

doch, welchen Zündstoff die Arbeitsmarktpolitik für die chinesische Übergangsgesellschaft in Stadt und Land birgt und wie unzureichend die vorhandenen staatlichen Steuerungsinstrumente sind.

Wolfgang Arlt

### **"Crisis Management – Chinese Entrepreneurs and Business Networks in Southeast Asia"**

Bonn, May 28-30, 1999

In May 1999, the Department of Southeast Asian Studies at the University of Bonn hosted an international conference entitled "Crisis Management – Chinese Entrepreneurs and Business Networks in Southeast Asia" to shed light on the complex and little understood interconnections between Chinese business in Southeast Asia, globalization and the Asian financial and economic crisis triggered by the devaluation of the Thai baht in June 1997. While ethnic Chinese have been the key drivers of the region's rapid economic growth over the past three decades, global market forces, socio-economic and political changes and other external environmental factors are posing new challenges for Chinese business. The dark side of *guanxi*, overexposure to non-productive sectors, paternalistic management methods, resistance to change, the IMF, increased competition, lack of credit, bankruptcies, dependence on western technology, high import bills for components, insufficient branding, legal-political insecurity, eroding alliances with ruling power elites and ethnic conflicts represent some of the critical issues. In view of the latest developments in the region, the conference provided a timely occasion to reassess the role of the ethnic Chinese in Southeast Asia and to examine taken-for-granted assumptions about the strength and uniqueness of what has been termed "Chinese" capitalism, networks and business culture in the age of globalization and global market expansion.

Sponsored by the Deutsche Forschungsgemeinschaft (DFG), and chaired by Solvay Gerke (University of Bonn), Hans-Dieter Evers (University of Bielefeld) and Thomas Menkhoff (National University of Singapore), the conference brought together sociologists, anthropologists, political scientists, economists and geographers from Germany, the Netherlands, the United Kingdom, Singapore, Malaysia, Australia and the USA – all leading scholars on ethnic entrepreneurship, the Chinese overseas and Chinese (business) affairs in Asia Pacific.

The opening ceremony took place at Bonn's impressive historic townhall. Opening addresses were given by Ms Dorothee Pasz-Weingartz, the Mayor of the city of Bonn, Prof. W. Hirdt, Deputy Vice Chancellor of the University of Bonn, Prof. H. Roth, Dean of the Faculty of Arts and Social Sciences, University of Bonn and Singapore's Ambassador to Germany, Prof. Walter Woon. The two keynote papers were read by Prof. Tong Chee Kiong, Dean of the Faculty of Arts and Social Sciences, National University of Singapore ("Networks and Brokers: Singaporeans Doing Business in China") and Prof. Thomas Heberer, Gerhard-Mercator-University of Duisburg, Dept. of Political Science ("Entrepreneurs in China and Vietnam and Their Impact on Social and Political Change").

A total of 11 papers were presented, featuring case studies on China, Vietnam, Singapore, Malaysia, Indonesia and India, concentrating on the following interrelated themes: (a) crisis management, corporate governance and sustainability of Chinese firms and transnational business networks, (b) Chinese network capitalism and connections between myth and reality (c) Chinese business, market expansion and ethnic conflicts.

1. Tong Chee Kiong and Chan Kwok Bun (Dept. of Sociology, National University of Singapore, Republic of Singapore) compared the business conduct of Singaporean and mainland Chinese, contextually organised into "the social", "the oral", "the moral", "conceptions of time" and "the functions/dysfunctions of *guanxi*". Both groups are, to a certain extent, united by some aspects of a shared ethnicity and heritage – origin, language, food, kinship, familism, and religion, but the cognitive and behavioural differences between the two peoples are substantial enough to cause anxiety and discomfort to both parties, now that the Singaporeans have, decades before the Chinese, launched themselves onto the road of development, modernization, and globalization. Singaporeans doing business in China have thus found themselves arbitrating cultural sameness and differentness while interacting with the mainland Chinese – a Singaporean Chinese is like them and not like them; or he is like them now, but not like them later. This ability to oscillate between ethnic and national identities may cast the "hybrid" Singaporean in a new role in a new international order of trade and commerce, that of a cultural broker or "knowledge arbitrator".

2. Thomas Heberer (Dept. of Political Science, Gerhard-Mercator-University of Duisburg, Germany) presented new empirical research data on the private sector in China and Vietnam and its impact on political and social change. He argued that the ongoing privatization process in these countries is mainly a "bottom-up" process and that the private sector is currently the most dynamic economic sector with significant economic, social and political implications. With the help of various statistics and charts, Heberer convincingly demonstrated the rapid emergence and features of this new societal stratum of entrepreneurs who are striving not only for social and political acceptance but also for larger social and political participation. One of Heberer's theses is that private entrepreneurship in both transition economies is context bound and that it accelerates the process of social and political change by economizing politics, developing social stratification, social mobility and a change of values and attitudes.

3. Thomas Menkhoff (Dept. of Sociology, National University of Singapore, Republic of Singapore) outlined the consequences of Asia's new realism on Chinese business in Southeast Asia. He illustrated how the economic downturn has changed public perceptions about Asia's continual growth, the benefits of global capitalism and sustainability of corporations run by Asia's so-called successful "new emperors" as evidenced by the downsize of economic globalization such as currency devaluations or socio-economic disparities, financial troubles of Chinese-owned banks (Malaysia), large numbers of bankruptcies (even in Chinese-dominated Singapore) or ethnic violence directed at ethnic Chinese (Indonesia). Menkhoff also critically examined the implications of globalised concerns that the Asian crisis has

exposed certain "foundational defects of Asian economies" such as "poor regulation of the economy", "a corporate culture that valued neither financial transparency nor stockholder accountability", "nepotism", "influence peddling" and so forth for Chinese capital in the region and provided a preliminary assessment of the on-going corporate restructuring activities as well as the future of Chinese capital in the region.

4. Linda Low (Dept. of Business Policy, National University of Singapore, Republic of Singapore) developed the thesis that there is an unfinished agenda of integration as far as Indonesia's ethnic Chinese are concerned, a situation which has been tolerated and relatively benign for as long as there was economic growth. Low pointed out that there is a certain amount of myth that Indonesia's recent racial and religious riots are all that communal and ethnic based. In a deep recession with growing poverty and income decline, there is simply the great divide between the poor and rich, and it is unfortunate that the groups are respectively the indigenous Indonesians and ethnic Chinese. While acknowledging that socialisation and politicisation can engender racial integration, she stressed that economics can be as powerful an instrument because it offers a practical policy tool to stabilise the environment to make racial integration and finishing the agenda more conducive. Putting the topic into a regional context, she argued that the enlarged ASEAN as a group cannot afford to muddle through any more and that ethnic Chinese as a potent economic force should be appreciated and induced to play its rightful roles.

5. Constance Lever-Tracy (Dept. of Sociology, Flinders University, Australia) developed the proposition that there are different kinds of capitalism in the contemporary globalising, multcentred economic system, distinguishing three main ways of integrating capitalist operations in Asia: through (i) a hierarchical plan, (ii) free market relations and (iii) horizontal networks as in the case of Chinese network capitalism. She stated that all these types have different requirements for effective functioning, different strengths and weaknesses and different paths of development and are likely to degenerate or collapse in different circumstances. Although all capitalist groups make use of and are involved with all three, they do so with different priorities and in different combinations - the Japanese and Koreans leaning towards the first, Western operators in the region tending to rely on the second and diaspora Chinese capital giving preference to the third. Although co-existence between these ways of integrating is ubiquitous, the synergy is unstable as Asia's malaise has shown. A sudden change in the balance, produced by a very rapid increase of short term, anonymous, market directed flows of 'hot money' caused a disjuncture at the interface, which irrupted into an escalating crisis. She concluded that the 'network capitalism' of the Chinese diaspora has been damaged by the temptations of both crony capitalism and of market speculation, but that it has its own enabling resources to survive the crisis and for new winners to emerge.

6. Henry Wai-chung Yeung (Dept. of Geography, National University of Singapore, Republic of Singapore) examined the role of entrepreneurship in the internationalisation of Chinese business firms from Singapore and how they are embedded in *regional* social and business networks. Transnational entrepreneurship continues to play a crucial role in the regionalisation of Chinese family firms from Singapore

driven by two types of entrepreneurs: (1) owner entrepreneurs and (2) manager intrapreneurs. While owner entrepreneurs tend to exploit their social and business networks to take their businesses across national boundaries, manager intrapreneurs require substantial management control and autonomy bestowed on them by their headquarters in Singapore in order to put their entrepreneurial skills into practice in the host countries. Yeung's extensive data originate from an ongoing research project covering 200 parent companies in Singapore and over 50 Singaporean entrepreneurs in Hong Kong, China and Malaysia.

7. Yao Souchou (Dept. of Anthropology, The University of Sydney, Australia) presented a new interpretation of the well-known *guanxi* concept based on his research among Chinese traders in the small township of Belaga in Sarawak, East Malaysia. Unsatisfied with conventional approaches to *guanxi* which emphasise the practice of building economically and political useful relationships upon existing social ties (thus signalling a perfect marriage of sociality and individual gain), he argued that *guanxi* as culturally inscribed in Chinese society represents a special case among a range of possible transactional outcomes. Working from the ideas of British philosopher Austen and anthropologist Appadurai, he argued that the cultural model of *guanxi* is always "diseased" when the mode of transaction is subject to the danger of rupture inherent in the very ideal of "doing business the Chinese way". Instead of harmonious blending of social pleasure and mutual benefits, what characterises *guanxi* exchange among Chinese traders in the Belaga township is the "tension" in reconciling these twin objectives. *Guanxi* in Belaga as in other Chinese communities is neither about social relationship nor about individual gain, but a dialectic relationship of the two. As the former gives not profit, while the later offers only personal gain marked by competitive violence, it is the strategy aimed at harvesting the twin objects which typifies the cultural model of *guanxi*.

8. Jahan Wazir Karim (School of Social Sciences, University Sains Malaysia, Malaysia) delt with one of the many myths about ethnic Chinese entrepreneurs, namely their socio-economic exclusivity. In her paper, she challenged this notion by portraying several examples of successful interethnic business cooperation between Chinese entrepreneurs and Malay businessmen in Malaysia. Contrary to widespread notions of Chinese and Bumiputera business cooperation as being characterized by low trust relations and so forth, her data underlined the prevalence of trust and cooperation in these inter-ethnic business endeavours. It was argued that the old Sino-Nusantara symbiosis prevalent in early forms of rooted capitalism is gradually giving way to one which is more typical of globalistic empires prevalent in late capitalism in the more developed West and that the extensive network of small and medium sized enterprises and industries (forming the backbone to trade and commerce in Southeast Asia) has an important buffer function in regional and global recessions.

9. Based on extensive secondary research, E.T. Gomez (University of Leeds, United Kingdom) examined how Malaysia's largest Chinese-owned enterprises have been developed despite working in an environment that has provided little support for their interests. Gomez challenged popular hypotheses that common ethnic identity, often referred to as form of "Chinese commonwealth" involving a network of many

individual enterprises that share a similar culture, explain much of Chinese business success and that it will facilitate the emergence of a dynamic and globally connected entrepreneurial community by presenting three case studies of Chinese corporations in different sectors of Malaysia's economy: (i) the manufacturing-based Oriental Group, owned by the family of the late Loh Boon Siew; (ii) the Public Bank Group, owned by Teh Hong Piow, and its role in the financial sector; and (iii) the YTL Corporation Group, owned by the Yeoh family, and its involvement in construction and power generation. Gomez concluded that entrepreneurial ability, competency, occupational experience and the use of class resources are more significant in understanding the success of Chinese entrepreneurship and the expansion of networks rather than ethnicity or culture per se.

10. Mario Rutten (NIAS Copenhagen, Denmark / CASA/IIAS Amsterdam, The Netherlands) underlined the usefulness and necessity of a comparative approach to the study of ethnic and small business entrepreneurship. He criticised that both earlier and recent approaches to ethnic and small business are one-sided since they discuss entrepreneurial behaviour in terms of individualism versus co-operation, assuming that some groups are culturally more inclined towards co-operation than others. His study on large farmers-traders and owners of small-scale rural industries in central Gujarat (West India), Muslim owners of small and medium-scale iron-foundries in rural central Java (Indonesia) and Chinese and Malay owners of combine-harvesters and workshops for agricultural machinery in the Muda region of north Malaysia clearly shows that both types of entrepreneurial behaviour are present within one group. Rutten concluded that it is not so much co-operation or individualism which explains successful or unsuccessful entrepreneurial behaviour, but the flexibility to adjust social and economic forms of organisation to changing circumstances in terms of space and time. His Asian case studies are in line with the results of studies on European entrepreneurs which show that both individualism and co-operation have been important in the rise of industrial entrepreneurship in Europe, both at present and in the past. As a result, notions of differences in entrepreneurial behaviour between Asia and Europe have to be "reconsidered" to say the least.

11. Mayfair Yang (Dept. of Anthropology, University of California, Santa Barbara, USA) addressed the post-socialist "hybrid economy" emerging in 1980's and 90's rural Wenzhou located on the southeastern coast of China which combines economic privatization, household industry, entrepreneurial expansion across all China, some transnational capitalist linkages, the continued power of the state, and a revived ritual economy of expenditures in popular religion, community ritual and festival. Borrowing from Georges Bataille's notion of ritual expenditure, she analyzed how ritual economy in rural Wenzhou harbors an archaic economic logic which is at once subversive of capitalist, state socialist, and developmental state principles. These two features of kinship and ritual contribute to a market economy that looks very different from most forms of capitalism we are familiar with. Two consequences of the Asian economic crisis, tighter state tax collection and the lowering of interest rates for savings, simultaneously discourage and promote the expansion of ritual consumption.

The quality of the papers, the different viewpoints of the paper writers regarding the conference subject (who we might simply dichotomize into culturalists and those who interpret culture as being contingent upon time and space) as well as the stimulating opening ceremony, conference setting and professional support ensured interesting, lively and fruitful discussions (despite the almost tropical temperature in the conference room) and thereby a successful conference outcome. Notwithstanding conflicting perceptions of Chinese business conduct, participants agreed that Chinese capital will continue to play a prominent role in the consolidation and further development of Asia despite the current tough business environment and that more research is necessary to do justice to the complexity of the subject. How ethnic Chinese entrepreneurs, their family businesses, conglomerates and networks – who have played a significant role in the regional economic integration of East and Southeast Asia (and increasingly in the context of global market expansion) – adjust to the crisis will be an interesting topic for further research and conference projects. Common sense suggests that the issue of Chineseness and associated ideological activities such as the construction of a Chinese variant of capitalism, the discourse on the 'Asianisation of Asia', the resurgence of the new Asian consciousness and associated notions of Asia's moral and cultural superiority which surfaced during the pre-crisis years will resurface once the crisis is over. This would make the need for more solid cross-cultural, comparative research on ethnic (Chinese) entrepreneurship and business networks even more prevalent.

The organisers are indebted to the sponsor of the conference, the Deutsche Forschungsgemeinschaft (DFG). The grant enabled scholars from various countries to exchange their research findings and to network with each other. Special thanks are also due to the official host of the conference, the University of Bonn, as well as to all speakers, participants and support staff. It is planned to publish the conference papers in 2000 as a monograph by an international publishing house.

Solvay Gerke, Hans-Dieter Evers, Thomas Menkhoff

### **The Hakone Conference 1999: "Recasting international order: The roles of Europe and Japan"**

Trier, La Monaise, May 12-14, 1999

Japan and Europe are facing severe challenges on the eve of the new millenium. Some of them are "home-made": how, for instance, could the domestic economic problems in both parts of the world be overcome? Others relate to international trends which disturb the two regions in a similar way: can they still count on the benevolence of the United States when recognizing alarming signs of domestication of US Foreign Policy in recent years? Other challenges stem from a certain uneasiness relating to the reliability and stability of the international financial system. The shock waves between Thailand and Brazil did not rock the Western shores of the "triade", but what if Shakespeare's saying that "past is prologue" becomes reality?

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\* For a more detailed report see: [http://www.uni-trier.de/fb3/politik/liba/liba\\_for.htm](http://www.uni-trier.de/fb3/politik/liba/liba_for.htm)