18. The dynamics of Southeast Asian Chinese business

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For several centuries, tens of millions of ethnic Chinese people in Southeast Asia have engaged in a distinctive form of economic organization through which an informal array of Chinese entrepreneurs, traders, financiers and their closely-knit networks of family members and friends came to dominate the economic sphere of the very host countries they later considered 'home'.[1,2] While deeply rooted in the cultural norms and social values of the traditional Chinese society in mainland China, this form of economic organization has evolved and adapted to dramatically different institutional contexts and political–economic conditions in the host Southeast Asian countries. In this chapter, I use the term 'Southeast Asian *Chinese capitalism*' as a heuristic device to describe this historically and geographically specific form of economic organization that refers to the social organization and political economy of the so-called 'overseas Chinese'[3] living outside mainland China, particularly in Southeast Asia (that is Singapore, Indonesia, Malaysia, the Philippines, Thailand and Vietnam).[4] Chinese capitalism has been a dominant mode of economic organization in Southeast Asia because of not only its economic significance in the host countries, but also its complex and yet intricate social organization and authority systems. The sheer diversity and prowess of economic activities controlled and coordinated by these ethnic Chinese has enabled some of them to become the very foundations of the economies in which they primarily reside and operate (see McVey, 1992; Brown, 1994; Hodder, 1996; Gambe, 2000; Gomez and Hsiao, 2001; Jomo and Folk, 2003).

While Chinese capitalism in Southeast Asia had experienced steady growth and development up to the late 1980s, its socioeconomic organization remained fairly stable and enduring. By the 1990s, the emerging contexts of accelerated economic globalization and the rise of mainland China had impinged quite significantly on this ethnic-centric form of economic organization. In particular, the 1997/1998 Asian economic crisis has fundamentally reshaped its contested nature and economic organization. In this chapter, I outline some of the most significant contextual changes that facilitated the reshaping and reconfiguration of Southeast Asian Chinese capitalism in recent years: the changing political–economic alliances in Southeast Asia, the interpenetration of globalization processes, and the rise of mainland China as a significant player in the global economy. I argue that these changes have led to a more *globalizing orientation* of Chinese capitalism in Southeast Asia. In making this case for globalizing Chinese capitalism, I am cognizant of the continual existence and discursive reconstitution of some historically distinctive elements of Chinese capitalism. This coexistence of both change and continuity in Chinese capitalism points to its growing hybridization, a transformative process in which traditional and new elements are continuously morphed and recombined into something

that resembles neither traditional Chinese capitalism as we knew it nor the alleged universalism of global capitalism as most ultraglobalists would like it. Instead, a hybrid form of Chinese capitalism emerges as a distinctive feature in the political economic landscapes of Southeast Asia today (see Yeung, 2000a, 2004).

In making a strong case for Southeast Asian Chinese capitalism as a form of hybrid capitalism, I organize this chapter into two major sections. While detailed empirical data analysis and case studies have already been published elsewhere in Yeung (2004), this chapter serves as an avenue to bring together some broad threads for critical discussion and engagement. In this sense, I intend the chapter to be neither purely theoretical nor empirical in its focus. In the next section, I outline some of the most significant contexts for change and transformation in Southeast Asian Chinese capitalism, in particular the regionalization and internationalization of Southeast Asian Chinese capital and the rise of China as an important destination for this Chinese capital. In the penultimate section, I consider some of the broad changes occurring in Southeast Asian Chinese capitalism. These changes tend to reshape the social organization of Chinese family firms, their business networks and their reliance on political–economic alliances. Apart from these recent changes, I also consider how some of the historically distinctive features of Chinese capitalism in Southeast Asia either remain fairly stable or are discursively and strategically (re)constructed to constitute a new identity for Chinese capitalism. In the concluding section, I offer some tentative evaluation of the future of researching into Chinese capitalism in a global era.

GLOBALIZING SOUTHEAST ASIAN CHINESE CAPITALISM: CONTEXT FOR CHANGE

The relatively recent phenomenon of Southeast Asian Chinese capitalists going international and, in some specific cases, going global is arguably nothing very new (Yeung and Olds, 2000). After all, many first-generation ethnic Chinese entrepreneurs, described in Table 18.1, are themselves diaspora immigrants or, in the words of Wong (1988), 'emigrant entrepreneurs' from mainland China before the communist takeover in 1949. What is particularly important in this recent phenomenon is that these ethnic Chinese capitalists from Southeast Asia bring with them not just financial capital and business knowledge when they go international and global. More crucially, they also carry with them distinctive traits of social and economic organization that have been consolidated and enduring through several decades of evolutionary growth and development in their home countries in Southeast Asia. To some scholars of Chinese capitalism who subscribe to the role of culture (for example Redding, 1990; Whitley, 1992, 1999), these distinctive traits have been considered as *essentialized* ingredients and the 'spirit' of the so-called 'Chinese business system', for example the role of family in business organization and the role of ethnicity in business networks.

When these Southeast Asian Chinese capitalists enter into both new markets in Asia and beyond (for example North America and Western Europe), they necessarily encounter very different operating environments that prompt them to adapt and change in order to succeed in the host markets. This process of adaptation and change might not seem to be too different from the earlier historical period, when these ethnic Chinese had

Table 18.1 Major ethnic Chinese and their transnational corporations from East and Southeast Asia, 1997–2003

Company/group name	Major shareholder (ethnic Chinese)	Country of origin	Estimated net worth (US$billion) and *Forbes* world's richest billionaires ranking*						Major worldwide operations
			1997	Rank	2000	Rank	2003	Rank	
Hong Leong Group	Kwek Leng Beng	Singapore	5.8	45	2.0	207	1.7	236	CDL Hotels
	Quek Leng Chan	Malaysia	2.9	112	1.8	224	1.5	278	Guoco (HK)
Goodwood Park Group	Khoo Teck Puat	Singapore	3.9	78	2.7	171	2.6	137	Goodwood Park Hotel Group (Asia)
Far East Organisation	Ng Teng Fong	Singapore	7.0	33	3.4	143	1.7	236	Sino Land (HK)
Sina Mas Group	Oei Widjaja	Indonesia	5.4	50	3.2	151	—	—	Asia Pulp and Paper and Asia Food
Salim Group	Liem Sioe Liong	Indonesia	4.0	75	1.0	312	—	—	First Pacific Group (HK)
Lippo Group	Mochtar Riady	Indonesia	1.8	183	—	—	—	—	Lippo Banks (worldwide)
Kalimanis Group	Bob Hasan	Indonesia	3.0	106	—	—	—	—	
Kerry Group	Robert Kuok	Malaysia/HK	7.0	33	4.6	84	3.4	97	Shangri-la Hotels and TVB (Asia)
YTL Group	Francis Yeoh	Malaysia	1.6	193	1.2	281	—	—	YTL Construction (Asia)
Charoen Pokphand Group	Dhanin Chearavanont	Thailand	1.7	184	1.2	281	1.3	329	CP Pokphand (Asia) Telecom Asia (Asia)
Fortune Tobacco	Lucio Tan	Philippines	—	—	2.1	201	1.9	209	Eton Properties (HK)

* *Source:* http://www.forbes.com, accessed on 1 March 2003.

arrived in Southeast Asia from the then mainland China. What strikes me, though, is how this latest round of adaptation and change has a rather rapid 'feedback' mechanism, such that these Southeast Asian Chinese capitalists are increasingly internalizing these new experiences and practices gathered through their international operations, and bring them back to their home countries in Southeast Asia. Through this iterative process of Southeast Asian Chinese adapting to new foreign markets and internalizing such new practices, the distinctive elements of their social organization of economic activities in their home countries in Southeast Asia also experience change and transformation. Couched in such terms, these Southeast Asian ethnic Chinese are both an embodiment of internationalization and an agent of change in their home countries.

What then are the changing contexts that prompt these Southeast Asian ethnic Chinese capitalists to go international, if not global, in their business operations? Here, I consider two important recent phenomena: (1) the changing domestic political–economic context in the aftermath of the 1997/1998 Asian economic crisis, and (2) the continual growth of mainland China as a major economic powerhouse in the global economy. My focus on these two recent phenomena does not imply that the changing contexts prior to the mid-1990s are not important, for example the increasing saturation of domestic markets, the continual hostility and discrimination in some Southeast Asian countries, and the growing competition from local and foreign firms in their home markets (see Yeung, 1999a, 1999b). Instead, the post-crisis Southeast Asia has witnessed significant contextual changes in terms of rising marketization, deregulation and liberalization in various sectors of the economies that threaten the cosy monopolistic positions of many leading ethnic Chinese capitalists (see also Chapters 8 and 15 in this volume). This growing domestic 'threat' continues to prompt the regionalization and internationalization of Southeast Asian Chinese capital, an ongoing process that finds its historical origins as early as in the late 1960s and the early 1970s (Chan and Chiang, 1994; Chan and McElderry, 1998).

In many ways, the Asian economic crisis has shifted our attention away from the Asian 'miracle' to the structural weaknesses of many Asian economies. Insofar as Chinese capitalism in Southeast Asia is concerned, one of the most significant transformative forces comes from the dissipation of what Yoshihara (1988) termed 'ersatz capitalism', a term that refers to the rent-seeking behaviour of Southeast Asian Chinese capitalists through political–economic alliances with dominant ruling elites (see also Jesudason, 1989; Gomez, 1999). This structural transformation in the political economy of Southeast Asian countries is likely to increase competition within and between ethnic Chinese and non-Chinese business communities (Yeung, 2000b; Menkhoff and Sikorski, 2002; Hewison, 2004). Several concurrent movements in the aftermath of the crisis have heralded the imminent demise or at least significant transformations of 'ersatz capitalism' in Southeast Asia.

In particular, social movements towards greater democratic participation by the people in the political process and a relatively more transparent governance system have been organized in Indonesia and Malaysia. In Indonesia, student movements in early 1998 not only brought down the Suharto regime, but also led to an early parliamentary election on 7 June 1999, after which the opposition party Democratic Party-Perjuangan (Struggle), led by Megawati Sukarnoputri, emerged as the winner. For the first time in its history, Indonesia has a democratically elected president. 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 ruling party. These social and political movements have raised the political awareness of people in Southeast Asia in their quest for political and economic reforms which are necessary if these countries are to reap the full benefits of political change and economic development. 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 and indigenous people.

This brings us to another type of movement that is primarily concerned with economic reforms in post-crisis Southeast Asia countries (see Low, 2001). These reform movements have important ramifications for Chinese capitalism, because of the loss of monopolistic positions and the collapse of political–economic alliances; two pre-crisis strategies aggressively pursued by ethnic Chinese in the economic realm of Southeast Asia. The structural reforms imposed by the International Monetary Fund (IMF) on Indonesia and Thailand have led to the loss of many monopolistic positions long held by ethnic Chinese elites. On 16 October 1998, the Indonesian parliament approved a landmark bill that allowed 100 per cent foreign ownership of banks. The move 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 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 allowed foreign creditors to take over new holdings companies or to acquire fully existing ones, lifting previous restrictions on foreign ownership. Despite these new initiatives legislated by the Indonesian government, foreign investors remained cautious in taking over failed Indonesian banks. In May 2000, for example, the government attracted only lukewarm interest among foreign investors to acquire a 22.5 per cent stake in Bank Central Asia, formerly the largest private bank in Indonesia, controlled by a powerful ethnic Chinese, Liem Sioe Liong (Hamilton-Hart, 2002: 158).

This reworking of Chinese capitalism in Indonesia explains why the net worth of several leading ethnic Chinese actors in Indonesia decreased so significantly after 1999 (see Table 18.1). By 2003, none of the ethnic Chinese elites in Indonesia made it onto the *Forbes* list of the world's richest billionaires. In Thailand, Hewison's (2004: 251) recent study has confirmed that the new accumulation regime in Thailand, while still emerging, will exhibit quite different features than the pre-crisis era: (1) a more significant role of foreign capital in the Thai economy; (2) export-orientation and internationalization as the key features of the business operations of most powerful Thai capitalists, ethnic Chinese or not, and (3) increasingly rules-based relationships between these capitalists and the Thai state.

Political shake-ups in some Southeast Asian countries have also 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. The Malaysian government has been pursuing an ethnic-biased *bumiputra* policy since the New Economic Policy inaugurated in 1971 to enable indigenous Malays to take control of the Malaysian corporate sector. Its logic rests in attempts at an 'ethnic bypass' through which the *bumiputra* can collaborate with foreign partners in order to avoid excessive dependence upon ethnic Chinese in Malaysia (Jomo, 1997; Gomez, 1999). The Asian

economic crisis and the stock-market plunge, however, had crippled many Malaysian companies, particularly those owned by Malay *bumiputra* entrepreneurs. This unintended consequence of Malaysia's participation in the global economy forced the National Economic Action Council (NEAC), a high-powered council established by the prime minister to get the Malaysian economy back on track to high growth rates, to consider what previously was unthinkable: allowing non-*bumiputra* Malaysians and foreigners to own larger shares in local companies (*The Straits Times*, 21 February 1998; 24 July 1998).

The imposition of capital and foreign exchange controls on 1 September 1998 gave domestic banks some breathing space to recapitalize their reserves, but the same measure also backfired because foreign capital hesitated to invest in Malaysia's financial sector. On 29 July 1999, the central bank, Bank Negara, issued a directive 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 controlled by ethnic Chinese, mostly family-owned, lost favour with Bank Negara and were absorbed into other banking groups. As Ali A.H. Sulaiman, then Bank Negara governor, said, 'there was no place for family-run banks to survive in the long run in the face of globalization' (*The Straits Times*, 12 August 1999). By December 2000, 50 financial institutions had been consolidated into ten major banking groups, representing 94 per cent of the total assets of Malaysia's domestic banking sector (Hamilton-Hart, 2002: 165).

While the post-crisis Southeast Asia regional economy has been turned into a more competitive marketplace for ethnic Chinese capitalists, *the rise of mainland China* as a major economic powerhouse in the global economy represents an important challenge and opportunity for the continual international expansion of Southeast Asian Chinese capitalism. On the one hand, the emergence of mainland China as the world's largest recipient of foreign direct investment (FDI) in 2002 has undoubtedly diverted some of the foreign investment flows that might otherwise have gone to Southeast Asia (Wu and Puah, 2002). Although Table 18.2 shows that mainland China's inward FDI performance index over the periods 1988–90 and 1998–2000 remains fairly stable at respectively 53rd and 59th in rankings, it is clear that all five Southeast Asian countries (Singapore, Malaysia, Thailand, the Philippines and Indonesia) have experienced deteriorating inward FDI performance indexes and relative rankings during the same period.

Moreover, the relative shares of FDI in GDP in all five Southeast Asian countries between 1988–90 and 1998–2000 have decreased quite significantly, a reflection of both the rapid GDP growth of some countries (for example from 12.7 per cent to 2.2 per cent for Singapore) and the dramatic *net* decline in inward FDI (for example from 0.8 per cent to –0.7 per cent for Indonesia). Mainland China, on the contrary, has experienced an increasing share of FDI in GDP, from 1 per cent during the 1988–90 period to 1.3 per cent during the 1998–2000 period. This increase in relative share occurs in spite of its dramatic economic growth during the 1990s, underscoring the concurrent rapid influx of FDI during the same period.

This emerging *diversion effect* of mainland China as a major destination for worldwide FDI has posed two significant challenges for Southeast Asian economies. First, the post-crisis recovery of the Southeast Asian region is likely to be relatively slow and modest.

Table 18.2 The inward FDI performance index, 1988–90 and 1998–2000, for selected Asian countries and the US

	1988–90 FDI inflow share over:					1998–2000 FDI inflow share over:				
	GDP share	Employment share	Exports share	FDI Index	Rank	GDP share	Employment share	Exports share	FDI Index	Rank
Singapore	12.7	26.5	1.4	13.5	1	2.2	7.5	0.3	3.3	13
Hong Kong	5.0	11.8	0.7	5.9	4	6.3	24.5	1.1	10.6	2
United States	1.1	4.7	2.2	2.7	16	0.9	4.3	1.8	2.3	23
Malaysia	4.3	2.4	1.1	2.6	17	1.6	1.0	0.3	1.0	55
Thailand	2.4	0.6	1.4	1.5	37	0.9	0.3	0.4	0.5	86
Philippines	1.6	0.3	1.1	1.0	48	0.6	0.1	0.3	0.3	103
Taiwan	0.9	1.5	0.3	0.9	51	0.3	0.6	0.1	0.4	98
China	1.0	0.1	1.3	0.8	53	1.3	0.1	1.3	0.9	59
Indonesia	0.8	0.1	0.6	0.5	66	−0.7	−0.1	−0.4	−0.4	136
South Korea	0.4	0.5	0.3	0.4	75	0.6	0.9	0.3	0.6	81
Japan	0.0	0.0	0.0	0.0	101	0.1	0.3	0.1	0.2	120
Asia	1.1	0.2	0.6	0.6	—	0.9	0.2	0.6	0.6	—

Note: The index is based on an unweighted average of three ratios that reflect a country's propensity to attract FDI, taking into account the size and strengths of the economy. The three ratios are obtained by dividing the country's share of global FDI by its shares of global GDP, employment and exports.

Source: Wu and Puah (2002: Table 1, 47).

Table 18.3 Exchange rates per US dollar and real GDP growth rates of Southeast Asian economies, 1991–2002

Economy	1991–96	1997	1998	1999	2000	2001	2002
Indonesia							
Exchange rate	—	2 393	12 900	9 322	7 300	9 370	9 309
Real GDP growth	6.0	5.0	−13.2	0.9	4.8	3.4	3.7
*Malaysia**							
Exchange rate	—	2.49	4.50	3.80	3.80	3.80	3.80
Real GDP growth	8.9	7.3	−7.4	5.8	8.5	0.4	4.2
Singapore							
Exchange rate	—	1.41	1.76	1.69	1.68	1.73	1.79
Real GDP growth	8.4	8.5	0.1	5.9	9.9	−2.4	2.2
Thailand							
Exchange rate	—	25.81	54.22	36.98	37.15	42.99	42.99
Real GDP growth	8.2	−1.4	−10.8	4.2	4.3	1.9	5.2
The Philippines							
Exchange rate	—	26.33	42.16	38.85	40.46	49.25	51.7
Real GDP growth	2.7	5.2	−0.6	3.4	4.0	3.2	4.6

Note: * Malaysia introduced capital control in September 1998 and fixed the exchange rate against the US dollar at US$1 to RM$3.8.

Sources: Hamilton-Hart (2002: Tables 7.1 and 7.2) and 2001–2 GDP data from http://www.worldbank.org/data/countrydata/countrydata.html; accessed on 1 March 2004.

During the 1999–2003 period, the real GDP growth rates of most Southeast Asian countries remained fairly modest, a rather different picture as compared to the pre-crisis 1991–96 period during (see Table 18.3). Much of the economic 'miracle' in the region prior to the 1997 crisis was underpinned by the rapid influx of FDI into Southeast Asia during the 1980s and the 1990s (see Lim and Fong, 1991; Dobson and Chia, 1997; Giroud, 2003; see also Chapters 12–14 in this volume).

FDI and technology transfer from Japan were particularly important in Southeast Asia, in view of the extensive presence of Japanese regional production networks in the region (Pongpaichit, 1990; Hatch and Yamamura, 1996; Encarnation, 1999; Edgington and Hayter, 2000; Hatch, 2000). The collaborative supplier relationships between ethnic Chinese manufacturers and Japanese firms in Southeast Asia were highly conducive to the development of Southeast Asian Chinese capitalism (Machado, 1997; Deyo and Doner, 2000). Aoyama (2000), for example, found that most Japanese electronics firms in Southeast Asia in 1992 did not purchase from their *keiretsu* firms. Instead, 98 per cent of the host-country purchases and 71 per cent of purchase in 'other areas' were made through non-*keiretsu* firms (mostly ethnic Chinese firms). While the diversion trend is not entirely clear yet, it is conceivable that new waves of FDI from Japan and other OECD countries will be more oriented towards penetrating the mainland China market and developing a major manufacturing base in mainland China. This in turn presents a significant challenge to the continual survival of ethnic Chinese manufacturers in Southeast Asia, who tend, in turn, to initiate defensive internationalization into

Table 18.4 Leading Chinese business firms among the top 50 transnational corporations from Southeast Asia ranked by foreign assets, 1995 and 2000 (US$ million and number of employees)

Ranking (foreign assets)		Name of TNC (founder or family)	Home economy	Industry	Foreign assets	
2000	1995				2000	1995
29	25	Fraser and Neave (Lee family)	Singapore	Food & beverages	1 318	957
34	37	Amsteel (William Cheng)	Malaysia	Diversified	1 143	209
40	—	WBL (Lee family)	Singapore	Electronics	879	—
43	—	Berjaya Group (Vincent Tan)	Malaysia	Diversified	832	—
50	—	Hume Industries (Quek Leng Chan)	Malaysia	Construction	593	—
—	35	Genting Bhd (Lim Goh Tong)	Malaysia	Properties	—	692
—	42	Creative Technology (Sim Wong Woo)	Singapore	Electronics	—	405

Note:
The table excludes government-linked corporations in Singapore (e.g. Neptune Orient Lines, Singapore Telecom and Keppel Corporation) and Taiwan (e.g. Chinese Petroleum and United Microelectronics).
[1] The index of transnationality is calculated as the average of foreign assets to total assets, foreign sales to total sales and foreign employment to total employment.

Source: UNCTAD (various years), *World Investment Report*, Geneva: UNCTAD.

mainland China to secure their existing customer base and to develop new market opportunities.

Second, the post-crisis diversion of FDI into mainland China and its rapid export-oriented industrialization also imply that ethnic Chinese firms in Southeast Asia will increasingly face formidable competition from mainland China's exports of manufactured goods.[5] This competition can present itself in two significant forms. Ethnic Chinese firms in Southeast Asia will experience a growing influx of manufactured goods from mainland China into their home turfs in Southeast Asia. This influx of cheaper imports can erode the steady profits long enjoyed by these ethnic Chinese manufacturers, via the monopolistic positions in their home countries. This competitive problem is less significant than the competition from mainland China in the exports market. Apart from those domestically oriented manufacturers, many ethnic Chinese-owned and controlled manufacturing firms in Southeast Asia are involved in regional production networks that export mainly to North America and, to a certain extent, Western Europe (for example Borrus *et al*., 2000; Yeung, 2001). The growing competition from foreign- and domestic-owned manufacturers in mainland China can squeeze out a significant number of these

Total assets		Foreign sales		Total sales		Foreign employment		Total employment		Transnationality Index[1]	
2000	1995	2000	1995	2000	1995	2000	1995	2000	1995	2000	1995
4 211	3 199	944	1 066	1 551	1 809	7 826	8 190	10 750	10 064	49.5	56.7
3 453	1 459	544	80	1 416	1 066	37 094	7 800	50 218	28 200	43.6	16.5
1 106	–	338	–	534	–	12 467	–	13 374	–	70.8	–
3 352	—	954	–	2 052	–	5500	–	21 783	–	29.0	–
1 178	—	931	–	1 341	–	6536	–	12 545	–	51.6	–
–2 283	–	62	–	982	–	–	–	–	–	18.3	
– 661	–	1 175	–	1 202	–	2 048	–	4 185	–	69.3	

Southeast Asian firms that are involved in relatively labour-intensive and low-tech production of manufactured goods. Even in the categories of high-tech and value-added manufactured products, such as hard disk drives, Southeast Asian suppliers are facing strong competition from mainland China (McKendrick *et al*., 2000).

On the other hand, the rapid economic growth of mainland China represents a much welcomed opportunity to those ethnic Chinese firms from Southeast Asia that are well positioned and plugged into major global production networks (Fruin, 1998; Borrus *et al*., 2000; McKendrick *et al*., 2000; Henderson *et al*., 2002). Their favourable articulation into global production networks can be explained by the early internationalization of these ethnic Chinese firms prior to the mid-1990s, such that they have already gained substantial operating experience and firm-specific knowledge in manufacturing for major brand-name producers in a variety of industries, for example consumer electronics and personal computers. The rise of mainland China thus presents a golden market opportunity for these ethnic Chinese capitalists from Southeast Asia to follow their lead-firm customers who have increasingly established and grounded their global production networks in mainland China.

In Table 18.4, some of the ethnic Chinese-owned and controlled TNCs from Malaysia and Singapore have quite successfully internationalized their operations, to tap into the business opportunities associated with selected global production networks (for example Hume Industries from Malaysia and Wearnes Electronics from Singapore). In some cases (for example Creative Technology), ethnic Chinese manufacturers from Southeast Asia have grown and/or leapfrogged from original equipment manufacturers (OEM) to original brand manufacturers (OBM) and original design manufacturers (ODM). The emergence of

mainland China as a major market relatively unexploited by leading global firms has exerted a very attractive centrifugal force to induce these ethnic Chinese firms to establish their operations in mainland China. This centrifugal force has already operated very well on large manufacturing firms from Hong Kong, Taiwan and Singapore (Hsing, 1998; Magretta, 1998; Mathews, 2002; Yeung, 2002; Chen and Ku, 2004).

To sum up, the changing contexts during the post-crisis era present very significant challenges and opportunities for ethnic Chinese capitalists in Southeast Asia. The decline of political–economic alliances in their home countries and the rise of mainland China as both a competitor and a new market have reinforced the continual internationalization and globalization of Southeast Asian Chinese capitalism through both internal and external changes. Internally, more ethnic Chinese firms in Southeast Asia are experiencing management and structural transformations in order to professionalize and corporatize their business operations. Externally, these firms are less reliant on ethnic financial networks, and more on international financial markets, to secure access to capital in order to fuel their internationalization efforts (Yeung, 2003). It is important to point out that most of these internal and external changes had existed *before* the mid-1990s, although the 1997 economic crisis has clearly speeded them up. In the next section, I discuss some of these major changes and transformations and examine how they play an important role in the hybridization of Southeast Asian Chinese capitalism.

HYBRIDIZING SOUTHEAST ASIAN CHINESE CAPITALISM: CHANGE AND ONTINUITY

If the contexts for change in Southeast Asian Chinese capitalism have been made more favourable during the post-crisis era, what kind of change and transformations can we observe and analyse? In this section, I consider four major dimensions of change in Chinese capitalism: (1) less emphasis and reliance on political–economic alliances 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.

This choice of changing dimensions represents my current understanding of the rather fluid and dynamic evolution of Chinese capitalism. It is intended to be neither comprehensive nor authoritative. Instead, I hope these dimensions will provide some important analytical clues for more detail empirical research (cf. Yeung, 2004). More importantly, we should bear in mind that these changes by no means imply the convergence of Southeast Asian Chinese capitalism towards a particular capitalist model. Indeed, there are significant elements of continuity in Chinese capitalism that enable it to be sufficiently differentiated from the dominant mode of Anglo-American capitalism. Consequently, I consider some of these elements of continuity towards the last part of this section.

To begin our analysis of recent changes in Southeast Asian Chinese capitalism, we need to revisit Yoshihara's (1988: 3) characterization of Southeast Asian capitalism as a form of 'ersatz capitalism':

> What is ersatz about South-East Asian capitalism derives from the fact that the development of South-East Asian capital has been largely confined to the tertiary sector . . . South-East Asian

> industrial capital cannot act as the vanguard of economic development because it does not have export capability. Any dynamism in this sense comes from the market economy, not from capitalism. This is because large industrial capitalists are comprador capitalists (acting as the agents of foreign manufacturers in their own countries), or they depend on foreign technology in a broader sense, or they are not efficient enough to compete in the international market.

This early assessment of Southeast Asian capitalism during the 1980s remains viable more than a decade later in the work of Brown (2000: 42) who concludes:

> the cultural embeddedness of Chinese capitalism is a product of historical cultural factors. Chinese capitalism in Southeast Asia, despite its heterogeneity, is not competitive. The accumulative, predatory tendencies of Chinese capitalism should not be mistaken for competitiveness. The Chinese links with the state, indigenous merchants, local elites and native technocrats, have varied from co-opting elites onto the boards of Chinese companies, to raising equity from indigenous sources, government capitals, to operating joint ventures with the state and with foreign multinationals and seeking technological alliances with foreign multinationals. The state has ranged from patron to partner, from investor to executor.

She further argues that 'links with the state and the exploitation of Chinese networks ensured the survival of Chinese family enterprises, irrespective of whether they were in labour intensive industries or in capital intensive sectors. Competition was not a determining factor in the survival of Chinese family enterprises' (p. 100).

Does Southeast Asian capitalism today continue to be ersatz and uncompetitive? How far does it depend on the role of ethnic Chinese capitalists as 'comprador capitalists' and on foreign capital for technology and market access? These are very substantial issues for further theoretical debates and empirical research. Without prejudicing Yoshihara's (1988) observation during the 1980s, I contend that the successful internationalization of a number of ethnic Chinese business firms from Southeast Asia (Yeung, 1999a, 2004) does entail more than the 'comprador-dependency' syndrome to include significantly new elements of organizational innovation, technological dynamism and financial management. My argument does not imply that most Southeast Asian countries, with perhaps the exception of Singapore, have moved well beyond ersatz capitalism as their preferred developmental trajectories. Rather, my argument of change and dynamism necessarily applies to the most important group of actors in Southeast Asian Chinese capitalism – the largest and most internationalizing Chinese business firms identified in Tables 18.1 and 18.4.

My previous work has shown that it is this group of internationalizing actors who are most likely to make a significant impact on the future trajectories of their home countries in Southeast Asia, through a variety of change and transformations in their own business organization and social practices during their international operations (Olds and Yeung, 1999; Yeung, 2000a, 2004; Gomez, 2004). Over time, these actors in Chinese capitalism are able to bring these new business and social practices back to their home countries, and to socialize other local firms into their increasingly global actor networks that are not necessarily based on ethnic or political–economic relationships. Southeast Asian Chinese capitalism, in its domestic context, does not have to be ersatz forever; it indeed evolves and is transformed over time into a form of hybrid capitalism that encapsulates both some elements of the past and new elements brought in through its globalizing actors.

In the first place, I argue that one of the most significant changes among the leading actors in Southeast Asian Chinese capitalism is the *decline in their reliance on pre-existing*

political–economic alliances in the home countries. This reflects both the increasing pressures of international agencies (for example the IMF and World Bank during the 1997 Asian economic crisis) on these Southeast Asian countries to engage in economic reforms and corporate restructuring, and the higher standards of corporate governance and financial management required for these Southeast Asian firms to engage in international business operations. When these Southeast Asian Chinese firms operate internationally within and outside the Asia–Pacific region, they are often unable to transfer their political–economic alliances that are most likely to be embedded and bounded within their home countries. They are thus more likely to rely increasingly on their firm-specific expertise and advantage in establishing their international operations (see empirical case studies in Yeung, 2002, 2004; Gomez, 2004). This greater demand for firm-specific competitive advantages in turn may gradually induce these Chinese business firms to be less reliant on political–economic alliances even in their home countries, so that they can build and accumulate internationally–transferable competitive advantages (for example cost and market advantages). They are critical agents of change in their domestic settings, for example, by transforming their home-based supplier networks and market channels that used to be solely based on either ethnic family relationships or political–economic alliances.

Second, the successful internationalization of Southeast Asian Chinese business firms also requires them to be less organized around the four highly stereotyped principles of paternalism, nepotism, personalism and fragmentation identified in earlier 'culturalist' studies of Chinese family firms (Silin, 1976; Redding, 1990, 2000; Whitley, 1992, 1999). Instead, I observe an emerging trend towards the *growing professionalization and bureaucratization* of Chinese business firms of both the family and non-family variants (see also Chapter 15 in this volume). While this trend was becoming more apparent during the first half of the 1990s, as ethnic Chinese firms were rapidly going international in their business operations, the 1997/1998 Asian economic crisis has hastened this transformative process, so that ethnic Chinese firms find it much harder to establish a competitive position in today's global economy on the basis of these ethnic-centric principles. After all, the founding patriarchs of most large-scale ethnic Chinese business firms are so overwhelmed by information and decisions that they have to delegate these information-processing and decision-making processes to a variety of trusted professional managers, who are neither necessarily ethnic Chinese nor personal friends. Their expanding business empire also implies that succession based on nepotism is becoming increasingly difficult. There may be a shortage of able or competent family heirs to take over some corporate decision making and responsibilities. As Fukuyama (1995: 64) once argued, 'a single family, no matter how large, capable, or well educated, can only have so many competent sons, daughters, spouses, and siblings to oversee the different parts of a rapidly ramifying enterprise'.

These founding patriarchs are thus hiring more professional managers to be the CEOs of their international operations in Asia and beyond. Well trained in top business schools elsewhere, and often equipped with considerable international business and industry experience, these professional managers are key players in an emerging transnational community of business elites, who are not only transferable in terms of their managerial skills, but also much more difficult to be 'controlled' in the traditional Chinese way of family-oriented business management. Sklair (2000) has coined the term 'transnational

capitalist' to describe this group of highly dynamic and powerful executives. As Whitley (1999: 97) has noted, 'this mobility has become frequently based upon the possession of a general management credential such as the MBA degree . . . [And] "management" is seen more as a generalizable set of skills and competences than as a set of industry-specific functions linked to more technical competences'. Instead of reproducing 'highly personal and direct control over work processes and limited employer–employee trust' (ibid.: 93), we begin to find more competent professional managers being socialized into 'Chinese' capitalism so that over time, they become insiders and major movers in this increasingly reshaped form of hybrid capitalism.

Third, just as management and organizational structures of ethnic Chinese business firms are undergoing rapid change and transformations during the post-crisis era, their financial networks are also increasingly moving away from ethnic-centrism in their organization, so well described in the earlier studies of Chinese capitalism. In fact, these two processes of change – organizational and financial – go hand in hand in the sense that potential improvement in corporate governance through professionalization and bureaucratization is particularly welcome in developing Southeast Asian countries, in which many Chinese family firms thrive and shareholder protection and judicial efficiency are clearly inadequate. To ensure that global financial elites are comfortable with their financial positions and obligations, key actors in ethnic Chinese firms are required to follow certain accounting standards and business norms in global capital markets (see more empirical evidence in Yeung and Soh, 2000; Yeung, 2004).

As early as 1992, for example, Peter Woo – the successor to one of Hong Kong's most powerful Chinese family conglomerates, the 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' (quoted in Clifford and Engardio, 2000: 70). Having received his MBA from Columbia University and developed his early career in Chase Manhattan Bank, Woo's attitude to the traditional norms in Chinese capitalism is not entirely surprising and inconsistent. The necessity for securing global finance provides a key force to effect dynamic changes in Chinese capitalism. The 1997/1998 Asian economic crisis has only made these changes even more apparent and necessary. Recent empirical studies in financial economics (Schmukler and Vesperoni, 2001; Mitton, 2002), for instance, have identified significant positive relationships between improved corporate governance (for example establishing credible investor protection provisions and appointing Big Six auditors) and lower cost of capital. Klapper and Love (2002) have also found that good corporate governance mattered a lot more in countries with weak shareholder protection and poor judicial efficiency. Schmukler and Vesperoni (2001) have reported that firms from emerging economies could benefit from accessing international bond markets, by securing long-term financing and extending their debt maturity structure. Raising capital in international financial markets, however, requires ethnic Chinese (family) firms to become increasingly 'credible' and 'transparent' in their management practices and systems of financial control, as defined by the gatekeepers of the global financial system (Ridding and Kynge, 1997).

Last but not least, this increasing tapping into non-ethnic sources of global financial capital necessarily implies the *reshaping* and *opening up* of what otherwise might be exclusively Chinese business networks. Reducing the reliance on internal (predominantly ethnic) capital within Chinese capitalism is attractive in an era of global competition,

where investment outlays are becoming significantly larger and financial leverages have become the norm in most competitive industries. The threats of hostile takeover and acquisitions in deregulated Asian markets have also forced Chinese business firms to secure external finance to strengthen their financial positions. This shift from informal networks of credits and loans towards stock and capital markets in financing Chinese capitalism is not a recent phenomenon, though its extent has been significantly underestimated in the literature. For those ethnic Chinese firms and/or countries in search of financial resources from outside their 'home' economies and/or regions, it is important to secure the *consent* and recognition from global financiers for comparable standards of corporate governance and return to investments. These global financiers are leading bankers, fund managers, brokers, and so on, who are often based in major global cities, that in turn serve as their command and control centres of global investments (Sassen, 1991; Olds and Yeung, 2004).

The successful enrolment of ethnic Chinese actors into these global financial actor networks is imperative, in an era of more intensified competition, greater financial requirements for expansion and investments and higher risks associated with excessive reliance on domestic finance. This quest for global finance also requires actors in Chinese capitalism to come to terms with actors in international media and research institutions on business activities. This is because today's global financial system is increasingly characterized by a broader array of actors beyond just bankers and financiers (Harmes, 1998; Olds and Yeung, 1999; Yeung, 2003). Actors in international media and research houses play an increasingly critical role in producing reflexively texts, information and knowledge about Chinese capitalism that can significantly hinder or facilitate ethnic Chinese actors' access to global finance. A tentative outcome of this process of accessing global finance is the increasing reshaping and opening of ethnic Chinese business networks to include *non-Chinese actors*, who can bring in both international reputation and competitive advantage to the traditional organization of business activities in Chinese capitalism.

Whereas these four dimensions of change have undoubtedly exerted significant pressures for reshaping Southeast Asian Chinese capitalism, their collective impact does not necessarily lead to the demise of a form of economic organization that has taken many decades to evolve. Indeed, it is reasonable to argue for some degree of *continuity* and path dependency in Southeast Asian Chinese capitalism, such that a compromised scenario – a hybridized form of capitalism – is likely to emerge. What then are the likely dimensions of ethnic Chinese capitalism in Southeast Asia that remain relatively enduring either in their *structures* or in their *discursive reconstruction*? Here, I consider three particular dimensions of continuity in Southeast Asian Chinese capitalism: (1) the family firm as a central element in organizing Chinese capitalism, (2) strategic deployment of 'Chineseness' and Chinese identities, and (3) Chinese culture as discursive resources.

Although I have discussed above the likely recent changes to the ways in which ethnic Chinese organize their business and financial networks in a globalizing era, it must be cautioned that these changes do not necessarily erode the continual significance and viability of the *family firm* as the central organizing unit of Southeast Asian Chinese capitalism (Yeung, 2004). This predominance of the family firm, however, is clearly not unique to Chinese capitalism. In fact, more than 75 per cent of all registered companies in the industrialized economies today remain family businesses and a third of listed companies in the *Fortune 500* have families at their helm (Becht *et al.*, 2003); 43 of Italy's top 100 companies

are family-owned and 26 of France's and 15 of Germany's are also family-owned. In the UK, where ownership was rapidly dispersed throughout the twentieth century, Franks *et al*. (2003) found that founding families retained board control well beyond the sale of their ownership stake (see also Chandler, 1990). According to a recent study of corporate ownership around the world (La Porta *et al*., 1999: 481), even Microsoft Corporation can be classified as a family-owned firm since it is 23.7 per cent controlled by Bill Gates and his family.

In Southeast Asian Chinese capitalism, the family firm is likely to continue as the key organizational platform or 'mode of organizing', in the words of Hamilton (2000), for the accumulation of wealth by ethnic Chinese families that in turn defines the rationality of Chinese capitalism, albeit in culturally specific ways. As Weber ([1930] 1992: xxxi–xxxii; original italics) reminded us some time ago, '[modern] capitalism is identical with the pursuit of profit, and forever *renewed* profit, by means of continuous, rational, capitalistic enterprise'. While historically such 'rational' capitalistic enterprises might not have been developed in mainland China, Chinese capitalism – as I define it in this chapter – is organized around a particular social system of economic action and business activities that manifests itself through complex webs of family networks and personal relationships. It is embedded in a peculiar form of political economy in which the ethnic Chinese rule the 'host' economy and leave the political sphere to the reign of indigenous ethnic groups or colonial masters.

Chinese capitalism is thus organized and coordinated via neither market relations nor hierarchies of 'rational' firms (cf. Williamson, 1975, 1985; Powell, 1990; DiMaggio, 2001). Rather, it encompasses both markets and hierarchies, and configures these capitalist institutions through an informal system of social relationships and family obligations (see Hamilton, 2000). To Brown (2000: 6), 'The major institution within Chinese business has been the family. The family was the source of funds, contacts and managers. The primacy of the family has been maintained in recent decades, despite rapid diversification and international expansion. In many cases, the Chinese firm had no distinct existence outside the family.' While I argue in this chapter that the economic role and functions of the family in Southeast Asian Chinese capitalism are undergoing some significant changes, previous experience and evidence from research conducted on a variety of capitalisms point to the continual viability of the family firm as a central unit of organizing capitalism, irrespective of its ethnic variety and country of origin. While there is some evidence for the decreasing significance of the family firm in ethnic Chinese capitalism (for example Yeung and Soh, 2000; Wong, 2004), there is no convincing reason or evidence to expect the wholesale removal of the Chinese family firm from the Southeast Asian economic landscapes.

What is particularly challenging, though, to academic research into the dynamics of Southeast Asian Chinese capitalism is to understand and to appreciate the *changing ethnic identities*, associated with a whole new generation of ethnic Chinese in Southeast Asia. Decades of cultural assimilation and political integration of ethnic Chinese into most Southeast Asian countries have produced very significant outcomes in relation to their ethnic identities (see Wang, 1981, 2000; Lim and Gosling, 1983; Cushman and Wang, 1988; Suryadinata, 1995, 1997; Bolt, 2000; Yen, 2002; Ma and Cartier, 2003). In fact, most second and third generation ethnic Chinese in Southeast Asia are now considering themselves as Southeast Asians rather than 'overseas Chinese' who still have

some romanticized allegiance to mainland China. This phenomenon of changing national identities among Southeast Asian-born ethnic Chinese differs very much from their ancestors who emigrated to Southeast Asia during the first half of the twentieth century.

Concurrent with this changing dimension of ethnic identities towards national identities, however, is the curious reconstruction of ethnic Chinese identities when these Southeast Asians operate in Asia and beyond. This reconstruction of ethnic identities is deemed necessary when Southeast Asian Chinese invest in mainland China and they need to tap into *guanxi*-based relationship networks by flashing their ethnic identities as 'Chinese'. The revival of Confucianism in Southeast Asia, particularly in Singapore, during the 1980s was very much founded on such belief that 'Chineseness' could help Southeast Asians to profit better from mainland China's opening and growth (see Berger and Hsiao, 1988; Tu, 1996). In fact, Singapore's former Prime Minister, Lee Kuan Yew, was one of the major proponents of such a Confucian revival. In his keynote address to the Second World Chinese Entrepreneurs Convention held in Hong Kong in 1993, Lee identified *guanxi* or personal relationships as an important advantage that 'overseas Chinese' should make use of in order to compete with their 'Western' rivals for capturing business in mainland China (see also Kotkin, 1992; Kao, 1993; Chang, 1995; Lever-Tracy *et al*., 1996; Weidenbaum and Hughes, 1996). He argued that *guanxi* 'can make up for a lack in the rule of law, and transparency in rule and regulations. This guanxi capability will be of value for the next 20 years at least' (quoted in *Far Eastern Economic Review*, 2 December 1993, p. 17; see also *The Business Times*, 6 December 1993). Gomez (2004: 143–4) also reports that the former Malaysian Prime Minister, Mahathir Mohamad, was 'a vocal supporter of Malaysian Chinese tapping into transnational Chinese "networks" to develop their corporate base'.

In truth, while we find an interesting *strategic deployment* of 'Chineseness' and Chinese identities among Malaysian and Singaporean Chinese when they venture into mainland China (see Kong, 1999; Yeung, 2000c; Yang, 2002), we must recognize this form of strategic deployment as an *economic imperative* rather than a cultural revival among ethnic Chinese Southeast Asians. As Wang (1995: 26) points out succinctly, 'the profit basis of the present investments [by Southeast Asian Chinese] in China's development is a totally new basis for the relationship between Southeast Asian Chinese and China. That all investments should be placed on a rational and profitable basis is one to be encouraged and one that deserves very special attention.' Such a strategic deployment of ethnic identities helps to reinforce the continual 'cultural uniqueness' of Southeast Asian Chinese capitalism as distinctively 'Chinese', and yet it brings to the forefront a rather fragile and contingent sense of national identities among most ethnic Chinese Southeast Asians.

Increasingly, these Southeast Asians value their hybrid ethnic/national identities as a specific repertoire of *cultural resources* to be tapped into in different political–economic contexts (see also Ong and Nonini, 1997; Hsing, 2003). A Singaporean Chinese businessman in mainland China, for example, may identify himself as a Chinese when the local Chinese partner prefers to deal with an 'overseas Chinese'. In another context, this Singaporean businessman may prefer to use his Singaporean identity to fence off some requests for bribe and other unethical business practices. Such bicultural or multicultural identities are fairly handy for Chinese Southeast Asians to operate successfully in such a complex and changing business environment as mainland China. In short, the continual

existence of 'Chineseness' in Southeast Asian Chinese capitalism owes much less to its ethnic identity than to the strategic deployment of this identity for economic purposes.

This continuity in Southeast Asian Chinese capitalism brings us to another side of the same coin, the *continual existence of hostility and discrimination* against ethnic Chinese in Southeast Asia. Ironically, the dramatic success of Chinese Southeast Asians in mainland China during the late 1980s and the 1990s was both an asset and a liability to these Southeast Asians and their families. Insofar as their success in mainland China was discursively and triumphantly constructed as the outcome of their reliance on their 'Chinese' identities and ethnic-centric business networks (for example Hamilton, 1991; East Asia Analytical Unit, 1995; Weidenbaum and Hughes, 1996), these Chinese Southeast Asians ran the looming danger of being the prime targets for such accusations as ethnic betrayal of national interest and ruthless exploitation of indigenous Southeast Asians to fuel their foreign ventures. During much of the 1980s and up to the mid-1990s, ethnic tension in Southeast Asia was largely eased through rapid economic development and some success in ethnic redistribution (particularly in Malaysia and Thailand).

The outbreak of the 1997/1998 Asian economic crisis, however, witnessed the ugly return of ethnic hostility and discrimination in Indonesia and, to a certain extent, Malaysia (see Yeung, 2000b). The May 1998 racial riots in Indonesia against ethnic Chinese serves as a serious reminder that ethnic tension remains a highly relevant issue in Southeast Asian Chinese capitalism. Elsewhere in Malaysia, some ethnic Chinese who had previously benefited from political–economic alliances were asked to bail out ailing companies controlled by politically well-connected *bumiputra* Malays. This was part of the state's recapitalization programme through which the state, represented by the National Economic Action Council (NEAC), intended to jump-start economic recovery under conditions of foreign exchange control and restricted global capital flows. Several well-connected Malaysian Chinese actors were specifically asked by Tun Daim Zainuddin, then NEAC Executive Director, to bail out debt-ridden *bumiputra* companies. Among them were Francis Yeoh, the beneficiary of the highly profitable power generating licence (YTL Group), and Lim Goh Tong, who depended heavily on the renewal of his lucrative casino licence to sustain his Genting casino and resort businesses (Gomez, 1999).

In rather ironic ways, the revival of 'Chineseness' among Southeast Asian Chinese in an era of rapid internationalization and the rise of mainland China has produced some unintended consequences that became apparent during and after the Asian economic crisis. More specifically, the continual existence of ethnic tension and hostility in post-crisis Southeast Asia has emerged as an important force in shaping how Chinese culture and identities continue to serve as significant discursive resources for ethnic Chinese in Southeast Asia. It may be rather exaggerated to claim that the kind of 'siege mentality' (Yoshihara, 1988; Redding, 1990), 'refugee mentality' (Kotkin, 1992), 'trader's dilemma' (Menkhoff, 1993) and 'stepping stone syndrome' (Yee, 1989) historically prompting the inward-looking orientation of Chinese capitalism in Southeast Asia may persist in the post-crisis era. But it is certainly possible that Chinese culture and identity will remain an important set of discursive resources for Chinese Southeast Asians, to engage in a form of economic organization that is neither entirely Chinese in its nature and ethnic composition, nor bounded within national political–economic institutional contexts like its counterparts elsewhere (see Hollingsworth and Boyer, 1997; Hall and Soskice, 2001).

CONCLUSION

In this chapter, I have shown how Southeast Asian Chinese capitalism is not a static form of organizing economic activities. While it is a relatively enduring and institutionalized structure, however, it is subject to contextual change and transformations. This claim may appear to be a moot point, but its significance really lies with the fact that much of the literature on the alleged success of 'overseas Chinese' in Southeast Asia – itself mushrooming like a cottage industry – tends to focus on its internal and often 'oversocialized' set of cultural norms in explaining empirical outcomes. This first wave of scholarship on Chinese capitalism was essentially predicated on theoretical constructs and empirical evidence available during the 1970s and the early 1980s. While some of their arguments and findings remain valid in today's globalizing era, it must be noted that the broader context in which Southeast Asian Chinese capitalism is embedded has changed very dramatically. The rapid interpenetration of globalization processes and the rise of mainland China during much of the 1980s and the 1990s have prompted both new theoretical insights and empirical work.

In particular, there is now a growing body of literature on Chinese capitalism that focuses on its *external* dimension (for example Hsing, 1998; Yeung and Olds, 2000; Mathews, 2002; Yao, 2002; Ma and Cartier, 2003; Gomez and Hsiao, 2004; Yeung, 2004). This literature builds on the earlier scholarship on Chinese capitalism and yet departs significantly in its theoretical foundations from its predecessors. Contrary to the earlier views of Chinese capitalism as a form of cultural artefacts that are permanent blueprints for Southeast Asian economies, this new literature seeks to identify the changing contexts of Chinese capitalism, and to analyse its dynamic transformations within these contexts. Taking an institutional and/or actor-network approach, these renewed studies of Chinese capitalism have pointed to its growing hybridization in terms of both economic organization around ethnic Chinese and multiple ethnic identities and mobilization strategies. They have collectively shown that, as a form of hybrid capitalism, Chinese capitalism does not have an essentialized core 'centre' that can be easily identified and explained. Instead, Chinese capitalism contains within itself a curious mixture and interpenetration of what previously were deemed distinctively Chinese elements, and a whole variety of non-Chinese capitalist practices and organizing principles.

One may ask, however, if Southeast Asian Chinese capitalism is really hybridized, what remains distinctive about it? Is it just about hybridity and hybridization? Are we witnessing an emerging and nascent form of Southeast Asian capitalism that is not organized around ethnicity? I have no doubt that these questions will demand very pressing research attention in the near future, and, therefore, cannot be satisfactorily answered here. Suffice it to say that the ongoing change in Southeast Asian Chinese capitalism does not entirely negate all of its distinctive attributes. There are still important features in Southeast Asian Chinese capitalism that sufficiently differentiate it from other forms of capitalism (for example Anglo-American capitalism). In particular, the *supranational organization* of Chinese capitalism, and the much more selective role of *personal and family relationships*, continue to underscore the uniqueness of such a regional form of capitalism. Whether it will survive the competitive and convergence pressures of economic globalization is a debatable issue. But there is no doubt that, as

Chinese capitalism is increasingly engaging with globalizing forces, its core features will be changed and reshaped and its viability depends very much on the usefulness of this mode of economic organization, both to its home countries and to the global economy. As Lim (2000: 12) concludes in her review of the past success, recent crisis and future evolution of Southeast Asian Chinese business,

> Whether Southeast Asian Chinese businesses will survive as independent entities in the long run will depend on their continued ability to be multi-cultural managers of and for others, providing sufficient value that multinationals will continue to see partnerships with them as necessary assets . . . In the long run, Southeast Asian Chinese companies will need to develop firm-specific competitive advantages that extend beyond their location-specific market knowledge, network assets and political connections to survive and prosper in the increasingly globally-integrated regional economy.

This conclusion no doubt carries the usual caricature of Southeast Asian Chinese capitalism as 'comprador capitalists', very similar to Yoshihara's (1988) notion of 'ersatz capitalism', but it also brings us a crucial message for future research into and understanding of Southeast Asian Chinese capitalism: we need to pay as much attention to its internal embeddedness in Southeast Asian countries as to its increasing articulation in the global economy that is both highly uncertain and transformative. These two elements of uncertainty and transformation are currently perhaps the best way to describe and characterize Southeast Asian Chinese capitalism.

NOTES

1. An earlier revised version of this chapter was published in *Asia Pacific Journal of Management*, **23**(3) in 2006. This chapter was first presented at the Symposium on 'China and Southeast Asia: Challenges, Opportunities and the Re-construction of Southeast Asian Chinese Ethnic Capital', 24–6 March 2004, City University of Hong Kong. I would like to thank Vivienne Wee and Kevin Hewison for inviting me to participate in the symposium. The NUS Academic Research Fund (R-109-000-050-112) supports the research underpinning this chapter. I am grateful to Angela Leung for her excellent research assistance. However, I am solely responsible for all errors and misinterpretations.
2. I use 'home' in inverted commas throughout this chapter, because many East and Southeast Asian economies might not be the birthplace for the first and, sometimes, second generations of many ethnic Chinese people.
3. The term 'overseas Chinese' may be contentious to some scholars or ethnic Chinese who are living outside mainland China. The term is related to the Chinese term *huaqiao* (Chinese national abroad) that has been sharply criticized in Southeast Asia for its implications that Chinese born abroad with status as a citizen in another nation are still Chinese in essence. *Huaren* (ethnic Chinese) has become more politically acceptable. In English, overseas Chinese is usually used to include *huaqiao*, *huaren* and residents of Taiwan, Hong Kong and Macau (*tong bao*), who are considered to be compatriots living in parts of the territory of China temporarily outside mainland Chinese control. See Wang (1991, 2000), Bolt (2000) and Ma and Cartier (2003) for the origin and status of ethnic Chinese living outside mainland China. Throughout this chapter, I will refer to 'ethnic Chinese' or to specific groups (for example Singaporean entrepreneurs), rather than 'overseas Chinese' in my discussions of change and continuity in Chinese capitalism. But references to the literature sometimes require the term 'overseas Chinese' to be clear. In such cases, I will use inverted commas to illustrate my discomfort with the term.
4. The term 'mainland China' will be used to denote the People's Republic of China.
5. Interestingly, one may argue that much of mainland China's exports is accounted for by foreign-owned manufacturing firms, some of which are managed and controlled by ethnic Chinese capitalists from East and Southeast Asia.

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