the Japanese expanded their production networks throughout East and Southeast Asia to help fuel the growing demands for their products worldwide, the Chinese family-controlled businesses were slowly appearing and stepping out of the Japanese shadow of dominance. The strong state involvement in industrialization and economic development, surrounding a network of politico-bureaucratic and military relationships, became almost the single most succinct way to describe what was happening in some Southeast Asian countries at that time.

When the processes of globalization and Asian regionalization reached new heights of international recognition, China cemented its position, followed closely by a confident India. As both Asian economies have achieved status as leading economic giants in the global economy, both have become main actors in global affairs, and both are equally trying to maximize the potential of their respective Diasporas.

When the axis of globalization slowly started turning from West to East in trade relations and finance, the global economic and financial crisis beginning in 2007 accelerated the shift in economic power to Asia. Many large Chinese family-controlled businesses remained resilient, weathering the crisis contrary to some predictions. Some were more successful, some more competitive, yet for the most part they remained family-managed and seemingly only getting stronger.

It is said that when a butterfly flaps its wings, its small actions—the chain reaction—have the potential to trigger big changes elsewhere. In many instances, the actions of the aforementioned large Chinese family-controlled businesses has caused a chain of events that is now visible everywhere in East and Southeast Asia, permeating every country, every industry and business environment. These changes have frequently been recognized as helping define how the fluidity of Chinese capitalism has gone through a rapid transformation and moved towards an increasingly hybridized mode in both its external and internal structures.

5 THE BUSINESS IN THE FAMILY AND THE FAMILY IN THE BUSINESS

5.1 CHINESE FAMILY-CONTROLLED BUSINESSES IN ASIA

Business in Asia in many ways tends to be a family affair. This is perhaps unsurprising since "family businesses have been the backbone of economies around the world for at least three centuries. Today they remain key players in industry, financial markets and commerce in Europe, the United States, and in Asia" (Credit Suisse, 2008, p. 4; see also Backman & Butler, 2003; Brody & Raffa, 2005; Furnham, 2005; Floren & Zwartendik, 2008; Morris, 2009; Quah, 2008).

Within the context of the family business, the literature of such disciplines as sociology, anthropology, economic geography, and Chinese business history has distinguished the evolution and dynamic nature of Chinese family-controlled businesses in East and Southeast Asia as distinct from other family firms (see also Redding and Whitley, 1990; Redding, 1991; Whitley, 1992; Keister, 2000; Regarding the pioneering studies by Redding and Whitley, see also comments by Bager, 2003, p. 231). Indeed, the economic success of the ethnic Chinese has prompted a variety of interpretations and theories to explain how a shared history with variations in cultural values and social capital, socioeconomic circumstances, and a complex family dynamic have evolved over centuries and generations (see also Carney & Dieleman, 2008). This dissertation's research and literature review chapter discusses these in detail.

Such studies as Redding (1993) and Haley et al. (1998) have sought, perhaps unintentionally, to transpose historical actualities into contemporary settings in order to explain ownership, management, and business-control structures and successful patterns of family succession. The 1997–1998 Asian financial crisis, however, made it increasingly apparent that this traditionalist-culturalist narrative and perception of "overseas" Chinese capitalist formation was incomplete and in some instances distinctively flawed. The introduction to Chapter 1 analyzes this.

For a couple of years following that financial crisis, debunking the myth and revealing the truth about Chinese capitalism became the focus of the scholarly publications and mainstream newspapers and magazines in addressing the phenomenon of the dynamics of Chinese capitalism, but the focus has apparently shifted somewhat away from ethnic Chinese family-controlled businesses and towards China itself as it rises economically, politically, and militarily. Although such businesses may have come to receive less publicity and academic attention, they have retained their fortunes, power, and influence, as the data that this dissertation has presented clearly indicate.

A great many ethnic Chinese family-controlled businesses, furthermore, have benefitted tremendously from East and Southeast Asia having entered a period of accelerated globalization and intensive international interaction involving trade, investment, and the expansion of capital markets (Yeung, 2004; Brown, 2000; Mittleman, 2000; Suryadinata, 2006). Changing circumstances have effectively pushed Chinese capitalism forward, and the pace of change has accelerated. This dissertation's research and literature review section discusses this further.

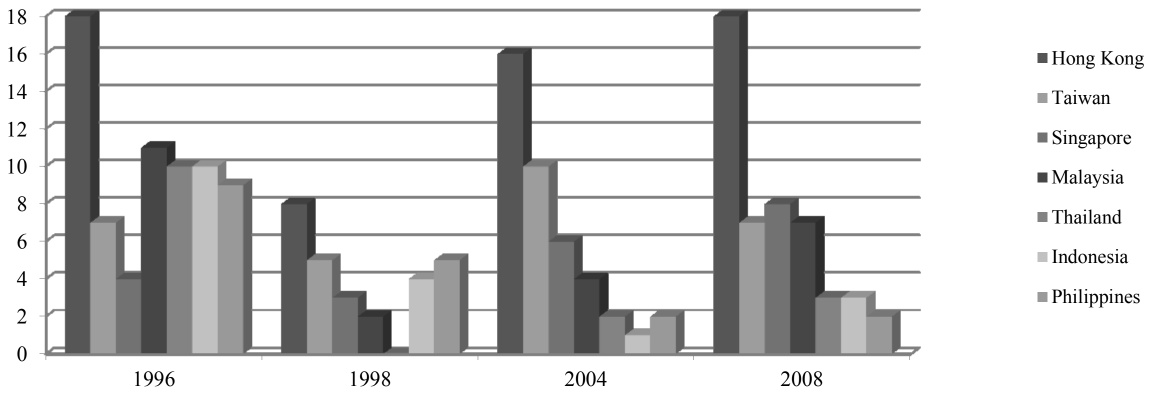
The previous chapter argued that a distinctive feature of ethnic Chinese family-controlled businesses is that they have followed a regional pattern of settlement and capital accumulation, which for a long time also meant maintaining traditional ownership and control mechanisms. Business settlement by Chinese families outside of China itself historically developed, flourished, or disintegrated in response to such external factors as the existence of discriminatory state regulations and other imposed special treatment. When Southeast Asia gained independence after World War II, the massive pullout of foreign capital and the weakness of the remaining foreign players created a vacuum that offered a unique opportunity for Chinese capitalism to grow and establish a presence both nationally and regionally (Zhu, 2000).

Another common factor has been these businesses' close connections with national economic growth processes and the influence that these processes and the political, social, and economic environments in postwar East and Southeast Asian countries have had on them. Their initial positions with regard to operational performance, financial structure, and cross-regional business networks, as well as their transition from small to large businesses evolved differently in many ways from the business-formation and management-succession practices in Japan, Korea, and other developed economies (Chen, 1995, 2004).

It is therefore unsurprising and altogether natural that these businesses' push toward export-oriented industrialization during the 1970s created many new opportunities financed by joint-venture capital in niche markets in East and Southeast Asia, especially within industries involved in the processing, assembly, or production of intermediate goods (Carter & Kwong, 2009). The intense investment activities by Japanese manufacturers during the 1980s created many spillover effects in the region, which to some extent enabled these businesses to take advantage of existing opportunities and such market imperfections as the unavailability of market information, weak market structures, and incomplete institutional foundations (Zhu, 2000).

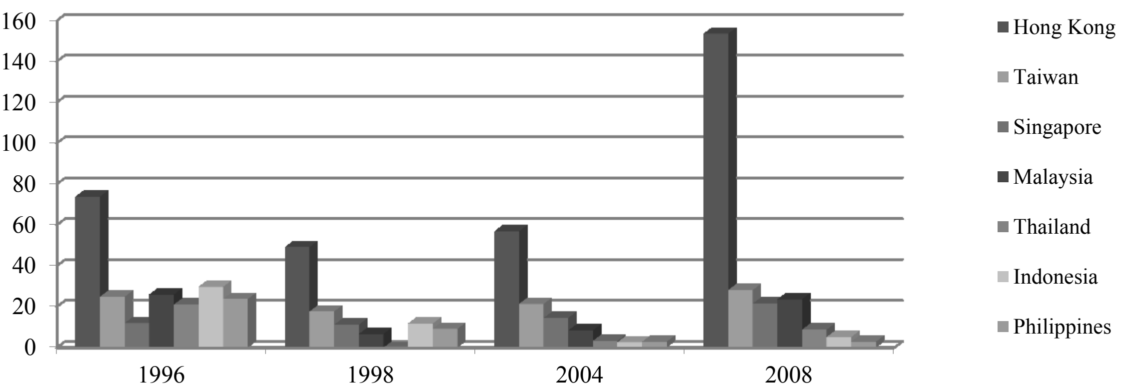
Even today, a select few Chinese family-controlled conglomerates continue to have notable influence in many financial markets, particularly in the financial centers and trading hubs of Hong Kong, Taiwan and Singapore. Being deeply embedded in these economies, a small number of ethnic Chinese family-controlled businesses have for decades dominated their financial sectors (Beng, 2004). Table 4.7 in the previous Chapter illustrates this. Figure 5.1 and 5.2 likewise illustrate the gravity shift of economic activity towards East Asia as the already wealthy ethnic Chinese billionaires with their family businesses have profited

Figure 5.1 No. of Chinese billionaires (number)



Source: Table 4.5

Figure 5.2 Estimated total net worth of ethnic Chinese billionaires (US$ billions)



Source: Table 4.5

immensely from their local economies becoming increasing entwined in the global economy along with the economic boost from China that is on its way to become “the world's second largest consumer market after the United States” (Duncan & Gardner, 2011, section, para. 1).

The survival of these prominent Chinese family-controlled businesses in East and Southeast Asia has in many ways been interlinked with the prosperity and economic sustainability of the economies in which they have operated and continue to operate. Less than a decade after Thailand's worst economic calamity gripped much of Asia, however, many of these businesses are now confronting the challenge of trans-generational leadership change. Some have been apprehensive about the ability of the younger family members to keep the business running, while others have hoped that the leadership change would result in growing independence from nepotism, favoritism, and crony capitalism, which have been widespread in these firms (Kaup, 2007). However, as noted by Bun and Kui (2001), among the economies where Chinese family-controlled businesses have flourished, Singapore is "the only case where Chinese capitalists have not had close ties with the state or key politicians" (cited by Gomez & Hsiao, 2001, p. 11).

The process of business succession is one of business owners' most important considerations, especially for those who want to make sure that their businesses will endure. This is the case for both Western and Chinese family-controlled businesses. For some business owners the burden of finding the right successor is far more complicated than the evaluation and alignment of business activities, and in some instances more difficult than appointing the top management team.

Notwithstanding the difficulties of keeping a business in the family, "…a good business can be a treasured family asset, not only form a financial perspective but also as a defined legacy for the family." In fact, according to one study, less than 50 percent choose to sell off their entire businesses, and some 84 percent of these business owners choose a family successor to ensure their families' fortunes, business power, and influence (Sander & Lambert, 2007, p. 199).

The business succession process involves the selection of people to fill key leadership positions. These people are usually already working within the company (Atwood, 2007). In the West, the traditional formal succession planning process often focuses on the identification and the development of those of the company's officers and employees who can assume important leadership roles as these become available. Some businesses owners, particularly in Asia, have particular people in mind, usually those who are part of their families.

5.2 CHAPTER OUTLINE

This chapter re-evaluates the dilemma of family wealth among some prominent ethnic Chinese family-controlled businesses in Hong Kong, Taiwan, and Singapore, and addresses the problems associated with business succession practices both in general and among those businesses. It provides a broad comparative view of "the family in the business and the business in the family," and takes a closer comparative look at these Chinese businesses' succession practices with Western family-firm practices both qualitatively and quantitatively. It also analyzes the dilemma of securing and controlling family wealth, power, and influence through family succession by examining the operation of some family businesses. Its quantitative analysis therefore includes statistical tests based on the data presented in Tables 4.8 to 4.10 in the previous Chapter 4 to measure these phenomena.

These tables present the businesses' financial data and the ages and consanguinity and kinship affiliations of their boards of directors in order to help identify which family members are likely to succeed to their businesses' leadership. Considering the net worth and ages of their presidents and board chairmen should provide an idea of how long they have been able to keep their companies financially sound, thereby implying that they have implemented the right corporate strategies.

5.3 INSIGHT INTO SUCCESSION AND COHESION

It is necessary to consider the phenomenon of family business succession in general before focusing on what makes business succession among the ethnic Chinese family-controlled businesses in Hong Kong, Taiwan, and Singapore more complex than that of their Western counterparts. Business succession needs to maintain organizations' competitive market levels via a "safe and sound transfer of leadership roles and responsibilities" (Krutza & Wiff, 2010, para. 1). Furthermore, according to Krutza and Wiff (2010, para. 4–10), the succession process therefore needs to (a) maintain organizational continuity; (b) identify the most capable next-generation leaders and senior managers within the organization; (c) entrust senior managers and leaders with new roles and responsibilities in addition their current ones; (d) develop leadership training programs; (e) identify and recruit managers and leaders from outside the organization who can meet organizational challenges, handle critical areas, and take the organization to a new level; (f) ensure that all these challenges have a positive impact on current employees, and (g) ensure that they are diligent, hardworking, and can work together with the senior managers.

Family businesses are the most common form of business organization in the world, and nearly all firms start out as family businesses. They account for 60 to 80 percent of all businesses globally (Flören & Zwartendijk, 2008, Alderson, 2011). More than half of all publicly listed companies in the US, with the largest national economy in the world, are still family controlled and more than one-third of all Fortune 500 companies are family owned or controlled (Poza, 2010). They also have significant macroeconomic importance in such other developed Western countries as the UK, France, and Germany. Many of these family firms continue to thrive after several generations. Family businesses continue to constitute a major portion of most developed market economies (Astrachan & Shanker, 2003; Morck & Yeung, 2003; Chirsman et. al., 2005). The number fluctuates because businesses open and close, and many definitions exist for what constitutes a family business. The same family-owned companies have consistently ranked among the top 100 companies in Germany, Italy, and France. As Colli (2002, p. 27) noted, however, "There are international differences in family firms' pervasiveness and structure, even if their contribution to GNP converges."

The predominance of small sole-proprietorships and larger family-controlled businesses in Chinese capitalism is therefore not unique. Although little has been made public about the failures of Chinese family-controlled businesses, it seems clear that historically their perseverance, commercial success, and regional domination in certain industries demonstrate that they have been able to reduce risk and remain profitable. The critical challenge of generational succession is also not unique to them. Due to East and Southeast Asia's special socioeconomic environment in and its countries' somewhat shared historical past, their possible solutions have been limited and often complex and cumbersome.

Fernandes (1999) and Sander & Lambert (2007) reported that only 30 to 35 percent of all family businesses (including Asian family businesses) survive into the second generation beyond the original owners, and only 5 to 15 percent make it to the third generation. This is similar to Siu-lun's (1985) model of Chinese family firms, and tends to support an old Chinese proverb that wealth does not pass beyond three generations and the Western proverb that families go from shirtsleeves-to-shirtsleeves in three generations (Boulding, 1990; Mackie, 1999; Lakshman, 2008). Similarly, the standard saying of family succession also says that "the first generation creates, the second inherits, and the third destroys" (Ward, 2004, p. 4). Some general reasons for this are (a) family conflicts; (b) a business' failure to adapt to rapidly changing business environments and tough competition; (c) the succeeding generation having insufficient interest or ability to run the business; and (d) socialization processes.

Given that the average generation-to-generation length is generally accepted to be between 25–27 years, Table 5.1 shows that many of the diversified Chinese family-controlled businesses are still relatively young due to their dramatic rise since the independence of Southeast Asian nations. Some prominent businesses, however, have existed since the early days of early (pre-World War II) industrialization and militarization of East and Southeast Asia (see Table 5.1).

Considering these aforementioned difficulties, Asian family businesses' 30 percent survival rate, which they have achieved through family strength, is remarkably good (Aronoff & Eckrich, 1999). They play a large role in preserving family values, legacies, wealth, and harmony, and in many ways act as the glue that keeps families together (King, 2010). Their succession processes involve such key players as family members, executives, and advisors in addition to the incumbent and the successor. These processes involve a complex amalgam of social, cultural, financial, legal, strategic, moral, and other dimensions that resist logical, methodical, and systematic thinking.

Their success therefore depends on how well the successors balance businesslike thinking with family-oriented thinking. Factors that contribute to the success of leadership transition are strategic planning, having an active board of directors, and frequent family meetings (Aronoff, 1998). Wah (2008) noted that family businesses' continuity depends on the family members having a strong determination to remain united and, perhaps more importantly, by having a vision for the future. In regard to the distribution of ownership, leadership, and wealth among the siblings or cousins, these businesses' continuity depends on their families' cultures and beliefs.

One of the key current challenges that many Asian families have to meet during succession planning is to overcome the senior and junior generations' attitudinal differences. The senior generations tend to base their value systems on traditions, old wisdom, and cultural adages

Table 5.1 Years in business of prominent Chinese family-controlled businesses, 2007

Company/Group name	*Major shareholder (founder of family)*	*Country*	*Est. period*	*Years in business*	*Industry*
Wheelock	Peter Woo	Hong Kong	1850s	> 157	Properties
Sun Hung Kai	Walter Kuok	Hong Kong	1970s	> 37	Properties
Henderson Land	Lee Shau Kee	Hong Kong	1970s	> 37	Properties
Cheung Kong	Li Ka-shing	Hong Kong	1970s	> 37	Diversified
New World	Chen Yu-tung	Hong Kong	1970s	> 37	Diversified
Far Eastern	Douglas Hsu	Taiwan	1950s	> 37	Diversified
Shin Kong	Eugene Wu	Taiwan	1960s	> 57	Finance
President	Kao Chinhyuan	Taiwan	1960s	> 47	Food
Acer	Stan Shih	Taiwan	1980s	> 27	Electronics
UOB	Ho Sim Guan	Singapore	1930s	> 77	Banking
OCBC	Lee Seng Wee	Singapore	1930s	> 77	Banking
OUB	Lien Yin Chow	Singapore	1930s	> 77	Banking
Hong Leong (S)	Kwek Leng Beng	Singapore	1940s	> 67	Finance
Creative Technology	Sim Wong Woo	Singapore	1970s	> 67	Electronics
Kerry Properties	Robert Kuok	Malaysia	1950s	> 57	Properties
Genting	Lim Goh Tong	Malaysia	1960s	> 47	Hotels
Hong Leong (M)	Quek Leng Beng	Malaysia	1960s	> 47	Diversified
YTL Corp.	Francis Yeoh	Malaysia	1960s	> 47	Utilities
Tan Chong	Tan Kim Hor	Malaysia	1970s	> 37	Automobiles
Lippo	Mochtar Riardy	Indonesia	1940s	> 67	Diversified
Salim	Liem Sioe Liong	Indonesia	1950s	> 57	Diversified
Sinar Mas	Oei Widjaja	Indonesia	1980s	> 27	Diversified
Charoen Pokphand	Dhanin Chearavonont	Thailand	1920s	> 87	Diversified
Bangkok Bank	Chati Sophonpanich	Thailand	1940s	> 67	Banking
Thai Farmers Bank	Banyong Lamsam	Thailand	1940s	> 67	Banking
Shoemart	Henry Sy	Philippines	1950s	> 57	Retail
Fortune Tobacco	Lucio C. Tan	Philippines	1970s	> 37	Food
Megaworld	Andrew Tan	Philippines	1980s	> 37	Properties

Source: Various corporate profiles.

that they have kept alive because the external environment has not influenced the direction or pace of reforms concerning succession. The desire to preserve family harmony makes succession tend to be implicit or tacit. The senior generations also tend to value conservativeness, concentrated wealth, loyalty, and a lack of delineation between wealth and business management. They also tend to distrust those outside the family and to avoid product development, commitment to brand creation, and investment in marketing (King, 2010).

The junior generations tend to be Western-educated; resulting in their having different ideas about management and business and being less reliant on old practices, particularly those that have lost their competitive effect (Yeung, 2004). They may have better career alternatives and opportunities outside their families' businesses. Furthermore, they also tend to be much more willing than their elders to invest in brand creation, product development, and diversification, to be performance and accountability-driven, and to have global as well as local perspectives.

Unlike the one-boss-one-successor way of thinking common among the older generation, management education now stresses collective effort (Aronoff & Eckrich, 1999). Families that treat their children equally are more likely to be receptive to team management in their family businesses. Such families are therefore likely to install successor teams because they are appropriate rather than as an expedient way to avoid conflicts, and their installation of a single, omnipotent successor can definitely be unwise (Aronoff & Eckrich, 1999).

Arthur Andersen/MassMututal (1997) found that 42 percent of US family firms in 1997 were considering co-presidents for their next generation. The challenge is to ensure that the family management teams selected are appropriate and properly developed and structured so that they can function effectively. This trend is now dominant, concludes the study.

According to the aforementioned study, most Asian businesses have no family shareholder agreements or other form of exit plan. This may be a cultural factor, as is the tendency to avoid having professional advisors, as the businesses' first-generation founders are likely to have envisioned their children owning their businesses and working together to continue them as family businesses. Questioning the feasibility of a corporate vision or dream and initiating talks about shareholder agreements, family members leaving the business or both may therefore be too sensitive to do.

Stewart (2010) found that unlike US family businesses, which tend to have one class of voting shares for family members and a separate class of non-voting but dividend-paying shares for outsiders, Asian family businesses generally have just one class of shares. The rationale underlying decisions to maintain family control, furthermore, tends to be a perceived need to maintain family wealth within the family. Families also need to recognize the importance of human and intellectual factors in maintaining family wealth successfully over time. Although financial capital is imperative for the survival of any business entity, such human-capital factors as learning capacity and integrating new ideas into existing practices are equally important for maintaining business dynamics and securing long-term survival (Martel, 2006).

Families further need to define their family system as being connected by affinity rather than by consanguinity, as concentrating on biological relationships tends to result in closed systems that limit the infusion of new human and intellectual capacity, as Chinese family-controlled businesses have traditionally done. In the Western context promoting and nurturing these factors is essential for the long-term viability of family business structures. Indeed, many unsuccessful family-controlled businesses have had systems that were closed and unwelcoming to the kind of social capital that they needed to stay dynamic. According to Martel (2006), family businesses therefore need to assign more importance to the professional and personal development of their existing employees rather than obligating them to contribute resources to the business. Business systems emphasizing the enhancement of individual growth tend to attract people who can add needed energy and dynamism (Martel, 2006).

Families also need to distinguish the different challenges involved in strategic ownership versus business management. Any management succession eventually needs formalized guidance in accordance with the vision of a strategic business owner in order to maintain dynamics and long-term survival. In general, management requires the right set of specialized knowledge to be successful. Business owners therefore tend to be absentees, leaving the daily management of their businesses to professionals. This, however, can lead to drastic reductions in their families' finances, so families need to expend more resources in order to learn the many strategic issues involved in maintaining business growth (Martel, 2006).

Finally, successful family-controlled businesses frequently require inclusive leadership systems that stress guidance provision rather than top-down systems that stress the leaders' own ideas and agendas. Most family businesses are top-down and impose rules and goals already set by another family member. This often results in the stagnation of their growth, eventually leading to their demise (Martel, 2006).

5.4 CHINESE FAMILY-CONTROLLED BUSINESS SUCCESSION

Such studies as Yeung (2000b), Jean and Tan (2001) and Tan (2001) have examined the process of business succession within the ethnic Chinese family-controlled businesses in East and Southeast Asia. Moreover, there are several unique features in Chinese businesses that historically have enabled them to reduce transaction costs in doing business, and find, create, uncover and promote wealth building opportunities—such as social factors that have enabled Chinese family-controlled businesses to grow and survive in any particular business environment (see, for example, Luo & Chen, 1997).

As in many Western countries, the countries in East and Southeast Asia have developed their own practices and cultures in regard to business succession. It is often argued that these Asian businesses have traditionally avoided relying on such professionals as tax advisors, accountants, and outside counsel in regard to business matters (see, for example, Redding, 1995, pp. 116–117). Unlike their counterparts in the US, their leaders tend to go it alone or to rely on family members or trusted lieutenants. The usual reason for this is that wealthy Chinese business owners have been reluctant to divulge financial details about family wealth, as others can use this kind of information against them (see related discussions in previous Chapter 4). This practice can have an impact on the succession process in many ways. According to Dunn (1995), "The issues confronting Chinese family business are similar to those that other family businesses in other cultures face" (cited in Tan & Fock, 2001, p. 137). Contrary to the suggestions in the literature espousing the restricted growth view of the Chinese family-controlled business, Tan and Fock (2001, p. 127) furthermore suggested the following key success factors: (a) entrepreneurial leadership of the second-generation leader, which mirrors the founder or leader in the preceding generation; (b) the Chinese cultural values that form the foundational culture of the business; and (c) the incorporation of western management practices.

HONG KONG

In line with the financial market of Hong Kong becoming increasingly globalized, two distinct and well-recognized tendencies continue to challenge and reshape the traditional and stereotyped perception of the Chinese family-controlled business. One central tendency frequently mentioned is the push by the local government to increase the growing number of accountants and auditors with extensive international professional recognition in order to increase regulation of the financial industry. The push towards more outside financial monitoring, international reporting standards, and internal compliance control of Chinese family-controlled business will significantly limit any potential wrongdoings, and slowly force each business to align with international standards and trends. Another critical tendency is that the Chinese family-controlled businesses are tapping into the stock market more aggressively and many have shed their decades-old distrust of foreign capital, as they are increasingly geared towards expanding their business operations in North America and Europe (Yeung, 2004; Jaggi, Leung, & Gul; 2009).

SINGAPORE

Singapore has become a modern metropolis in the heart of Southeast Asia. It is often referred to as being a bridge between East and West, and many regional business leaders there also voice their concerns about business succession. In 2009, the Singaporean *Business Times* ran an extensive survey about the importance of succession planning among some representative Chinese family-controlled businesses in Singapore. The following presents the three most interesting cases:

(i) Leung Kai Fook Medical Co Pte Ltd

In the case of Leung Kai Fook Medical Co Pte Ltd managing director Leong Mun Sum, smooth transition in the family business was done through well-enforced succession planning. Their family and attributes such as trustworthiness and competence were imperative in keeping the business successful; however, to maintain the winning formula, trust plus competence was key. The concern, nonetheless, was that, as is typical in "a traditional family, the culture of respect for the elders and each member makes it difficult to be frank in voicing their ideas and concerns" (*The Business Times Asiaone.com*, 2009, para. 2). In a broader sense, the family was able to address this concern by outsourcing help and by gathering family members up to the third generation to participate in the workshop. The workshop enabled them to envision a family charter, creating a family council and structuring shareholdings that will support their business growth.

(ii) Innoplan Technology Pte Ltd

In the case of the CEO of Innoplan Technology, the family also outsourced help by "hiring qualified consultants to groom key management staff" in order to familiarize them with leadership roles which are essential for succession (*The Business Times Asiaone.com*, 2009, para. 5). After identifying key personnel in place, an organization chart is communicated to provide a clear understanding of their roles and responsibilities as well as to make the most of the family's values and talents. This strategy enables them to set goals and objectives for themselves and to eliminate speculations about succession matters. Another key point is "sharing the business succession process with family members," sparing them unnecessary concern and speculation (*The Business Times Asiaone.com*, 2009, para. 8). "The key to succession planning is a sound corporate entity and a clear mission" that is more concerned about the employees' passion, hard work and tenacity" (*The Business Times Asiaone.com*, 2009, para. 9). According to the Director Arthur Tan, they are frank in telling their employees that they are constantly on the lookout for the right candidates to fill management and supervisory positions.

(iii) Bio-Design Pte Ltd

Aside from smooth functioning, Tay Chin Ann, Bio-Design Director, said that succession planning was critical for the company's growth and stability. For succession planning to be effective, it has to be an on-going process rather than a one-time activity to be dealt with during an annual planning exercise. This keeps the employees motivated and ready for progress. Their company's strategies for implementing succession planning include revamping "corporate identity and marketing materials, instilling stronger core values, skills and managerial training, staff appraisal, and applying for relevant certifications for health and safety standards" (*The Business Times Asiaone.com*, 2009, para. 7).

TAIWAN

In a study by Chung, Liu and Keh (2007), aimed at investigating the "relationships between succession events and performance, overlapping investment, and family ties in [Taiwanese] family business [groups] from the agency theory perspective," their research suggest that Taiwanese "family business group's overlapping investment by the owner-managers significantly affects its leadership succession." (p. 2) Moreover, whether or not "influence from the overlapping investment and the use of family ties in family business groups" affect succession, it was also revealed that "the higher overlapping investment over the core-managers in family business group [meant lower possibility of succession]" (Chung, Liu & Keh, 2007, pp. 16–17). The possible relationship between particularistic ties and business succession in the family was also realized to be insignificantly correlated.

In other related studies by Kung and Chung (2007), data that shows the concentration of family control reveals Taiwan as ranking 8th among East Asian countries next to Singapore. This also indicates that "Taiwanese-listed companies are typically family-controlled" and headed by family members, wherein sometimes the board of directors consisted of more than half of the family members. However, business in Taiwan is usually characterized by the absence of effective audit committees, low institutional ownership, an inactive market for corporate control, and independent directors not really being independent. The three main findings from this study can be summarized as follows:

(i) Limited Focus on Control Rights

Having only a 26 percent average shareholding, 208 of the listed Taiwan businesses focus on control rights instead of cash flow rights. The total of direct and indirect ownership by the largest shareholder in the family exceeds the firm's critical control share level. Among 251 listed companies, 20 percent of them use a 20 percent control cut-off criteria. Family-controlled listed companies have the highest stock collateral ratios and also have their control rights and cash flow rights diverge more than for other types of ultimate control structures (Kung & Chung, 2007).

(ii) Higher Cash Flow Rights

It was also observed that for the 251 listed companies in Taiwan, "higher cash flow rights were associated with higher market value while deviation of control from cash flow rights reduces corporate value, especially for families under family control" (Kung & Chung, 2007, slide 8). Also, in family-controlled listed companies, expropriation of minority shareholders is more serious (Kung & Chung, 2007).

(iii) Correlation Between Company's Size And Family's Shareholder Level

In other matters on shareholding, it was also observed that the critical shareholding level of family control is indirectly related to the company's size. When larger companies have lower levels of shareholding, families can gain more effective control over these companies. Expropriation is less favorable for family-controlled companies with higher shareholding because the family bears the larger share of costs. In this case, the more serious the expropriation of minority shareholders is, market value decreases.

5.5 OWNERSHIP AND CONTROL

According to Audretsch, Hülsbeck and Lehmann (2010, p. 1), the "benefits of family ownership and control of firms are at the center of the family business debate. Previous studies have used either family ownership or management as proxies for control." Schulze and Gedajlovic (2010) also found that depending on corporate size, corporate control and ownership remain important aspects in daily business management. This in turn would depend on the size of the firms, whether they are large or small. For small firms however, this could be a problem because of reasons such as their having a more hands-on and lesser bureaucratic management. For large firms, it still remains a question because of an insufficient understanding and lack of detailed knowledge of corporate governance in larger founder-controlled family businesses.

Berle and Means (1932) predicted years earlier that there will be a necessary separation of ownership and control as firms grow larger, which will replace the concentration of family ownership and control. However, with the majority of Asian companies still being dominated by family firms, this hypothesis has proven to be untrue.

A study was conducted by Jiang and Peng (2010) to determine the relationship between the firm's performance over family ownership and control on eight Asian countries of Hong Kong, Indonesia, Malaysia, Philippines, Singapore, South Korea, Taiwan and Thailand. The result of this study showed three hypotheses: (a) The governance of the family CEO has a positive relationship in Indonesia and Taiwan; (b) while a negative relationship is observed in Hong Kong; and (c) in the remaining countries, the presence of a family CEO has no significant impact on the firm's performance.

Villalonga and Amit (2006) have also presented a study on the performance of family firms, but the variables that they used are family ownership, and control and management. In that study, it was revealed that whether a family firm is generally more or less valuable than non-family firms would depend on how the three variables mentioned earlier would describe a family firm.

An important point in the study revealed that family management only adds value when the founder is the CEO of the family firm, or has a Chairman with a nonfamily member being the CEO. On the other hand, family management tends to destroy value when the descendants act as the CEO of the company. Significant value differences across different firms are also generated by the interaction between a family control and management (Villalonga & Amit, 2006).

In sum, in terms of managing their family firms, there is a noticeable difference between how a family firm manages their firms and non-family firm's management style. There is a limited number of research studies conducted regarding this topic because of several factors. One of them is the difficulty in distinguishing family and non-family firms. Another reason for this is due to the Berle and Means thesis, which states that the control of American businesses has shifted to the professional managers being hired by the company and not from among the ranks of the owners of these firms.

In a study conducted by Marc Dollinger (1991) regarding the management style of family and non-family firms, it was found out that the non-family firms are larger, which may be caused by the positive relationship of the executive's compensation to firm size and the need of companies to develop further in order to promote their personnel. This is the opposite case in family firms in which the company is more likely to be dominated by leaders who put their personal control above the firm's development. This limits growth opportunities since the management is not willing to yield control of operations to other capable people.

These tendencies among family firms represent a higher failure rate for family firms. Another practice of family firms stated in the study is that they rely less on the use of formal internal control systems, which may be due to their want of maintaining personal control instead of using impersonal, formalized procedures. The last point of the study is that there were clear differences in a firm's strategy depending on whether family was in control or not.

5.6 HONG KONG, TAIWAN AND SINGAPORE: A COMPARISION

There are now a wealth of studies and research on family businesses and the progression from one generation to the next (for an overview, see Gersick, Davis, Hampton, & Lansberg, 1997; Herbst & Coldwell, 2004; Poutziouris, Smyrnios, & Klein, 2006; Phan & Butler, 2008). However, the irony of the concept of family businesses is that the narrative of the three (or more)-generation stability theory of the organization actually distracts from their real capacity to positively impact the economic conditions of a region or country.

Following the previous discussion on ownership and control practices among family businesses in general, it can be seen that there are several problems associated with family firm management styles, including the way they handle their businesses and future leaders. Of course, this is not the case in all of the family firms operating around the world. There are some differences in the practices of each firm as influenced by their country or other factors that may affect their ownership and control beliefs individually.

Table 5.2 provides a statistical examination and cross-comparison of ownership, net worth, and age in regard to the family board members of the top Chinese family-controlled businesses in Hong Kong, Singapore, and Taiwan:

HONG KONG

The wealth of Hong Kong's 40 richest climbed amid closer-than-ever ties with the booming mainland. The average age of these handfuls of super rich Chinese billionaires is the mid-60s, nearing retirement age. Yet for the time being, they all remain in control of some of the most powerful and influential corporations in the local economy. Personal information has been gathered from Forbes. (All figures are in US dollars.)

> The average net worth of all businessmen on the list is a remarkable $5.77 billion, whereas the middle value is $2.8 billion. David Wong, 37, of Dah Sing Group just made the list with $1 billion in personal wealth, yet he ranks as 27th on Hong Kong's richest 40 people list in 2008.
>
> The leader of Cheung Kong Holdings and Hutchison Whampoa and Asian business icon Li Ka-shing, 79, tops Hong Kong's richest list. Dubbed "Superman" by the media, Li Ka-shing is the richest person in East Asia and has an estimated net worth of $32 billion, which placed him at the top of the list.

Wealthy Hong Kong bachelor Richard Li, 41, of the Pacific Century Group, is the youngest son of mega-tycoon Li Ka-shing. According to the Forbes World's Richest List, Richard Li has been dubbed "Little Superman" by the press, and ranked 24th on Hong Kong's richest 40 people list in 2008. He is considered to be among the richest men in the world. He is father to all three sons of famous actress Isabella Leong.

Casino billionaire Stanly Ho, 86, or Ho Hung-sun of Shun Tak Group, is the oldest among the tycoons in Hong Kong (Macau). Considering his years in Asia's biggest casino company, he ranked as the fifth wealthiest businessman in Hong Kong and the 140th in the world in 2008. Hospitalized briefly in late 2010 caused speculation about succession, after which his daughter Pansy Ho replaced "her father Stanley Ho as vice-president of the board of directors of Macau International Airport Company… Additional changes to the board include the replacement of the gaming tycoon's sister Louise Mok Ho by Daisy Ho, another of Stanley's daughters" (*Macau Daily Times*, 2010; *The Economist*, 2011). He has 17 children.

TAIWAN

Almost all of the island's entrepreneurs became richer. The average age of Taiwan's super rich Chinese billionaires is the late-60s, with a high majority of aging businessmen between 62 and 91 years of age.

The average net worth of all Taiwanese businessmen on the list is $2.57 billion, lower than Hong Kong, which does not necessarily imply anything. The minimum net worth value listed is $570 million, belonging to already retired Ting Piao Chao, 81, of the Walsin Lihua Group. His son has been chairman since 1996. He is placed at the 40th spot in the list of Forbes. Mr. Chao has already retired from managing the business, however. The maximum net worth in the list for Taiwan, as mentioned below, is Mr. Wang of Formosa Plastics, with a net worth of $6.8 billion.

Wealthy Kenneth Yen, 43, and Chairman of Yulon Motor, Taiwan's largest automaker, is the youngest of the richest people in Taiwan. He leads a joint venture with Nissan in Taiwan, and also has a joint venture with Daimler on the mainland. His mother, Vivian Wu, the group's former chairwoman and wife of its founder, died at age 96 in August 2008. Kenneth Yen is married and has one daughter, who is currently the only heiress to his fortune.

Deceased Taiwan's rags-to-riches plastics billionaire Yung-Ching Wang, 91, of Formosa Plastics, left no will at his death in October 2009 at age 92. The main beneficiary of Wang's fortune should be his surviving widow, Yueh-Lan Wang, who produced no heirs. He leaves at least two nephews and two daughters behind.

SINGAPORE

Singapore's economic turnaround is gathering speed. The island-state is looking to surpass China to become Asia's fastest-growing economy. In terms of net worth, Singapore has the largest figures among the three. This means that the Singaporean businessmen are richer as compared to the other two countries. Business might be doing well for the country and subsequently; it affects the firms operating in the country. On the average, the net worth of the Singaporean businessmen is $1,133.26 billion, which means that these businessmen earn extremely large amounts of money.

> Singapore's richest man in 2008 was Ng Teng Fong, who died in 2010 at 82. The eldest son, Robert, oversees Hong Kong-listed Tsim Sha Tsui Properties. There are also 5 other children, who are already part of the financial empire.
>
> Singapore has the lowest mean age among the three countries being compared here. This means that the businessmen in Singapore are quite a bit younger than those in Hong Kong and Taiwan. Singapore’s youngest billionaire is Koh Wee Meng, 45, of Fragrance Group.
>
> The eldest among the Singaporean billionaires is Chang Yun Chung, 90, of Pacific International Lines. Former United Overseas Bank executive Chung has 14 children and also ranks as the 14th richest man in Singapore. He founded the Pacific International Lines in 1967 when he moved to Singapore after leaving China.

Table 5.2 Statistics for age and net worth in Hong Kong, Taiwan, and Singapore

	Taiwan		*Hong Kong*		*Singapore*	
	Age	*Estimated net worth (US$ billion)*	*Age*	*Estimated net worth (US$ billion)*	*Age*	*Estimated net worth (US$ billion)*
Mean	65.93	2.57	65.17	05.77	62.39	1133.26
Median	62	2.30	64.00	02.80	63	330
Minimum	43	0.57	41.00	01.00	45	160
Maximum	91	6.80	86.00	32.00	90	7000

Source: Table 4.8 to 4.10

Table 5.3 Statistics for Chinese family-controlled businesses in Hong Kong, Taiwan and Singapore

	Mean	*Median*	*Minimum*	*Maximum*
Age	64.28	63	00.00	86
Estimated net worth (US$ billion)	437.23	32	00.00	7000

Source: Table 4.8 to 4.10

As shown in Table 5.3, all of the prominent billionaires in the Hong Kong, Taiwan and Singapore are aging fast, and many of the family-run empires may be facing the management issues at any given time. Overall, Singapore is the top performer, while Taiwan ranks at the bottom.

5.7 ASIAN FAMILY FIRMS VS WESTERN FAMILY FIRMS

WESTERN FAMILY BUSINESSES: AN OVERVIEW

The dominance of the family firm in all industry sectors in Western countries has for several years been the subject of intensive interdisciplinary research. Although several studies concerning family ownership and firm performance exist, few take advantage of using quantitative analysis in formulating conclusions. According to Corstjens, Peyer and Van der Heyden (2006), three major reasons can be put forth: (1) governmental agencies tend to regard the family businesses as distinct entities; (2) there exists no agreement on how to define and identify family businesses; (3) because of the private nature of family firms it is difficult to gather accurate information; and (4) there is no precise definition or formula in distinguishing the family-run business from its non-family counterparts.

Table 5.4 Distribution of major family-controlled MNCs by country

Ranking	*Country/ Economy*	*Number*	*Percentage*	*Examples*
1	United States	130	52.0	Cargill, Wal-Mart, Ford
2	France	17	6.8	Michelin, Peugeot, Carrefour
3	Germany	16	6.4	Henkel, BMW, Koch, R. Bosch
4	Italy	11	4.4	Fiat, IFI, Parmalat Firanziaria SpA
5	Mexico	10	4.0	Cemex, BBVA-Bancemer
6	Spain	8	3.2	Grupo Santander, Ferrovial, FCC
7	Canada	7	2.8	Bombardier, McCain, Magna Int.
8	Japan	5	2.0	Ito-Yokado, Suntory Ltd.
9	Switzerland	5	2.0	Novartis G., Roche, Tetra Laval
10	Belgium	4	1.6	C&A, Interbrew, Bekaert Group
11	Sweden	4	1.6	Ikea, Investor, AB, H&M, Bonnier
12	Turkey	4	1.6	Haci Omer Sabanci H., Dogus G.
13	Brazil	3	1.2	Comp. Brasileira de Distribucâo
14	China	3	1.2	Hutchison Whampoa
15	India	3	1.2	Reliance Industries, Tata G., Aditya
16	Korea (South)	3	1.2	Samsung, LG, Hyundai
17	Netherlands	3	1.2	Heineken, SHV Holdings NV
18	United Kingdom	2	1.2	Sainsbury Ass. British Foods
19	Australia	1	0.8	News Corporation
20	Kuwait	1	0.4	Abdul-Mohsin Al-Kharafi & Sons
21	Lebanon	1	0.4	Saudi Oger
22	Luxemburg	1	0.4	Spirito Santo Financial Group
23	Portugal	1	0.4	Jeronimo Martins
24	South Arabia	1	0.4	Saudi Binladin Group
25	South Africa	1	0.4	De Beers Consolidated Mines
26	Taiwan	1	0.4	Cathay Life Insurance
27	United Arab Emirates	1	0.4	Jumbo Group
28	Venezuela	1	0.4	Cisneros Group

Source: Casillas, J. C., Acedo, F. J., & Moreno, A. M. (2007). *International Entrepreneurship in Family Businesses.* Northampton, MA: Edward Elgar, Table 3.2, pp. 57–58.

Table 5.4 ranks major family-controlled businesses in the United States and Europe according to distribution and concentration. According to Credit Suisse (2008), approximately 42 percent of all these family entrepreneurs in the United Kingdom have no fixed succession or any effective plans in place at the time of their retirement. Many are still not taking these concerns seriously. The same study furthermore revealed that 17 percent or more of the medium-sized businesses in the United Kingdom have actually been in the family for about 3 or 4 generations. Half of these businesses follow the primogeniture practice in which the business is passed on to the eldest son should the founder already retire from managing the business (p. 5). As such, this clearly illustrates that family businesses outside Asia are struggling with the same problems and limitations as the Chinese family-controlled businesses. Yet, the United Kingdom is not the same as Hong Kong, Singapore, or for that matter Taiwan. The individual approach to succession planning cannot be properly understood without reference to the context in which they occur.

ASIAN FAMILY BUSINESSES: AN OVERVIEW

Numerous studies on successional and associated issues within Asian firms have appeared in recent years (see, for example, Sonfield & Lussier, 2004; Yan & Sorenson, 2006, Yang, 2010). A recent comparative study done by Xunhua (2010) identifies and summaries three specific differences between North American and Asian family firms:

(i) North America Family Businesses: Seeking Outside Managerial Advice

North American firms are generally more open to seek professional help and advice from outsiders in managing business operations, while Asian companies traditionally opt to just employ small accountants or lawyers as their advisers as to limit the dispersal of sensitive information. Although this approach ensures that business issues stay within the family, more complicated issues could be more difficult to rectify and easily lead to disastrous outcomes.

Employing outside resources is not without problems either. Although in many cases it ensures an outward unbiased perception of the way the business should be managed and operated, the cost involved can be prohibitive. Another drawback of the process is that the outcome easily could cause strategic confusion in the company. The overall management in the family firms has in many instances already formulated corporate visions and development strategies. Thus family members may not easily be swayed to change views and follow outside advice.

(ii) Asian Family Businesses: Lacking Exit Strategy

Another difference between these two types of firms is that the Asian companies in many cases have not established any family shareholder agreements (an agreement among parties whose interests are potentially conflicting) as an emergency plan for the company. This is a common practice among Western firms in which the plan is being legally drafted and made binding by hired advisors based on their recommendations and suggestions.

(iii) Different Trust Structures

And lastly, these types of firms differ in terms of the trust structures. North American firms consider it a common thing to use individuals to take trustee roles. In terms of bank trustees, however, it differs depending on whether the fiduciary risk is using a US asset trust. An Asian firm, on the other hand, is more inclined to use the bank affiliated trustee companies as their trustees and sets up their trust for non-profit reasons.

In terms of cultural differences, which essentially affect how Asian and Anglo-Saxon firms manage their businesses, a study by Gupta, Levenburg, Moore, Motwani, and Schwartz (2009) lists nine noticeable differences. It should be noted that the authors refer to Asia as

"Confucian Asia," a term which has been omitted here to retain consistency with the rest of this dissertation:

(i) Regulated Boundary

In the Anglo-Saxon region, the boundary between the family and the business is highly regulated in which the family business has no obligation in taking care of the family in times of need. This is the opposite case in Asia in which the family maintains a strong control over the resources of the family business because they consider the company's assets as family assets. This is moderately regulated in the Southeast Asian region. Even though the family resources are separate from the business resources, the company may still be obligated to support the family in times of need.

(ii) Business Reputation

Business reputation is used to attract not just external business partners, but also future successors in the company. Thus, when the company fails, the family would not try to salvage the situation by using its own private resources. In Asia, there is more emphasis put on a family's reputation. The performance of the company also marks the family's status. In Southeast Asia, there is a balance between the two. A family business is seen as an undivided asset of the families and the family often uses family resources to engage in multiple businesses.

(iii) Bridging Relationships

The strategies and markets chosen by the company are not entirely similar with those chosen by other family businesses in the community. Family businesses are free to move out from the usual. In Asia, this is traditionally said to be less important. There are some favors given to those who are connected with the family. They imitate each other's businesses and strategies. In Asia, this is moderately important. The ethnic communities dominate the activities within a geographically distributed area, and they have traditionally tended to build socio-economic networks and linkages that penetrate into ethnic communities. In Pakistan, for instance, a thick web of social ties is observed, in which in the majority of family firms are related to each other by blood or marriage, and complex, multi-layered professional relationships occur between suppliers, contractors and others.

(iv) Organizational Professionalism

Professionalism tends to be pervasive in the Anglo-Saxon region in terms of people, procedures, strategies, systems, technologies, and culture. They empower the employees and the executives of the company in order for them to make some strategic and operational decisions that are appropriate to their training and level. In Asia, this is usually confined to operational decisions. Senior management is expected to act professionally, while the planning and the decision making process only involves the inner circle of the family. In Southeast Asia, this is more felt by the younger family members since it involves the newer geographic businesses. The operational decisions involve the professional managers and employees, which are aligned with the family's priorities. However, financial decisions tend to be low performing in order to avoid taxes.

(v) Regulated Family Power

The exercise of family power within a business is highly regulated in the Anglo-Saxon region. There is space provided to enable the easy exit of any family member from the family business. The family's involvement in management is often regulated through a family forum in which the differences and conflicts among the family members is resolved. In Asia, this is highly personalized. The family still exercises their power from behind the scenes, although this is more true in East Asia than in Southeast Asia, where it is in the middle between the Western model and the East Asia model and we consequently see the exercise of power as partly regulated and partly personalized. However, exit from the business is generally contentious as ownership of the company tends to be jointly held and not clearly delineated among the family members.

(vi) Competitive Succession

Inter-generational succession tends to be competitive in the West, wherein the successors gain education and work experience that would be used to contribute in the operation of the business. There is a set of criteria for the successors, and the candidates must demonstrate competence so that they would gain the position. In Asia, the process tends to be cooperative. There are no criteria for the succession; rather, personal factors are used to decide who will be the next successor for the company. A certain practice needs to be exercised in which they view change as disruptive and so they try to stick with the original mission of the company even though the goods and services of the company are no longer needed in the market. In Southeast Asia, the process is moderately competitive. This is governed by the health of the predecessor and his or her expectations. The predecessors tend not to pass the reins of leadership to the next generations as long as they can still manage the company.

(vii) Gender-Cantered Leadership

Fair treatment being given to women in Anglo-Saxon family businesses is now considered the norm, as long as they are qualified to run the business and have the ability to do so. They are considered to have an equal right to govern the family business. In Asian businesses, the leadership role of women is relatively limited, and is generally only given to male children. But in cases where there are no male children, it is considered. In Southeast Asia, a more active role is given to women. If there are no sons in the family, then the daughter is given the liberty to manage the business the way she wants. She may even develop new product lines for the business if she desires.

(viii) Operational Resiliency

The operating culture tends to be moderately resilient in Anglo-Saxon family businesses. Changes in the company are allowed on a frequent basis. The family businesses practices—differentiation, specialization, organic growth and diversification—help them in doing better compared with their company through diversification and other means. In Southeast Asia, the family businesses demonstrate resiliency in different scenarios. In Thailand, nearly all businesses are being organized based on the *Kongsii* system (clan associations) in which the family combines all its resources under one umbrella that is controlled by the founder.

(ix) Contextual Embeddedness

The family businesses in all the three areas (Hong Kong, Singapore, and Taiwan) are contextually embedded, in which there is cohesiveness of culture extending to all stakeholders (family, business, community, business partners and employees). This is in direct contrast to the heterogeneity and distance of their competitors. In Asian business, the culture tends to be more resilient where the need to accommodate family business dynamics pertains to the direction of the company through diversification and other means.

5.8 SUMMARY AND CONCLUSIONS

In this globalized era, the role and importance of the Chinese family-controlled businesses remain intact and competitive; especially in the observed countries of Hong Kong, Taiwan and Singapore, where they have performed economically well (see Table 5.2). The winds of globalization have, however, not left them untouched, but forced them to adapt. There are seen considerable changes in their management styles in their efforts to adapt to changing business environments and varying customer needs and wants. In many ways, the patriarchs of these huge family businesses have been successful in retaining their "patriarchal power by interchanging and conflating the role of formal business head and the role of family head" (Mulholland, 2003, p. 203).

As is seen in the different graphs and charts related to the performances of these Chinese family-controlled businesses during the past years, a considerable growth is observed in their economic activities. However, due to their strong regional dominance this could inevitably intensify already existing monopolization tendencies in a country's economy by having several companies under their name. By doing so, they are able to operate and work in the different industries in the country. This is not an unusual practice for family firms, as a matter of fact. It is through this that they are able to gain power and control of the industry.

Family continuation based on blood is perhaps of the past. However, as is observed in Table 5.3, it is still a practice being exercised by the majority of the Chinese family-controlled businesses, although there are several companies, which refuse to include some of their family members to be involved in the business at all. Moreover, the majority of the companies that were studied in this Chapter have owners and founders who have already reached the age of 65. In general, this poses a problem in terms of the business succession issue. This ageing population of the business owners means that they would need business successors who can continue the company once they are gone. Somehow anticipating this pressing dilemma of succession, almost all of the Chinese family-controlled businesses surveyed here have young family board members already lined up.

Indeed, the process of business succession is a continuous one, which is to be passed on from one generation to another. The problems that these Chinese family-controlled businesses are currently facing could hinder the growth and the propagation of “Asian culture,” as this is observed in the performance of these family firms. The reluctance of the second generation to engage themselves in the family business cuts the ties of the business's continuous operation and the preservation of the family's values and culture.

Other problems that were highlighted are the difference in the management style between the Asian and Western family firms. According to the prevailing sources in the literature, the Asian family firms are still perceived as being stuck between traditional Asian management practices and not willing to embrace change. This traditional perception, however, stands in stark contrast to what I believe is the actual reality of modern Asian family businesses. I came to believe this by perusing several hundred corporate profiles, brochures, home pages, and other materials pertaining to the Chinese family-controlled business (see Annex section for listing of materials used).

6 BEYOND BORDERS: GLOBALIZING SOUTHEAST ASIAN CHINESE BUSINESS

6.1 THE FLUIDICITY OF CHINESE CAPITALISM

Millions of ethnic Chinese people have been involved in a unique form of economic development in Southeast Asia for centuries now, through which a collection of "entrepreneurs, traders, financiers and their closely-knit networks of family and friends" started increasing their wealth, power, and influence (Yeung, 2006c, p. 1; see also, for example, McVey, 1992; Reid, Cushman, & Alilunas-Rodgers, 1996). With their deep roots in China—their traditional Chinese cultural norms and social values—these ethnic Chinese businesses have adapted and evolved to rapidly changing institutional contexts and politico-economic conditions in their host countries in the Southeast Asian region. In Southeast Asia, Chinese capitalism has evolved into a major form of socio-economic organization, both because of its considerable impact on its adopted countries economically, as well as for its traditionally powerful and influential organizational structure being complex and intricate in nature. As highlighted by many researchers such as Brown (2000), Gomes and Hsiao (2001), Hamilton (1993, 1996, 1999, 2006), Jomo and Folk (2003), Redding and Witt (2007), this ability to adapt and weigh risks, and the variety with which the business activities are controlled and managed by the ethnic Chinese, has become the basis for some of the economies in the countries of the region (see further, previous research and literature review chapter).

After World War II until the late 1980s, a time when Chinese capitalism showed steady growth, the organizational structure of ethnic Chinese businesses remained almost unchanged. A new development trajectory came with the growth and rise of China as an economic power in the context of its growing globalization in the 1990s, which provided a significant positive impact on the growth of many ethnic Chinese family-controlled businesses. It is widely accepted that the 1997–1998 Asian financial crisis marked a critical turning point for the region, which also completely changed the fundamental nature and functioning of Chinese capitalism in Southeast Asia (Mohamed & Khalid, 2000; Chen, 2001; Hongfan, 2004). This signaled the end of a period of economic overconfidence and marked the beginning of a transition to a new politico-economic landscape in Southeast Asia.

The impact of globalization in general, the rise of China economically, and the changing political and economic alliances of Southeast Asia has furthermore led Chinese capitalism in Southeast Asia to become more globally minded (Yeung & Olds, 2000). Yet, at the same time some of the historically distinctive characteristics of Chinese capitalism continue to exist as they are continually being reconstituted (see, also Yeung, 2004; Hamilton, 2006). This process of constant reinvention neither resembles the traditional notion of Chinese capitalism, as it is known, nor the global capitalism universally known, pointing to an increasing hybridization of Chinese capitalism where change and continuity coexist. As argued by Young (2004) the emergence of Chinese capitalism in Southeast Asia, in a hybrid form, is in effect a distinctive feature of its politico-economic scenario.

6.2 CHAPTER OUTLINE

In order to better comprehend the external and internal factors that continue to influence the recent phenomenon of Chinese capitalism as it is unfolding in East and Southeast Asia, this Chapter will mainly focus on the following: (a) provide a brief reminder of the key elements that enabled Chinese entrepreneurs to expand their power in tandem with the growth of East Asian Economies (see also Chapter 4 for more elaborate discussions); and consequently discuss (b) the link between ethnic Chinese and Japanese business networks; (c) transnational entrepreneurship among contemporary Chinese family-controlled businesses; (d) the push towards internationalization; (e) the need for greater professionalization; and finally (f) the implications and impact of a rising neighboring China.

As noted by Wong (1988), the recent phenomenon of Chinese capitalism in Southeast Asia going international or even global is not new, as many first generations of ethnic Chinese entrepreneurs were in fact migrants or "emigrant entrepreneurs" (see also Reid, Cushman, & Alilunas-Rodgers, 1996; Pan, 1999; Ma & Cartier, 2003). Ethnic Chinese capitalists taking steps to go beyond borders and nations bring with them their main socio-economic organizational distinctiveness, which have endured during their evolution and growth in their host countries in Southeast Asia along with their financial capital and business knowledge. While entering new markets in Asia or even into North America and Europe, these Chinese capitalists from Southeast Asia frequently face different and contrasting operating environments that have forced them to change and adapt to the local environments to succeed in the host countries. With the process of adaptation to foreign markets and imbibing of new business practices, the distinctive economic activities of ethnic Chinese family-controlled businesses in their home countries in Southeast Asia also undergo change and transformation. Consequently, ethnic Chinese family-controlled businesses in Southeast Asia have over time become agents of change in their residing countries while going through the process of internationalization (see further Brown, 1995, 2000; Wang, 2006).

A long chain of factors has inevitably pushed and pulled the ethnic Chinese family-controlled businesses in Southeast Asia at large to go international, if not global. For example, while a new politico-economic environment quickly arose after the 1997–1998 Asian financial crisis and China's continued growth gained momentum and spread far beyond Asia, other factors such as an accelerated saturation of domestic markets and increasing competition from local and foreign firms in the local markets have also provided incentives to change.

The previously comfortable monopolistic positions held over time by many ethnic Chinese capitalists were threatened and challenged by some of the changes from the aforementioned significant contextual changes after the 1997–1998 Asian financial crisis resulted in the "rising marketization, deregulation, and liberalization of various sectors of the economies" in Southeast Asia (Yeung, 2006c, p. 359). This increasing and continuing threat domestically influenced the regionalization and internationalization of ethnic Chinese capitalists in Southeast Asia.

As a result of the 1997–1998 Asian financial crisis, the focus of many scholars and critics on the success of the ethnic Chinese capitalists in Southeast Asia—termed as the "Asian miracle"—has shifted towards the structural weaknesses of economies of Asia. The so-called rent-seeking behavior that defines the act of deriving economic favors through political and economic alliances with patrons by ethnic Chinese capitalists in Southeast Asia, which was also termed as "ersatz capitalism" by Yoshihara (1988), started dissipating (see, for example, Jesudason, 1989; Gomez, 1999). Coinciding with this significant alteration in the emerging modes of Chinese capitalism in Southeast Asia followed by the far-reaching and structural socio-economic transformation of Southeast Asia, ethnic Chinese family-controlled businesses experienced not only increasing competition from other regional ethnic Chinese, but more so from the growth of new mainland Chinese companies and non-Chinese business communities. In many ways, the uncertainties of the present and the rapid changes resulting from the 1997–1998 Asian financial crisis have led to the significant transformation or even the demise of "ersatz capitalism" in Southeast Asia (see especially Yeung, 2006c).

So what do these changes mean? Given the ongoing tremendous changes in the global, regional and local environments in which ethnic Chinese entrepreneurs have operated their businesses in the recent past, there is a greater need for an update on understanding this social change. Many Asian scholars such as Redding and Whitt (2007) and Yeung (2007) argue for the need to explore the new breed of ethnic Chinese entrepreneurs, who have developed in response to these changes. As a matter of fact, ethnic Chinese entrepreneurship should no longer be examined solely based on the traditional approach, which emphasizes the importance of Chinese family business networks. As argued earlier in the research and literature section, there should be a shift in focus towards a complex and intricate relationship between the entrepreneurs individually and the rapidly changing environment in which the business is operated.

6.3 EAST ASIAN ECONOMIES: SURFING THROUGH THE CRISIS

Understanding (a) the East Asian economies in which many of the Chinese entrepreneurs operate their business, and (b) examining in particular whether there was a significant long-term impact on the growth and development of the East Asian economies during the 1997–1998 Asian economic crisis, will provide a clear perspective of the tremendous changes in Chinese entrepreneurship. Widely available data shows that the aforementioned crisis did not have a lasting impact on economic growth in the region, though it cannot be denied that it had a significant immediate impact. In fact, engulfed by recession and devaluation, many countries faced deflationary pressures. According to Wong (2006), the meager performance in the subsequent years could be attributed to the effects of the global meltdown resulting from the Internet and Communication Technology (ICT) bubble that burst in 2000, rather than the 1997–1998 Asian economic crisis. Moreover, the temporary slowdown of economic growth did not hamper the assimilation of East Asian economies and their growing relationship with global capitalism.

In normal terms—though there was visible stagnation or reduction in growth—after necessary adjustments to price deflation, many of the East Asian economies bounced back significantly in terms of their per capita GDP and annual growth rates. Hong Kong was the only exception in the region, where the recession lingered till 2003—coinciding with the outbreak of SARS (Severe Acute Respiratory Syndrome)—mainly due to the incompetent handling of the recession by the newly formed government, resulting in a very slow recovery. The growth rates achieved by the East Asian economies were substantial and better than many of the developed economies such as the United Kingdom and the United States, highly influenced by the booming Chinese economy as China was turning into a de facto global factory. China boasted a rate of 7–9 percent annual growth between 1998 and 2003, which was enviable but relatively low when compared to the high growth rates in the early 1990s (Wong, 2010).

Besides the steady economic growth of the East Asian countries, there has historically been a significant increase in investment activities within the region. The predominant inflow of foreign direct investments to the region has traditionally been from Great Britain and the United States. This investment flow gradually shifted to Japan, as Japanese firms started looking for better investment and production activities in East and Southeast Asia (Lobanov, 1995). As the FDI in the region continued to remain high, the lead shifted to the Four Little Dragons (Taiwan, South Korea, Hong Kong and Singapore), particularly with their investments in China (see Hicks, 1989; Blomqvist, 1997). Severe internal labor shortages, heavy foreign exchange reserves, restructuring of the economy and comparative advantages found in the changing environments of neighboring countries were driving forces for the Four Little Dragons' engagement in foreign investments and search for better production locations in China, Indonesia, Malaysia, Thailand and Vietnam (Wong, 2010).

The importance of exports and imports from developing countries increased considerably between 1970 and 2003, with much of the growth derived from the East Asian region. East Asia's share of exports showed an exponential growth from 21.9 percent in 1970 to 60.4 percent in 2003. Notably, China rose strongly with a fivefold increment and the Four Little Dragons' indicating an almost threefold increment (Wong, 2004). The growth of East Asia was taking place at the expense of other developing countries, particularly from the African continent, as the developed countries remained highly skewed in their economic growth. East Asia excluded, there has been literally no change in international trade among the developed countries despite the globalization hype and its associated positive effects, creating a new geography of international trade, which was labeled by UNCTAD as "South-South trade" (UNCTAD, 2005).

Chinese entrepreneurs continued to expand their power in the region, riding on East Asia's growth trend (Gomez, & Hsiao, 2001). Malaysia is a proven example where the Chinese entrepreneurs grew significantly over time when compared to the Bumiputras there (the definition of *Bumiputra* clearly excludes ethnic Chinese), who were severely affected by the crisis (see also Studwell, 2007). As noted by Gomez (2004), the equity floated by the Chinese in the Malaysian stock market doubled in the three decades up to 1999 in spite of the efforts taken by the Malaysian government to strengthen the Bumiputras through policy implementation to destabilize the ethnic Chinese entrepreneurs. The ethnic Chinese entrepreneurs took advantage of this situation and further consolidated their position in the Malaysian economy. Though cultural heritage can be imagined as the factor behind their success, many other factors have played equally prominent roles. For instance, it would be apt to attribute such ability to ethnic Chinese entrepreneurs' high savings rate to face the 1997–1998 Asian financial crisis and also their risk taking ability in buying the failing businesses of Bumiputras as well as those of their own co-ethnics. For the new breed of transnational entrepreneurs in Malaysia with their increasing trade relationship with China, these economic activities proved to be highly profitable and similar developments were observed in Indonesia and Thailand as well (see also Granitsas, 2000).

Despite a short break due to the 1997–1998 Asian financial crisis, the region displayed consistent growth and increased interdependency, resulting in an integrated economic system in the region. In this regard, the 1997–1998 Asian financial crisis should be seen as an economic correction in removing the excesses such as speculations in property and equity markets similar to the ICT bubble in 2000, rather than viewing it as a result of deficiencies in Chinese capitalism. Moreover, as Western capitalism was transformed into global capitalism triggered by the 1973 oil crisis, the transformation of East Asian economies as active participants in the evolution of the global system should be seen as a result of a catalyst derived from the 1997–1998 Asian economic crisis. This development and transformation has ensured, among other things, increased economic activities and cooperation amongst the managers of global companies, transnational entrepreneurs, and local entrepreneurs, and all of them could be regarded "as some form of reincarnation of 'Chinese entrepreneurs.' In this light, the transformation of Chinese entrepreneurship is an ongoing process; it is still too early to perceive its final destination" (Wong, 2006, p. 21).

As further noted by Wong (2006), Chinese entrepreneurs will play a significant role in global economic development in this century; indeed, it may become considered as the "Chinese century" as predicted by a few scholars and pundits (see also Shenkar, 2006). As the Chinese entrepreneurs integrate more with the global capitalist economic system, whether their culturalistic characteristics lead them to developing and adapting to alternate business structures and management practices still remains to be seen. In this regard, it is worth examining (a) whether the Chinese entrepreneurs will follow Western practices and embrace institutionalized and socialized environments for their economic activities, and where that will lead them in adapting in the rapidly growing global environment; and (b) whether that adaption will only lead the study of Chinese entrepreneurship beyond past conclusions shaped by ethnic cultural understandings.

Various studies on Chinese entrepreneurship and their business practices have focused more on the presence of social networks in business instead of treating Chinese culture as an essential entity (for representative authors and their works, see research and literature review chapter). The direction has shifted from focusing on individual or cultural details to maximum utilization of the available resources given the structural constraints. Though there is a danger in viewing even the social networks as a cultural characteristic, utilization of family and friends by the entrepreneurs can be viewed as skillful manipulation and exploitation of the resources available. Being prevalent and operating across the business world, social networking is not necessarily Chinese (see, for example, Dunn, 1995; Lin, 2007). To understand the intricacies of Chinese business networks, however, it is necessary to understand whether and how Chinese business networks differ from other business networks in the world in terms of their structures and processes. The Chinese entrepreneurship environment and the East Asian economy as a whole have undergone significant changes in the past few decades owing to various factors such as globalization, technological advancements, influence of Western values and lifestyles, demographic changes and institutionalization.

6.4 CHINESE AND JAPANESE BUSINESS NETWORKS: THE LINK

Although each of the countries of East and Southeast Asia has developed major companies, Japanese, South Korean and ethnic Chinese businesses have come to dominate the regional economy (Berger & Borer, 1997; Berger, 2004). In doing so, they have nurtured networks of more local firms in ways not commonly found outside the region. Most importantly, as Japanese FDI has spread to various parts of the Asia-Pacific, so have Japanese business structures and practices come to permeate the region. During the 1970s, Japanese manufacturing companies began investing in South Korea, Taiwan, Hong Kong and Singapore and in the early 1980s some Japanese manufacturing companies moved into Malaysia and Thailand (see also Lim, 2008, Chapter 6). However, the structural changes taking place in Japan combined with the rise in the value of the yen in the wake of the 1985 Plaza Accord forced a number of Japanese firms to relocate a significant part of their manufacturing production outside of Japan (see, for example, Kimura & Ando, 2006). Initially, these companies looked to South Korea and Taiwan, but as the currencies of these countries also began to appreciate, many companies turned to the ASEAN region. As a result, Japanese FDI in the ASEAN economies increased significantly (Lim, 2008). The regional investments of Japanese manufacturing companies forced their competitors to follow suit in order to establish low cost export platforms of their own in Southeast Asia. As a result, South Korean companies as well as ethnic Chinese companies from Taiwan, Hong Kong and Singapore have also spread throughout the region.

As both Japanese and ethnic Chinese companies have sought to gain a competitive edge, they have increasingly developed close business links. In fact, many of these ties date back to the period after the World War II when the Japanese were attempting to re-establish their presence in the Asia-Pacific region. Especially in Southeast Asia, where the business environment remained na information void or, in the words by Haley and Tan (1996), “The black hole of South-East Asia,” Japanese companies found that ethnic Chinese businesses provided them with invaluable information about local markets and major Western companies. For their part the ethnic Chinese family-controlled businesses were willing to take chances on Japanese manufacturers in the hope of gaining on the local and Western competition. By the 1970s the extent of these linkages was such that “almost all Japanese joint ventures in Singapore and Malaysia were with local Chinese and about 90 percent of Japanese joint ventures in Indonesia and Thailand were made through Chinese middlemen” (Stubbs, 1995, p. 794). This trend continued in the post-Plaza Accord wave of investment that swept over Southeast Asia in the late 1980s and early 1990s (see also Stubbs, 1994, 1998; Chang, J., Kim, B & Lim, H.-C., 2004; Brautigam, 2006).

It is perhaps not surprising that Japanese and ethnic Chinese family-controlled businesses have forged links given the similarity of approaches and practices they exhibit. To some extent, the most historically common feature of Asian economies has been whether firms are organized into networks or business groups. As argues by Fruin (1992) and Gerlach (1992), Japanese networks based on an overlapping and subsequent reinforcement of ownership, financing, production, exchange or distribution have been the prevalent form of organization, whereas ethnic Chinese networks have been characterized as being more fluid. Traditionally cross-border networks based on family and language linkages have played a vital role in the success of ethnic Chinese family-controlled businesses.

According to Stubbs (1998, p. 76), "Given the common emphasis on networks of firms, it is not surprising that Japanese multinationals and small- and medium-sized Chinese family-controlled businesses have combined to form country-specific and region-wide production networks. These regional networks have been especially effective in allowing for the integration of technology-intensive and labor-intensive production processes." For example, in Malaysia, a feature of the post-Plaza Accord wave of FDI has been the extent to which Japanese companies have become hubs in the establishment of networks, which include local and regional firms for the manufacture of electronic goods. The network structure of Asian economies and the relative economic power of these networks make the patterns in Asian economies quite different from the patterns of competitive inter-firm relations that exists in Western economies (see also Hatch & Yamamura, 1996).

A further differentiating factor of the Asian model is that both Japanese and ethnic Chinese business networks have sought links to governments and quasi-governmental organizations when it has been in their interest to do so. In Japan, the general role of government in managing the economy has alerted Japanese networks to the benefits of working with governments and the close links between Japanese firms and governments have been confirmed in Japan's aid program in the Asia-pacific region (Fruin, 1992; Gerlach, 1992). Similarly, in a very pragmatic way, ethnic Chinese firms have cultivated good relations with governments and when it has benefited them, coexisted and indeed developed a symbiotic relationship with public enterprises. Certainly, there are numerous instances in Southeast Asia of Chinese businesses doing very well out of their links to government (see also Chen 1995, 2004).

The main actors in the Japanese networks tend to be the larger global companies that historically have had the most success in developing heavy industries. In contrast, it is generally accepted that ethnic Chinese business networks in southeast Asia are generally made up of a vast number of small- and medium-sized companies that have had the most success in light industries, together with some few large and powerful ethnic Chinese family-controlled conglomerates (see, for example, East Asian Analytical Unit, 1997). Despite these differences, both Japanese and Chinese networks are predisposed towards similar business philosophies. Chinese businesses are characterized by management's responsiveness to customer and market needs, mutually interlocking ownership of firms, and by a willingness to share information and resources among members of a business network.

According to Stubbs (1998, p. 77), "Although Japanese firms tend to be more bureaucratized, they echo many of these characteristics." Moreover, as noted by Harianto (1993), "Among ethnic Chinese businesses the strategy of low margin, high volume tight inventory and cash control and the reliance on third party financing was manifest everywhere, even before the Japanese multinationals popularized the market share and just-in-time doctrines" (cited by Stubbs, 1998, p. 77). Although there are clearly a number of important differences in the way Japanese and ethnic Chinese firms and networks operate, the similarities are striking. Their predisposition to use business networks and to work closely with governments certainly serves to reinforce the argument that Asia-Pacific capitalism is very different from the more neo-liberal form of capitalism often associated with globalization and most commonly found in North America and the United Kingdom.

6.5 TRANSNATIONAL ENTREPRENEURSHIP

Upon closely examining the economic activities of the contemporary ethnic Chinese entrepreneurs and their business operations and transactions, it is clearly evident that the ethnic Chinese entrepreneurs have taken significant departure from their traditional image (see, for example, Jomo & Folk, 2003; Yeung, 2004). This is to some extent also visible in their degree of transnationalization and global reach, as illustrated in Tables 6.1 and 6.3. No longer are the ethnic Chinese entrepreneurs mere petty traders or the street hawkers of old, nor simply small-scale industrial manufacturers with limited skills, capital and knowledge (Wong, 2010). Even though many businesses continue to remain small in size, franchises, chain stores and multi-division conglomerates have started dominating the local markets of the region, when it comes to volume of sales and penetration into the market. Moreover, some of the business entrepreneurs are engaged in activities that require heavy capital and advanced technical skills, just like their Western counterparts.

Further, many have become transnational entrepreneurs by relocating or having their business operations in part or full in other countries in the region. As a result of these developments, there is significant impact on the structure of the organizations and also the management practices employed in the businesses, departing from the conventional family firms, to face the competition from the local and international companies. For example, as noted by Wong (2010), the growing number of Taiwanese businesses in Vietnam has forgone the traditional and standardized business strategy and deviated from their commonly used management and organizational structures in their home country.

Also, according to Wong (2004), today the organizational structures of many ethnic Chinese firms are increasingly similar to their Western counterparts. This phenomenon is particularly true when it comes to large conglomerates such as Esprit Holdings, Hutchison Whampoa and Li & Fung, all of them having a global reach. Most of these conglomerates adopt open corporate governance structures so that they can satisfy the interests of major and minor shareholders, employees, customers and other stakeholders (Wong, 2010). The success of these companies has further influenced the adoption of similar structures by other small and large corporations. Further, the fast growing needs and demands of the local consumers and increasing global competition has also forced these modern entrepreneurs to deviate from the familial management structure.

As argued by Chen, Jou, and Hsiao (2004), the stronger the links the ethnic Chinese manufacturers have with Western multinational firms and trading companies in the global production network, the greater pressure they face to adapt to efficient management structures. Traditional practices such as a family member holding a senior position in the organization is no longer considered a guarantee of harmony and loyalty; rather, it is even seen as potentially hindering the growth and survival of the firm. For example, common business sense tells us that entrepreneurs who are aggressive in their aspirations become market leaders and innovators who tend to initiate reforms in organization and management. Though increases in market share, profits and consolidation of consumer loyalty are not guaranteed by such reforms, such entrepreneurs will naturally place expected payoffs as their top priority and not be negatively swayed by family ties or overly rely no traditional practices that may no longer serve the best interests of the firm.

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Table 6.1 shows the leading Chinese family-controlled businesses among the top 100 transnational corporations from UNCTAD's list of emerging economies. Based on the transnational index and ranking, Chinese family-controlled businesses have not only doubled in number from 17 in 1995 to 30 in 2006, but also in terms of a steady increase in transnationality for the whole period. The majority of these Chinese family-controlled businesses are from Hong Kong, numbering about two times higher than Taiwan and three times higher than Singapore. It is clear that their foreign share of assets and employment have increased dramatically, surpassing 50 percent on average in 2006.

Table 6.2 illustrates the internationalization of ethnic Chinese firms from East and Southeast Asia in 2005. The top three non-financial industries with the highest market value were publishing and hotels, while the top 10 non-financial companies with the highest market value had a global scope and were predominantly located in Singapore. On the other hand, the financial companies with the top 10 highest market values were found mainly in Singapore, Malaysia, and Thailand. All of these financial companies had operations that were global in scope.

Table 6.3 compares Japanese and ethnic Chinese manufacturing transnational corporations in 1996 and 2006. Perhaps not unexpected, the ranking of the top 8 Japanese TNCs have remained the same in that decade. The majority of these Japanese TNCs have increased their output in response to an increasing world demand, as reflected in an almost double asset base and rise of total workforce. The ethnic Chinese TNCs, in contrast, have grown at an even higher rate since 1996. Taiwanese high-tech TNCs, especially, have experienced tremendous growth in total assets and overall employment, including hiring foreign workers. While only 17 were Chinese TNCs, making it on the list in 1996, the number had increased to 24 in 2006, of which 17 Taiwanese TNCs made up the majority. Indeed, the table not only illustrates that the majority of the top Japanese TNCs are now encountering strong international competition from their Chinese counterparts, but that Chinese TNCs and their investments abroad have become larger players on the international stage and are having an ever-growing impact on the economies where they operate.

Table 6.1 How ‘global’ are the leading Chinese family firms among the top 100 transnational corporations from emerging economies?

Transnationality index[1] and ranking						*Company/Group name*	*Founder/family*	*Country*	*Industry*	*Foreign share of assets (%)*			*Foreign share of employment (%)*		
Rank	*1995*	*Rank*	*2000*	*Rank*	*2006*					*1995*	*2000*	*2006*	*1995*	*2000*	*2006*
—	—	—	—	2	99.9	Lee & Man Paper Mft.	Patrick Lee	Hong Kong	Paper	—	—	—	99.9	—	99.8
—	—	—	—	3	98.8	Want Want Holdings	Tsai Eng Meng	Singapore	Food & beverages	—	—	—	100.0	—	96.4
2	72.6	17	81.4	4	97.5	First Pacific Company	Liem Sioe Liong	Hong Kong	Electronics	55.4	91.1	92.5	72.9	99.4	99.9
—	—	—	—	6	96.7	Road King Infrastructure	Zen Wei family	Hong Kong	Transport	—	—	—	95.9	—	100.0
—	—	—	—	10	93.9	Pacific Andes Int’l Holdings	Ng Swee Hong	Hong Kong	Food	—	—	—	96.5	—	96.6
—	—	—	—	12	91.7	Galaxy Entertainment Group	Lui Che Woo	Hong Kong	Leisure	—	—	90.2	—	—	95.9
—	—	—	—	13	89.3	Asia Food & Properties	Muktar Widjaja	Singapore	Food & beverages	—	—	92.9	—	—	77.3
—	—	—	—	14	88.3	Li & Fung Ltd.	Li & Fung Brothers	Hong Kong	Wholesale	—	—	97.8	—	—	69.5
—	—	—	—	16	85.5	Esprit Holdings	Michael Ying	Hong Kong	Textile	—	—	—	84.7	—	83.1
—	—	5[2]	79.9	17	82.8	Shangri-La Asia	Robert Kuok	Hong Kong	Hotels	—	79.0	92.7	—	79.0	77.4
14	38.7	11	50.3	18	82.3	Hutchison Whampoa	Li Ka-shing	Hong Kong	Diversified	24.8	74.0	81.1	55.3	54.8	82.8
—	—	—	—	22	77.8	Cheng Shin Rubber Industries	Luo Jye	Taiwan	Rubber tires	—	—	—	79.8	—	77.1
—	—	—	—	23	77.7	Yue Yuen Industries Holdings	Tsai Chi Jui	Hong Kong	Textiles	—	—	—	63.3	—	99.9
21	31.7	33	26.5	27	72.4	Acer Group	Stan Shih	Taiwan	Electronics	—	28.9	52.9	28.2	28.9	84.4
—	—	5	70.8	—	—	WBL	Lee family	Singapore	Electronics	—	—	—	—	—	—
—	—	—	—	29	69.9	Inventec company	Inventec Group	Taiwan	Computer	—	—	94.6	—	—	94.6
4	69.3	—	—	—	—	Creative Technology	Sim Wong Woo	Singapore	Electronics	61.3	—	—	48.9	—	—
—	90.6	3	80.9	32	68.5	Orient Overseas Int’l	Tung family	Hong Kong	Transport	—	84.4	87.4	—	85.9	85.1
—	—	—	—	37	60.8	Star Cruises	Lim Goh Tong	Hong Kong	Transport	—	—	84.6	—	—	15.0
—	—	—	—	39	60.1	Qisda Corp. (BenQ)	Hui Hsiung	Taiwan	Computer	—	—	—	58.3	—	48.8
6	56.7	12	49.5	40	60.1	Fraser & Neave	Lee family	Singapore	Food & beverages	29.9	31.3	42.0	81.4	72.8	77.3
—	—	—	—	42	58.1	City Developments	Kwek Leng family	Singapore	Hotels	—	—	35.8	—	—	84.3
—	—	—	—	44	56.8	Delta Electronics	Bruce Chen	Taiwan	Electronics	—	—	—	63.8	—	65.5
—	—	—	—	45	55.1	Hon Hai Precision Industries	Terry Goh	Taiwan	Electronics	—	—	39.6	—	—	84.4

—	—	50	51.6	—	—	Hume Industries	Quek Leng Chan	Malaysia	Construction	—	50.3	—	—	52.1	—
11	46.4	13	48.6	—	—	Citic Pacific	Larry Yung	Hong Kong	Construction	21.0	51.6	—	68.7	62.7	—
—	—	37[2]	26.6	56	47.5	Adv. Semicond. Engineering	Chang Brothers	Taiwan	Computer	—	—	—	32.3	31.1	29.0
—	—	—	—	59	46.8	YTL Corp.	Francis Yeoh	Malaysia	Utilities	—	—	62.6	74.6	—	31.0
—	—	—	—	61	45.4	Mitac International Corp.	Billy Ho	Taiwan	Computer	—	—	—	67.3	—	51.2
24	16.5	33	43.6	—	—	Amsteel	William Cheng	Malaysia	Diversified	14.3	33.1	—	27.7	73.9	—
39	10.4	—	—	65	40.9	Formosa Plastic Group	Wang Yue-che	Taiwan	Chemicals	—	—	22.1	—	—	74.8
—	—	—	—	68	39.3	Quanta Computer	Barry Lam	Taiwan	Computer	—	—	71.3	—	—	33.3
18	35.2	43	15.8	72	37.4	New World Development	Cheng Yu-tung	Hong Kong	Diversified	9.4	27.9	33.2	—	3.4	31.4
22	29.9	—	—	—	—	Wing On Intl'l	Guo Brothers	Hong Kong	Retailing	42.9	—	—	35.8	—	—
—	29.0	28	29.0	—	—	Berjaya Group	Vincent Tan	Malaysia	Diversified	—	24.8	—	—	25.2	—
27	18.3	29[2]	33.8	83	28.4	Genting Bhd.	Lim Goh Tong	Malaysia	Hotels	30.3	27.5	44.3	—	36.9	22.5
20	32.6	33[3]	28.1	—	—	Tatung Co.	T.S. Lim family	Taiwan	Electronics	27.8	—	—	35.0	—	—
—	—	32	27.8	—	—	Great Eagle Holdings	Lo Ying Shek	Hong Kong	Business services	—	20.0	—	—	20.0	—
—	—	—	—	95	14.7	PCCW	Richard Li	Hong Kong	Telecomm.	—	—	—	20.9	—	15.0
—	—	48	8.9	—	—	Hongkong Electric Holdings	Li Ka-shing	Hong Kong	Electricity		12.2	—	—	12.7	—
38[4]	7.0	—	—	—	—	Evergreen Marine	Chang Yung-fa	Taiwan	Transport	7.0	—	—	7.0	—	—

Sources: Author's compilation from UNCTAD (1996), Table I.13, p. 34; UNCTAD (2001), Table III.9, p. 105; UNCTAD (2008), Table A.I.16, p. 225.

Notes

1 Transnationality Index is calculated as the average of three ratios: foreign assets to total assets, foreign sales to total sales and foreign employment to total employment.

2 Data refer to 2001.

3 Data refer to 1999.

4 Data refer to 1994.

Table 6.2 Internationalization of ethnic Chinese firms from East and Southeast Asia, 2005

Company name	*Country*	*Industry*	*Market value*		*Sales*	*Geographic scope*
			2005	*Rank*		
Non-financial companies						
Singapore Press Holdings Ltd.	Singapore	Publishing	4,021	1	581	Regional
City Developments Ltd.	Singapore	Hotels	3,928	2	1,408	Global
Genting Bhd.	Malaysia	Hotels	3,541	3	1,223	Regional
IOI Corporation Bhd.	Malaysia	Agriculture & fisheries	3,032	4	1,314	Global
Shin Corporations Public	Thailand	Telecommunications	2,725	5	493	Regional
YTL Power Int'l Bhd.	Malaysia	Utilities	2,643	6	891	Global
Venture Corporation Ltd.	Singapore	Electronic equipment	2,550	7	1,889	Global
YTL Corporation Bhd.	Malaysia	Utilities	2,189	8	1,160	Global
Fraser and Neave Ltd.	Singapore	Soft drinks	2,170	9	2,039	Global
Want Want Holdings Ltd.	Singapore	Food products	1,637	10	524	Regional
Financial companies						
United Overseas Bank Ltd.	Singapore	Banking	12,971	1	1,928	Global
Overseas-Chinese Banking Corp.	Singapore	Banking	10,820	2	1,564	Global
Public Bank Bhd.	Malaysia	Banking	6,008	3	1,328	Regional
Bangkok Bank Public Company	Thailand	Banking	4,671	4	1,203	Global
Great Eastern Holding Ltd.	Singapore	Life insurance	4,049	5	4,661	Regional
Kasikorn Bank Public Company Ltd.	Thailand	Banking	3,162	6	878	Global
Hong Leong Bank Bhd.	Malaysia	Banking	2,162	7	367	Regional
Hong Leong Credit Bhd.	Malaysia	Banking	1,063	8	668	Global
Bank of Ayudhya Public Company Ltd.	Thailand	Banking	856	9	387	Regional
Metropolitan Bank and Trust Company	Philippines	Banking	847	10	410	Global

Source: UNCTAD (2006), Table III.16, p. 129.

Table 6.3 Japanese and ethnic Chinese specialized manufacturing TNCs

Japanese TNCs	*Total assets (US$ billion)*		*Workforce ('000s)*			
	1996	*2006*	*1996*		*2006*	
			Total	Foreign	Total	Foreign
Toyota	113.4	273.9	150.7	34.8	299.4	114.0
Nissan	58.1	104.3	135.3	NA	186.3	93.9
Honda	33.5	101.2	101.1	NA	167.2	148.5
Sony	45.8	98.5	163.0	95.0	163.0	103.9
Mitsubishi Motors	26.1	96.6	74.7	18.9	55.9	19.1
Hitachi	80.4	89.7	330.1	56.4	345.0	122.2
Mitsubishi [5]	77.9	88.6	8.8	3.8	53.7	18.3
Mitsui	61.2	82.5	11.3	NA	41.8	39.8
Matsushita Electric	67.8	66.4	270.7	NA	328.7	183.2
Toshiba	46.8	—	186.0	NA	—	—
Sumitomo	43.5	—	9.1	2.9	—	—
Fujitsu	38.1	—	167.0	53.0	—	—
Nippon Steel	36.3	—	24.5	NA	—	—
Canon	22.6	—	75.6	38.2	—	—
Bridgestone	15.2	—	92.5	NA	—	—

Ethnic Chinese TNCs (economy of origin)	*Total Assets (US$ billion)*		*Workforce ('000s)*			
	1996	*2006*	*1996*		*2006*	
			Total	Foreign	Total	Foreign
Formosa Plastic (Taiwan) [10]	58.0	75.8	82.3	61.6	89.7	67.1
Hon Hai Precision (Taiwan) [9]	6.3	19.2	93.1	78.6	322.4	382.0
Taiwan Semi. Mfg. (Taiwan) [9]	12.0	18.0	17.0	4.4	22.3	7.5
Flextronics (Singapore) [8]	4.1	12.3	70.0	50.7	116.0	114.0
United Microelect. Corp. (Taiwan) [7]	9.5	11.3	9.4	0.8	14.3	1.4
YTL Corp. (Malaysia) [9]	6.3	8.4	4.9	1.5	6.2	1.9
Quanta Computer (Taiwan) [9]	3.5	7.0	22.8	10.5	34.1	11.4
Fraser & Neave (Singapore)	4.5	6.3	12.0	10.2	14.0	10.8
Compal Electronics (Taiwan)	—	6.1	—	—	33.7	19.7
Acer (Taiwan)	16.1	5.8	44.0	NA	6.0	5.0
Adv. Semicond. Eng. (Taiwan) [8]	3.0	4.2	15.7	4.9	27.0	7.8
BenQ Corp. (Taiwan)	—	3.7	—	—	37.0	18.0
Amsteel Corp. (Malaysia) [1]	1.5	3.2	28.2	7.8	26.8	8.0
Inventec (Taiwan)	—	2.9	—	—	21.9	20.7
First Pacific (Hong Kong)	8.5	2.9	5.3	3.7	48.4	48.4
Tatung (Taiwan) [6]	2.9	—	27.3	9.5	—	—
Delta Electronics (Taiwan) [8]	1.5	2.7	11.5	5.9	4.8	3.1
Asia Food & Properties (Singapore)	—	2.4	—	—	45.0	34.8
Winstron Corp. (Taiwan)	—	2.3	—	—	21.5	12.1
Mitac Int'l Corp. (Taiwan)	—	2.1	—	—	25.0	12.8
Cheng Shin Rubber Ind. (Taiwan)	—	1.7	—	—	16.2	12.5
Unimicron Technology (Taiwan)	—	1.5	—	—	46.0	15.2
Creative Tech. (Singapore) [3]	1.5	—	28.2	7.8	—	—
Lee & Man Paper Mfg. (Hong Kong)	—	1.3	—	—	5.9	5.9
Want Want Holdings (Taiwan) [6]	0.8	1.2	9.4	9.4	31.7	30.6
Charoen Pokphand (Thailand) [2]	0.6	1.1	8.4	1.1	54.0	53.0

Sources: Author's compilation from UNCTAD (1996), Table I.13, pp. 34–35; UNCTAD (1997), Table I.8, pp. 32–33; UNCTAD (1998), Table II.1, pp. 36–38; UNCTAD (1998), Table II.9, pp. 48–49; UNCTAD (1998), Table III.8, pp. 86–87; UNCTAD (2002), Table IV.10, pp. 100–101; UNCTAD (2003), Table A.I.2, pp. 189–190; UNCTAD (2004), Table I.3.1, pp. 22–23; UNCTAD (2005), Table A.I.10, pp. 270–271; UNCTAD (2006), Table A.I.12, pp. 283–285; UNCTAD (2007), Table A.I.14, pp. 232–234; UNCTAD (2008), Table A.I.16, pp. 223–225.

Notes: 10 Data refer to 1994 and 2001. 9 Data refer to 1994 and 2002. 7 Data refer to 1994 and 2006. 6 Data refer to 1995 and 2006. 1 Data refer to 1996 and 2005. 8 Data refer to 1997 and 2006. 5 Data refer to 2000 and 2006. 4 Data refer to 2001 and 2006. 3 Data refer to 2003 and 2006. 2 Data refer to 2004 and 2006. — = no data are available. NA = not applicable.

It is clear that the underlying motivations to change the organizational structures and management practices among Chinese family-controlled businesses are influenced by the reasons and mechanisms behind the changing demands of the economic environment. One key reason often highlighted is the spread of globalization and global capitalism. For example, Dicken (2003, p. 632) stated, "We are witnessing the emergence of a new geo-economy that is qualitatively different from the past." In the past, the international division of labor resembled a core-periphery in the economic map globally, as depicted by the world systems theory (Dicken, 2003).

With the fundamental changes and global shifts in the recent past, the international division of labor is no longer organized along the structure of *core*, *semi-periphery* and *periphery*. This system is today replaced by a more complex structure, the Third Wave in Globalization Theory, where the economic activities are managed by complex interactions between transnational corporations and nation-states, in a rapidly changing technological environmental context (for further discussions, see also Robinson, 1998, 2004; Martell, 2007). The new scheme of ethnic Chinese capitalism is characterized by flexibility in capital investments, production processes and consumption patterns, with new sectors of production, mobile finances and increased technological and organizational innovations. The world economy has been restructured by these developments through outsourcing and subcontracting in an organized manner that has spread across national boundaries.

China's economic rise and its size, on the other hand, have dwarfed other developing countries in the region, which includes the Four Little Dragons and even Japan. With its mere size and not relying on rising exports, the Chinese economy has the potential to expand robustly with its internal growth engine and consumption shifting to high gear. Significant market consolidations from mergers, acquisitions and restructuring as well as a wide range of economic activities of various scales were generated by the immense and rapid growth of the Chinese economy domestically. As argued by Woetzel (2008), the government of China has played a vital role in developing and grooming conglomerates like China Mobile, China National Offshore Oil Corporation (CNPC, parent firm of PetroChina), Bank of China and China Life Insurance to gain dominance in their respective sectors before opening the domestic market to foreign competition as per the requirement of WTO agreements.

With advanced technological and regional dominance, many of these companies occupy important positions in the market, making it difficult for the multinational companies to overcome such dominance. As noted by Yeung (2004), these Chinese conglomerates are expected to continue their transformation of organizational structures and management practices to strengthen and maintain competitiveness and market dominance. In search of capital through the equity market locally and globally, these Chinese conglomerates continue to deviate from their legacies and incorporate required reforms in corporate governance and shareholder accountability, resulting in greater transparency in their management practices and further moving away from the characteristics of traditional family firms. The lack of well-established institutional support to facilitate socialized transactions rather than alleged cultural traits has proved to be a key difference between Chinese entrepreneurs and their Western counterparts. The importance of personalized transactions are expected to decline with the Chinese domestic market maturing and creating an established legal system that will support socialized or institutionalized transactions. The pace and direction of corporate transformation would be further accelerated by the Chinese overseas taking advantage of the growing Chinese market.

It is widely accepted that the changing composition of the population due to the closure of migration flows from China and the growth of population through natural fertility, a more fundamental social process, had a significant impact on the composition of regional labor force and in particular, the patterns of Chinese entrepreneurship. Due to political instability and internal chaos, China closed its borders from the 1950s to the early 1970s, which substantially halted large migrations from the mainland, though migration and smuggling to Hong Kong continued illegally on a reduced scale. Similar controls on migration also took place in many Southeast Asian countries like Indonesia and Malaysia. With the vital role of immigrant Chinese entrepreneurs in the early development of Asian economies, the control of Chinese migration is particularly significant. The profiles and characteristics of Chinese entrepreneurship in some of the East and Southeast Asian countries were significantly transformed by the resulting demographic changes influenced by globalization and modernization.

There is a significant difference in the composition of Chinese entrepreneurs in these countries when compared to the past as the official statistics analyzed by Wong (2006) proved that immigrant entrepreneurs in Hong Kong declined drastically from 85 percent in 1971 to less than 45 percent in 2001 (cited by Wong, 2006, p. 12). Furthermore, the young generation of entrepreneurs, with an improved educational background and wider range of experiences, now engage in a broader variety of economic activities. They compete and adapt to the rapidly changing environment with a knowledge and affinity for Western organizational and management practices. Wong (2006) found that changes in business practices among Hong Kong entrepreneurs were in fact leading to a new breed of Chinese entrepreneurs.

Gomes (2004) provided evidence that the generational shift among the ethnic Chinese in Malaysia that happened during the 1990s was slowly changing the importance and reliance on ethnic divisions and local identity. Business relationships based solely on ethnicity were changing and giving equal opportunity to other partners in a way that increased the productivity of the individual business.

Having experienced a steady population growth and without a huge influx of immigrants, a new generation of Chinese Malaysian have emerged that are more thoroughly embracing Malaysia as their homeland. Throughout the history of “overseas” Chinese businesses, new generations of transnational Chinese entrepreneurs have flourished both inside and outside China thanks to a relatively fluid movement of immigrants. With China booming economically since the 1980s, compared to their predecessors the new breed of Chinese entrepreneurs of the past 30 years have been provided with access to vast resources. However, exploring the rise of this new breed of Chinese entrepreneurs remains as complex as that of their immigrant predecessors.

As mentioned earlier, the contemporary contexts in which these Chinese entrepreneurs operate their business were shaped by various factors, including institutional and demographic changes that have occurred locally and globally. Influenced by this context, the identification of a new breed of Chinese entrepreneurs has in many ways lead to significant departures from traditional Chinese business practices. However, a more systematic approach in understanding the extent of this transformation and its implications for future developments is warranted. For instance, an inquiry into the structural arrangements in which these contemporary Chinese entrepreneurs operate sociologically will perhaps shed more light on current realities rather than relying on characterizations of Chinese entrepreneurs using cultural arguments based on conclusions drawn from past studies.

6.6 INTERNATIONALIZATION

In today's globalizing world economy, internationalization and its associated activities have transformed the dimensions of Chinese capitalism. This is illustrated in Tables 6.1 to 6.3. As the leading players of Chinese capitalism extend their business activities beyond national borders, they step into fundamentally different environments for their business operations, especially when compared to "their 'home' economies in terms of institutional and market structures, industrial organization, social relations and cultural practices" (Yeung, 2007, p. 575).

As argued by Yeung (2007), leading Chinese family-controlled businesses need to face and overcome such increasing challenges, especially the so-called "liability of foreignness," in the process of internationalization if they want to remain successful. It therefore becomes imperative to select the right "actors" who have the capacity to "be creative, proactive, adaptive and resourceful in different countries and regions… in the ongoing process of taking risks in a calculative manner and using foresight in venturing into foreign business" (Yeung, 2007, p. 575).

These multi-faceted ethnic Chinese actors could sometimes be owners or founding entrepreneurs who actively participate in establishing and managing foreign operations. In this setting, the actors spearheading these transnational operations are professional managers or *intra*-preneurs—a term highlighting the fact that the person operates within an organization as opposed to outside (entrepreneur). Frequently, these actors "are neither founders nor owners," and sometimes "they may not be even ethnic Chinese" (Yeung, 2007, p. 575). In many instances, they have been hired by the owners or founders based on personal relationships. As further noted by Yeung (2007) and Gomez & Hsiao (2001), understanding the internationalization of Chinese business enterprises and its success and also understanding the changing dynamics of Chinese capitalism as a whole, it is vital to examine "the nature, modus operandi and performance of these entrepreneurs and intrapreneurs" (Yeung, 2007, p. 575).

In this era of globalization it should come as no surprise that even Chinese family-controlled businesses from East and Southeast Asia have increasingly been influenced by transnational entrepreneurship (for supporting discussions, see for example Young & Olds, 2000; Crawford, 2000; Suryadinata, 2006). Many of the characteristics and attributes of domestic entrepreneurship can be duly utilized even across borders to become transnational entrepreneurship. This relationship and linkage of domestic and transnational entrepreneurship is very prominent and important in Chinese capitalism because of the extensive presence of Chinese business networks across the Asian region. The transformation of entrepreneurial skills to regional and global orientations from predominantly domestic foundations is the key behind the success of Chinese businesses at the regional level. The process of internationalization, which includes the transference of intangible assets such as managerial skills and goodwill, makes the actors of Chinese capitalism face different contexts in operations and organizational practices and dis-embed from the coping strategies and entrepreneurial practices of their domestic contexts. "Significant transformations in the nature and organization of Chinese capitalism… [are expected due to this dis-embedding process, leading] …towards an increasingly hybridized mode of economic organization" (Yeung, 2007, p. 576).

As defined by Yeung (2002, 2004), transnational entrepreneurship is a learning process as it "evolves from experience and learning from continuing and progressive involvement in foreign operations." The transnational entrepreneurs learn to confront the unexpected events in the host countries and also gain better and improved insight into the political, social, economic or military realities of the host countries through cross-border operations. Transnational entrepreneurs require the capability to take calculated risks, which could result in potential gain. This capability is very critical as business operations in foreign lands involve uncertainties and possible risks in business, but increases the experience of the entrepreneurs in host countries. As argued by Young (2007), this risk-taking capacity of the transnational entrepreneur is further enhanced by the informal information and wider support received from the host country. The strong social and business networks of these actors serve as the institutional foundation for transnational entrepreneurship (p. 579).

In many ways, as further argued by Yeung (2007), the existing sociopolitical institutions shape the attitudes and behavior of the entre- and intrapreneurs. Hence, the transnational entrepreneurs are considered to be creative, driven by their wide business networks across borders and social and political institutions, which provide the required strategic infrastructure to succeed in transnational entrepreneurship. Furthermore, according to Yeung (2007, p. 581), the intrapreneurs are vested with the authority to manage transnational operations by the founding entrepreneurs over time through a process of socialization, institutionalized within the organization in the long run as the top management delegates power and control to intrapreneurs abroad (Yeung, 2006a). The corporatized mechanism of facilitating control and coordination of transnational operations is known as intra-firm networks. Indeed, as noted by Yeung (2007), the growing reliance and nurturing of professional entrepreneurs also helps dissociate the traditional view of the ethnic Chinese family-controlled business as not being able to survive after three generations—as per a commonly observed pattern of growth, stagnation and decline.

Foresight in venturing into foreign operations is also an important attribute of transnational entrepreneurship as it is distinct from domestic entrepreneurship where the entrepreneur is usually well established in the domestic economy. Hence, a transnational entrepreneur is required to have a strong vision and fhte oresight to establish and manage business operations in an era of global competition. The entrepreneur must be in a position to seize the opportunities abroad and tap into them. Though assisted professionally by analysts and strategists, an entrepreneur's function and fundamental drive in venturing abroad is to look for direct investment opportunities in foreign markets and ensure market presence, and "if successful, the transnational entrepreneur will enjoy the benefits of being a first-mover when compared to other firms and their actors" (Yeung, 2007, p. 579). However, the transnational entrepreneur is required to continue resolving operational and management issues in business operations, as the environment is completely different from the domestic economy. The capacity to confront the risks and uncertainties in business ventures abroad and the strong vision and foresight to manage and diversify the business beyond the domestic economy are the keys factors for transnational entrepreneurship in international business environments.

The ability to internalize overseas markets, the trust and goodwill of business partners and consumers in the host economy, and being part of transnational social and business networks are the key attributes of Chinese transnational entrepreneurship that can facilitate the transnational operations of a Chinese business firm. As emphasized by Yeung (2007), Chinese entrepreneurs have sought to avoid market imperfections and lower production costs by "internalizing foreign markets through direct investments and other forms of equity investments" (p. 580). Chinese transnational entrepreneurs, with their drive for control and ownership, display their willingness to venture into difficult business environments such as China as their experience has proven that when the venture is established, with their direct control and management style as well through trusted managers, the risks involved in operations become significantly less (p. 580).

Through direct involvement in negotiations resulting in frequent visits, Chinese transnational entrepreneurs take a personal approach towards foreign ventures. With difficult business environments and corporate governance systems sometimes ineffective, these aspects of Chinese transnational entrepreneurship are very important in host countries. Transnational entrepreneurship that has been bolstered with significant competitive advantages such as brand names, proprietary technology, and expertise in management are necessary to effectively manage business enterprises in highly competitive and open business environments.

Chinese transnational entrepreneurs, during the process of internationalization, deploy strategically their traditional business practices—ethnic centric trust and goodwill, which open the doors and helps them in gaining better acceptance by the host business and political communities. Chinese transnational entrepreneurs known for their trustworthy behavior can rely on verbal guarantees in business contracts rather than having to enter into complex and detailed contractual negotiations that lay out all contingencies. The reliance of Chinese transnational entrepreneurs on trust and goodwill is important not just in difficult host countries but also to establish themselves in highly competitive business environments. Chinese transnational entrepreneurs gain access to global capital markets with the support of powerful non-Chinese bankers and financial analysts through their strategic and discursive mode modes of trust and goodwill (Yeung, 2003). Strategically, trust and goodwill can be accumulated through improvement in corporate governance and incorporation of professional management. It stands to reason that trust and goodwill can be constructed through the inclusion of media reporters and financial analysts into Chinese business networks (Yeung, 2007, p. 580).

Such access to global capital and finance thus enables more traditionally Chinese business networks to utilize strategically non-Chinese actors who function as bridges for transnational Chinese entrepreneurs to enter these globally competitive markets. While they may prefer to own and control foreign ventures, transnational Chinese entrepreneurs do not always take an authoritarian approach to these ventures. They often delegate these responsibilities to trusted members of their inner circles who are often non-Chinese. Traditionally, these members may be kin and relatives from the families of these transnational Chinese entrepreneurs. In a globalizing era, they are more likely to be non-family members who have been socialized into the entrepreneur's family through a process of familization. Foreign ventures are established to provide opportunities both for developing family succession and for internalizing enterprising employees. Over time, more competent professional managers are socialized into Chinese capitalism, so that they become trusted insiders in this reshaped hybrid capitalism.

As mentioned earlier, Chinese transnational entrepreneurs have traditionally relied on ethnic-bound social and business networking to, among other things, facilitate foreign ventures, although these networks are no longer exclusiveyl Chinese (see, for example, Yeung, 2004, 2006a, 2007). On the other hand, as pointed out by Yeung (2007), personal history and embedded interest are still important when ethnic Chinese family-controlled businesses are engaging in transnational operations. Also, as argued by Yeung (2004), "The contemporary Chinese are experienced migrants and tend to form socially organized networks to provide emotional and personal support" (p. 27).

While the family or clan historically has formed the foundation for cross-border networks in East and Southeast Asia, transnational Chinese entrepreneurs going beyond Asia may rely more on employees and their circle of trusted friends to develop far-reaching business networks. In many ways, strong personal relationships with key employees often result in the cultivation of transnational entrepreneurs who are empowered by their owners to develop foreign ventures. These ethnic Chinese entrepreneurs therefore need to take significant risks and use foresight in the selection and delegation of these transnational intrapreneurs. Together, the three different dimensions of transnational entrepreneurship offer a new horizon to examine the changing nature and organization of Chinese capitalism in a global era. This may not necessarily imply the complete withering away of traditional cultural values and norms in Chinese capitalism, but it certainly does provide some useful analytical clues to understand the emergence of a hybrid mixture of entrepreneurial tendencies that characterize Chinese capitalism today.

6.7 PROFESSIONALIZATION

Transnational Chinese entrepreneurs have been spearheading the internationalization of Chinese business firms. At the same time, however, there has been an increasing professionalization of Chinese family businesses and the emergence of transnational intrapreneurs in these formerly ethnocentric organizations. Most often, transnational Chinese entrepreneurs are unable to manage all their operations abroad and have to co-opt more professional and trusted managers who are then socialized into the corporate family (Yeung, 2007, p. 586). These transnational intrapreneurs are much more concerned with adaptability issues than owner entrepreneurs, who are more opportunity driven in their entrepreneurial behavior because most trusted professional managers are sent abroad to manage foreign operations. These intrapreneurs are chosen because of their high adaptability to different business environments and their performance is evaluated based on their success in managing and developing foreign operations.

“Owner entrepreneurs are less concerned with management issues since they entrust their transnational intrapreneurs with management responsibilities” (Yeung, 2007, p. 586). They are therefore more able to devote relatively more time to “expand the overall business activities of the group through capitalizing on business opportunities that may arise in different countries and regions” (Yeung, 2007, p. 587). During the internationalization processes, a typical transformation occurs in an entrepreneurial Chinese family firm when key family members are kept within the home country to be groomed to take over from the founder at the right time (see, for example, Yeung, 2002, 2007).

“The reality of Chinese capitalism is a confusing mixture of the continual domination of Chinese family firms and rapid transformations and broadening of these family business networks to incorporate increasingly non-Chinese and non-family actors” (Yeung, 2007, p. 687). The difficult operating environments in East and Southeast Asian economies and the historically specific emergence of Chinese capitalism imply that the family oriented mode of economic organization will continue to enjoy the special advantages of enhancing entrepreneurship and reducing business uncertainty. To reap the competitive advantages embedded in family businesses, today’s Chinese family firms need an explicit strategy for succession, meaning promotion to senior positions on the basis of some objective and performance based criteria, though kinship relations is also one of the criteria. Thus, as noted by Birkinshaw and Hood (1998), the Chinese family firms are left with the option of either to groom family members to become successful transnational entrepreneurs or socializing capable outside professional intrapreneurs into the corporate family and grooming them to be the future heirs to top management.

To groom family members to become successful transnational entrepreneurs, many Chinese patriarchs send their children to study in top universities and business schools and involve them as interns in many leading global corporations who then return to manage family businesses. These new generation successors of Chinese family businesses gain better recognition among bankers, financiers and analysts based in major global financial centers, known as globalizing actor networks. As the family business empire expands across regions and countries, Chinese family firms eventually run out of family members to occupy top management positions within the group. Hence, there is a strong need to develop a professional management system to unravel significant entrepreneurial challenges among managers to whom important management functions can be delegated (Yeung, 2007, p. 587).

6.8 CHINA: A MERCURIAL RISE

China has actively pursued a national strategy that identifies economic development as a top priority. This so-called “economic-first” approach has important bearings on world trade, investment, finance, and energy and primary materials procurement. China’s mercurial rise as a leading global trading nation and manufacturing base has created massive reverberations on such issues as cost and profit margin, availability and scarcity of traded goods, and free and fair trade and intellectual property rights violation and protection. Other issues include systemic shifts in the course of international trade and investment within the contexts of the emergence of Asia and the prospect of North-South cooperation. While China has succeeded with the expansion of international trade, its success has intensified protectionist practices by the industrial nations. The displacement of industries and businesses has stoked antiglobalization sentiments expressed in bilateral free trade agreements and multilateral WTO channels. Advanced countries have resorted to anti-dumping and other technical measures to try to rein in the Chinese business charge.

As China has come to be regarded as the world's factory, it has acquired the dubious honor of being accused of unfair trade practices and intellectual property infringement. Nevertheless, seen as a huge market of more than 1.4 billion potential customers, China is today inevitably receiving the major share of foreign investment targeted to developing countries. According to Viraphol (2006, p. 39), "At the same time, the recent series of high profile Chinese purchases of foreign commercial enterprises has [for Westerners] conjured images of China as a giant vacuum cleaner sucking up everything in its path." For its economic development requirements, China's hunger for primary and strategic commodities—including energy, coal, metals and grains—impacts on global production, pricing and logistics. Complementing this development, Chinese publicly listed and partially government owned corporations are expanding aggressively overseas in keeping with China's "going-out" guideline for corporate investment overseas. The pace of China's rapid economic advances is also discernable in the global financial realm.

China's economic achievement has further lent weight to its efforts aimed at shaping its conduct of inter-state relations. According to Viraphol (2006), the essence of China's foreign policy appears benign yet proactive and pragmatic. In Southeast Asia, one manifestation of its goodwill efforts is China's tax exemption for imports from neighboring developing countries. Another example of its policy is the Chinese-proposed free trade agreement with the ten Southeast Asian states of ASEAN, which includes an early harvest provision for the expeditious elimination of tariffs on fruits and vegetables.

As noted by Viraphol (2006, p. 40), the success of the economic-first strategy follows the implementation of various pragmatic measures since the announcement of reforms and China's opening policy in 1978. One involves the participation by entrepreneurs of Chinese origin from outside of the Chinese mainland, mainly those from Hong Kong, Macao, Taiwan, and Southeast Asia, who generated over seventy percent of China's external trade and investment during the first twenty years. This formative period saw the set-up of overseas Chinese-financed small and medium enterprises. Taiwanese businessmen stepped up their presence in China to cater to the exploding demand for basic consumer products, while filling China's significant demands for managerial skills and for implementing its new export-oriented strategy.

From the beginning, ethnic Chinese businessmen had enthusiastically pursued trade and investment opportunities in China in short term value-added and labor-intensive manufacturing in places with ancestral and clan links. China's reiteration of its commitment to economic liberalization rekindled the hopes of Southeast Asian overseas Chinese investors, who joined the growing ranks of their Taiwanese and Hong Kong counterparts in venturing to the Northeast and to the new development zone in Shanghai. Singapore since the 1980s had effectively paved the way in the development of industrial parks in China with its investments. Malaysian, Singaporean, Indonesian and Thai entrepreneurs started investing in hotel and residential projects. The post-Cold War optimism saw the diversification of Southeast Asian investments into agriculture and aquaculture, telecommunications, property development, and manufacturing. In the wake of the 1997–1998 Asian financial crisis, the flow of Southeast Asian capital into China suffered a serious disruption, but was short-lived.

The start of the twenty-first century turned out to favor China's fortunes in many ways. The heady technological advances spurred by the IT revolution boosted global expectations in the inevitability and the challenge of globalization, and following its WTO entry, China captured the West's attention as humanity's biggest marketplace for trade and investment. In increasing numbers, Southeast Asian enterprises are joining others from around the world seeking a foothold in large-scale retailing and distribution, agro foods, food service, finance and banking, the automotive industry, independent power generation and provision, energy and minerals, tourism, and international education.

The ongoing effort to realize the China-ASEAN Free Trade Area is a major impetus for economic integration by both sides (see also Lim, 2008). The size of Chinese-ASEAN trade has quadrupled in a decade, as Southeast Asia becomes an important source for commodities such as rubber, timber, palm oil, minerals and energy for China's expanding manufacturing (Viraphol, 2006). Trade related activities, mainly tourism, have also become significant, as Southeast Asia and China are now important tourism destinations for millions of tourists from both sides, boosted by officially sanctioned incentives such as long holidays in an effort to encourage Chinese to embrace a more consumption-based lifestyle. Potential new opportunities for investment respective to China and ASEAN encompass trade services, education, entertainment and the wellness business, outsourcing, food and drinks processing, distribution, logistics and supply chain management, medical services, and independent power provision. With aggregated and complementary markets of close to two billion people, China and ASEAN have shared goals and challenges in managing their economic relations in an increasingly borderless and seamless global economy (Lim, 2008).

IMPLICATIONS FOR SOUTHEAST ASIAN CHINESE FAMILY-CONTROLLED BUSINESSES

Notwithstanding the positive acknowledgement of China's economic influence and the associated attractiveness of its market potential, neighboring Southeast Asian entrepreneurs have on many occasions expressed concern about the hollowing-out effects from losses of competitiveness and market share. Nevertheless, most Asian entrepreneurs share a huge sense of optimism for the long term that the globalization process, despite its unrelenting competitiveness, will also create expanded opportunities for trade and investment. Historically, Chinese official dealings with Southeast Asia had taken the form of political and cultural ties, which were collectively assumed as tributary relations. The states of Southeast Asia maintained peaceful relations with Imperial China through tributary actions designed not merely to acknowledge the primacy of Chinese rule but also to symbolize China's magnanimity towards lesser states within the traditional Sinic world order.

The regulated system of relationships was also meant to underpin the officially self-sufficient nature of the Chinese state and hence imperial disdain regarding commercial pursuits. Through the ensuing centuries and in spite of official Chinese sanction against overseas commercial activities, regular maritime commerce between China and Southeast Asian conducted by private Chinese merchants ensured the continued development of close bilateral relations as well as the subsequent large scale migrations of overseas Chinese to Southeast

Asia. In contemporary times, the preoccupation of China and most Southeast Asian states with their respective domestic situations, along with external factors related to Western colonialism and the Cold War, acted as impediments to closer economic ties. In the absence of political ties, whatever commerce conducted was by the overseas Chinese businessmen working within relatively narrow parameters.

ASEAN is a central piece in China's win-win strategy, given its traditional amicable contacts, its geographical proximity and strategic location, as well as its resources and market (see, for example, Bo, 2006; Viraphol, 2006). In this soft approach, the role of Southeast Asian businessmen of Chinese origin cannot be overlooked, given their resources and resourcefulness as well as ethnicity in the continuing evolution of China's economic ascendancy. In the ongoing reform processes that are vital for the realization of modern China, the ethnic Chinese continue to be a vital link in mobilizing global capital resources, facilitating foreign market access, and providing access to untapped knowledge and skills.

"The rise of China's economic influence should galvanize governments and businesses of the ASEAN states to devise collective approaches and trade and investment strategies." (Viraphol, 2006, p. 46) ASEAN governments are now more conscious of the benefits of developing closer partnerships with China based on mutual interests. Through the eventual conclusion of the free trade agreement they are currently negotiating, China and ASEAN expect to enhance their economic cooperation and forge a commonality of purpose in the highly competitive global market. Meanwhile, both sides need to jointly consider short term and long term business issues affecting their interests, such as the hollowing out threat, increasing costs of fuel and commodities due to China's insatiable energy demand, the cost and profit margin question, the veritable level of currency exchange rates, free and fair trade, developmental imbalances among nations, poverty and prosperity, environmental degradation and other economically related matters. Chinese and ASEAN multinationals are already facing these challenges with their own limited resources.

Southeast Asian businessmen already realize the necessity in meeting the challenge of a rising China for their own ultimate survival, which calls for working realistically and creatively to boost their interaction with China in trade and investment. It would seem that the need for developing and deploying such a win-win strategy in trade and investment for entrepreneurs from China and ASEAN has never been more apparent, especially to those who understand the significance of globalization in Asia.

Impact on Southeast Asian States: The Case of Indonesia

China's rise was perhaps one of the most important events of the last one hundred years. The growth of China as a major economic and political power is a challenge as well as an opportunity for the archipelagic state Indonesia. Indonesia is a pluralistic society with clear political and social demarcations between the indigenous population (Bhumiputras) and Chinese Indonesians, with the former holding political power and the latter content with being a major economic force. Given their leading position in business, Chinese Indonesians have more ways to benefit from the rise of China than indigenous Indonesians do. Unfortunately, the wide gap in business ownership has become fertile soil for criticism or even suspicion that the rise of China is unfairly exploited by Chinese Indonesians.

The Introduction of affirmative action policies that give special privileges to the indigenous population at the expense of Chinese Indonesians has failed in the past, with many today believing it would not benefit Indonesia in general. Chinese Indonesians have proven themselves to be resilient, and have survived several instances of pogrom-like attacks on their community over a long period of time. As such, they are more likely than other entrepreneurs to withstand the negative impact of globalization. They are in fact an integral part of Indonesia who would be able to help Indonesia develop economically in this global era.

What would probably work best for Indonesia is not an affirmative action policy for Bumiputras but to come up with innovative ways to utilize the Chinese community to achieve rapid economic growth. Faster growth in both China and Indonesia and shared economic interests are bound to make ethnicity less and less contentious, especially in the world of commerce. Although Indonesia's contemporary expressions of anti-Chinese feeling have in general become less aggressive and less strident than in the 1950s, economic nationalism remains a driving force that to a large extent still influences economic policies today. In the 1950s, economic nationalism was directed against the Dutch and ethnic Chinese business interests. In contrast, in the years following the Asian financial crisis in the late 1990s, economic nationalism was mainly directed against the perceived interference of international organizations, particularly the IMF, in the formulation of economic policies.

As mentioned elsewhere in another chapter, the study by Sujoko Efferin and Wiyono Pontjoharyo (2006) also revealed that contemporary ethnic Chinese family-controlled businesses in Indonesia have evolved away from conventional stereotypic assumptions about ethnic Chinese family-controlled businesses and now include many organizational aspects that closely resemble modern management practices. According to Simandjuntak (2006), it is misleading to equate Indonesian Chinese businesses with small traditional businesses as many small- and medium-sized Chinese Indonesian businesses of the past have now grown to large companies, such as Maspion Group, Wismilak, Sampoerna and Wings Group. Chinese Indonesians who were born after the 1950s have become well integrated into Indonesian society and no longer put their identity as members of the global Chinese community above that of their Indonesian citizenship.

Unlike in Indonesia where the Chinese minority constitutes only about 2 percent of the Indonesian population, Chinese Malaysians form about 26 percent of the total population. They are much more conspicuous in Malaysia than in Indonesia and their economic prowess is also more strongly felt. In order to restructure the national economy and create a Malay middle class, the Malay dominated government of Malaysia introduced the New Economic Policy in 1970 following the riots of 1969.The NEP was a pro-Bumiputra policy, and was often perceived as a discriminatory policy against the Chinese. The Industrial Coordination Act was one of the means to increase Malay participation in the economy, giving the bureaucracy the power to control industry. Nevertheless, the Chinese business community responded to the NEP and later to the National Development Policy by adopting various means and strategies, including initiating a self-help program and Sino-Malay business alliances.

Malaysian society has now been gradually transformed from an ethnic-based to a class-based society. The Chinese community, in order to survive and develop, has adopted a national rather than ethnic economic approach. In an era of globalization, there is now doubt whether the quota system introduced during the NEP period is still relevant. In open economic competition, it is no longer possible to justify protectionism. The rise of China as an economic power may not necessarily strengthen the Chinese Malaysian economic position—although many scholars and economists believe that this is going to be the case. The reasons are touched on in the next paragraph.

According to Ping and Hing (2006), China's rise has had both positive and negative impacts on the ethnic Chinese family-controlled businesses in Malaysia. The impact is particularly noticeable in the areas of investment, trade and services. Chinese Malaysian are unfamiliar with the conditions in China, and their investment in China is limited and mainly in the property rather than manufacturing sector. Nevertheless, the greatest impact is still on trade. Chinese imports into Malaysia threaten the profitability and survival of several industries, importing almost all kinds of Chinese products for the Malaysian market. In the area of services, however, China's rise has brought benefits especially to the Malaysian higher educational and tourism sectors, but it is not without its problems. For many Chinese who earlier saw a rising China as one of opportunity, advances made by China are beginning to limit and even compete with Malaysian business particularly Chinese Malaysian. As emphasized by Leong (2006), while resourceful Chinese Malaysian can still maintain a competitive edge, for the majority the response may require a state master plan for the future industrialization strategy.

A survey was conducted by Hin (2006) on the impact of globalization on some Chinese Malaysian businesses and the strategies adopted by them to face such challenges by looking at their financial performance over the period when globalization has been happening. The results revealed that while large Chinese Malaysian firms benefited from globalization and the rise of China, small- and medium-sized Chinese Malaysian firms did not. Many used outsourcing as a strategy to survive. Most seriously hit were those in shoes and garment manufacturing. Some Chinese Malaysian businesses which failed to compete closed down their businesses and became traders.

The economic rise of China and the problems posed by increasing globalization for Singapore, a city-state dominated by ethnic Chinese, are not much different. The rise of China also posed both challenges and opportunities to Chinese businesses, and especially in regard to Chinese family-controlled businesses in Singapore, Kui (2005) found that:

> Ethnic Chinese businesses in Singapore, despite their structural weaknesses, were able to weather the storm of the Asian financial crisis with government assistance. The rise of China with its open door policy also provides ample opportunities for these businesses to exploit their ethnic advantage in their investment in China… [But at the same time,] the ventures also brought painful experiences, arising from cultural differences [between Singapore and China].
>
> Kui, 2005, p. 1

Stiffer competition in neighboring third-country markets, offshore outsourcing, and issues connected to the hollowing-out effect are some of the more negative experiences mentioned by Kui (2005). The Singaporean government's response to the increasing globalization has been to implement policies that enhance the capabilities of domestic ethnic Chinese businesses so that they potentially can act as intermediaries between corporations and SMEs in venturing abroad, especially in regard to investment in China.

Globalization and China's rise as an economic power have also raised concerns in the Philippines. Chinese cheap manufactured goods have indeed threatened some Philippine SMEs, many of which are ethnic Chinese businesses. However, in terms of scale and scope, big Chinese-Filippino businesses have ample opportunities to do business with China. The Federation of Filipino-Chinese Chambers of Commerce did not have a concerted effort to deal with the challenge of globalization and Chinese-Filipino businessmen are not united in organizing themselves in responding to the challenge. Trade relations between China and the Philippines are in favor of the former but at one time the gap was narrow. The spillover effect to the Philippines would also stimulate its economic growth. Chinese-Filipinos would be able to serve as facilitators in improving China-Philippine economic ties in order to have a win-win situation. Regarding the ethnic Chinese in the Philippines, Palanca (2006) noted that:

> Ethnic Chinese in the Philippines suffered the effect of the adverse colonial policies aimed at them and the nationalist policies in the post-independence period when the political situation in China did not leave them with many alternative options. They started to enjoy equal economic rights under the law when mass citizenship was granted in mid-1975. More opportunities were made available to them in the 1980s, the Philippine Government adopted economic liberation policies and China opened its economy. Globalization and China's economic boom provided even more investment opportunities.
>
> Cited by Suryadinata, 2006, p. 9

While Chinese-Filipinos remain weak in politics compared to the traditional Spanish-Filipino oligarchs, they have gained increasing commercial influence by joining forces with ethnic Chinese from Indonesia and Malaysia (Palanca, 2006). As noted by Suryadinata (2006, p. 10), "There is no doubt that globalization and the liberalization of the economic system benefited Chinese-Filipino tycoons."

Ethnic Chinese business tycoons in Thailand have also benefited from globalization and the rise of China as an economic power. A study was conducted on Thailand's leading ethnic Chinese family-controlled conglomerate, the Charoen Pokphand (CP) Group, which revealed that the group had the characteristics of an "Overseas Chinese Business." Suryadinata (2006, p. 10) notes, "With its conglomerate structure, family ownership and control, extensive investments in China and expertise in cultivating networks with those in power, the group has often been known as the Thai representative of ethnic Chinese business." The group's adjustments after the Asian economic crisis strengthened its status as a multinational company through its development strategies and dynamic changes in its international operations. Moreover, it was noted that the success of the group in its early stages was mainly due to its ethnicity and extensive networks, and that later challenges in its operations had to do more with its business competence.

6.9 SUMMARY AND CONCLUSIONS

Globalization and the rise of China are significant events, which started in the last decades of the twentieth century. Not only has globalization released political, social and economic forces that have changed the socio-economic landscape in Southeast Asia, but also the rise of China as an economic power has perhaps been felt more strongly in this region. People can no longer ignore China as it attracts global investments and offers huge markets. China's cheap products together with other countries' products have flooded Southeast Asian markets. China has now become both a challenge and opportunity to Southeast Asia. In this context, ethnic Chinese in Southeast Asia have played a significant role, leading to a stereotype of the Chinese in Southeast Asia as the trading minorities. In fact, the ethnic Chinese are not a homogeneous group as there are rich and poor Chinese, and their occupations also vary greatly.

With regard to Chinese businesses, they can also be divided into large, medium and small businesses. Many Southeast Asian countries which experienced economic nationalism or more correctly economic indigenism often considered their ethnic Chinese population as foreign elements and introduced various regulations and policies to control their economic activities and reduce their economic strength. Despite discriminatory measures against them, however, ethnic Chinese continued to be able to maintain their leading economic position. Other population groups are also growing richer and more influential, but their economic position relative to their numbers has not yet reached that of the ethnic Chinese.

The combined impact of the 1997–1998 Asian financial crisis and the ever-increasing economic globalization of the world economy—with its rapid increase in cross-border movement of goods and services, including technology and capital—has inevitably forced many Southeast Asian governments to review their regulations and policies towards the ethnic Chinese. In many ways, the liberalization of economic policies has benefitted old (and given rise to new) ethnic Chinese family-businesses, as they have become freer to be active in diverse economic fields (see, for example, Hin, 2006; Suryadinata, 2006, 2008). With capital, skills and regional networks, many Chinese family-controlled businesses are expected to grow economically stronger as they increase their activities with mainland China.

The rise of China as an industrial power has not had a uniformly positive impact on Southeast Asia as whole and the Chinese community in particular. While Southeast Asian countries enjoy having cheaper products, some SMEs, mainly those owned by ethnic Chinese, have also suffered. Large ethnic Chinese big businesses in Southeast Asia, which have a stronger economic position, have been able to cope with resulting competition from a rising China. They have also been able to invest in China and elsewhere to benefit from globalization and the opening of China. Facing the challenges of globalization and China's meteoric rise, the business groups within the ethnic Chinese communities in Southeast Asia have begun to transform themselves to become more competitive.

Many ethnic Chinese businesses, especially SMEs, based in Southeast Asia have been localized and become part of Southeast Asian society. Chinese ethnicity plays a lesser role than in the past with respect to self-identity, while business logic has become more primary, over-riding ethnic and familial ties. The fate of the ethnic Chinese in the Southeast Asian region is now linked to the local economy rather than to China. Many Southeast Asian governments have realized that with the rise of China, the ASEAN states will enjoy the benefits of further cooperation with their giant neighbor to the north. Nevertheless, nationalism in Southeast Asia has not died entirely, and economic nationalism will become a challenge for improved Sino-Southeast Asian relations.

7 CHINA, INDIA AND THE POWER OF DIASPORA

7.1 AT THE CROSSROADS

China and India are now standing at the crossroads of change; tightly entwined in the global economy, impacting more and more on the rest of the world. Both nations have successfully pooled huge resources and policy support to continue to fuel the growth engines of their economies. The Diaspora in this process in promoting economic growth in their home countries through trade, technology transfers, and international capital flows should not be underestimated (Metz, Chen & Geithner, 2007; Ratha et al., 2007; Portes, 2008; Sheldon, 2008; Wescott & Brinkerhoff, 2008).

The Asia Pacific Philanthropy Consortium (APPC) and The Philanthropic Initiative (TPI), established in 1989 and 1994 respectively, are among many organizations that clearly recognize this intrinsic potential and power of the worldwide Diaspora by providing access to a wealth of information, most of which are focused on Asia due to its size, demographics, and socioeconomic changes. As emphasized by Sidel (2008), significant research on the phenomenon of Asian philanthropic giving was virtually non-existent two decades ago (see terminology section for more discussion of Diaspora philanthropy). The major turning point came with the growing numbers of wealthy Indians and Chinese abroad, and their relative prominent role in giving back home. These changes gained widespread academic attention and triggered an uneven focus on China and India from around 1997–2003 (Sidel, 2008). Only recently has research attention been directed to other Asian countries and territories that looks at the complex, intriguing and often blurring issues of remittances, transnational giving, and Diaspora philanthropy (Geithner, Johnson & Chen, 2004; Johnson, 2007; Shiveshwarkar, 2008; Young, 2008; Niumai, 2009).

But the fact remains that China and India have been differently successful in tapping into the potential of their thriving transnational and Diaspora communities. Their contribution to their ancestral origins is well documented. If anything, China has had the upper hand in gaining access to a vast pool of unexploited intellect, financial resources, and skilled manpower for the last three decades, largely achieved through targeted strategies and governmental policies (Rowen, Hancock & Miller, 2008; Spring, 2008).

Foreign investment and philanthropic capital in India by overseas Indians is a totally different story of disappointments and frustrations. Until recently, the volume of inward investment has been low and far short of potential (Bajpai & Dasgupta, 2003; Srinivasan, 2006a; Overseas Indian Facilitation, 2009). Held back by systemic constraints, Indian philanthropy has been sporadic with less than optimal outcomes (Singhvi, 2001; Shiveshwarkar, 2008; Sheth, 2010). Perhaps the true power of their Diasporas will be known when China and India step up on the world stage to assume greater global responsibilities. As China is increasingly feeling pressure from the world community to take action, the power, reach, and dexterity of the Diaspora could help shoulder those new responsibilities.

Since the outbreak of the 2007–2010 global financial crisis, several developing countries have claimed that China should step in to correct global imbalances and save the world economy (Cohen, Greenberg & McGiffert, 2009; Helleiner & Kirshner, 2009; Roach, 2009). Stiglitz (2009), Nobel Laureate in Economics and former chief economist of the World Bank, went so far as to state that, "China and other countries could very quickly create a new facility to derive money… in a way consistent with China's diplomatic principle, and consistent with macro-economic needs," (cited by Wang, 2009, para. 11).

This has yet to happen. The fact of the matter is that no rising power stands ready to assume more global responsibility without providing for its people first, and then to the world once domestic issues are under control. It is a sensitive topic that has many Chinese academics and policymakers extremely concerned (see, for example, Wen, 2010; Xinyui, 2010). Accordingly, the Chinese press and government have accused Western media being biased against China (Li & Hong, 1998; Reese & Dai, 2009; Zhang & Stening, 2010).

In a response to the growing criticism from abroad, Huo Jianguo, president of The International Economic and Trade Research Institute of the Chinese Ministry of Commerce, was quoted in late 2009, "When China makes solid achievements, they begin to talk about the 'threat of China'" (Wen, 2010, para. 5). But perhaps in this statement, we find that Chinese are accustomed to more non-negative state-controlled and censored news, and thus not familiarized with the widely cynical and sensationalist Western media coverage of everything imaginable. Whether or not such criticisms are legitimate, Suryadinata (2006), Chee and West (2007), and Overholt (2008) are among many scholars who have found that China-bashing among the media these days has an uncanny resemblance to the heyday of Japan-bashing that peaked in the 1980s.

In these times of economic difficulty and failure, often the human tendency to seek out scapegoats who can be blamed for a calamity is frequently heard or read in the media. It is therefore little surprise that economists like Arun Motianey (2010) assert that US politicians, like those of many European policymakers, view China "as a synecdoche for all the current account surplus economies of the world," and thus claim it to be the culprit for American woes (Motianey, 2010, p. 43).

Chinese scholars, policymakers, and business leaders, as might be expected, do not hold similar understandings, and distance themselves from such outspoken arguments. And, in the words by Hua Jianguo, "China should, above all, be responsible to the Chinese people and the country's interests to maintain sustainable economic growth and stability" (Wen, 2010, para.

21). It is here that Chinese overseas should be recognized as intangible assets. Gaining access to the cumulative knowledge and experience of their Diaspora could thus play another vital role in achieving this goal.

From a global perspective, China and India are purported to play even greater future roles in the global financial system. There have been so many news reports in recent years on the varied and wide-ranging socio-economic issues in both countries that several things need to be resolved before this will be a possible reality (see, for instance, Chai & Roy, 2006, Chapter 12). As noted by Dobson (2009a), "their [China and India] roles in the world will be constrained by the need to rebalance significant distortions in their domestic economies" (p. 1). Dobson (2009b) deepens and extends her argument by concluding that:

> China's pragmatic combination of cheap capital and labour, openness and its unique mix of state and market institutions has delivered rapid growth at home and powered international markets. But heavy reliance on investment and producers has created a lop-sided economy with rising income inequality and environmental degradation. India's choice of inclusiveness over growth has achieved neither very well, excluding large swathes of the population from the modern sector except where the private sector is filling the innovation gap.
>
> Dobson, 2009, p. 5

Whilst the above statement adequately describes a great deal about the current state and some of the potential distortions and weaknesses that hold back China and India, there are other important factors beyond those listed by Dobson (see, also, Seethi, 2009). For instance, something that also needs mentioning is that both China and India still have a lot of serious work to do in taking greater steps to overcome unresolved territorial issues, ancient quarrels, and to rise above the simple fact that as neighboring countries they may clash over resources (Malik, 2009; National Intelligence Council, 2010). As the stakes goes up, it remains to be seen what possible remedies the governments will take to alleviate these growing risks.

As if sitting on opposite sides of the same table, Chinese and Indians overseas are now standing at different crossroads. Like past generations, they are facing the renewed dilemma of national identity versus ethnic identification, reminiscent of a similar period when Southeast Asian nations declared independence after World War II (see further Gungwu, 2000, Chapter 3 for more about "the quest for cultural autonomy"). This time around the questions are perhaps not that insistent and certainly the need is not that pronounced to choose one over the other: either to return and contribute to their prosperous homelands, or to remain where they have settled down for generations.

Though Chinese and Indian overseas, like other Diasporas of the developing world, do not necessarily share a teleology of "return," as noted by Chandler (2001), the implicit promise by the governments from their ancestral homeland of better living conditions, educational and job opportunities is felt even stronger in light of their burgeoning economic clout. The pull to remain in the countries where they have already integrated and established intentional residence remains strong. Clear-sighted sociologist historians like Suryadinata and Gungwu have studied at length questions of ethnic assimilation and cultural acculturation of ethnic Chinese and Indians to their surrounding society and how it increases access to cultural capital by “reducing boundaries that can occur when members of two societies or of smaller cultural groups meet” (Yinger, 1981, p. 249; see also Suryadinata, 1997; Gungwu, 2000; Beng, 2004; Mani, 2008).

7.2 CHAPTER OUTLINE

As the Chapter title suggests, we will therefore take a closer look at China, India, and their respective Diasporas—their limitations, their constraints, and how they inadvertently view and promote themselves. Further discussions in this Chapter extend to include the unleashed power and dynamics of ethnic Chinese capitalism throughout Southeast Asia (see Chapter 1 for definition). By highlighting the influence of the large mainly Chinese ethnic Diaspora in Asia and associated events and effects, a relatively simple conceptual framework is put forward for understanding the perpetuation of myths and realities surrounding the Chinese and Indian transnational communities and how they shroud the true power and reach of these two emerging economies. Another topic discussed in this Chapter and elsewhere will be to what extent and in what manner the dynamism of ethnic Chinese capitalism remains linked to a shared past and circumstances.

For a topic of this complexity and importance, multiple viewpoints and opposing perspectives is a given. Unfortunately, this somehow makes it impossible to meticulously explore the scholarly literature of each and every aspect in the span of this single Chapter. To provide a glimpse of the extent of recent changes, priorities, and future scenarios for China and India, and consequently how they will impact on their own Diaspora, the aim of this Chapter 7 is to discuss: the complex and rich phenomenon of their resilient and fast-paced economies amid economic globalization; the impact of the shockwaves generated by the 2007–2010 global financial crisis on to the present; the gap between reality and rhetorical imagery of both nations’ flourishing capitalism.

7.3 EQUAL, YET DIFFERENT

These days, India falls off the tongue as easily as China when talking about economic miracles in the making. In the outside literature, and to an extent, also in the international press, China and India are often treated as broadly similar in terms of growth potential and other features. Although all roads may lead to China and India, there is a wealth of published research that provides evidence for the undeniable differences (and clearly many similarities) that exist between these economies in terms of culture, geopolitics, and economics (see, for example, Friedman & Gilley, 2005; Chai & Roy, 2006; Das, 2006; Meredith, 2007; Gungwu, 2008; Chung & Uberoi, 2009; Bardhan, 2010; Merrill, Taylor & Pool, 2010).

Placed within the right context, rational economic theory dictates that these factors must be closely considered when looking at economic indicators over time and when predicting economic trends between different countries. And of course this also applies to China and India. Both have over one billion citizens, both have experienced resilient growth in industrial output, and both have greatly expanded their roles in international trade. By contrast, both have different political systems, governmental control mechanisms, infrastructures, both have followed different paths of industrialization patterns (economic diversification and structural change), both have undertaken different trade policies and followed trade patterns, and both have focused different on poverty reduction and inequality.

Clearly, other similarities and differences between China and India stand out, and we will explore a few of the most important ones throughout this Chapter. However, in terms of the future prospects many policymakers and scholars agree, perhaps not surprisingly, that both economies end up with very similar issues despite these major differences. There are clear questions of sustainability of the current pattern of economic expansion and the need to generate more employment.

In the same breath that the West recognizes China and India, and as mentioned in the introduction, we should also not forget the significant role of their respective Diasporas, which have prospered thanks to their adaptable nature, dynamism and initiative. Unlike China, which has benefited tremendously from the wealth and talents of its rich pool of overseas Chinese entrepreneurs, India has historically dismissed and ignored the obvious potential of their expatriate Indian professionals. Only recently in 2002—a decade after India launched its economic reforms—has the Indian government begun mapping out the Indian settlements and communities scattered around the world. Much of the efforts are spear-headed through the relatively new institutional framework, embodied in the High Level Committee on the Indian Diaspora (HLCID), and the Ministry of Overseas Indian Affairs (MOIA), established in 2000 and 2004 respectively (see further, Dwivedi, 2008, Chapter 17; Khanna, 2008, Chapter 8; Chanda & Sreenivasan, 2006).

According to the Indian 2001 HLCID report on the Indian Diaspora, and also highlighted in the *Encyclopedia of Indian Diaspora* by Lal, Reeves and Rai (2006), Indian overseas communities also tend to be more fractious and more geographically scattered around the globe than other Diasporas. Indian overseas communities are traditionally more heterogeneous in terms of their endogamous caste hierarchy and dominance, while still reflecting the agglomerative nature of their ancestral home. Together with India's complex maze of rules, procedures, and politics, India's stifling bureaucracy, and rigid caste system rules constitute the two major obstacles that have quelled past attempts to establish closer and wide-ranging interactions between India and its Diaspora.

According to the *Encyclopedia of the Chinese Overseas* by Pan (1999) and corroborated by others, the Chinese overseas have largely avoided such obstacles. Though diverse in terms of linguistic and geographical origin, they are relatively more homogeneous through customs and cultural practices in a manner far beyond Indians. China has nurtured particularly close ties with its overseas communities via its many well-funded, well-organized, and well-staffed governmental organizations at home and overseas as well as via its numerous counselor offices abroad.

This is also mirrored in the statistics for the years 1982–2008 in terms of the size of total FDI inflows in China and its contribution to domestic capital formation. Table 7.1 clearly shows that China has consequently been able to attract about ten times as much foreign direct investment as its Indian neighbor over the past decade (as discussed further in section 4 in this Chapter).

Table 7.1 Indian and Chinese FDI, select years, 1982–2009

Select years	*India*		*China*	
	FDI inflow (US$ million)	*FDI as % Gross capital formation*	*FDI inflow (US$ million)*	*FDI as % Gross capital formation*
1982	72	0.22	430	0.52
1985	106	0.21	1,956	2.15
1990	237	0.29	3,487	3.45
1995	2,151	2.23	37,521	15.00
2000	3,588	3.27	40,715	9.96
2002	5,630	4.57	52,743	10.01
2003	4,321	2.83	53,505	8.28
2005	7,622	2.91	72,406	9.68
2006	20,336	6.61	72,715	6.43
2007	25,001	6.23	83,521	6.04
2008	40,418	9.40	108,312	5.31
2009	34,613	—	95,000	—

Source: UNCTADStat Online Statistical Database. Compiled from http://bit.ly/aRB56u

Furthermore, according to various issues of UNCTAD's World Investment Reports, published annually since 1991, India emerged as the second most attractive destination for FDI after China in 2007 and has kept its position since then, with the exception of 2009 when it dropped to third place below the United States. It is worth noting that India was the fourth largest recipient of FDI during 2005–2006 with China and Hong Kong (China) remaining on top.

With China and India almost consecutively taking first and second place for attracting FDI, it is therefore no wonder that the coming of age of the global Indians in helping their ancestral country is frequently compared with the capital accumulation and transfer of business skills of the ethnic Chinese. In terms of their contributions through remittances, lobbying, altruism and philanthropy, the Chinese Diaspora has helped to chance the face of China. Their Indian counterparts have not yet had the change to do so.

From Threat to Opportunity

The late twenty-first century resurgent economies of China and India have attracted a great deal of attention from economic historians, contemporary political scientists, and politicians alike, and justifiably so. In 1820 and centuries earlier, China and India were at the apex of civilization and expansion. China accounted for a remarkable 30 percent, and India for 15 percent of the world economic output (Maddison, 2007).

Although academics such as Ruskow (1985), Caldwell (2002), Federico (2002), and Haig (2005) have criticized Maddison's quantification of economic history and his assumptions of the world economy before the pre-industrial era, his research provides fascinating insight into the rise and fall of ancient China, India, and other nations. Today's Asian economic giants China and India are steadily moving closer to past economic superpowerdom. Within just three decades of ongoing economic liberalization and institutional reforms in China, and less than 20 years in India, China accounted for about 11 percent, and India accounted for some five percent of the world's economic output, measured in PPP (IMF, World Economic Outlook, April, 2008, Table 1.2, p. 45).

Reflecting the new economic reality, the world's perception of Asia has undergone a complete metamorphosis from threat to opportunity within just the last decade. Being by far the two largest among its Asian peers and outperforming their Western counterparts, China and India have to some extent become the embodiment of emerging market economies. Their forceful acceleration of economic size and influence has paved the way for them to become pre-eminent performers in their own category; the emerging players of just the previous decade are now key players and global economic powers.

Yet, China's and India's unprecedented growth trajectories over the last three decades raised the eyebrows of many orthodox economic theorists and scholars. For example, Rosenstein-Rodan (1961), Cheney and Stout (1966), and Hicks (1989) are among the many orthodox theorists, who believed that the Harrod-Domar investment saving model, developed in the 1930s, would accelerate economic growth (see also Yu, 1997, pp. 1–11). In fact, many orthodox theorists predicted that Latin America would outpace Singapore, and many of them contended that other Southeast Asian nations would outperform the East Asian economies. The reality turned out different.

Put another way, a comparison of China's and India's growth trajectories stands in stark contrast with the past experience of, for example, Western powers such as Britain, the United States, and France, as well as East Asian economic powerhouses like Japan. East Asia achieved what had taken the Western powers the better part of a century in a few short decades; hence the frequent reference to *The East Asian Miracle*, popularized by a 1993 World Bank policy report of the same title.

Moreover, China's size has lead economists and social scientists to questions whether China is a true goose in Akamatsu's famous *Flying Geese Paradigm* of 1962. If anything, as pointed out by Manas Chakaravary (2008), a columnist in India's foremost financial magazine *Businessworld*, China has proven that it is a "goose at heart" because it shares common features to the East Asian growth model, such as export-led growth and an emphasis on low cost manufacturing (Chakaravary, 2008, para. 7). If there was a Miracle, it should perhaps be seen in the fact that India has not followed the proven East Asian growth model, as none of the others have grown by expanding their services sector first. India's growth has been fueled by domestic consumption, while also benefitting from buoyant external demand. This has been well documented by, for example, Virmani (2006) and Ahmed (2007), and other numerous articles and books.

To follow the allegory of the Flying Geese, India has qualified more of being “an ugly duckling,” albeit one that is essentially unique and able to fly (Chakaravary, 2008, para. 8). In fact, just like philosophical principle of Occam’s razor embodies the notion of parsimony, perhaps the lack of infrastructure explains why services have flourished rather than manufacturing. The general consensus among contemporary scholars, however, seems to be that the revival of the manufacturing industry in recent years will lead to convergence and alignment with the conventional model.

That the newly emerging Indian and Chinese economies have stepped out of the shadows of the Western world, and surprised even their East Asian neighbors in growth rates for the past decade, has been described at length in various publications, similarly to those mentioned in this Chapter. This is further corroborated by the fact that economic indicators in both countries have shown favorable patterns in areas such as population, industrial output, inflation rates, and trade. One just has to glance through published economic figures in recent years by IMF, OECD, and World Bank statistics that confirm the upward trend.

In so many ways, the volte-face towards China—from threat to opportunity—is one that follows the indispensable necessities of human nature to change opinions when confronted with the possibility to achieve long-term tangible benefits. Why people change opinions and attitudes depending on the context is of course a topic debated by philosophers long before anyone had to face the question in regard to China. In fact, only twenty years ago, Cold War thinking still dominated global politics and influenced many opinion leaders and the average citizens in the Western world, reverberating Beijing as the communist threat. At that time, few countries had strong trade relations with China, still an extremely poor country. The economic rise of China prompted many Western nations, and even neighboring countries, to reconsider their attitude given the possibilities alone of maximizing trade potential and business opportunities. Neighboring countries, however, have on many occasions expressed mixed feelings towards China’s growing militarization.

The explosive growth of China’s trade with the rest of the world has also affected neighboring countries negatively because of different proximity to markets, trade costs and other levels of competitiveness. It can thus be argued that China has indirectly forced neighboring countries, such as Vietnam and Singapore, to weaken their currencies in what is known as competitive devaluation to keep up with China’s robust export growth and high trade surpluses.

India is viewed differently in many respects. Although India at Independence in 1947 was an extremely poor country on par with China, it has always been projected differently in terms of threat perceptions and being defined as a land of opportunity. In other words, the perceived threat from India is perhaps mirrored in the close historic cooperation between China and Pakistan, which followed up with the nuclearization of India and insofar has defined India’s nuclear posture (Tellis, 2001; Sahni, 2008). The fear of neighboring India always dominated Pakistan’s foreign policy and its allies (see also, Lyon, 2008).

While Americans and Europeans might perceive China as a real or potential threat, either economically, politically, or military, few Western powers do not seem to share similar threat perception of India as a destabilizing factor on Southeast Asian countries (see also Hongying, 2010). The warm feeling developed in recent past between US and India was clearly reflected in the recent Indian state visit to the US. President Obama said at a joint conference with Prime Minister Manmohan Sing in November 2009, "…I believe the relationship between India and the United Stated will be one of the defining partnerships of the 21st century," (IIP, 2009, November 24, para. 4).

India's external relations have in many ways remained a continuum of political and strategic timidity while following the Manmohan Doctrine of "establishing a web of interdependence in India's neighborhood, linking both friends and rivals" (propounded in February 2005 by India's Prime Minister Manmohan Singh). Many observers have pointed out that China has been more successful as a consequence of a more assertive foreign policy towards both the United States and Japan, as well as along India's border and in the Southeast Asian region. For instance, in 2009, "Beijing asserted that the dollar must be phased out as the world's primary reserve currency," (Barboza, 2010, August 15, p. B1). With China having so much geopolitical clout, India feels increasingly threatened by China's rise. In a rare open criticism, Prime Minister Singh was quoted as saying in *The Times of India*, published in 2010, that "China would like to have a foothold in South Asia, and we have to reflect on this reality," (*The Global Edition of The New York Times*, 2010, p. 3).

There are many signs that the governments in Beijing and New Delhi have equally sought to expand their international sphere of influence, steadily improving bilateral commercial and economic relations around the world (Shukla, 2005; Jiang, 2008; Mattoo, 2008; Mingjiang, 2008; Wu, 2008; Zhu, 2010). Mutual geo-politics and diplomacy, however, continue to remain areas of tension as China and India converge on a range of global and regional issues. Their simultaneous rise to economic power, political influence and new assertiveness remains a complex and fast-changing phenomenon on many levels as stated previously. One wonders how the world would be different if neighboring China or India had not modernized this fast? If China's economic revolution had not occurred, India would be the only primus motor of global growth today.

Speculations aside, in the first decade of the twenty-first century, China and India have both increasingly engaged their Asia neighbors and are already reshaping the regional order. No doubt that there are conflicts of interest between these two burgeoning powers. But inevitably the conflicts put more emphasis on the potential regional significance of China and India, not just because their common interests far outweigh the areas of disagreements, but also because confrontation would surely present a "lose-lose situation" for everyone concerned. Chinese and Indian political leaders are increasingly sharing key areas of convergent concern rather than divergent interest, and they will need each other if they intend to change the world economic order to suit their interests.

Sino-Indo cultural exchange and commercial ties were mutually reinforced millennia ago; consequently, reinvigorating these cultural links might well lubricate further commerce. Bilateral relations between China and India have grown stronger over the years since the mid-1980s when government-led dialogue was reinitiated. However, they remain very far from their historical benchmark of mutual relevance. Given their market size (in terms of purchasing power) and close proximity, neighboring China and India theoretically ought to have more trade with each other. The fact that the volume of their cross-border trade has not changed for decades has confounded the minds of many economists (see, for example, Kaushik & Patnayak, 1995; Rodrik & Subramanian, 2004; Das, 2006).

The current absence of increased trade volume is a notable anomaly that defies the gravity model of trade in international economics. The gravity model has traditionally been used to predict much greater trade interaction between countries with similar levels of output per capita than between countries with dissimilar levels. Although the gravity model fails when it comes to bilateral trade between China and India, mainstream economists have nevertheless been able to use the model to examine the individual roles of China and India regarding their global trade, finance, and diplomatic relations.

CHINA AND INDIA: THE PROVERBIAL HARE AND TORTOISE?

The economic growth pattern on top of the intensity of rivalry between China and India comes across similar to Aesop's fable. In what seems like a race between the speedy Chinese hare and the slow-moving Indian tortoise, China's market reform process has leapt ahead like a hare without frequently taking naps, while India has been lumbering ahead like a tortoise, taking frequent breaks because of the inherent delays in its consensus democracy. India continues to be the world's largest democracy, which involves and takes into account as broad a range of opinions as possible. However, as pointed out by Gupta & Dahiya (2007), "even though Indian democracy is a stable and more resilient political system, India is viewed as considerably less politically stable than China" (p. 354).

China, with the long-ruling Chinese Communist Party firmly in command, has enjoyed a head start of economic reforms building its infrastructure and economy of more than a decade over India (Chai & Roy, 2006; Sinha, 2007). China remains the undisputed economic powerhouse of the moment driving Asia's transformation of the world economy, and its contribution to global growth is projected to continue to increase (IMF, World Economic Outlook, October, 2010). India, much like its proverbial tortoise from one of Aesop's fables, is not far behind and gaining steam. It knows that it must work hard to reclaim its place next to or above China. From one perspective, if India's political agenda remains aligned with its economic policies, it should be able to move ahead without major breaks. If the gap between China's political structure and economic development is widened further, it may stumble and create breaks in the future of China.

From another perspective, PricewaterhouseCoopers, a top business consultancy, predicted in 2006 (revised in 2008) that China could become the world's largest economy as early as 2020 and end the United States' global preeminence by 2030 (Hawkswort & Cookson, 2008). Goldman Sachs, another leading consultancy, predicted in 2007 that India will grow faster than any other large country over the next 25 years, not only that its growth rates could overtake China's by 2013, but also surpass China in population in the next few decades (Goldman Sachs Global Economics Group, 2007).

Some foreign policymakers view these growth projections as a promising sign for the prospect of India as a counterbalance and containment tool against China. For instance, on his maiden visit to India in early 2010, British Prime Minister David Cameron heaped praise on the Indian economy, saying, "the Indian tiger has been uncaged and its power can be felt around the world" (Barker, A. & Kazmin, A., 2010, July 28). Similarly, following the de facto embargo of rare earth export from China to Japan and territorial row in September 2010, Japanese Prime Minister Kan welcomed his Indian counterpart Singh saying, "India is the world's biggest democracy and it currently has the world's second biggest population. Its growth potential matches that of China. …Japan-India ties have great possibilities" (Sieg & Kubota, 2010, October 25, para. 5).

It is true that India's reform progress has in some ways leapt ahead, but in others it still behaves as if being on a leash, restrained and bedazzled by China's success. Moreover, some observers caution that even if India becomes more populous than China, it will never become richer or more influential than China (*The Economist*, June 21, 2003, p. 9; *The Economist*, March 5, 2005, p. 10). As *The Economist* points out, "It has a long way to go before it is as rich as China—the Chinese economy is four times bigger" (*The Economist*, 2010, October 2, p. 9). India may not catch up with China's economy in the near future, but judging from the newspaper headlines and economic reports it is showing strong resolve to keep up with its neighbor and steadily grow in geopolitical importance.

There are many economic indicators for benchmarking the progress of China and India, but none more fundamental than looking at industrial output, domestic savings and investment rate. In our dollar-dominant financial world order, in which turbulences are expected to arise occasionally, measuring the amount of which China and India hold US Treasury securities furthermore provides valuable insights into their ability to withstand future financial risks, emerging challenges, and opportunities, and potentially reveals their far-reaching political power.

When examining the past, we see that India has been faced with different policy choices and challenges vis-à-vis China since embarking on their economic development and reform programs. An often-stated fact is that the sources of economic growth have been different between China and India (Bosworth & Collings, 2008; Gupta & Wang, 2009). China's growth stems from resource accumulation driven by investing heavily in the manufacturing industry and facilitating foreign trade; India's knowledge-based economy is rooted in augmenting efficiency in the service-producing industries that mostly employ relatively skilled labor. This may be an oversimplification of what has been driving China's and India's growth success for the past two decades.

From the beginning of the industrial revolution until today, manufacturing prowess has been the de facto measure of prosperity, and here China remains by far the uncontested champion compared to many other nations. However, while the rest of the world fears China's manufacturing power, we should not forget, at least for now, that the United States remains the world's largest manufacturing economy. According to the World Bank (2010), the United States' manufacturing output reached US$1.8 trillion in 2008, compared to US$1.5 trillion in China (the China data for manufacturing is actually smaller since it includes mining and utility data). The United States has a higher share of manufacturing value added of 21 percent of total world output—60 percent more than China, the second largest manufacturer (World Bank, 2010 World Development Indicators, Table 4.3, pp. 239–237).

Consequently, the famous adage, “China is the world's factory floor; India is its back office,” is looking more and more dated as India’s manufacturing is scaling up and beginning to seek global competitiveness (see also Bhagwati & Calomiris, 2008, p. 243). There are several signs that India’s manufacturing output is expanding as higher domestic incomes spurs demands for high value added products such as automotives and other electronic hardware (IMF, World Economic Outlook, October, 2010). Neighboring China’s conflicting data do not show any gear shifting at all.

In comparison with other leading economies, both economies vigorously climbed the economic rankings over the past decade. Judging by GDP (nominal) for 2009, estimated by the IMF and the World Bank, the leap in the rankings shows that China became the world’s third-largest economy, surpassing Germany, UK, and France, and closing in rapidly on Japan (unofficial figures actually shows that China appears likely to be world’s second-largest economy behind the United States in 2010, according to the latest quarterly government figures, released August 2010). India is not far behind either, having recently been ranked the 11th-largest economy, surpassing South Korea (IMF, World Economic Outlook Database, October 2010; World Bank, Word Development Indicators, September 2010).

China recorded an average nine percent growth over the last two decades, while India posted an average six percent during the same period (Virmani, 2006, p. 362; Jeffries, 2010, p. 609). Both economies together account for more than one-third of the planet’s population, and they have also a combined PPP-adjusted GDP of approximately US$13 trillion, equal to about 17 percent of a global GDP of US$73 trillion. By contrast, the United States has 19 percent, Japan has six percent, Germany has four percent, Russia has four percent, and Latin America eight percent of world GDP (World Bank, World Development Indicators Database, 2009 GDP, PPP, 2010). Despite the global downturn also affected Asian economies well into 2009, the World Bank forecasted that India’s economy will surge 9.7 percent in 2010 and 8.4 percent in 2011, not far behind the 10.5 percent and 9.6 percent for China for each of these years. Moreover, the shift from export-led growth to demand-led growth is indeed taking a more prominent role in both the Chinese and Indian economies, and expected to have a positive spillover for other Asian economies (IMF, World Economic Outlook, October, 2010, pp. 63–64).

Many scholars, such as Schmidt-Hebbel, Servén and Stiglitz (1999), frequently suggest that a higher saving rate holds the key to sustaining growth for developing countries like India, whose total savings remain lower than that of other major countries due to its smaller economy (following the Harrod-Domar Growth Model). In many ways, India still lags behind China in terms of economic development and is under-performing in trade, investment, and potential. Developing China has a much higher gross domestic saving rate, higher investment rate, and a correspondingly low domestic demand. What really sets China apart from India, however, is that it could keep its large current account surplus during the last two decades, as domestic savings far outpaced its already high investment. China has struggled in recent years to encourage greater domestic consumption by China’s middle-class, which alone has exceeded the population of the entire United States. In the end it has only had a limited effect on saving behavior. According to Jeffries (2010, p. 25) and (Mathur & Mathur, 2010, p. 16), domestic savings exceeded an average of 40 percent of GDP in 2005, double that of India's saving rate.

China has plowed its huge reservoir of domestic savings into heavy investments in infrastructure and quickly embraced private and foreign investors as the means to acquire technology and managerial expertise much earlier than India. A decade later, India's saving rate reached a high of 37.5 percent of GDP in 2008, far short of the nearly 54.4 percent that China announced the same year. India's total savings in 2008 were US$482 billion, whereas China's were almost five times larger at US$2.381 trillion. Having overtaken the United States' calculated savings of US$1.926 trillion in 2008, this again means that China now is the world's greatest source of finance for investment (savings divided capital investments) due to its large economy (IMF International Financial Statistics Online, 2010). Viewed in terms of these figures, India's growth aspirations during the last three decades have not been consistent with its total savings and investment rates. In fact, they have remained lower than that of other major countries due to its smaller economy. Three decades from now, we should also expect the saving rates of both economies to have declined even further as they will experience the effects of the skewed population pyramids. This makes improving access to external capital more critical than ever for India.

China's foreign exchange reserves and holdings of US securities have increased sharply in recent years. China, almost unnoticed, surpassed Japan in 2008 to become the world's biggest acquirer of US foreign public debt spurred by its highly debated exchange rate policy (Morrison & Labonte, 2008; Giudice, 2010). The US Treasury Department reported in March 2010 that China reinforced its position with a total of US$895 billion, followed by Japan's US$785 billion to be the two largest foreign holders of US Treasury securities that accounts for 23 percent and 20 percent of total foreign ownership, respectively. China also surpassed Japan in 2006 to become the world's largest holder of foreign exchange reserves, accounting for one-fourth of world total.

Albeit there are no official estimates of what share of China's foreign reserves are held dollar-denominated assets, some 60–70 percent of China's foreign exchange reserves are reported to be in US dollars, with most invested in US Treasuries (Hu, 2010, p. 21). It is difficult to deny that China maintains a firm grip on the US economy through its holdings of US Treasury securities. According to Arunachalam (2010) and US Department of the Treasury (2011), India is far below that of China's figure, holding US$32 billion worth of US Treasury securities, far less than one percent and pales in comparison with the top investors. India's foreign exchange reserves amount to US$282 billion at the end of March 2010, and around 40 percent are believed to be in currencies other than US dollar.

China now has a hold over the US economy that would have seemed unthinkable a few decades ago. Any public selling by Japan would result in a similar crash. China has increasingly invested in hard assets such as gold, and seems better prepared than Japan for an eventual dollar collapse. The likelihood for the collapse to happen should be very small, as it would also affect China's and Japan's own economic interests. China is, after all, a huge exporter to the United States. To this extent, reducing its holdings significantly would cause more harm than good. That is not to say that it remains difficult to ignore the thesis that

China, Japan, and others will not continue to fund the looming US debt bubble of the United States, an opinion which has long been voiced by economists like Nouriel Roubini and other market watchers. Roubini, renowned as a perpetual pessimist to some and a realist to others, has gained extensive media exposure after his early prediction in 2006 of the crisis in the US and the world markets (Mihm, 2008).

Economists suggest that one reason why India's projected growth rate can exceed that of China's in the near future is simply on account of a statistical base effect. Following this argument, India's growth rate is higher because the base on which the rate is calculated is narrower than that of China's. There is an obvious catch to this. The National Bureau of Statistics in Beijing has admitted on occasions that the figures it publishes are not entirely reliable (Worrall, O'Shea, & Chung, 2006, p. 112; Rabinovitch, 2010, December 6). Because of political pressure and different methods of measuring, Chinese statistics are notoriously problematic and mask significant movements in the economy (Smil, 2003, Chapter 1: Crane et al., 2005, Chapter 2). Hence, official Chinese growth rates are often deliberately underreported to diminish fears of economic overheating (see, for example, Ambler & Witzel, 2004).

A further decline of these official growth figures would inevitably make the Chinese economy appear weaker than is really the case. The shockwaves generated by the 2007–2010 global financial crisis presented such a scenario. When the rest of the world fell into a recession in 2008, global demand for Chinese goods faltered and caused a slowdown in China's economic growth. This prompted doomsayers to declare China's economic growth to be illusory. Not surprisingly, China's economy has shown to be more resilient than reported. With the help of massive government stimulus programs, China's fast-acting government has since 2009 tried to rebalance its economy towards stronger domestic demand (IMF, World Economic Outlook, October, 2010).

Doomsayers also forget the size and impact of China's shadow economy. As the shadow economy grows, production inputs such as labor will move, at least partly, out of the official economy. This displacement might have depressed the official growth rate of the Chinese economy. Estimations of China's shadow economy should be as large as Russia's 40–50 percent of GDP, not the 10–20 percent used by some economists (Rein, 2010). China's future economic growth is very real for the next five years. It would be a mistake to suggest that its economy is weaker than it really is. For now, the race between the Indian tortoise and the Chinese hare will intensify.

SUCCESSFUL AUTHORITARIANISM VS TROUBLED DEMOCRACY

The widely accepted paradigm that democracy offers the best setting for economic growth, sustained prosperity, and political stability is in many ways a challenge to the success of China's authoritarian capitalism. To some extent, China confirms the scholarly debate by Hayek (1944, 1960), Schumpeter (1950), Friedman (1962), and others that in the end it is not democratic or political freedom that produces prosperity, but economic freedom. The arguments are, of course, more complex than there is writing space to present here. Is China's merely an anomaly posed to fail because of endemic corruption or an enlightened authoritarian system that, even in the longer term, will ensure significant higher levels of economic growth than democratic India? Then again, if democracy is really so economically inefficient then why is the United States so wealthy? The all-important question is perhaps less about democracy than it is about bureaucratic gridlock and political polarization that hamstrings any government and so many public organizations.

The American political sociologist Seymour Martin Lipset proposed one answer to the choice of any legitimate government in his classical book, *Political Man: The Social Bases of Politics* (1960). Lipset argued that a legitimate government is one in which the policy is optimal, generates social stability, and justifiable performance such as successful economic growth. Following this argument, it is perhaps not fair to judge China and India by the same criteria. China is carving out its own path by resisting pressure to turn itself into a democracy, and India by continuing the road that has been laid out. Historians have on many occasions demonstrated that if democracy is the ultimate goal of political or social endeavors, it should be introduced or developed only after the economy takes off. In this sense, only time will tell if India's model has rivaled China's.

Ironically, Indian democracy is frequently viewed as or a hindrance vis-à-vis the stability of Chinese authoritarian state. India is the world's largest, most complicated and most unruly democracy with a dysfunctional political system, where the central government sets targets, but where state governments carry out separate policies without seemingly establishing significant coordination procedures. According to Nielsen (2009, para. 7), "This is only half the story because it is also true that democracy actually works in India on many complex levels of institutionalization. So it is a complex picture and certainly not an argument against democracy."

India is also different from China in regards to lacking the advantages of having next-door technology and capital hubs such as Hong Kong and Taiwan. That, combined with the mainland's abundant, cheap, and productive human resources, creates powerful complements. Whether China is a communist country or not is also not an easy question because it has moved so far from its communist state towards a quasi-socialist system with capitalist characteristics, in which private capitalism plays only a supporting role. The Chinese themselves prefer to categorize China simply as a "socialist market economy," which seems the most accurate and most informative label currently available.

During the past decades of economic reform and accelerated economic growth, China thrived by allowing once-suppressed private entrepreneurial businesses to flourish, often at the expense of the old and inefficient state sector of the economy. China now participates extensively in the world market with its private-sector companies, dominating industries like factory-assembled exports, clothing and food. Strategic areas like finance, communications, transportation, mining and metals remain in government hands and are favored by explicit policies.

Nowadays, the blueprint of the Chinese government is to consistently pump public money into companies, where it claims majority ownership and a measure of management control. Of course, the risk for widespread policy-induced malinvestment (and over-investment) is huge in the wake of a credit-sourced boom, as advocated in the Austrian Business Cycle Theory (see Carrison, 2001, Chapter 3). Yet it is hard to argue with China's success at the moment. According to the World Bank (2010), the proportion of industrial production by state-controlled companies has declined steadily and will sooner or later eclipse. Moreover, investment by state-controlled companies has skyrocketed, driven by government spending and state bank lending (for further discussion, see World Bank, China Quarterly Update, June 2010). The same kind of state-owned companies once doomed to perish in face of rising private-sector competition, and which now China's leaders expects to upgrade the industrial base and employ more people as a measure to continue to achieve unparalleled and unadulterated growth.

Without doubt, and which brings us full circle to the beginning of this Chapter, India's industry and policy are likewise standing at the crossroads. Global markets are expanding and China's fast-growing demand for energy resources leaves it with little choice to take on more responsibilities in global affairs, and to take more into account the fate of people outside of China in its decision-making. China's authoritarian single-party state is markedly different in its socioeconomic approaches and perception of social reforms than India's multi-party democracy. Both countries share remarkable similarities and commonalities in regard to economic outlook and international issues, or in regard to cleavages that could slow or detail already achieved progress. Prominent among similar challenges are energy shortages, environmental problems, demographic changes, income disparities, high illiteracy rate, and increased health care spending. Needless to say that by representing the world's most populous nations, more people means growing pressure on the allocation of increasingly scarce natural resources and finding more abundant substitutes.

Under present-day socialist market economy, much of which is still state-owned, China is in a unique position, and has to overcome many deeper cleavages than its counterpart India. It has long been argued that China is cursed with "the paradox of plenty" or "the resource curse." Both concepts commonly adopted to capture the phenomenon of the correlation between an uneven distribution of abundant natural resources and poor economic performance in resource-rich countries that results in regional economic disparities (see, for example, Sach & Warner, 1997, 2001).

According to Kim (2003), the central argument regarding natural resource endowments is that it has shown to distort the economy, incite, prolong, and intensify government failure and violent conflict, and negatively affects those institutions in charge of dealing with the immense challenges facing the countries. China is both a classical victim of the resource curse, and its own race, or hunt, for natural resources likewise exacerbate the resource curse in countries where it invest (see, for example, discussions by Fan, Kanbur, & Zhang, 2009).

In fact, in order to fuel its phenomenal growth, China understood the needs to look and divert overseas investments elsewhere, and it has done so intensively outside Asia and in far away regions, such as North Africa, Latin America, and the Middle East. China has actively make use of its huge foreign reserve as outbound investments to secure access to future raw materials. According to Large (2007, p. 164), "The Chinese rise in Africa poses particular problems for 'resource curse' scenarios and the perpetuation of the 'paradox of plenty.' …The current nature of China's expansion in Africa is more likely to deepen the political economy of natural resource extradition."

China long list of daunting challenges range from internal structural weaknesses and stability issues to issues regarding economic development and external challenges. While the government's one-child policy has succeeded in reining in its population more than three decades after the policy's implementation, it also portends escalating economic trouble in terms of a rapidly ageing population, massive gender imbalance, and as will be discussed in the following, a declining workforce. As if that were not enough, the growing fears that China's spectacular real estate boom may turn out to be a real estate and financial bubble waiting to burst. The dive would hit domestic consumption, which again would affect countries that have become heavily dependent on exporting commodities to China, such as Australia and Brazil.

Many economists agree that China's high employment-to-population ratio of 70 percent of the working age-population has provided a major boost to economic growth. Unlike India, China shows a very low gap in the ratios between women and men with 67.2 percent of working-age women employed and 74.6 percent of working-age men employed (BLS, 2010, pp. 37, 42). However, China's ability to create jobs will eventually shrink in pace with the changing population pyramids. Analysts expect that because of the one-child policy, China will be an aged society in 20 years from now, having shortened such a process that normally takes more than 50 years. China is unique as it is aging faster than any other country in history—growing old before it has grown rich. United Nations (2008) forecast that China's working population will fall from more than two-thirds of the total population in 2005 to around half in 2050. Concurrently its dependency rate is projected to rise from around 60–90 percent during the same period (Srinivasan, 2006b, p. 201).

In India's economic dynamism lies a huge paradox comprising achievements and failures simultaneously, while China's paradox is getting old before getting rich. As Roy and Bachi (2007) note, "There are two Indias. One India is that of what the Goldman Sachs Report dwells on. The other India… is one with continued challenges of extreme poverty and inequality" (p. 7). Perhaps more critical and where things really matter for India is the need to proactively declare national policies and initiatives that make it able to close the gap and eventually outperform China. India needs to ameliorate or remove a wide range of problems such as a cumbersome bureaucracy, regulatory and foreign investment controls, and restraints associated with business establishment and activity, barriers in the way of entrepreneurship and, among other things, tackle a range of unresolved issues related to the lack of effective administration and governance, rural poverty, and illiteracy.

India has witnessed significant socio-political advancement, yet societal progression is still lacking. In particular, among the enormous cleavages facing India society today, increasingly the caste system, serious gender imbalance, and infanticide (female de-selection) pose serious problems that have profound implications for the future. Economists agree that the growth in India's working-age population is expected to exceed its already rapid population growth until 2015. As of late, India's employment-to-population ratio is projected to remain at 60 percent of the working-age population. Unlike China, it is showing a huge gap in the ratios between women and men with 32.4 percent of working-age women employed and 77.4 percent of working-age men employed (BLS, 2010, pp. 37, 42). United Nations (2008) forecast that, while China's working-age population declines from 2020 to 2050, India's increases until at least 2045, from around 60–65 percent. Its dependency rate is projected to fall slightly from two-thirds during the same period.

A recent *International Herald Tribune* article sums up well the points made above:

> This “demographic” divide is one reason some economists predict that India could surpass China in economic growth rates within five years. India will have a young, vast workforce, while a rapidly aging China will face the burden of supporting an older population.
>
> Yardley, 2010, August 21, para. 4

> But if youth is India’s advantage, the sheer size of its population poses looming pressures on resources and presents an enormous challenge for an already inefficient government to expand schooling and other services.
>
> Yardley, 2010, August 21, para. 5

This “demographic dividend” is one of two reasons some economists predict that India could surpass China in economic growth rates within five years. India will have a young, vast work force while a rapidly aging China will face the burden of supporting an older population. “Previous Asian booms have been powered by a surge in the working-age population. Now it is India’s turn,” (*The Economist*, 2010, October 2, p. 58). *The Economist* has nicely summarized another reason for optimism as follows:

> India’s second advantage is that the economic reforms of the early 1990s have unleashed an explosion of pent-up commercial energy. Tariff ramparts have been torn down. …Private firms have been forced to compete with the world’s best. Many have discovered that they can. Exports have shot up.
>
> *The Economist*, 2010, October 2, pp. 58–59

It is statements like these that show that the answer is more complex when talking about India’s socio-economic growth potential, and especially what should be considered key determinants for sustainable development remain issues of controversies. It should be clear from the past pages that the answer proposed here revolves around two key dimensions: (a) the developmental consequences of the socio-economic differences between the two countries in the foreseeable future; and (b) the institutional effect of the political-cum-civil society as facilitators of economic and societal growth. While we know something of the basic implications of the former, we might be less certain about the exact effect of the latter. Generally, India is a much more backward society than China. It scores worse than China not only on questions about infrastructure, but also on all significant human development factors. In the foreseeable future, China’s enormous lead over India will most likely mean that it will remain the premier power in Asia for years or decades to come. At the moment, from the foreign investors’ perspective, most would probably pick China for doing business. “The market is bigger, the government is easier to deal with, and if your supply chain for manufactured goods does not pass through China your shareholders will demand to know why,” (*The Economist*, 2010, October 2, p. 9).

However, in the meantime, "the Chinese government's failure to address the fundamental problems that all authoritarian systems must ultimately confront means that India could come out on top in one or two generations" (Holliday, 2010, para. 9).

7.4 GLOBAL FINANCIAL CRISIS: PAST AND PRESENT

Industrialists, capitalists and bankers have thrived on thriftiness, ingenuity, and money lending by combining speed with differentiation of uncertainty and implied risk in order to make speculation about future possible events. Getting the right mix of these variables has always been challenging—no matter if you are a policymaker, banker, or businessman or even an ordinary moneymaker. At the turn of the century, when the Industrial Revolution was in its infancy, the world experienced few major economic downturns. These few financial panics where largely connected with shortages of goods, market expansion, and speculation, of which the Wall Street Crash of 1929 perhaps was the most infamous. It marked the start of the Depression and initiated a period of worldwide recession.

Investment mistakes, lack of knowledge, and faulty human reasoning are, just as then, the common pitfalls that lead to failure. With the growing interconnectedness of world economies through trade and emerging web of international institutions after World War II followed global imbalances and a trend of alternating twenty-year cycles of rallies in commodities and stocks. Unlike at that time the more familiar short-term business cycle, Russian economist Nikolai Kondratiev (1925) was the first to attract international attention in the 1920s with his "Wave Theory." He pointing out that the cyclical regularity of these long economic waves consists of alternating periods between high sectored growth and periods of relatively slow growth.

In keeping with the times and circumstances, Arun Moteaney (2009) suggests in his book, *SuperCycles: The New Economic Force Transforming Global Markets and Investment Strategies*, a fascinating theory why these cycles takes place. Basically he argues that central banks and their mistakes are at fault. Although his arguments somewhat oversimplify matters, he narrows down to two major cycles to be responsible for wreaking economic havoc around the world in the last hundred years. One stretching from the 1870s with the international diffusion of the Gold Standard to the Great Depression (1929–1934), and which severely affected all four industrial nations of the age (America, Germany, United Kingdom, and France). The other, which we are currently experiencing, dates back to the credit inflation in the 1980s, paradoxically triggered by the acceleration of inflation that followed in the post-Bretton Woods era.

In our digital age, where electronic money, rumors, speculations, and broadcasting news, moves from one continent to another in an instant, the magnitude and consequences of any economic or financial crisis in one part of the world quickly ricochets throughout the international systems, affecting other economies as well. The world has become more global.

The current financial crisis, which has engulfed the economies across the globe over the last two years, is huge in magnitude, which has resulted from a multitude of factors. In comparison to previous episodes, the current financial crisis has four similarities in its build up. Just before the crisis, the asset prices increased rapidly across various countries. Many countries with key economies also experienced credit booms. In many advanced economies, there was significant expansion in the variety of loans, mortgage loans in particular, which increased the risk sharply. Further, the regulatory and supervisory authorities in the financial sector failed to cope up with the developments. A combination of these factors significantly exposed the vulnerabilities and increased the probability and risk of a financial crisis (Claessens et al., 2010).

The severity and scale of the ongoing financial crisis were influenced by new factors with several markets and economies breaking down by the end of 2008. There were four new factors, which differentiated the ongoing crisis from the previous ones. The financial instruments used were opaque and complex in nature. With the United States as the epicenter, the national and international financial markets were highly interconnected over a short span of time. The extent to which the financial institutions were influenced also increased significantly. Moreover, the problems created by the household sector played a significant role in the ongoing crisis than the previous ones. Unprecedented sell-offs happened due to these new dimensional factors, resulting in a global financial crisis (Claessens et al., 2010).

Though the economy world over is in the process of recovery from the deepest recession, the nature and implications of the crisis still remain a topic of analysis and discussion. Although the crisis originated in the United States, wide use of advanced and complex financial instruments and huge flow of funds internationally within the highly integrated economies ensured the spread of the crisis across markets and geographical boundaries rapidly. As the developed countries drowned into deep recession immediately, the impact of crisis on the developing countries and emerging markets was also severe, varying across regions and countries. The crisis resulted in credit crunches, realty and equity price busts and banking crises, which caused severe financial disruptions in many countries (Claessens et al., 2010).

The impact of the ongoing financial crisis witnessed stock markets around the world crashing down, collapse of many large financial institutions and some of them being bought over and even saw developed countries announcing rescue packages to bail out some of their financial institutions. With the Dow Jones posting the worst decline from the time of the Great Depression, the 25-year low hit by the London Stock Exchange and almost 50 percent fall in the Nikkei, the world continues to witness a series of historical events in financial markets. The advanced economies faced an unexpected decline of 7.5 percent by the end of 2008, as the United States, Japan and the Euro area experienced recession. As the financial institutions in Asia had less exposure to U.S markets with the exception of Japan, which even remained solid to rescue the financial institutions of the West. Among the losses incurred by the 100 largest banks and firms dealing with securities world over, Japan reported only 3 percent losses against 55 percent reported by the United States and 40 percent reported by Europe (Montgomery & Yang, 2009).

The Asian equity markets were severely affected by the crisis as they were highly integrated with the United States. The Asian markets witnessed severe losses than the collapse reported by the Dow Jones. With the exception of Japan and China, the currencies in the region also depreciated significantly, in spite of the usage of international reserves, as they were pegged to the U.S dollar. As the macroeconomic fundamentals were solid and the balance sheets of the banks were healthy, Asia was cushioned against major damages compared to other regions, in spite of the negative impact on the financial sector. However, the trade sector collapsed heavily as the credit dried up and took a toll on Asia's real economy. As Japan's economy shrunk by 12 percent, the decline in other industrialized economies such as Hong Kong, Korea, Singapore and Taiwan ranged from 10–25 percent. However, the ASEAN-5—Indonesia, Thailand, Philippines, Malaysia, Vietnam—were not affected as severely as other advanced Asian countries. Though at a modest rate, China and India continued to grow at 9 and 7.3 percent respectively, despite being affected by the economic contraction because of trade dependency and policy measures (Montgomery & Yang, 2009).

IMPACT ON INDIA AND ITS RESPONSE

The Indian economy has not remained immune to the fluctuations in the global economy since 2008, and felt the impact of the global financial crisis of 2008 through three distinct channels: (a) domestic financial sector; (b) exports (trade flows); and (c) exchange rates (see also Assokumar, 2010). India's banking sector—dominated largely by the public sector banks—was generally not directly exposed to the US sub-prime mortgage crisis, and it remained largely shielded from the negative effect of the global financial meltdown.

However, India's largest private sector financial group, ICICI Bank (Industrial Credit and Investment Corporation of India), had built up extensive operations in foreign financial markets that now were severely affected, prompting the ICICI to report the biggest losses on overseas investments ever seen in India. In the period that followed, the ICICI Bank came under pressure from hedge funds speculators that resulted in a sharp drop in its shares, which consequently sent shockwaves through the Indian stock market. In the end, the ICICI Bank required explicit liquidity support from the Reserve Bank of India (RBI).

Being a young private equity market that was virtually non-existent prior to 2004, India has recently witnessed tremendous growth both in investment and number of fund operations. However, as emphasized by a KPMG Survey in 2009, "The turmoil in the global financial system, made it harder for funds to raise cash… The result was a sharp decline in deal flow. For instance, in the first half of 2009 volumes fell by 70 percent compared to the year before" (p. 2). Foreign investors withdrew funds amounting to US$12 billion by the end of 2008 (Tharoor, 2010, August 14, para. 3). Consequently, according to Bera (2010), as commercial credit from foreign banks had dried-up, the credit gap had to be closed by domestic banks at a higher cost, resulting in a depreciation of the value of the rupee and an increase in the cost of current foreign loans.

It has been widely observed that a decline in remittances from overseas follows a global financial crisis. For instance in the case of India, a consequence of the sharp decline in international oil prices negatively affected the incomes of Indian workers in the Middle East, which significantly eroded the value of remittances to India. India also witnessed a steep decline in both traditional and emerging export sectors, such as gems and jewelry, garments and textiles, leather, handicrafts and auto components, bringing down the GDP growth rate and causing a huge rise in structural unemployment.

The heavy outflow of investments in early 2009 increased the demand for foreign currency exchange as a consequence of local entrepreneurs wanting to replace external borrowings with domestic sovereign borrowings. While the strong foreign exchange reserves had provided India with and edge as an attractive investment destination, the sudden decline in India's foreign exchange reserves created huge pressure on the rupee. As pointed out by Bera (2010, p. 10), the benefit from the decline after 2008 in oil and gas prices globally and higher cost of borrowings were partially balances out by the depreciation in the exchange rate of the rupee by 25 percent (Kumar & Vashisht, 2009, p. 16).

The negative impact caused by the crisis was to a great extent tackled with quick policy measures by the RBI and the Indian central government. By cutting the credit reserve ratio (CRR), lowering the statutory liquidity ratio (SLR) and unwinding the so-called market stabilization scheme (MSS), the RBI induced US$80 billion as additional liquidity (Kumar & Vashisht, 2009, p. 22). Several schemes were introduced by the RBI to improve liquidity, interest rates and other policies. For instance, the repo rate at which the RBI lends to banks was cut from 9 to 5 percent, while the reverse repo rate at which the central bank absorbs liquidity was reduced from 6 to 3.5 percent to discourage commercial banks from parking the funds (Economic Advisory Council, 2009, p. 8).

In reducing the impact of the global financial crisis on the domestic economy, the Indian government launched three fiscal stimulus packages between December 2008 and February 2009, which roughly amounted to 2 percent of India's GDP (Kumar & Vashisht, 2009, p. 20). Compared with the 2008 stimulus packages by the US (approx. 5 percent of GDP) or China (approx. 15 percent of GDP), the Indian stimulus packages appear rather small. It therefore seems reasonable to add the previously approved fiscal outlays that amounted to approx. 4 percent of GDP. Although these outlays included measures that perhaps were made in response to domestic political considerations rather than economic efficiency or aimed at the global financial crisis, they helped in increasing the rural demand for consumer durables and non-durables. According to Kumar & Vashisht (2009), these measures covered "farm loan waivers, funds allocated to the National Rural Employment Guarantee Program (NREGP), Bharat Nirman (targeted for improving rural infrastructure) Prime Minister's Rural Road Program, and a large increase in subsidies for fertilizers and electricity supplied to the farmers (p. 20).

IMPACT ON CHINA AND ITS RESPONSE

The global financial crisis that hit the world in 2008 impacted the Chinese economy through four distinct channels: (a) direct losses in the US capital market; (b) fluctuations in cross-border capital flows; (c) decline in exports; and (d) the safety of foreign exchange reserves (see also, Avery & Min Zhu, 2009; Yu, 2010; Zheng & Tong, 2010). Before the sub-prime mortgage crisis in the United States turned into a catastrophe affecting global financial markets, many Chinese commercial banks had already purchased a moderate amount of US retail mortgage-backed securities (MBS) and US collateralized debt obligations (CDOs). As pointed out by Yao, Luo, and Morgan (2010), "Little impact on China's banks was reported until news emerged well after the crisis was under way that the Bank of China (BOC) was exposed to the US sub-prime securities, with the potential for huge losses" (p. 1). Moreover, China's seven largest commercial lenders had to write off a total of US$0.76 billion in bonds from the failed Lehman Brothers (Yu, 2010, p. 4). Overall, however, "China and its banking sector have largely weathered the financial crisis without the emergence of systemic risk and the sequent government support as observed in the West" (KMPG, 2010, p. 2).

Looking solely at the five Chinese commercial banks: China Construction Bank (CCB), the country's largest lender by market value, was reported to have the most Lehman Brothers bonds worth up to US$191; the Industrial and Commercial Bank of China (ICBC), the country's second lender by market value, confirmed that it had US$152 million in exposure to Lehman Brothers bonds; closely followed by the Bank of China (BOC) with US$76 million in bonds and US$53 million in loans; the Bank of Communications (BOCOM) disclosed that it was holding US$70 million related to Lehman Brothers and its subsidiaries; and finally the China Merchant Bank (CMB) with US$70 million (Ai, 2008; Wang, 2008). Considering the asset sizes and profitability of these Chinese commercial banks, the direct losses from the Lehman failure in September 2008 were, however, limited (Ai, 2008, para. 1; Yu, 2010, p. 4).

By 2008, an increase in speculative outward capital flow from China coincided with a sharp drop in inward FDI from US$50 to US$20 billion in 2007 (Yu, 2010, p. 7). Similar to other developing countries, China is affected by these cross-border flows, yet due to its huge foreign exchange reserves and capital controls, as noted by Naughton (2007), China remained in a favorable position to mediate/intervene in the foreign exchange market and effectively control the Chinese exchange rate. Moreover, according to Yu (2010), despite the weaknesses and loopholes in the capital controls, "the controls do increase the transaction cost of the movement of speculative capital flows and hence have significantly reduced the adverse impact of the global financial crisis on the macroeconomic stability of the Chinese economy" (p. 9).

In retrospect, China's foreign trade sector was hit heavily as its rapid economic growth came to an abrupt halt at the end of 2008, with the annual GDP growth dropping to 9 percent, industrial production growth rate dipped to 8.2 percent, and many product sectors reached the negative mark from healthy double digits (Yu, 2010, p. 9). The main course for China's economic slowdown was inevitably linked to the fall in exports, which tumbled from 20 to 2.2 percent by the end of 2008 (Yu, 2010, pp. 10–11).

Adding to the decline in export-related investment, financial losses incurred in market speculation and the collapse in commodity prices attributed to the significant slowdown in real estate investment, which in turn witnessed a fall in fixed asset investment (non-current asset). In particular, large scale hoarding by the Chinese enterprises expecting further increase in prices, thus worsened China's economic slowdown as the large inventory had to be adjusted. As part of this downward spiral of economic slowdown, China's consumption growth weakened as the asset bubble burst triggered a negative wealth effect that translated into a drag on consumer spending.

As the global economic slowdown was increasingly felt by the domestic industry, the Chinese government induced a fiscal stimulus package worth more than US$586 billion, which amounted to approx. 15 percent of China's GDP in 2007 (Yang & Lim, 2010, p. 33). The Chinese government also considered possible tax reductions, including value-added tax reforms, purchase tax cuts and an increase in the entry-level of personal taxable income.

Besides these many favorable tax reductions, several incentives were also announced, such as increased export tax rebates. Local governments were likewise encouraged to actively take steps to raise financial resources for this purpose. Considering China's lingering industrial over-capacity in certain key sectors, the fiscal stimulus package was heavily concentrated in infrastructure, rather than new factories.

According to a KMPG Survey in 2010, "One of the key outcomes of the global financial crisis on China's banking sector has been increased oversight by the China Banking Regulatory Commission (CBRC) as it seeks to set even higher regulatory standards for China's banks through increased capital requirements, loan ratios and impairment rules" (KMPG, 2010, p. 2).

IMPACT ON THE INDIAN AND CHINESE DIASPORA

For many developing countries worldwide remittances made by the international migrants acted as a key source of external finance. The recent global meltdown created fears of a slowdown of these remittances, or a possible reversal of these inflows, particularly to the developing countries. In 2009, the flow of remittances to developing countries recorded US$316 billion, a 6 percent decline from 2008. The effect of global financial crisis varied in degree, which in turn affected the migrants' employment and income opportunities (Mohapatra & Ratha, 2010).

As the global financial crisis created job losses in various countries, particularly in the Gulf region, the remittances by the non-resident Indians witnessed a decline in 2009. With the inward remittances at US$50 billion, India was the largest receiver of remittances in 2008, as the NRIs saw the Indian banking system as the safest place to invest their excess funds (Barth, 2009). The first half of 2009 saw remittances inflow at US$22.8 billion compared to US$26.2 billion in same period in 2008, a decline of 13 percent. Decline in asset prices, rising difference in the interest rates and depreciation of rupee against the dollar motivated and attracted the migrants to invest back in India. The period also witnessed an increase in the migration of skilled professionals from India to US, Europe, Canada and Australia. However, the remittances during the period declined compared to previous year due to reduced wages leading to low salaries and lower savings (Shobha, 2009).

7.5 TWO COMPETING PARADIGMS OF POWER

For many observers, the rise and rivalry of China and India seem to be an inscrutable certainty, creating lucrative opportunities for some; serious competitive difficulties for others. In this ever-changing business environment, China, more than India, seems to reaping the benefit of this shift. In many ways, India's culture and soft power are dominant and way ahead. But, the hard economic power is with China at the moment. As discussed earlier, India and China share a lot in common. Both countries have emerged out of different historical circumstances, and accordingly followed a different road to socio-economic reforms. India's economy emerged after two centuries of crippling colonialism, whereas China's economy emerges from the shadow of the state economic plan. As far as the future scenarios for these two economies are concerned, the speculations have been many, the answer very few. One thing is certain: both China and India have a long way to go to reach their full economic potential if they are to live up to their promise, and neither will achieve their goals without the participation of the international community. Finally, as mentioned by Lingle (2009), "while China should enjoy rising economic fortunes and more global political influence, it is naïve to extrapolate recent economic performance as an indicator of future success. As it is, the contradictions of China's economic policies within a framework of authoritarian capitalism will undermine its future economic growth prospects."

CHINESE AND INDIAN STRATEGIC POWER

A simple truth is that a country cannot be a superpower without extending its sphere of political influence and influencing other events outside its borders. The same holds true for the assertive market socialist China and the ambitious democratic India. Both emerging titans are challenging the status quo by considerably raising their military spending and shoring up their strategic capabilities and objectives more rapidly. Some international observers argue that more than ever the need to find energy, oil, and other natural resources has become the driving component of Chinese and Indian foreign policy. Behera (2010) perfectly captures the differences between China and Indian strategic power in his words that, "for China, defense spending is a means towards achieving long-term power ambitions and military supremacy, while India is caught in an exercise of resource allocation, devoid of long-term goals" (Behera, 2010, p. 13). Economic aspirations of both sides are therefore leading to more competition, more political friction and distrust, which inevitably will lead to uncomfortable and risky situations. The Pentagon estimated in 2010 that China's real military spending is two or three times higher than announced figures, and as much as seven times India's defense outlay (US Department of Defense, 2010).

After more than a decade of double-digit increases in military spending, China is eager to portray its military intensions as peaceful and in the interest of regional stability. The current rate of military expansion has reached the point where China's navy could surpass the United States as the world's largest within the next ten years. Neighboring countries, such as Vietnam, India, and Japan, have long been watching these developments with an uneasy eye and increased their defense budget accordingly. India's military aspiration and nuclear build-up, in other ways, have mainly been focused on self-defense against threats, real or perceived, from two neighbors: Pakistan and China. India has a post-independence history of wars with both two neighbors and the relations between them continue to be adversarial.

Encouraged by allied US forces, India has signaled that it is willing to increase its military presence in the Indian Ocean. Intentions like these often provoke the Chinese reply that the Indian Ocean long ago ceased to be India's Ocean. Perhaps the most notorious proclamation came from Zhao Nanqi, former director of the General Logistics Department of the People's Liberation Army, shortly after China became a net importer of oil in 1993. This signaled the beginning of China's maritime dimension regarding its energy security, while also revealing that Beijing recognizes New Delhi as a major sea power to be reckoned with. Meanwhile India is seeking to enlarge its navy, only rivaled by the intensity and determination of the Chinese, to be able to ensure that its ever-growing thirst for oil (and natural gas) will be satisfied.

According to the Energy Information Administration (2010), China's and India's share of total world energy consumption has more than doubled in the last 20 years, up to 20 percent in 1997 and it is projected to increase to 30 percent by 2035. Oil remains the second-largest energy source, accounting for 20 percent of China's total energy consumption in 2006, and 24 percent of India's in 2007. According to the CIA World Factbook (2009), China became the world's second largest oil importer and energy consumer behind the United States, while India became the sixth largest oil importer and energy consumer behind Germany. The extent of both countries' energy demands has also compelled China and India to push into new markets, and particularly Africa. China's and India's increasingly aggressive pursuit of strategic raw materials is indeed endangering some countries' traditional access to limited natural resources, leaving governments stunned and scrambling to respond, in the Asia-Pacific region and beyond. The geopolitical, economic, and military implications are immense for the world.

THE TROIKA OF CHINA, INDIA, AND THE UNITED STATES

The re-emergence of China, and for that matter India, is poised to alter the power dynamics to the United States, but not necessarily to the detriment of all countries. One needs to look no further for signs of the changing power dynamics than statements by US President Barack Obama during his first State Union address in 2010, where he warned that India and China soon would surpass the United States. It is statements like these that hint, if some commentators are to be believed, at just how the economic and political power of India and China are increasingly being taken seriously by the US administration and given more importance.

If we look to the other side of the Pacific, these changing power dynamics have, conversely, rekindled the debate in China over the sustainability of American hegemony. Many observers see the debate as a consequence of a mixture of US involvement in Iraq and Afghanistan, the current global financial turmoil, and juxtaposed against China's sustained economic growth. While China will continue to climb up the ladder, it might want to change the rules of the game, but not enforce revolutionary change in the international system as ties with the United States have become inextricably intertwined in a codependent relationship. It is therefore reasonable to assume that China will do little to rock the boat of the international system—at least for the moment. Coinciding with the reignited debate in China over how to shape its international role and how to respond to global expectations, we are also witnessing how the current global financial crisis of 2007–2010 has lifted China's international status. With countries increasing turning to China for money, its influence has also greatly extended.

Neighboring India in comparison seems to be in a rush to increase its future potential as a result of the changing power dynamics. In many respects, while India-US cooperation steadily has moved closer, the convergence of interests is evident on a broad range of issues, notably India's national security interests. It is also worth noting that although United States was the top trading partner for the last two years until China came along in 2008, it remains one of India's top investors, and conversely, India also remains a noteworthy source of investment into the United States. Despite this convergence of national security interests between the United States and India, India has again and again voiced concerns that the prospect of a precipitous decline of the US economy would jeopardize America's standing as securing peace and stability in the region. As early as in 2005, in light of a possible diminishing American presence in Asia, former Secretary of State Condoleezza Rice expressed Washington's growing interest in India's emergence as a regional power to counterbalance China (Kronstadt, 2007). India's military modernization, as noted earlier, is perhaps the most overlooked of the major trends occurring in the Asia. As a consequence of her statement, the prospects of US supplies of military hardware to India have increased in recent years. In spite of this, it seems unlikely that India will allow itself to become military dependent on the United States. At least for India is in a win-win situation where it can maximize its involvement with the United States to, among other things, justify its military buildup against Pakistan along with being a stepping stone for great power status.

From the aforementioned discussion, New Delhi's point of view is very clear. First, although New Delhi and Beijing give effusive public displays of comradeship and both nations' relationships have blossomed in recent years, intense rivalry and mutual suspicion will continue to lurk under the surface. Second, as long as Washington sees India as a major global player and is willing to work with India as an equal partner, there is no reason why the Indo-US relationship should not continue to progress. It seems reasonable to assume that the more India gain economy leverage and the more influential and authority it can exert globally, the more America will start viewing India through the same lenses as it is looking at China.

In a broader context, the ongoing debate spawned by the global financial crisis that hit the world in 2008 over a possible decline of United States' power in world affairs is exactly not new. If we dig deeper, repeatedly the blame for America's economic ills, relative to the emergent powers, generally falls on economics. Thomas Friendman's 2010 newspaper column hit the nail on the head in describing the long-run effects of mishandled economics:

> America is about to learn a very hard lesson: You can borrow your way to prosperity over the short run but not to geopolitical power over the long run. That requires a real and growing economic engine. And, for us, the short run is now over. There was a time when thinking seriously about foreign policy did not require thinking seriously about economic policy. That time is also over.
>
> Friedman, 2010, p. 9.

> US power has been the key force maintaining global stability, and providing global governance, for the last 70 years. That role will not disappear, but it will almost certainly shrink.
>
> Friedman, 2010, p. 9.

One of America's leading foreign policy experts, Michael Mandelbaum (2010) goes a step further and describes in his very timely and highly themed book, *The Frugal Superpower*, how America's huge national debt will restrict its involvement in global affairs, and how the United States will have to discontinue or reassess the potential threat from China and others.

While constituting the US government's largest creditor, China is, of course, worried about US debt. Chinese policymakers have not remained passive, but voiced increasing concerns. Take for example, *The People's Daily*, renowned for being the voice of the China's

Communist Party. The newspaper's online version ran a critical article in 2009 entitled, "The US Hegemony Ends, The Era of Global Multi-polarity Enters." In her article, editor and columnist Li Hongmei wrote that that changes in the share of global output (GDP) showed signs of a steep downward trend for the American economy. In her view, the United States had a remarkable 32 percent of world total GDP (nominal) in 2003, whereas the emerging economies held a lesser 25 percent. In 2008, the figures were dramatically reversed, with the emerging economies at 32 percent and US at 25 percent, respectively.

To recapitulate, nominal GDP captures both changes in quantity and prices, for which reason it is more useful than real GDP when comparing sheer output, rather than the value of output, over time. Arguments in favor of using GDP at purchasing power parity in cross-border comparisons are perhaps more relevant to non-traded goods and services, and the best way to compare the economies of, for example, the US with China or the US with India is by comparing the actual worth of the currency in their respective markets and not the US market alone. Skeptics have thus argued that the nominal GDP figures above, which are GDP in current dollar, more reflect changes in the external value of the dollar than anything to do with Asia. Moreover, it could be argued that Li Hongmei's article does not bother to explain how the current global financial crisis of 2007–2010 threatens to slow China's economy as it is heavily dependent on global trade and investment flows.

Ultimately, all such comparisons and projections are somewhat arbitrary—nominal and PPP calculations are just mere calculations. Fears about Asia's economic and political resurgence, and the weakening of America's future power status relative to the emerging nations warrant a more balanced and critical look. Some economists have maintained that China will surpass the United States around 2030 in terms of economic output. Some argue this could happen even earlier. Even if this scenario does not play out, the Unites States is unlikely to remain in place. At the same time, China will have trouble reaching the same composition as that of the United States today. China's would still have to struggle with a vast underdeveloped countryside and aging demographics. There is a pretty broad consensus among economists that as countries mature and developed, they inevitably face slower growth rates over time. Hence, it would take longer for China to equal the United States in per capita income.

In a future perspective, and no matter how we turn it around, it will inevitably be a troika of China, India, and the United Stated leading the world that will eventually dwarf every other economy. But that will not happen for several decades. For the time being, the triangular relationship between these giants might well be described by the familiar Chinese idiom, "one bed, different dreams" (*tongchuang yimeng*), a Chinese idiom used to refer to two people sharing a bed but dreaming different dreams. While the United States wants to uphold the status quo of Pax Americana, many Chinese and Indians dream of their country becoming a superpower—a nation that has vastly greater economic, political, or military power than any other nation. By many measures China has already achieved that goal, but India on the other hand has a long way ahead to achieve that status. Not surprisingly, given the nature of the economic power, cultural reach, and political influence of both economies, the Pentagon's *Quadrennial Defense Review 2010* stated that United States is more at ease with India's rise than with China's.

7.6 TALES OF TWO NEW ECONOMIC JUGGERNAUTS

The powerful self-images and years of media reinforced stereotyping of China and India, as great powers are critically important in understanding their strategic intentions and international behavior in global affairs. How does reality stack up against this kind of rhetoric and imagery? How does China and India view themselves after decades of extraordinary growth and change? As we will see, there are several similarities between the two emerging nations, but there are perhaps more differences.

AMBIGUITIES OF POWER AND ALLUSIVE WORDPLAY

The importance of symbols, metaphors, and rhetoric in economic development are well established in contemporary Asian literature from various academic fields. In the media and among observers of Asia, socio-economic rhetoric more often than not returns to storytelling to capture the imagination when comparing old and new realities. Metaphors are also widely recognized visualization strategies by nation-states to awaken national consciousness and unity, aside from being vehicles for alternative viewpoints. For instance, starting from the economic progress and enhancement of India and China in the twenty-first century, and leading up to the rise to influence of their transnational Diaspora, eminently the central role of symbolisms, culturally reinforced interpretations, sentiments, and discourse, are pertaining important facets of identity, power, and progress.

As an example, business journalists have illustrated the resurgence of China and India as two undisputed powerhouse economies on the world and how they are redefining global business with a variety of colorful metaphors. Acting as catalysts for Asia’s growth or serving as global economic locomotives for reviving the world economy, China is frequently portrayed as “The Rising and Hyperactive Dragon,” India as “The Lumbering and Dilatory Elephant.” In recent years, however, many are rethinking India as a “Roaring Tiger,” now for exploring challenges ahead and growth potential outside traditional sectors of technology and outsourcing. Given the situation, both economies have sought to expand their spheres of influence in the world of political and economic affairs, foreign trade and manufacturing industry through monetary contributions, trade allegiances, treatises, international organizations, and foreign government agencies. On many levels, both economies are emerging as economic and political heavyweights, yet China has been more self-confident, aggressive, and successful in its international socialization and in delineating other nations as sources and destinations for investments, and as trading partners than India.

Napoléon Bonaparte once said of China, "Let her sleep, for when she wakes, she will shake the world." Now that the Dragon has awakened, it causes many nations to depict China as the modern-day Jekyll and Hyde of emerging powers on par with the imagery used for the good and evil dragon. One the one hand, you have a rising China seen as an enormous blessing to the world economy. One the other hand, you have a world that seems confused on how to deal with China’s newfound assertiveness and might. No wonder that Beijing seems frustrated with their national emblem. To understand this we have to dig a little deeper into the whole symbol of the dragon. Repeatedly the Western connotation of the dragon as a fearsome, aggressive, malevolent beast is reflected in the imagery of China’s threatening military presence and global trade expansion and stands in stark contrast to how the Chinese themselves view their national emblem. For many Chinese, the dragon represents justice, peace, and harmony, and relates to beautiful things and high values, rather than violence and aggression as in the West. At some point, because of these somewhat contradictory viewpoints, the Giant Panda has also strengthened its image as an informal national emblem for China (see for example, Robertson, 2007). Nonetheless, it is true that the Chinese dragon symbolizes power, but this is not an aggressive and destructive power but rather constructive and positive.

Whether China should be viewed as either the aggressive Dragon or benign Panda is undoubtedly debatable. Either way, with China's growing power come other types of power, political prestige, and the need to increase military power, and currently it is matching or outpacing the United States in military spending. While larger defense budgets do not necessary reflect an increase in military capabilities, it has not gone unnoticed that China has the "world's second largest defense budget, allowing it to play key roles in Asian geopolitics" and diplomacy, and beyond (Brookes, 2005, para. 3). Unquestionably, political and diplomatic clout backed up by financial might is a powerful combination. Up till now, China has made good use of its possibilities, and steadily capitalized on the country's economic dynamism to curb fears of its being a potential military and political threat by regional and large parts of the world and hitherto wary neighboring countries, from Southeast Asia to the Africa.

Similarly, to being recognized as China's national symbol, many Chinese nowadays continue to refer to themselves as "Descendants of the Dragon." It is an alternative name that has also been embraced by the Chinese in Southeast Asia, where they settled over a period of a thousand years and extended to other Chinese communities and businesses around the world. To some extent, this shared linkage to the Dragon strengthens the imagery of kinship, community, networks, and business success and achievements of the ethnic Chinese worldwide, which emphasizes the notion of "Chinese-ness" across borders. The Chinese overseas contribution to China's fast-paced economic development is undisputed and heavily documented. "For decades, China has benefited from the wealth and the investment potential of its Diaspora and the economic energy of Hong Kong and Taiwan" (Power, 2004, para. 13). Chinese overseas based in the Tiger economies of Taiwan, Hong Kong, and Singapore have accounted for over 70 percent of an average annual FDI inflow of US$40 billion into China, contributing to China's boom since the early 1990s (Roy & Banerjee, 2007, p. 4). It is, however, important to emphasize that apart from sentimental and cultural ties, economic factors are now the main factors behind the surge in Chinese overseas investment in China. It must be recalled that while the Chinese government facilitated investment by overseas Chinese, the procedures and incentives for foreign investment were the same as that for any non-Chinese foreign investment. Hence, economic compulsions are paramount for investment in China, and not ethnic reasons. However, physical proximity, cultural and economic factors do not fully explain that huge FDI inflow. A crucial factor has also been the Chinese government's success in devising the right policy mix and its ability to boost a well-developed infrastructure that foreign investors would feel comfortable with (perhaps the largest investment in infrastructure in human history).

The symbolism of the mythological tiger and dragon as tradition mortal enemies has finally caught up with the reality of a complex and difficult Sino-Indo relationship and emergence as two economic giants and rivals that undoubtedly will have a large effect on the world's geopolitical balance. In an article ahead of the 60th anniversary of the People's Republic, *The Sunday Times* wrote that nearly five decades after the two countries fought a war, many

Chinese still perceive India as their main enemy (Sheridan, 2009). Also, there is ample evidence that Indians have a skewed perception of China as a threat, and given the sheer size, proximity, and potential of these nations, it would be naïve to assume that it will not manifest in a clash of interests at some point in the future.

While their pseudonyms may not awake similar nostalgic sentiments as that of the Chinese Diaspora, non-resident Indians (NRIs) abroad often identify themselves as "Desis," meaning in Hindi literally "something from India." It may be truth that they share many similarities with other prominent Diasporas, yet they remain unique in many ways. What stands out is that they are more widespread, varied, and they reflect a wider variety of occupational and income pattern than others. Perhaps the most striking, when compared with their Chinese counterparts, is that they had little contact with their ancestral homeland and its internal development, at least not until late after India's Independence in 1947.

For many Indians, the allegory that imagines India as a large, lumbering, and slow elephant that turns itself into an agile and powerful tiger represents the culmination of India's efforts to achieve success in rapidly developing its economy and military might. The tiger is respected for its strength and grace, as well as its incredible power, but the imagery in the West also draws parallels to the collective Four Asian Tigers of Southeast Asia (Hong Kong, Singapore, South Korea, and Taiwan) attributable for maintaining exceptionally high growth rates and rapid industrialization between the late 1980s and early-to-mid 1990s.

In recent years, and as will be discussed later on, the Indian communities in Asia and around the world have been promoted as the bridge that links India to the world, and to build "Brand India" with global appeal, especially considering their intellectual and financial capacity. Several governmental initiatives have been undertaken to win over their support and commitments—but all too often, dilapidated or mediocre infrastructure due to lack of investment funds and bureaucratic delays have been the dominating cause of complains by many ethnic Indians overseas (see Kesavapany, Mani, & Ramsamy, 2008).

HEADLINES VERSUS REALITY

Almost a decade ago, making predictions about China and India were just about unthinkable. Some accounts even underestimated the extent of their rise—and how fast they were happening. More and more, the media has been drawing comparisons between the two as well as sought out ties between the Chinese Diaspora and the global Indians and their ancestral origin. Today, the influence of these emerging powers heralds new realities. Both countries have transformed into genuine global economic powerhouses, and their emergence on the world economic stage has become one of the defining stories of the turn of the last century. Their collective effect on business, investment, trade, politics, and culture is still being understood for their impact on the development of the twenty-first century. The global economic landscape and political architecture have been redrawn, increasingly causing a shift in power from West to East as China and India evolve. But, one thing seems certain: it is happening; whether a country like the United States sees this as an opportunity or as a threat is almost irrelevant. Nevertheless, beneath our assumptions about the future of economic growth in these two countries lie important questions about how long their high economic growth can maintain its current momentum.

Similar to national symbols of Asia, there is no doubt that the fast rise of both economies to power and influence has inevitably brought out many metaphors in the media and academia. It seems as though it is almost daily that we therefore hear some reference, whether from the Western media or otherwise, to China and India—either referred to as the proverbial animal emblems of the Dragon, Elephant, or Tiger. At one point, an Indian politician, Jairam Ramesh, even coined the portmanteau word, "Chindia," that refers to China plus India in general, and their simultaneous rise and impact on the world order in particular (see also Ramesh, 2005). However, it took the writings by Pete Engardio, senior writer for *BusinessWeek*, before this neologism made it into our newspapers, thus provoking stimulating debates in both Chinese and India academia (see further, Engardio, 2006). While "Chindia" as a shared concept or catch-all phrase is just fancy rhetorical wordplay on some level, it does not make the importance of China and India any less relevant. It is a fact that, being the world's booming economies and most populous and largest nations, China and India currently are great world powers standing on the threshold of achieving "superpower status," a notch up from their "great power" status. In economic terms, their confidence has been boosted by the way the world looks at them today.

Perusing the media and reports from government and state agencies, it would appear that the West is paying more attention to China's economic renaissance than India's. In following the trend to describe this particular prize-fight, *The Economist* in their August 2010 edition ran a cover story titled *China and India: Contest of the Century*, which echoes the opinions of many recent commentators (*The Economist*, 2010, August 21, p. 9). In the inevitable comparison that economists and business leaders make between these two booming giants in such publications, China nearly always comes out on top; China tops India on many issues, both favorable and not so favorable, in many of the rankings. That the same people argue that China may eventually lead the world should therefore not come as a surprise, but what may be a shocker to some is that India may also soon overtake the mighty United States. There is little doubt that while China has largely dominated headlines, India's growing international influence has increasingly given it a more prominent voice in global affairs. It is striking, however, that while India and China continue to grow, the rest of the world has remained bogged down during the global recession, and recovery remains fragile. For the first time in recent history, Asia is leading a global recovery.

7.7 SUMMARY AND CONCLUSIONS

On scrutinizing the history of the world it becomes clear that human beings have been undertaking extensive journeys for various reasons—some of them stay back in a different land, yet remain emotionally bound to their ancestral homeland. Through the power of Diaspora, Chinese and Indians overseas have throughout history been spread into far-flung regions of the world. Almost anywhere where they have settled they have become powerful forces, providing them with the opportunity to peer into various aspects of the new nation and make maximum benefit out of it.

As the power of Diaspora communities has evolved and grown immensely through many areas, they have become able to foster positive change by supporting their home communities through remittances and direct investment. In the context of an emerging China and India that have reached the ability to compete and challenge even super powers, it is thus worthwhile to study the contribution of the Chinese and Indian Diaspora for the betterment of China and India respectively. The present chapter has comprehensively analyzed the power of Diaspora in the context of China and India.

As argued throughout this chapter, the contribution of the Chinese and Indian Diasporas to their respective nations is immense and it is a chief area to be investigated in any study focusing on the topic. It rightly shows that not only do they continue to have a significant impact on the social, cultural, and intellectual areas of their residing countries, but the financial contributions and donations continue play a vital role.

At the time of the recent global financial crisis, at least some economists pronounced the need for China to come forward to rectify the economic imbalances of the world. The statement may not be significant on a peripheral level, but it underlines the fact that China is emerging as a major power. It has a steady market economy, which is the result of exact strategic moves and execution. Next to China, India also can claim a fairly stable economy in the time of the recent recession.

In the aftermath of the 2008 global financial crisis, most of the superpowers of the world showed signs of decline in various fields. America was, in fact, hard hit by the phenomenon. However, the Chinese economy remained relatively steady. Up to a certain extent, the Indian economy also did not show any great fluctuations. It indicates that both the economies are grounded in strong foundations with highly tactical financial dealings. Because of the increasing connectedness of globalization processes, the recession had a certain impact on Chinese trade with the United States. There was a gradual decrease in dealings between the two nations. However, the gap was bridgeable. With its slow move towards free market policies, China has already become an economic superpower in the sheer number of trade transactions with the Western world. At the time of this writing, China is the largest trading partner of the United States, which underscores its supremacy in trade diplomacy.

Though there are marked differences between China and India, certain similarities can also be noticed. The China government early on recognized the value of their Diaspora in building the nation, whereas for India this has just recently been accepted with the government initiating new policies and regulations to attract investments and in other ways tap into the dormant potential of their Diaspora.

8 CONCLUSIONS AND RESEARCH DIRECTIONS

8.1 OLD PROBLEMS, NEW SOLUTIONS

Considering the numerous and varied recurring themes of Chinese capitalism described in the previous chapters it should perhaps be more obvious now why the distributions, concentrations, and moreover, the continuation of wealth, power, and influence need to be properly understood in the context of globalization. The way globalization has inexorably changed every aspect of our society, intensified competition, and how technology has accelerated that change, has had lasting repercussions for businesses in both East and Southeast Asia.

In economic terms at least, the momentum of globalization has spurred numerous positive changes that, in my opinion, have empowered many of the ethnic Chinese family-controlled businesses in Hong Kong, Taiwan, and Singapore to be able to take up the challenges of maintaining economic competitiveness, and most importantly, to be able to create and sustain future wealth. Internally, globalization has also helped Chinese businesses to overcome the age-old dilemma of succession by nurturing a pool of savvy, globally minded successors poised to take over in the next generation. In many ways, as economic agents in East and Southeast Asia within the context of Chinese capitalism, the Chinese family-controlled businesses have evolved far away from traditionalist and culturalist theoretical approaches presented in Chapter 2.

This concluding chapter will confront the thematic chapters pertaining to Chinese capitalism and sum up some of these theoretical perspectives with the main empirical data and realities discussed throughout this dissertation: (a) sustaining wealth, power, and influence; (b) the dilemma of business succession; (c) realizing the promise of globalization; (d) China, India, and their Diasporas; and finally (e) maximizing the potential of Diaspora. In doing so, the hypothesis will be confronted with the findings discussed in the previous chapters. This chapter ends with a suggestion on future research and discussions about possible theoretical discussions.

8.2 THE FLUIDITY OF CHINESE CAPITALISM

The evolution of Chinese capitalism in a time of accelerated globalization is far from a domestic phenomenon (Hui, 1995; Hamilton, 1996; Katzenstein, 2005; Yeung, 2004), but is closely linked overall to the dynamics of the global economy, global markets, and global technology trends. The numerical findings in regard to the transnationalization index, illustrates clearly that a great number of Chinese family-controlled businesses have become giant global payers competing with both Japanese multinationals and other companies around the world (see Table 6.1 to Table 6.3). In continuation of these expanding overseas activities, the significant role of contemporary Chinese family-controlled businesses in Hong Kong, Taiwan, and Singapore as active agents of change at a local, regional, and national level can therefore not be understated.

Similarly, the significant role of the Chinese Diaspora as a potential agent of change has frequently been underscored largely from the perspective of how they are leavening resources for development through remittances, which have thus helped push Chinese capitalism in new directions. China has early on formed links with their Chinese Diaspora and successfully been able to tap into a treasure trove of capital, knowledge, and other social resources, while India—as the second most promising country for overseas business operations after China—is still struggling how to connect with their Indian Diaspora. The potential of Indians overseas as change agents is seriously challenged by some traditional, social, infrastructural and policy limitations that demand conformity rather than change.

In regard to the future of Chinese capitalism as discussed in this work, several general clarifications can be made: First, many of the businesses that this study has identified by name remain active and powerful in their respective local and regional market, although they have pursued internationalization strategies for many decades. Moreover, the numerical findings in regard to the 500 largest public companies in East and Southeast Asian controlled by Chinese entrepreneurs (see Table 4.3), as well as the share of total GDP and total market capital by the top 15 Chinese family-controlled businesses (see Table 4.4)—situated in Hong Kong, Taiwan, Singapore, Malaysia, Thailand, Indonesia, and the Philippines—clearly illustrates that the most influential and wealthy Chinese family-controlled businesses have been able to manage risk well in various markets. From 1997–2006, those listed on the Hong Kong Stock Exchange have collectively managed to grow their total accumulated assets from US$985.5 billion in 1997 to US$1,701.5 billion in 2006, which is an impressive 42 percent increase in a decade (see Table 4.3). Indeed, as with many other family firms globally, corporate size and access to capital are important variables. However, some Chinese family-controlled businesses have historically invested heavily in certain industries and businesses, which has perhaps begun to restrict their strategic decision-making and corporate flexibility (Dieleman, 2007).

Second, it is perhaps naïve to assume that any changes they make from their traditional practices will become immediately visible or occur equally throughout all the economies in which Chinese capitalism has gained a foothold. For those of these businesses that have received more intensive exposure to international financial markets, such as those in Hong Kong, Taiwan, and Singapore, the changes might become clear much more rapidly than other Chinese family-controlled businesses in Southeast Asia (Yeung, 2004).

Third, not all of such businesses have become global players, nor do many have the need to do so. The data in regard to the leading ones' contributions to overall GDP growth and their concentrations of personal wealth make it clear that many of them have explored and then declined opportunities within domestic and regional markets. A spillover effect from China's growth affects neighboring countries. Those Chinese family-controlled businesses that have been able to embed their competitive advantages in their local and regional economies through several generations have not inevitably felt the need to go beyond their regions.

Fourth, a combination of the greatly intensified process of globalization, stricter international regulations, and economic slowdown and fierce competition that followed the depth of the 1997–1998 Asian financial crisis, together with the global contraction in economic activity from the 2007 global financial crisis to the present, have inevitably affected the business environment of many Southeast Asian countries. The Chinese family-controlled businesses within these countries had to adjust to the new reality, just like any other existing domestic businesses. This new reality has also meant an end to explaining their prowess and success in terms of culture and norms, as the traditionalist and culturalist approaches have advocated (see, for example, Bong and Hwang (1986) and Redding and Wong (1996).

8.3 ADDRESSING THE HYPOTHESES

The evidence acquired during this work suggests several specific conclusions pertaining to the earlier stated hypotheses in Chapter 1: The first hypothesis was concerned with the impact of globalization on Chinese capitalism and the economic changes associated with it, such as increased interconnectedness and interdependence of countries and communities. A positive view of globalization that is frequently heard is that it has the potential to boost productivity everywhere because of an expanding and more globally integrated economy, and that globalization moreover creates the right conditions for businesses to flourish and exploit economies of scale. Others take a gloomier view that globalization inevitably increases risk of financial market instability and that stiffer competition will make it harder for domestic Chinese family-controlled businesses to compete internationally.

Perhaps in reality the truth should be somewhere in the middle. The effect of globalization on the Chinese family-controlled businesses is perhaps more like a pendulum swinging back and forth between being a promoter and inhibitor of corporate growth. In effect, the performance of the respective East and Southeast Asian economies has to a varying degree depended upon the favorable distributional effect of globalization.

The examination of the private and corporate wealth creation among the most influence of the large Chinese family-controlled businesses (conglomerates) shows irrefutably that the private wealth of the founder or controlling families (high net worth individuals) have increased dramatically during the last decade. Hong Kong's close relationship with mainland China has brought both benefits and risks, but for the most part it has been good. Singapore and Taiwan likewise underwent a successful recovery from the demand side shocks and loss of confidence. Singapore has rebounded in a big way and emerged as a modern commercial, trade and activity hub of the world. Taiwan is again enjoying outsized benefits from the rapid recovery in the global tech sectors, and Taiwan is also broadening its horizon with overseas property investments due to high returns and perceptions of less risk.

Most of the Chinese family-controlled businesses in Hong Kong, Taiwan, and Singapore have fared tremendously well during the last decade—GDP, exports and manufacturing are all rising—as the total market value of their businesses has surpassed their Pre-Asian financial crisis levels. In fact, several scholars such as Yeung (2004) and Dieleman (2007), argue that the success of these Chinese family-controlled businesses can only be explained by the utilization of more modern business practices better suited to deal with global regulations, growing globalization and rapid technology change.

The second hypothesis concerned the Chinese family-controlled businesses in Hong Kong, Taiwan, and Singapore being the main drivers for contemporary Chinese capitalist development among the ethnic Chinese. The presented numerical findings accompanying discussions clearly illustrates this to be a fact.

It should therefore not come as a surprise that the unprecedented investment boom in Southeast Asia—before the devastating aftershocks of the 1997–1998 Asian financial crisis spread across the region—provided a plethora of lucrative opportunities for Chinese family-controlled businesses, especially for those already operating in Malaysia, Thailand, Indonesia, and the Philippines. In the wake of the crisis, the center of gravity of wealth slowly shifted towards the economies of Hong Kong, Taiwan, and Singapore. In three of the "Four Tigers" of Asia, Hong Kong yielded the highest net worth of Chinese family-controlled businesses, closely followed by Taiwan and Singapore (see Table 4.5 and also Figure 5.2). Good management could have brought about much of this positive net worth, but it could also be explained by the spillover effect from mainland China, as well the fact that many of these Chinese family-controlled businesses have been able to increase their overseas activities and investments.

The most important observation to be made here is perhaps the changing notion of what embodies Chinese Capitalism best. For many scholars, politicians, and journalists, the economic organization of ethnic Chinese business in Southeast Asia as a whole and the identification of the ethnic Chinese Diaspora as an agent of change in this region continue to drive Chinese Capitalism in the twenty-first century as much as they did during the pre-Asian financial crisis era. This view has perhaps become so entrenched that it is practically a doctrine, rather than a simple acknowledgement of the ongoing shift in the concentration of power, wealth, and influence towards a more narrow group: the ethnic Chinese-family businesses in Hong Kong, Taiwan, and Singapore.

With their unique organization of socio-economic activities, ethnic Chinese in Southeast Asia have historically embodied the archetype of successful Chinese family-controlled businesses. The changes in the past two decades have slowly concentrated their economic power around Hong Kong, Taiwan, and Singapore, as argued throughout this dissertation and illustrated in Table 4.5 and Figure 5.2. To better understand this spatial-economic shift towards the three "Asian Dragons," more scholarly attention is needed, the importance of which for the wider world economy cannot be underestimated.

The third and fourth hypotheses relate to the dilemma of family succession, in particular the ability to secure financial wealth (financial assets) and influence among the prominent Chinese family-controlled businesses in Hong Kong, Taiwan, and Singapore. Contrary to some opinions, the numerical findings clearly illustrate that not only has the number and net worth of wealthy Chinese families increased every year since 1996–2008, but that the boards of directors have remained within the control of the family, with a relatively young group of leaders identified by name and affiliation. Singapore rose above the rest by having both the lowest average age (62 years) for business owners and, with a noticeable difference, yielding the highest earnings as compared to Hong Kong and Taiwan. These figures are good indicators of how the overall business is faring in general, and that the operations of family firms in still a profitable industry. From perusing the corporate profiles, the sheer number of family members with professional experience, international management backgrounds, and actively involvement in the board of directors is another tentative proof that the majority of Chinese family-controlled businesses have become increasingly flexible and pragmatic in approaching critical management issues, global economic trends, and accountability.

The fifth and last hypothesis concerned the increasing globalization of a number of Southeast Asian Chinese businesses, notably Chinese family-controlled manufacturing TNCs, as they have begun to intensify their exploration of overseas markets. In recent years, their degree of transnationalization has been increasing, as evidenced by a number of companies solidifying recurrent positions in the top 100 ranking of transnational corporations for emerging economies and closing in on the previous rankings held by Japanese multinational corporations (see Table 6.1).

The decades-old distrust of foreign capital and outsiders that has frequently been put forward as characteristics of Chinese capitalism is becoming a thing of the past. For one thing, globalization has pushed many boundaries as seen in the tendency to replace local auditors and banking institutions with foreign ones. Also, the shares of foreign assets and foreign employment among Chinese transnationals have increased markedly, altogether illustrating that Chinese capitalism is truly dynamic and very much alive.

8.4 SUGGESTIONS FOR FUTURE RESEARCH & THEORETICAL IMPLICATIONS

The ongoing research and current conceptualization of the distinct features of Chinese capitalism, and especially how it is constantly evolving over time, is a fascinating research area. This is because the Chinese state capitalism in the People's Republic of China continues to grow as the importance of the private economy becomes more apparent and because the diverse types of Chinese capitalism in East and Southeast Asia are both clearly differentiated and closely related. Despite some inevitable overlap resulting from cultural factors, the contextual aspects are markedly different and should be treated accordingly.

As with the economists who treat the ongoing Asian economic renaissance as a new beginning and who maintain that a global gravity shift towards Asia is taking place, it is important to examine the shared dynamics of Chinese capitalism in the context of the reshaped global capitalist economy. Doing this should encourage comparative thinking and ongoing research. A recent example is Redding (2008), which provided an inside look at contemporary China and a glimpse of ethnic Chinese capitalists despite the risk of being overtaken by current events.

This dissertation has uncovered and discussed many layers and facets of what currently constitutes Chinese capitalism, but it has also raised questions to be answered elsewhere. Chinese capitalism continues to evolve and change in response to the forces of globalization and technology and the dynamic economic, political, and social contexts in East and Southeast Asia.

This dissertation has already outlined some of the issues pertaining to Asian business research in general and "overseas" Chinese business history in particular. It has also presented a sufficient amount of corroborative evidence, observations, and statistical interpretations, supported by the literature, to uphold its main hypotheses. It therefore seems appropriate to suggest some research recommendations and theoretical implications in regard to the future evolution of Chinese capitalism and particularly that of businesses based in Hong Kong, Taiwan, and Singapore.

This dissertation has mainly concentrated on providing evidence on the publicly listed prominent Chinese family-controlled business conglomerates based in Hong Kong, Taiwan, and Singapore, rather than their counterparts based in Malaysia, Thailand, Indonesia, and the Philippines. As such, further research is necessary to establish whether this study's findings and conclusions apply to similar firms in these countries and if they represent patterns common to other ethnic Chinese family-controlled businesses in Southeast Asia.

ANNEXES

ANNEX 1.
ANNUAL REPORTS

ANNUAL REPORTS USED IN THIS WORK

The following provides an overview of the majority of 397 annual reports of the incorporated ethnic Chinese Conglomerate Groups that have been used for this dissertation. These reports summarize the year of business and financial results, description of company operations and structure, comments on the outlook for the future, board member composition and profile, corporate governance structure, and often detailed accounts of historical events and establishment. These family groups represent the largest listed companies on the Hong Kong Stock Exchange that are included in the yearly ranking of the 500 largest publicly Chinese-owned companies in East and Southeast Asia. Information not covered in the annual reports was extracted from the corporate home pages as well as compiled from individual online stock exchange database listings (mainly Hong Kong, Taiwan, and Singapore). Remaining data gaps as well as unclear information in annual reports were filled by using online Investor Services such as irasia.com (Investor Relations Asia), forbes.com, (Forbes Company Database Services), and corporateinformation.com (Wright Investors' Service).

During the period 2004–2008, a document management database containing annual reports below was created for better management and analysis.

Group name	*Company name*	*Country*	*1994*	*1995*	*1996*	*1997*	*1998*	*1999*	*2000*	*2001*	*2002*	*2003*	*2004*	*2005*	*2006*	*2007*	*2008*
BEA Group	Bank of East Asia	Hong Kong								χ	χ	χ	χ	χ	χ	χ	
Cheung Kong Group	Cheung Kong holdings	Hong Kong				χ	χ	χ	χ	χ	χ	χ	χ	χ	χ	χ	
Cheung Kong Group	Hutchison Whampoa	Hong Kong			χ	χ	χ	χ	χ	χ	χ	χ	χ	χ	χ	χ	
Chinese Estate Group	Chinese Estates Holdings	Hong Kong						χ	χ	χ	χ	χ	χ	χ	χ	χ	
Galaxy Entmt. Group	Galaxy Entertainment Group	Hong Kong												χ	χ	χ	
Great Eagle Group	Great Eagle Holdings	Hong Kong								χ	χ	χ	χ	χ	χ	χ	
Hang Lung Group	Hang Lung Group	Hong Kong	χ	χ	χ	χ	χ	χ	χ	χ	χ	χ	χ	χ	χ	χ	
Hang Lung Group	Hang Lung Properties	Hong Kong	χ	χ	χ	χ	χ	χ	χ	χ	χ	χ	χ	χ	χ	χ	
Henderson Land Group	Henderson Land Development Co.	Hong Kong														χ	
Hopewell Group	Hopewell Holdings	Hong Kong							χ	χ	χ	χ	χ	χ	χ	χ	
Hysan Dvlpt. Group	Hysan Development Co.	Hong Kong						χ	χ	χ	χ	χ	χ	χ	χ	χ	
Johnson Electric Group	Johnson Electric Holdings	Hong Kong								χ	χ	χ	χ	χ	χ	χ	
Kowloon Dvlpt. Group	Kowloon Development Co.	Hong Kong					χ	χ	χ	χ	χ	χ	χ	χ	χ	χ	
Lee & Man Group	Lee & Man Paper Manufacturing	Hong Kong										χ	χ	χ	χ	χ	
Li & Fung Group	Li & Fung	Hong Kong					χ	χ	χ	χ	χ	χ	χ	χ	χ	χ	
New World Group	New World Development Co.	Hong Kong	χ	χ	χ	χ	χ	χ	χ	χ	χ	χ	χ	χ	χ	χ	χ
Orient Overseas Group	Orient Overseas (International)	Hong Kong						χ	χ	χ	χ	χ	χ	χ	χ	χ	
Pacific Century Group	PCCW	Hong Kong											χ	χ	χ	χ	
Shun Tak Group	Shun Tak Holdings	Hong Kong								χ	χ	χ	χ	χ	χ	χ	
Sun Hung Kai Group	Sun Hung Kai Properties	Hong Kong						χ	χ	χ		χ	χ	χ	χ	χ	χ
Sun Hung Kai Group	Sun Hung Kai & Co.	Hong Kong					χ	χ	χ	χ	χ	χ	χ	χ	χ	χ	
Wheelock Group	Wheelock & Co.	Hong Kong						χ	χ	χ	χ	χ	χ	χ	χ	χ	
Wheelock Group	Wheelock Properties	Hong Kong								χ	χ	χ	χ	χ	χ	χ	
Wheelock Group	The Wharf Holdings	Hong Kong						χ	χ	χ	χ	χ	χ	χ	χ	χ	
Wing Lung Bank Group	Wing Lung Bank	Hong Kong									χ	χ	χ	χ	χ	χ	

Group name	*Company name*	*Country*	*1994*	*1995*	*1996*	*1997*	*1998*	*1999*	*2000*	*2001*	*2002*	*2003*	*2004*	*2005*	*2006*	*2007*	*2008*
Banyan Tree Group	Banyan Tree Holdings	Singapore														χ	
Chailease Group	Financial One	Taiwan														χ	
Chinatrust Group	Chinatrust Financial Holding Co.	Taiwan									χ	χ	χ			χ	
Chong Hing Group	Liu Chong Hing Bank	Hong Kong							χ	χ	χ	χ	χ	χ	χ	χ	
Dah Sing Group	Dah Sing Financial Holdings	Hong Kong											χ	χ	χ	χ	
Dah Sing Group	Dah Sing Banking Group	Hong Kong											χ	χ	χ	χ	
Dah Sing Group	Dah Sing Bank	Hong Kong											χ	χ	χ	χ	
EnTie/Sanchung Group	EnTie Commercial Bank	Taiwan												χ	χ	χ	
Evergreen Group	Evergreen Marine Corp.	Taiwan												χ	χ		
Ezra Group	Ezra Holdings	Singapore														χ	
Far Eastern Group	U-Ming Marine Transport Corp.	Taiwan												χ	χ	χ	
Formosa Plastics Group	Formosa Plastics Corp.	Taiwan													χ		
Fubon Group	Fubon Bank (Hong Kong)	Hong Kong								χ	χ	χ	χ	χ	χ	χ	
Fubon Group	Fubon Financial Holding Co.	Taiwan									χ	χ	χ	χ	χ	χ	
Fubon Group	Fubon Commercial Bank	Taiwan											χ				
HSBC Group	HSB Corp.	Hong Kong							χ	χ	χ	χ	χ				
Hi-P Int'l Group	Hi-P International	Singapore										χ	χ	χ	χ	χ	
Hon Hai Group	Foxconn International Holdings	Taiwan													χ		
Hopewell Group	Hopewell Highway Infrastructure	Hong Kong									χ	χ	χ	χ	χ	χ	
Lippo Group	Hongkong Chinese Bank	Taiwan								χ	χ	χ	χ	χ	χ	χ	
OCBC Bank Group	Oversea-Chinese Banking Corp.	Singapore					χ			χ	χ	χ	χ	χ	χ	χ	
Pan-United Group	Pan-United Corp.	Singapore													χ	χ	
Pan-United Group	Pan-United Marine	Singapore											χ		χ		
Petra Foods Group	Petra Foods	Singapore													χ		
Pou Chen Group	Yue Yuen Industrial (Holdings)	Taiwan					χ	χ	χ	χ	χ	χ	χ	χ	χ	χ	
SCSB Group	SCSB Bank	Taiwan													χ	χ	
Shin Kong Group	Shin Kong Financial Holdings	Taiwan											χ	χ	χ	χ	
Shin Kong Group	Taishin International Bank	Taiwan									χ	χ	χ	χ	χ		
Sino Group	Sino Land Company	Hong Kong				χ	χ	χ	χ	χ	χ	χ	χ	χ	χ	χ	χ
SinoPac Group	SinoPac Holdings	Taiwan									χ	χ	χ	χ	χ	χ	
SinoPac Group	SinoPac Securities	Taiwan									χ	χ	χ	χ	χ	χ	
SinoPac/Rundeχ Group	Bank SinoPac	Taiwan									χ	χ	χ	χ	χ	χ	
Ting Hsin Group	Tingyi Holding Corp.	Taiwan									χ	χ	χ	χ	χ	χ	
UOB Bank Group	United Overseas Bank	Singapore						χ	χ	χ	χ					χ	
Venture Corp.	Venture Corp.	Singapore								χ	χ	χ	χ	χ	χ	χ	
Walsin Lihwa	Walsin Lihwa Corp.	Taiwan								χ	χ	χ	χ	χ	χ	χ	
Want Want Group	Want Want Holdings	Taiwan								χ		χ	χ		χ		
Wilmar Group	Wilmar International	Singapore													χ	χ	
Wing Hang Group	Wing Hang Bank	Taiwan					χ	χ	χ	χ	χ	χ	χ	χ	χ	χ	
Wing Tai Group	Wing Tai Holdings	Singapore											χ		χ	χ	χ
Yanlord Land Group	Yanlord Land Group	Singapore													χ	χ	

ANNEX 2.
THE YAZHOU ZHOUKAN'S ANNUAL COMPANY LISTING

THE "YAZHOU ZHOUKAN'S ANNUAL LISTING OF THE 500 LARGEST PUBLICLY CHINESE-OWNED COMPANIES IN EAST AND SOUTHEAST ASIA" USED IN THIS WORK

In this work the *Yazhou Zhoukan*'s annual listings of companies that are incorporated on the Hong Kong Stock Exchange were important sources of information in analyzing the prominent Chinese-owned companies. The longitudinal data-set reflects both financial and sectoral data, and is therefore used to analyze the dynamic changes over time in corporate performance and economic growth as well as vulnerability to external shocks and responsiveness to local or regional transformations. Since its inception in 1995 and until 2005, the annual 500 listing included only Chinese-owned companies that were incorporated in Hong Kong and/or in their home country (Taiwan, Singapore, Malaysia, Thailand, Philippines and Indonesia). The 2006 listing expanded with five Chinese-owned companies from mainland China listed on both the Hong Kong and New York Stock Exchange. Another second change came in 2007 when the annual survey was expanded to cover 1000 companies, adding Chinese-owned companies from mainland China to the list.

During the period 2001–2007, an Excel database on the *Yazhou Zhoukan 500* list covering 1995–2006 was created to manage and analyze the data. The table below gives an overview of which data sets were available to the author, which data sets been analyzed, and which have been used in this dissertation.

Yazhou Zhoukan survey (year)	*1995*	*1996*	*1997*	*1998*	*1999*	*2000*	*2001*	*2002*	*2003*	*2004*	*2005*	*2006*	*2007*
Available	χ	χ	χ	χ	χ	χ	χ	χ	χ	χ	χ	χ	χ
Analyzed	χ	χ	χ	χ	χ	χ	χ	χ	χ	χ	χ	χ	
Represented			χ			χ			χ			χ	

ANNEX 3.
THE FORBES WORLD'S RICHEST RANKING

THE "FORBES ANNUAL SURVEY OF THE WORLD'S RICHEST PEOPLE" USED IN THIS WORK

Forbes magazine has since 1996 surveyed the world's wealthiest people and every year published a global and country-specific ranking according to personal net worth. The annual survey provides not only an estimate on personal wealth at the time of listing, but also features a brief personal and family background profile, as well as comments on recent business activities and source of wealth. Information on the wealthiest Chinese entrepreneurs and owners of the major Chinese family business groups situated all around Asia has been used for this dissertation, as changes in their estimated net worth mirrors the performance of their family firm or business conglomerate.

During the period 2001–2008, an Excel database on *Forbes' list of the World's Wealthiest People* covering 1996–2008 was created to manage and analyze the data. The table below provides an overview of which data sets have been analyzed, and which have been used in the dissertation.

Forbes' World Billionaire Ranking (year)	*1995*	*1996*	*1997*	*1998*	*1999*	*2000*	*2001*	*2002*	*2003*	*2004*	*2005*	*2006*	*2007*	*2008*
Available	χ	χ	χ	χ	χ	χ	χ	χ	χ	χ	χ	χ	χ	χ
Analyzed	χ	χ	χ	χ	χ	χ	χ	χ	χ	χ	χ	χ	χ	χ
Represented			χ	χ		χ				χ				χ

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