Economic Globalization, Crisis and the Emergence of Chinese Business Communities in Southeast Asia

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abstract: Globalization tendencies have fundamentally transformed the nature and organization of business communities in Southeast Asia. Chinese business communities in East and Southeast Asia have been playing a leading role in the regional economy through the extensive interpenetration of capital flows and business networks. Through their cross-border investments and global trade networks, these Chinese business communities have also facilitated the rearticulation of mainland China into the global economy. The recent Asian economic crisis, however, has seriously undermined the social and institutional foundations of Chinese business communities in Southeast Asia. At the discursive level, Chinese business communities are beginning to come to terms with a much more realistic conception of globalization as a set of contested processes creating both threats and opportunities. In material terms, Chinese business communities increasingly recognize the limits to their 'home' country-based accumulation strategies and turn to globalization as an alternative growth strategy. The emergence of Chinese business communities in Southeast Asia cannot therefore be conceived as an indigenous evolutionary process of social and institutional change. Rather, it should always be seen as contingent upon such critical external processes as globalization.

keywords: Chinese business ✥ economic crisis ✥ globalization ✥ social and institutional change ✥ Southeast Asia

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Introduction

As a set of contested discursive and material tendencies, globalization seems to have taken a life of its own at the turn of the new millennium. How often do we hear from neoliberal politicians, business gurus and consultants that we have no choice but to embrace globalization? This totalizing reading of globalization is a defining characteristic of late capitalism driven by the champions of market mechanism, technological change and time–space compression. There is no doubt that the global economy we have inherited today is significantly and qualitatively different from that in the 19th century (see Dicken, 1998; Held et al., 1999; Olds et al., 1999; cf. Hirst and Thompson, 1996). It remains to be seen, however, whether diverse communities throughout the world have unequivocally accepted globalization as a dominant hegemonic discourse of economic growth and social change. Held et al. (1999: 16) define globalization as

> . . . a process (or set of processes) which embodies a transformation in the spatial organization of social relations and transactions – assessed in terms of their extensity, intensity, velocity and impact – generating transcontinental or interregional flows and networks of activity, interaction, and the exercise of power.

Globalization represents, therefore, a complex set of tendencies and power relations that are capable of creating a new spatial order of social life. These tendencies and power relations are highly contested terrains shaping social actors and public and private institutions.

The recent 1997/8 Asian economic crisis has unleashed the conflicting and contested nature of globalization in shaping the development of various social and business communities in East and Southeast Asia. To some observers, globalization tendencies have fundamentally transformed the nature and organization of business communities in Southeast Asia. Chinese business communities in East and Southeast Asia, for example, have been playing a leading role in the regional economy through the extensive interpenetration of capital flows and business networks. Through their cross-border investments and global trade networks, these Chinese business communities have also facilitated the rearticulation of mainland China into the global economy. In this sense, Chinese business communities outside mainland China should be seen as active participants in producing globalization tendencies. Together, they have formed the worldwide web of Chinese business which integrates Chinese communities in different parts of the world into a formidable force in the global economy (Redding, 1990; Hamilton, 1991; Kotkin, 1992; Kao, 1993). Their extensive spatial organization is embedded in a peculiar configuration of social and institutional foundations based on trust, family linkages and personal relationships.

The Asian economic crisis, however, has seriously reshaped these social and institutional foundations of Chinese business communities in Southeast Asia. In this article, I aim to examine the interrelationships between economic globalization, the Asian economic crisis and the emergence of Chinese business communities in Southeast Asia. I argue that the crisis has transformed conceptions of globalization held by these Chinese business communities in both discursive and material ways. At the discursive level, Chinese business communities are beginning to come to terms with a much more realistic conception of globalization as a contested set of processes that creates both threats and opportunities. They are becoming more aware that globalization discourses can degenerate into severe accusations along certain racial and ethnic faultlines. These discourses may also threaten the very coexistence of these Chinese communities with indigenous communities in their 'home'[1] countries. In material terms, Chinese business communities increasingly recognize the limits to their 'home' country-based accumulation strategies and turn to globalization as an alternative growth strategy. They are looking aggressively for opportunities outside their 'home' countries for expansion and internationalization. As much influenced by globalization discourses, these Chinese business communities have taken globalization processes seriously and sought internal transformations to meet the challenges of globalization. The emergence of Chinese business communities in Southeast Asia therefore cannot be conceived as an indigenous evolutionary process of social and institutional change. Rather, it should always be seen as contingent upon such critical external processes as globalization.

This article is organized into three substantive sections. To set the context of the article, the first section begins with a discussion of the role of ethnic Chinese in the global success of Southeast Asia prior to the Asian economic crisis. It also examines the role of Hong Kong and Singapore, two city-states with a Chinese majority population, as gateways to enhance China's global reach. The second section addresses the discursive impact of the crisis on the conceptions of globalization by Southeast Asian Chinese business communities. Here I analyse the experience of 'split identities' by Southeast Asian Chinese in view of confusing globalization rhetoric that is currently constructed and contested in Southeast Asian countries. The final section discusses the material impact of the crisis on the global reach of Chinese business communities. I argue that more active participation of these Chinese business communities in globalization is expected because of much more open and competitive 'home' country business and institutional environments.

Southeast Asian Chinese Business Communities and China's Quest for Globalization

To begin our venture into the interrelationship between globalization and the emergence of Southeast Asian Chinese business communities, we need to understand the dominant role of these ethnic Chinese in Southeast Asian capitalism and their contributions to the 'miraculous' development of these Southeast Asian economies during the past three decades. In particular, ethnic Chinese communities are not bounded by a specific state framework; they are, in effect, a diaspora located in a geographical ring around the edges of the South China Sea: in

> Taiwan, the Philippines, Indonesia, Singapore, Malaysia, Thailand, Vietnam, Hong Kong, Guangzhou, Fujian. Outside the PRC the ethnic Chinese population in the region is approximately 50 million. If the regions of coastal China were to be added, the population of actually or potentially 'capitalist' Chinese working cooperatively could easily number 200 million. (Redding, 1995: 61)

Ethnic Chinese in Southeast Asia have established themselves strongly in the commercial and financial sectors. As a prominent Sino-Indonesian businessman put it aptly, 'My whole business is basically . . . intermediating between places [i.e. trading] and time [i.e. banking]' (Harianto, 1997: 140). The World Bank estimated that the combined economic output of ethnic Chinese outside China was about US$400 billion in 1991 and up to US$600 billion by 1996 (Weidenbaum and Hughes, 1996: 25). Through family, clan and dialect ties, some analysts even suggest that these ethnic Chinese have created a virtual 'nation' without borders; one which generates a GDP only fractionally less than that of mainland China (Asia Inc., 1996). Though I am critical of the essentialist nature of some of these arguments and their tendency to reify a racial construct (see also Dirlik, 1997; Ong, 1997), it is clear that the economic power of ethnic Chinese outside mainland China is immense. Today, the collective 'funds' of ethnic Chinese in the region (excluding Hong Kong and Taiwan) are conservatively estimated at US$400 billion (Hodder, 1996: 3).

In terms of their ownership of economic assets in the domestic economies, these ethnic Chinese have clearly emerged as a powerful economic force. Table 1 presents some financial statistics of the 500 largest local public companies controlled by ethnic Chinese in seven Asian countries in 1994. Together, they controlled some 500 of the largest public companies in these Asian countries, with total assets amounting to more than US$500 billion before the Asian economic crisis. These statistics exclude many privately controlled Chinese business firms throughout the Asian region. Some estimates also report that ethnic Chinese account for up to 80 percent of Indonesia's corporate assets (and running 160 of the 200 largest

Table 1 *Financial Statistics of the 500 Largest Public Companies in Asia Controlled by Overseas Chinese in 1994*

Country	Number of companies	Market capitalization (in US$ billion)	Total assets (in US$ billion)
Hong Kong	123	155	173
Taiwan	159	111	89
Malaysia	83	55	49
Singapore	52	42	92
Thailand	39	35	95
Indonesia	36	20	33
Philippines	8	6	8
Total	500	424	539

Sources: Wu and Duk (1995: Table 3); see also Weidenbaum and Hughes (1996).

businesses), 40–50 percent of Malaysia's corporate assets, 90 percent of Thailand's manufacturing and 50 percent of Thailand's services (Wu and Duk, 1995; Weidenbaum and Hughes, 1996). In 1995, every reported Indonesian billionaire was an ethnic Chinese. In Thailand, ethnic Chinese control the four largest private banks, of which Bangkok Bank is the largest and most profitable private bank in the region. In the Philippines, ethnic Chinese control over one-third of the 1000 largest corporations (Weidenbaum and Hughes, 1996: 25).

With such a strong foothold in East and Southeast Asia, ethnic Chinese business communities have been very active in harnessing the benefits of globalization. One particular dimension of such active participation in globalization is the role of these Southeast Asian Chinese in facilitating the rearticulation of their motherland, China, into the global economy in at least two ways: (1) cross-border investments and (2) the provision of access to global trade and financial networks. On one hand, Southeast Asian Chinese have been *the leading investors* in mainland China. Since its open door policy in December 1998, China has attracted more than US$50 billion investments by ethnic Chinese abroad which account for about 80 percent of total realized foreign direct investments (FDI) in China. These ethnic Chinese have formed more than 100,000 joint ventures in China (Weidenbaum and Hughes, 1996: 27; see also East Asia Analytical Unit, 1995; Lever-Tracy et al., 1996; Lin, 1997; Hsing, 1998; Huang, 1998; Sun, 1998; Wu, 1999). As Brown (1998: 634) observed, 'The movement of Overseas Chinese [*sic*] into China reflects one important development where South-East Asian Chinese were acquiring information and entering into risky ventures, including insurance.' In Guangdong province alone, investments by ethnic Chinese account for some one-quarter of gross output value of all industries (Ramstetter, 1996: 81; see also Eng and Lin, 1996; Chung Tong Wu, 1997). In 1993, ethnic Chinese investors from Hong Kong, Macao, Taiwan, Singapore and other Southeast Asian countries contributed some RMB$85.4 billion to the gross output value of all industries in Guangdong province (RMB$371.7 billion). These figures are very significant when it is noted that throughout the 1990s, China was the largest recipient of total FDI to all developing countries. UNCTAD (1998) estimated that at US$45.3 billion in 1997, inward FDI to China made up 11 percent of total global FDI (US$400 billion) and 30 percent of total FDI into developing countries (US$149 billion).

To illustrate the significant role of ethnic Chinese abroad in the rearticulation of mainland China into the global economy, let us consider two specific examples. The first example is based on the experience of a private family-controlled conglomerate that has an extensive presence in China, thereby bringing in both foreign capital and technology to facilitate China's modernization programme. Among all ethnic Chinese conglomerates operating in China, Thailand's Charoen Pokphand (CP) Group may be the single largest investor (East Asia Analytical Unit, 1995; Hamilton and Waters, 1995; Weidenbaum and Hughes, 1996; Brown, 1998; Pananond and Zeithaml, 1998). The CP Group started in the farm-seed business and moved into animal feeds and then into chicken farming and processing with initial technical support from the US poultry giant, Arbor Acres. Although the group's interests have extended to petrochemicals, motorcycle and automotive parts, real estate and telecommunications, 60–70 percent of its revenue is still derived from agribusiness. To tap into China's huge domestic market, the CP Group set up its first China venture, Conti Chia Tai, in Shenzhen in 1981, and was an early entrant into the China market. It now has operations in 26 of China's 30 provinces, indicating its broad interests in China and desire for greater geographic coverage. The group's total assets in China were estimated at US$5 billion in 1995 (Brown, 1998: 611). Its China investments are mainly conducted through its Hong Kong subsidiary, CP Pokphand, which controlled 36 very diversified businesses in China in 1993.

As a second example, the China-Singapore Suzhou Industrial Park (CSSIP) represents an institutionalized mechanism through which mainland China is integrated into the global economy. Since 1993, the Singapore government has been encouraging its statutory boards, government-linked companies and private companies to regionalize their operations and, especially, to invest in China. In one of the largest foreign infrastructural developments in China, Singapore plays a role in transferring Singapore's experience and software in industrial estate development and promotion to the CSSIP in the Jiangsu province (Cartier, 1995; Yeung, 1998a). The CSSIP has the symbolic support from top Chinese statesmen (e.g. the late Deng Xiaoping, Jiang Zemin, Li Peng, Qiao Shi and Li Lanqing) and top Singaporean statesmen (e.g. Lee Kuan Yew, Ong Teng Cheong, Goh Chok Tong and Lee Hsien Loong). The developer for CSSIP is a S$75 million joint venture between the Singapore consortium and its Chinese counterpart. It will develop an industrial township covering an area of approximately 70 km^2. The total cost of the township is estimated to be S$30 billion and will take about 20–30 years to complete. When fully developed, the township will be able to support a population of 600,000 and provide employment for more than 360,000 people. By the end of June 1999, the CSSIP had attracted 133 investment projects, with cumulative contractual investment exceeding US$3.76 billion (*The Straits Times*, 29 June 1999: 1). Some 91 foreign firms had started operations and 33 of them were Fortune 500 companies. Among new foreign investors in the CSSIP in 1999 were six of the world's top 500 companies – AMP Connector Tool, Alcatel Telecommunications, EKA Chemicals, LJF Co., Culter-Hammer Electric Co. and Mitsui Copper Foil Co. (*The Straits Times*, 5 July 1999). These global corporations will not only bring much desired capital and technology to their production facilities in the CSSIP but will also connect these facilities in China to their global production and trade networks.

On the other hand, Southeast Asian Chinese investors have contributed to China's *access to global capital* through the international offerings of their China subsidiaries and joint ventures at selective global financial centres. For example, the CP Group above has listed its China subsidiaries on various stock exchanges to raise capital for the growth and development of these subsidiaries. Its flagship motorcycle company, Shanghai EK Chor Motorcycles, was listed in New York in 1992 with a market capitalization of US$360 million (Pananond and Zeithaml, 1998: Table 4). The company produced 200,000 motorcycles in 1991 and accounted for 15 percent of China's total production (Brown, 1998: 628). This figure doubled after 1992. Between 1983 and 1993, the number of motorcycles produced in China rose from 406,000 to 8 million, a third of which came from the CP Group. It should also be noted that a significant amount of FDI by ethnic Chinese has been channelled through such regional financial centres as Hong Kong and Singapore. Asian-centred financial networks are bound via social and technological networks to global fund-managers in such global cities as London. These managers often make decisions about investing in equity and bond markets in key Asian cities such as Hong Kong, Singapore and Kuala Lumpur. These Asian cities act as source points to the global financial system.

Hong Kong and Singapore, for example, have long served as the 'twin capitals' for ethnic Chinese capital (Wu and Duk, 1995; Enright et al., 1997; Friedrich Wu, 1997). In the loan syndication business, the two financial centres have catered to customers from different geographic regions.

While the US$117.5 billion-worth of syndicated loans arranged by Hong Kong-based financial institutions between 1992 and mid-1996 were more than double that of Singapore, 71.7 percent of this was accounted for by borrowers from East Asia, many of whom were ethnic Chinese entities. In Singapore, the borrowers were mainly from Southeast Asia which, together with local borrowers, took up 88.5 percent of Singapore's total syndicated lending of US$54.6 billion during the same period (Friedrich Wu, 1997: 13–15). Between 1993 and 1994, financial institutions in Hong Kong and Singapore arranged US$6.5 billion and US$8.6 billion-worth of syndicated loans for Indonesian and Thai companies respectively. Of the total US$38.4 billion-worth of funds under the custody of Singapore's fund managers at the end of 1993, some 40 percent originated from Southeast Asian countries. The bulk of these funds might have come from high net-worth ethnic Chinese and their cash-rich corporate entities (Wu and Duk, 1995: 26).

These two 'twin capitals' are more than just the berth for ethnic Chinese capital; they also serve as an intermediary to match state-owned enterprises (SOEs) from mainland China and their eager regional and global investors. Indeed, Hong Kong is now the leading financial centre for 'red chip' SOEs to obtain access to global capital. Just prior to the Asian economic crisis in July 1997, total Chinese investments in the territory amounted to US$25 billion, the second largest after the UK (*The Straits Times*, 18 March 1997: 36; see also Fung, 1996). There were 1802 wholly owned mainland companies with total assets of US$5.4 billion. Well-known 'red chip' companies (e.g. CITIC and China Resources) also accounted for 8 percent of the Hong Kong Stock Exchange's total market capitalization. In Singapore recently, several SOEs from China have either made public offerings in the Stock Exchange of Singapore or acquired listed companies in Singapore for access to global capital markets and / or other strategic purposes. For example, in 1995, China Merchants Shekou Port Service Co. Ltd became the first publicly listed company in China to have a secondary listing in Singapore. In another example, China Everbright Holdings, through its wholly owned subsidiary Jakeplan Holdings Ltd, took over control of China Everbright Pacific Ltd (formerly HTP Holdings Ltd) in August 1993 (http: / / www.ses.com.sg / html / ses3.html, accessed on 10 August 1999). Currently, it is the single largest shareholder in China Everbright Pacific Ltd, a Singapore listed company, with a 29.55 percent equity stake. China Everbright Holdings, a limited company incorporated in Hong Kong, is wholly owned by the mainland Chinese government. It undertakes business activities in China and elsewhere through direct investments and joint ventures. China Everbright Pacific Ltd is China Everbright Holdings' bridge to expand its business activities progressively in the Asia-Pacific region.

Asian Economic Crisis and the Changing Conceptions of Globalization

The previous section has shown not only the vital role of ethnic Chinese in the global success of Southeast Asia, but also their importance as intermediaries in enhancing China's quest for globalization. Prior to the Asian economic crisis, it appeared that the Chinese 'commonwealth', a term coined by Harvard business professor John Kao (1993), might well be in the road of being reality. The enormous confidence in the 'East Asian miracle' (World Bank, 1993) and the Asian renaissance further accentuated this discursive construction of the emergence of these all-embracing ethnic Chinese business communities. This rosy picture remained mostly unchallenged until the recent 1997/8 Asian economic crisis that has not only drastically disrupted the expectations and participation of ethnic Chinese business communities in globalization, but also regrettably produced dangerous counter-globalization discourses. From being the world's 'economic miracle', East and Southeast Asia suddenly were represented as the world's 'economic basket case'. Characteristically, the deluge of commentary about the current problems in Asia has been far from consistent in its diagnoses, in its prognoses or in its prescriptions. The reason lies in the simple fact that such interpretations are based upon different constructions of the nature of Asia itself and of its component economies. A major weakness in much of the commentary is that it tends to be based upon an ecological fallacy: seeing 'Asia' as a homogeneous region and generalizing and essentializing certain characteristics which are, in fact, highly differentiated within the region.

At the discursive level, the Asian economic crisis, which broke with such unexpected suddenness in 1997, has thrown the East Asian pathway to economic development and governance into serious question. Protagonists of neoliberalism argue that their agenda has now become global orthodoxy, as several ailing Asian economies have accepted IMF packages which come with neoliberal economic programmes (Haggard and MacIntyre, 1998; Higgott, 1998, 1999; Radelet and Sachs, 1998; Rao, 1998; Wade, 1998; Lo, 1999). Other Asian states have also faced tremendous pressures from global capital and international organizations to carry out structural reforms through which strong state intervention in national economies is swept away. As Bello (1998: 439) alluded,

> So dominant has free market ideology become in international elite discourse that even its opponents in government and business [in Asia] – with the singular exception of Prime Minister Mahathir of Malaysia – mouth its platitudes while opposing it in practice.

This neoliberal global orthodoxy is prescribed as a bitter pill to be swallowed by troubled Asian states in order for them to regain their membership in the 'globalization club'. In effect, globalization is being used discursively in the Asian economic crisis as an external 'objective' force to discipline corrupted and statist economies in the region (similar political strategies are also evident in many western countries). The proponents of this neoliberal/globalization agenda have constructed a view of geographical space which implies the deferral of political options to the global scale (see Yeung, 1998b; Kelly, 1999). In effect, the (contested) discourse of globalization 'itself has become a political force, helping to create the institutional realities it purportedly merely describes' (Piven, 1995: 8).

It is not only outside observers, however, who promulgate such views. Some powerful domestic elites *within* Southeast Asia have been quick to jump on this deconstructionist bandwagon in order to pursue their own hidden agendas. In Singapore, the political elites have tried to deconstruct the Asian 'miracle' by distancing themselves from other Asian economies in which strong state intervention is believed to have turned into massive corruption and cronyism. They were also quick to point out that because of the PAP (People's Action Party) government's good governance, Singapore is relatively less troubled by the economic downturn.[2] In a talk to the US Council on Foreign Relations in October 1998, senior minister Lee Kuan Yew said that the afflicted Asian economies had opened up their capital accounts too fast and too soon. To him, 'the liberalisation of capital accounts should have been calibrated to match the level of sophistication in their banking supervision systems and banking laws' (*The Straits Times*, 22 October 1998). In fact, not only has the Asian economic crisis not affected Singapore too seriously in material terms, but it has also offered further discursive legitimacy for the state to reregulate the domestic economy. By naturalizing the processes of economic globalization and its negative impact on those economies with weak and corrupted states, the political elites in Singapore have been able to rally support from both labour and capital.[3] In other words, by positioning the Asian economic crisis along regional and global scales, these elites have legitimized the strengthened role of the PAP-led state in domestic governance.

In Malaysia, however, Prime Minister Mahathir has discursively constructed globalization in a polar-opposite direction. He put much more emphasis on the perils of globalization. In his speech at the APEC Business Summit on 15 November 1998, Mahathir noted that

> Globalisation too is good but it can be abused, abused in such a way that instead of worldwide prosperity there will be worldwide poverty or extreme disparities between rich and poor, international and civil disorders, revolts, rebellion and all kinds of crisis.

To him, globalization can be a conspiracy – a strategic tool deployed by the West to recolonize their former colonies. The prime suspect is global currency trading and its speculative practices. This ‘recolonization’ does not necessarily take a physical form because ‘Colonial control of land by military strength can no longer be accepted by societies worldwide. But physical colonialism like this is no longer necessary. Control through currency trading has similar effects’ (*The Straits Times*, 20 June 1998). In his usual self-styled politicization of public speeches, he warned Malaysians to guard against a new era of colonialism:

> All Malaysians should work together to defend the sovereignty of our nation. What we are doing is actually defending our independence, no less than that. Do remember, those who created the economic turmoil that we are facing are just like the colonisers, who once colonised us. (*The Straits Times*, 20 June 1998)

It appears that within Asia itself there is a great deal of bitterness, even anger, at what is being seen as the attempt by the West to absolve itself of any responsibility for the crisis. Although pronouncements by Malaysia’s Prime Minister Mahathir are often extreme, there are many in Asia who share at least some of his views. There is, as Higgott (1998, 1999) has pointed out, an emerging ‘politics of resentment’ within Asia. Commenting on this kind of globalization discourse, UN Secretary General, Kofi Annan, warned of a backlash from developing countries (including Southeast Asia) that fear that globalization is a tool of the industrialized North to ‘recolonize’ the weaker, but booming, South. He said that ‘throughout the developing world, the awakening to globalisation’s down side has been one of resistance and resignation, a feeling that globalisation is a false god foisted on weaker states by the capitalist centres of the West’ (*The Straits Times*, 19 September 1998). He observed three main reactions to this growing ‘globalization backlash’: nationalism, a move towards ‘illiberal solutions’ with recourse to strong leaders and the politics of populism.

I argue that these conflicting globalization discourses in the midst of the Asian economic crisis have produced ‘split identities’ among ethnic Chinese business communities in Southeast Asia. On one hand, few Southeast Asian Chinese have ever questioned the benefits of globalization, for many of them have always participated in globalization, as described previously. Many ethnic Chinese in Southeast Asia have settled down and integrated well into their ‘home’/host countries. Since their main expertise is in business and commerce, both essential mechanisms of economic globalization, these Southeast Asian Chinese have unconditionally accepted globalization, whether it is just a state-driven rhetoric about progress and prosperity, or it is a material process for them to find better business opportunities both inside and outside their newly acquired ‘homes’. On the other hand, these contested globalization discourses have led more Southeast Asian Chinese to question their conventional wisdom of globalization. Instead of seeing globalization as a 'win–win' panacea for such social problems as poverty and racial tensions, these Southeast Asian Chinese increasingly opt for a more realistic assessment of the nature and impact of globalization as discursively constructed by their 'home' country politicians and governments. Some Southeast Asian Chinese, particularly those in Indonesia after the May 1998 racial riots and those in Malaysia after the implementation of capital control measures in September 1998, have begun to see more *perils* in globalization as encapsulated in the Asian economic crisis. Their identification with globalization and 'home' country governments has diminished, leading to 'split identities' of their roles in an era of globalizing tendencies. Other ethnic Chinese in Singapore and Thailand have remained optimistic and continued to identify themselves with globalization tendencies. Coincidentally, both Singapore and Thailand are now recovering from the worst-ever economic damage of the Asian economic crisis, well ahead of several neighbour countries. What then are the material impacts of the crisis on the emergence of Chinese business communities in Southeast Asia? This is the focus of the next section.

Asian Economic Crisis and the Emergence of Chinese Business Communities

The story of the Asian economic crisis has already been told well elsewhere.[4] Suffice it to say that the crisis has not only exposed the inherent instability of globalization as a complex dynamic set of countervailing tendencies, but it has also shifted our attention away from the Asian 'miracle' to the structural weaknesses of Asian economies. Insofar as Southeast Asian Chinese business communities are concerned, the most significant challenge to their material well-being is the potential dissipation of what Yoshihara (1988) termed 'ersatz capitalism' which refers to the rent-seeking behaviour of Southeast Asian Chinese capitalists through political-economic alliances with dominant ruling elites. This structural transformation in the political economy of Southeast Asian countries is likely to increase competition within and between Chinese and non-Chinese business communities. Several concurrent movements compel the imminent demise of 'ersatz capitalism' in the post-crisis Southeast Asia. In the first place, social movements towards greater democratic participation by the people in the political process and a much more transparent governance system have been organized in Indonesia and Malaysia. In Indonesia, student movements since early 1998 have not only brought down the Suharto regime, but they also brought about an early parliamentary election on 7 June 1999 in which the opposition party Democratic Party-Perjuangan (Struggle), led by Megawati Sukarnoputri, emerged as the winner. In Malaysia, the sacked former Deputy Prime Minister Anwar Ibrahim, his wife and his supporters have established Parti Keadilan Nasional and reorganized the opposition to contest the dominant UMNO Party. These social and political movements have raised the political awareness of Southeast Asianists in their quest for political and economic reforms that are necessary if these countries are to reap the full benefits of globalization. These movements have also challenged the long existence of 'ersatz capitalism' and called for the demolition of unjust monopolies and special privileges held by certain ethnic Chinese business and indigenous people.

This brings us to another type of movement that is primarily concerned with economic reforms in post-crisis Southeast Asian countries. These reform movements have important ramifications for ethnic Chinese business communities in Southeast Asia because of (1) the loss of monopolistic positions; (2) the collapse of political-economic alliances and (3) the liberalization of home markets. The structural reforms imposed by the IMF on Indonesia and Thailand have led to the *loss of many monopolistic positions* long held by ethnic Chinese business communities. The Asian economic crisis, for example, led to the reworking of state–business relations in Indonesia in 1998, leading some analysts to note that 'Indonesia's Chinese conglomerates . . . may soon be relegated to becoming bit players in the new economic landscape' (*Business Times*, 5 October 1998: 1). The ongoing severing of networks between the state and Chinese business communities has occurred in the context of economic crisis, the IMF's stringent bail-out and reform package and the linked demise of the Suharto regime. In effect, this externally driven agent, IMF, has significantly challenged the constituency of pre-existing state–Chinese business linkages in Indonesia. Since former President Suharto announced on 15 January 1998 that Indonesia was committed to the IMF conditionality and economic reforms in exchange for a bail-out package of more than US$40 billion, several key actors in leading local Chinese business communities have been affected (see Olds and Yeung, 1999 for the case of Mohammad 'Bob' Hasan who lost valuable monopoly rights in timber production and trade in Indonesia because of the Washington-based IMF conditionality).

Moreover, political shake-ups in some Southeast Asian countries have contributed to *the collapse of certain political-economic alliances* between ethnic Chinese rent-seekers and their political patrons. This phenomenon is best seen in the case of Malaysia after Prime Minister Mahathir installed the high-powered National Economic Action Council (NEAC) to get the Malaysian economy back on track to high growth rates. Its executive director and the newly appointed minister with special functions, Tun Daim Zainuddin, was in Mahathir's favour again at the expense of the former Deputy Prime Minister Anwar Ibrahim. Even before the Asian economic crisis, ethnic Chinese business people had made good use of strong political patronage from *bumiputra* Malay politicians to gain privileged access to state contracts and licences (Jesudason, 1989, 1997; Hara, 1991; Heng, 1992; Gomez and Jomo, 1997). In return, these political patrons were given company directorships and shares to compensate for their 'contributions' to corporate development. Chinese capital was, and still is, subservient to Malay *bumiputra* hegemony, as Gomez (1999: 192–3) observed in his highly detailed analysis of political patronage among nearly 40 Malaysian Chinese-controlled companies that are listed in the Kuala Lumpur Stock Exchange.

The Asian economic crisis has severed these political-economic alliances in two ways. First, Tun Daim Zainuddin, the NEAC executive director, compelled some Chinese business people who previously benefited from political-economic alliances to take over ailing companies that were controlled by politically well-connected *bumiputra* Malays. This is part of the state's recapitalization programme through which the state, represented by the NEAC, intends to reinflate the economy in order to jump-start economic recovery under conditions of foreign exchange control and restricted global capital flows. Several well-connected Chinese business people were specifically asked by Daim to bail out debt-ridden companies. Among them were Francis Yeoh, the beneficiary of the highly lucrative power-generating licence (YTL Group), and Lim Goh Tong, who depends heavily on the renewal of his lucrative casino licence to sustain his Genting casino and resort businesses (Gomez, 1999).

Second, other Chinese business people who are well connected to the sacked former Deputy Prime Minister Anwar Ibrahim have suffered from the demise of their political patron. Some of these Chinese business people have stumbled to identify themselves with such new political patrons as Daim Zainuddin. Others have failed to relinquish their association with Anwar and become subjects of politically inspired corporate investigations. In a recent UMNO General Assembly, Prime Minister Mahathir even provided details of all individuals, ethnic Chinese and *bumiputra* Malays, who had benefited from Anwar's reign as deputy prime minister and finance minister. Since July 1999, Malaysia has experienced the biggest-ever corporate clean-up. It is rumoured that a witch-hunt is on against Anwar's business cronies (again both ethnic Chinese and *bumiputra* Malays) after the Securities Commission decided to charge top stockbroker Tony Tiah with abetting another businessman to defraud Omega Securities of RM$425 million (*The Straits Times*, 6 August 1999, 13 August 1999). Although Prime Minister Mahathir has dismissed the rumour and argued that the action by the Securities Commission was merely to ensure good corporate governance, opposition politicians from Parti Keadilan Nasional said that the action by the Securities Commission and the central bank (Bank Negara) was motivated by the government's desire to punish business people close to Anwar. In short, the economic crisis has offered opportunities for ethnic Chinese business communities in Malaysia to venture into business sectors previously closed to non-*bumiputra* participation. These opportunities, however, are complicated by political favours to bail out ailing state and/or Malay companies and the internal political struggle for power between the hegemonic UMNO Party led by Prime Minister Mahathir and opposition parties.

In other Southeast Asian countries, ethnic Chinese business people face growing competition emanating from *the liberalization of domestic markets* to foreign investors. Although the excessive liberalization of foreign short-term borrowing in many Southeast Asian economies is argued to be one of the main causes of the recent economic crisis, many real sectors of these economies were highly regulated and relatively closed to foreign investors. Banks and other financial institutions in Southeast Asia, for example, have been well protected against foreign competition. In Indonesia, Malaysia and Thailand, financial institutions were often controlled by state agencies or cronies of political patrons (see Backman, 1999). Many of these cronies were ethnic Chinese business people. In Indonesia alone, for example, there were more than 200 private banks before the Asian economic crisis. These banks were often part of large non-banking conglomerates that engaged in property and manufacturing. In consequence, Backman (1999: 84) remarked that 'Indonesia's banking sector is the most compromised of all Asia's banking sectors'. The performance of these banks was often evaluated not on the basis of their operational efficiency and competitiveness, but rather on their political connections and loyalty. The economic crisis has therefore contributed to a major restructuring of the banking and finance industry of these Southeast Asian economies.

On one hand, more foreign ownership is allowed in view of the imminent prospect of major bankruptcy among banks in ailing Southeast Asian countries. In Indonesia and Thailand, foreign financial institutions have made significant corporate inroads and taken over several domestic banks and related financial institutions. On 16 October 1998, the Indonesian parliament approved a landmark bill which allows 100 percent foreign ownership of banks. The move was aimed at attracting foreign capital to strengthen its disaster-hit banking sector (*The Straits Times*, 17 October 1998). On 8 June 1999, the Indonesian government also put in place regulations to make it easier for ailing companies to swap debt for equity (*The Straits Times*, 12 June 1999). Until then, Indonesian companies were saddled with over US$60 billion in foreign borrowings. The new laws allow foreign creditors to take over new holdings companies or to acquire existing ones fully, lifting current restrictions on foreign ownership. In Malaysia, the imposition of capital control since 1 September 1998 has given domestic banks some breathing space to recapitalize their reserves. But the same measure has also backfired because foreign capital hesitates to invest in Malaysia's financial sector. The central bank, Bank Negara, issued a directive on 29 July 1999 to consolidate Malaysia's 21 commercial banks, 25 finance companies and 12 merchant banks into six major banking groups (*The Straits Times*, 31 July 1999). In this restructuring exercise, banks that were controlled by ethnic Chinese business people, mostly family-owned businesses, will lose their favour with Bank Negara and will, therefore, be forced into absorption by other banking groups. As Bank Negara governor Ali A. H. Sulaiman said, 'there was no place for family-run banks to survive in the long run in the face of globalisation' (*The Straits Times*, 12 August 1999). Indeed, the exercise will see eight Chinese-controlled banks merged into two banking groups led by Public Bank (controlled by Teh Hong Piow) and Southern Bank (controlled by Khoo Kay Peng). Two of the expected losers in the merger plan are Chinese banking groups that are seen as having links to former Deputy Prime Minister Anwar Ibrahim – Hong Leong Bank (controlled by Quek Leng Chan) and PhileoAllied Bank. Two other *bumiputra* losers, RHB-Sime Bank and Arab-Malaysian Bank, are well regarded professionally, but out of favour politically (*The Straits Times*, 3 August 1999). In a twist that has raised more than a few eyebrows, Multi-Purpose Bank, the smallest among the six proposed core banks with RM$7.2 billion in assets, will absorb three larger financial institutions, including newly merged RHB-Sime Bank, which is eight times larger (*The Straits Times*, 23 August 1999).

On the other hand, as a relatively unscathed Southeast Asian economy, Singapore has moved swiftly to liberalize its financial sector in order to become more competitive in the regional and global financial markets. The Singapore government has recently announced the most comprehensive liberalization programme ever for the banking sector, which has serious implications for three of the four largest local banks controlled by ethnic Chinese business people – the Overseas Union Bank (OUB), Overseas Chinese Banking Corporation (OCBC) and United Overseas Bank (UOB). The objectives of the liberalization programme are: (1) to encourage banks in Singapore to be efficient and innovative; (2) to nurture robust local banks which can stand up to leading international banks; and (3) to encourage strong foreign banks to take a stake in Singapore's financial system (*The Straits Times*, 17 May 1999: 38). Deputy Prime Minister Lee Hsien Loong (also chair of the central bank, the Monetary Authority of Singapore [MAS]) noted that 'the banking environment is being transformed, in the region and globally. Existing franchises and market shares are being challenged. Competition, not protection, is the only way to develop strong local banks which measure up, against the best international players'. In fact, this financial liberalization programme already began in 1990 when the MAS raised foreign shareholdings of Singapore banks from 20 percent to 40 percent. Foreign banks could compete freely with local banks in wholesale domestic banking, offshore banking and treasury and capital market activities. They accounted for more than one-third of resident deposits, 45 percent of loans to resident borrowers and about 90 percent of business with non-residents (*The Straits Times*, 17 May 1999: 38). On 17 May 1999, the Singapore government announced that by 2001, six Qualifying Full Banks (QFB) licences will be issued to foreign banks that will be allowed to set up additional branches and off-premises automated teller machines and share an ATM network among themselves – practices previously disallowed (*The Straits Times*, 18 May 1999: 51). The MAS will also increase the number of restricted banks from 13 to 18 by 2001 to cater to offshore banks, and it will give offshore banks greater flexibility in Singapore dollar wholesale business.

This recent liberalization of Singapore's banking sector has significant impacts on local banks, which will have their interest margins squeezed with stiffer competition from 22 full-licence, 13 restricted and 98 offshore foreign banks in Singapore. These local banks were well protected by the MAS for a long period, when no new licences for full and restricted banks were granted since 1970 and 1983 respectively. The likely impact of this banking liberalization programme on local banks will be to foster mergers and acquisitions to consolidate and to achieve economies of scale for continuing expansion and growth.

What then will be the likely impact of this banking liberalization on Singapore's three Chinese-controlled local banks (i.e. the OUB, OCBC and UOB)? Deputy Prime Minister Lee expects that 'There is room for consolidation, but we hope that there will be at least two Singapore institutions. . . . If we succeed in building up two such strong local banks, our financial system will have two pillars of strength and stability' (*The Straits Times*, 17 May 1999: 38; 18 May 1999: 49). Clearly, the Singapore government views synergy among these three local banks and favours consolidation among them into one single banking group. The challenge ahead for these three banks that are controlled by three different families (the OUB by the Lien family, OCBC by the Lee family and UOB by the Wee family) is how to face strong competitive pressures in the domestic market. Some of them have responded by chartering new strategic visions for the new millennium (the OUB2000 Programme and OCBC's Roadmap 3.0). Others have expanded aggressively abroad by opening new branches (the UOB in China) and / or through acquisition. To meet these challenges of liberalization, local Chinese banks in Singapore cannot avoid globalization and open competition, but rather they must embrace and participate in globalization to explore new avenues for change and expansion.

Conclusion

This article has considered the discursive and material dimensions of the intricate relationships between economic globalization, the Asian economic crisis and the emergence of Chinese business communities in Southeast Asia. It is clear that globalization tendencies have reshaped the nature and organization of these communities in Southeast Asia. One such globalizing tendency is the inherent instability of global capitalism that has been manifested in the recent Asian economic crisis. In the midst of this crisis, we observe certain discursive constructions of globalization tendencies as an externally imposed force disciplining corrupted Southeast Asian economies. Still others have constructed globalization as a tool used by powerful countries to 'recolonize' Southeast Asian countries. All these discursive constructions have brought conflicting messages to the ethnic Chinese communities in Southeast Asia that have dominated the business and commercial sectors of their 'home' countries. The material impacts of the crisis have also undermined pre-existing political-economic alliances, which are the institutional basis of Chinese business communities in Southeast Asia and have served them so well in the past. Further liberalization of domestic economies in Southeast Asia has contributed to greater competition faced by Chinese business communities. My conclusion is, therefore, that the emergence of Chinese business communities in Southeast Asia cannot be conceived as an exclusively indigenous process of social and institutional change. Globalization has a significant role to play in this process of community emergence and evolution. At its very least, globalization can be conceptualized as a catalyst for the emergence of Chinese business communities in Southeast Asia, as seen in the case of the interpenetration of ethnic Chinese capital throughout the Asia Pacific region. On the other hand, globalization can serve as an active force that is directly shaping the developmental trajectories of Chinese business communities in Southeast Asia (e.g. the need for liberalization and its impact on Chinese business communities). These ethnic communities also participate actively in globalization through their worldwide web of social relations and business networks. In this sense, globalization is as much an active force that impinges on the evolution of social communities as it is an outcome of constant struggles by these communities for a better future; it reinforces the interconnectedness of multiple and hybrid processes juxtaposing at different spatial scales – from local communities to global flows.

Notes

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1. I use inverted commas to describe ‘home’ country because many Southeast Asian Chinese still do not consider their current country of residence as their ultimate home country. Despite several decades of ethnic integration and assimilation in several Southeast Asian countries, this sojourner’s mentality continues to persist among many ethnic Chinese communities.
2. In material terms, Singapore has been the least seriously affected by the crisis among the Southeast Asian countries. Nevertheless, Singapore’s economic growth rate slowed down sharply from 7.8 percent in 1997 to around 3.8 percent in the first half of 1998. The growth rate for 1998 as a whole was 1.3 percent, although the forecast for 1999 was between 4 percent and 5 percent (*The Straits Times*, 9 August 1999). This slowdown in Singapore’s growth is largely attributed to its exposure to the poor performance of other economies in the region rather than to its internal economic ‘fundamentals’.
3. This institutional capacity of the state in Singapore is clearly evident in the virtually uncontested implementation of the S$10 billion cost-cutting packages announced in late 1998 in which the wages of Singapore’s workforce were reduced by 5–8 percent and the employers’ contributions to the Central Provident Fund were reduced from 20 percent of gross salaries to 10 percent (*The Straits Times*, 12 November 1998).
4. See a comprehensive 12-page special report on the Asian economic meltdown in *The Straits Times* (2 July 1998). It is beyond the scope of this article to debate the causes of the crisis and the prescriptions for affected economies. For a sample of some very different views, see Rosenberger (1997), Haggard and MacIntyre (1998), Jomo (1998), Lim (1998), Rao (1998) and Wade and Veneroso (1998).

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